California State Senate

COMMITTEE
ON
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL
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Agenda

June 14, 2012
12:00 Noon,Room 4203

2012-13 BUDGET AND TRAILER BILLS

AB1464 - Budget Bill
AB 1465 -Transportation
AB1466 - General Government
AB1467 - Health
AB1470 - State Mental Hospitals
AB 1471 - Human Services
AB 1472 - Developmental Services
AB 1475 - Tax Enforcement
AB 1485 - 2011-12 Supplemental Appropriations Bill
AB 1495 - Budget Act of 2012
AB 1491 - Seismic Safety

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1464**
Author:	**Blumenfield**
As Amended:	**June 13, 2012**
Consultant:	**Keely Martin Bosler**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Budget Act of 2012.

Summary: This bill contains the contents of the 2012-13 Budget Act.

Background: On May 14, the Governor released his May Revision for budget year 2012-13. The Governor indicated the remaining and adjusted General Fund (GF) deficit was $16.7 billion for the two-year period ending June 30, 2013. This included a $1 billion reserve.

In January, the estimated GF shortfall was $10.3 billion – including a $1.1 billion reserve. The budget deficit increased by $6.5 billion since the Governor's initial budget proposal in January. The deficit has increased due to a reduced revenue outlook, higher costs to fund schools, and decisions made by the federal government and courts to block previously-approved budget cuts.

This budget relies heavily on the Governor's May Revision framework that relied primarily on expenditure reductions, as well as passage of a tax initiative on the November 2012 ballot, and additional "trigger" reductions if the initiative is not successful. This budget includes $8 billion in expenditure cuts, $5.9 billion in revenues, and $2.3 billion in other solutions for a total of $16.2 billion in solutions. The budget amendments included in this bill and the accompanying trailer bills will result in approximately $92 billion in expenditures and a reserve of around $500 million in the 2012-13 budget year.

Proposed Law: Overall, this budget adopts the Governor's May Revision framework, with the exception of $1.2 billion in expenditure reductions, primarily to the CalWORKs program, child care, In-Home Supportive Services, Healthy Families, and Medi-Cal. The $1.2 billion in cut restorations are offset by about $900 million in new solutions in this budget plan. The largest alternative solutions include capturing additional property tax increment funds to offset Proposition 98 expenditures pursuant to last year's dissolution of redevelopment agencies (about $250 million), capturing unspent Proposition 98 "reversion" funds to support education programs in the budget year (about $200 million), and adopting a more consistent "rebenching" method for the Proposition 98 budget (about $100 million). The bullets below delineate the major changes to the Governor's May Revision embedded in this budget plan:

- ***CalWORKs:*** The Governor proposed a major restructuring of CalWORKs and major cuts to grants, totaling $880 million. The joint plan does not adopt the restructuring, but cuts a total of $428 million from the CalWORKs program. The cuts include continuing reductions to the single county allocation that have been in place since 2010-11 (these reductions exempt recipients with young children from some requirements of the program, thus saving expenses for child care) and by instituting annual reporting in child-only cases.

- ***Child Care:*** The Governor proposed major reductions to the state's subsidized child care programs, totaling $452 million. The joint plan reduces General Fund expenditures by

$271 million. The bulk of this savings is achieved by consolidating funding for the part-day part-year preschool program funded within the Proposition 98 guarantee and making a commensurate General Fund reduction to the General Child Care Program. In addition, the plan includes $50 million of across-the-board reductions to child care slots that would reduce 6,600 slots.

- ***In-Home Supportive Services (IHSS):*** The Governor proposed $225 million in reductions to the IHSS program through a 7 percent across-the-board reduction in hours of service provided to recipients, and reductions to services for recipients in shared-living arrangements. The joint legislative plan cuts a total of $90 million from IHSS through continuation of existing 3.6 percent reduction in hours, which was set to expire on June 30 and other proposals to reduce caseload and maximize federal funding. In addition, the budget assumes larger savings in the out-years from the state being successful in appeals of previously-authorized cuts that are currently before the federal courts.

- ***Cal Grants:*** The Governor proposed a total of $292 million in cuts to the Cal Grant higher education student financial assistance program. The joint plan adopts a total of $55 million in cuts to Cal Grants by accepting the Governor's proposal which would set limitations on eligibility for Cal Grants based on an institution's graduation and loan default rates. In addition, the joint plan accepts the Governor's proposal to reduce the Cal Grant award levels for private institutions (non-profit and for-profit), but the joint plan phases the implementation of the cut beginning in 2013-14 so that it would apply only to future Cal Grant recipients.

- ***Other Restorations:*** The joint plan restored much smaller amounts for some other proposed cuts, including cuts to the Healthy Families program, the AIDS Drug Assistance Program, and community health clinics. In addition, the joint Legislative budget also restores $10 million to open two new veterans' homes.

This plan relies on the Department of Finance revenue estimates, and is predicated on the passage of the Governor's tax proposal. The Governor's tax proposal is a Constitutional amendment that would raise the personal income tax and the sales and use tax on a temporary basis. Together, the proposed increase in the two taxes is expected to raise an additional $8.4 billion through the budget year, representing $2.9 billion to schools and community colleges and $5.5 billion for General Fund benefit. The measure would also permanently dedicate revenues to local governments to pay for public safety programs realigned in 2011.

The plan assumes the state will receive $8.4 billion in additional personal income tax and sales tax revenue from the Governor's tax initiative on the November ballot, of which $5.5 billion will be used to balance the budget. (The remaining $2.9 billion will grow the Proposition 98 guarantee for schools.)

In the event that the voters do not approve the Governor's tax proposal in November, the Legislature's joint plan, like the Governor's, includes a series of trigger cuts. These cuts are detailed below:

2012-13 Trigger Cuts (in millions)

Program Area	**May Revision Amount**
K-14 Education (Proposition 98)	$5,493.6
University of California	250.0

California State University	250.0
Courts	0.0
Developmental Services	50.0
Department of Forestry and Fire Protection	10.6
Local Water Safety Patrol	10.6
Flood Control	6.6
Public Safety-Fish & Game, Park Lifeguards and Rangers, Department of Justice	6.0
Total	$6,076.8

Fiscal Effect: The fiscal impact of the contents of this and associated trailer bills is to achieve $16.2 billion in budget solutions. As of the May Revision, the Governor estimated that the state had a deficit of $16.7 billion, which includes a $1 billion reserve. This budget would result in approximately $92 billion in expenditures and approximately a $500 million reserve.

Support: Unknown

Opposed: Unknown

Comments: Overall, this version of the budget prioritizes K-12 education, higher education, and public safety. Significant reductions were made in the health and human services areas, but in many cases, alternative cuts were found that mitigate the harshest of these reductions. Most areas of the budget saw significant expenditure reductions.

Expenditure reductions are 50 percent of the overall solution to balancing the budget. This plan includes $8.0 billion in expenditure reductions by adopting the vast majority of the Governor's proposed cuts.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1465**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Mark Ibele**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Various Transportation Funds

Summary: This bill provides for budgetary solutions by allowing for borrowing from and the shift in certain revenues to the General Fund, as well as other related provisions.

Background: Current law allows for truck weight fees to be transferred to the General Fund to pay for eligible debt service and provides that gasoline excise taxes backfill the State Highway Account for the reduction in revenues. Current law allows for General Fund borrowing from available resources of specified funds. Department of Transportation must publish information about projects in newspapers or trade publications.

Proposed Law: This bill is the Transportation Trailer Bill for the 2012-13 budget and includes provisions necessary to provide for General Fund solutions. The bill includes the following provisions:

1. **Transfers Weight Fees to the General Fund.** The bill would result in the shift of additional truck weight fees to the General Fund to pre-fund out-year debt service for eligible General Obligation Bonds. Current law allows for truck weight fees to be transferred to the General Fund to pay for eligible current debt service and the bill would extend the allowed transfer to include future bond payments. Both types of transfers, current year and out-year, provide for General Fund budget benefit the year that the transfer is made. This shift in weight fees results in additional General Fund relief of $385 million in the budget year.

2. **Transfers Certain Revenues to the General Fund.** The bill would direct that excise taxes that are generated from gasoline purchased for certain uses be directed to the General Fund for the next three years. Beginning in 2015-16, these funds will be transferred to the State Highway Account. This provision results in additional General Fund relief of $184 million in 2011-12 and $128 million in 2012-13.

3. **Provides for A General Fund Loan from the Motor Vehicle Account.** Allows for a loan to the General Fund from the Motor Vehicle Account of $432 million, resulting in a commensurate General Fund solution. The bill directs the loan to be repaid by June 30, 2016.

4. **Allows Website Postings by Department of Transportation.** The bill would allow Department of Transportation to post to its website, public advertising notices regarding projects, in lieu of publication in newspapers or trade publications

Fiscal Effect: The bill provides for General Fund relief of $1.1 billion assumed in the 2012-13 budget package.

Support: Unknown

Opposed: Unknown

Comments: This bill provides the necessary statutory references and changes to enact the 2012-13 budget components related to transportation funds.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1466**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Brady Van Engelen**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: General Government Omnibus Trailer Bill

Summary: Statutory changes necessary to implement the General Government related provisions of the Budget Bill.

Proposed Law: This bill includes the following key changes necessary to implement the General Government related provisions of the Budget Act:

National Mortgage Settlement Proceeds. Creates a deposit fund for the receipt of certain direct payments from the National Mortgage Settlement. Allows the Director of Finance, in accordance with legislative intent, to offset General Fund expenditures during the 2011-12, 2012-13, and 2012-14 fiscal years.

Deletes Requirement for State Controller to perform review of Airport Fee Audits. Deletes the requirement for the State Controller to review independent audits necessary to collect specified fees related to rental car companies and customer facilities. The independent audits will still be a requirement prior to an airport entity collecting the specified fee.

Revision of the Commission of the Status of Women and Girls. Restructures the mission and construct of the Commission on the Status of Women and Girls.

Oversight and Audit Responsibilities of the Department of Finance. Ensures that the Department of Finance retains its internal oversight audit responsibilities.

Authorize the sale of CADA properties. Authorizes the Department of General Services to sell specified parcels of property that are leased by the department to the Capital Area Development Authority. The proceeds of the sale would be deposited into the General Fund or the Deficit Recovery Fund.

DNA Penalty Assessment. Increases the amount of state-only penalty to $4 for every $10, or part of $10 of those payments for specified criminal offenses. Funds are utilized to fund the operations of the Department of Justice forensic laboratories.

Proposition 1B Transit and Waterborne Programs. Enhances oversight responsibilities of the disposition of Proposition 1B related funds by the California Emergency Management Agency and allow for CalEMA to take into account when funding projects the ability of a project to expend funds within a specified timeframe.

Commission on Uniform State Laws. Consolidates the Commission on Uniform State Laws within the Legislative Counsel Bureau.

Elimination of the Fair Employment and Housing Commission. Consolidates the Fair Employment and Housing Commission within the Department of Fair Employment and Housing and constructs a council within the Department that would conduct public hearings and take regulatory action when necessary. Also allows the courts to award reasonable attorney's fees and costs to the Department. Creates a special fund for the deposit of awarded costs that, upon appropriation by the Legislature, transfer to the General Fund or support departmental functions.

Eliminate Technology Services Advisory Board. Repeals provisions establishing the Technology Services Board. Currently, the Secretary of the California Technology Agency is required to submit the proposed rates of the Office of Technology Services' to the board for consideration. The Secretary is also required to submit any rate change to the Department of Finance.

Technology Agency Project Oversight. Enables the California Technology Agency to develop and apply uniform criteria on high risk projects in order to reduce project risk and the potential for cost increases.

Eliminate the Electronic Funds Transfer Task Force. Eliminates a Task Force that was responsible for devising a plan on the development and implementation of a new payment dispersal system using electronic funds transfer technology. AB 1585 (Chapter 7, Statutes of 2010) defined the report as obsolete thus making the Task Force mission obsolete.

CVSO Funding and Review. Revises the formula utilized by the Department of Veterans Affairs to ensure that a more qualitative rather than quantitative measure is utilized to disburse funds to support County Veteran Service Officer related operations.

Negotiated Process for the California Technology Agency. Allows the California Technology Agency to utilize a negotiated process on Information Technology related procurement contracts if certain criteria are met.

Transfer State Mediation and Conciliation Services to Public Employment Relations Board. Makes the necessary conforming, technical changes to statue to effectuate the transfer of the State Mediation and Conciliation Service from the Department of Industrial Relations to the Public Employment Relations Board. This is one several government efficiency proposals contained in the 2012 Budget Act. This request has a net-zero budget impact between the two budget items but results in the reduction of one limited-term position.

University of California Capital Outlay Interim Financing Costs Reimbursement by the Public Works Board. Authorizes 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. Under current law, reimbursement is limited to only the principal amount financed. With this 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.

Department of Industrial Relations Reorganization: Consolidated Public Works Enforcement. Eliminates the Division of Labor Statistics and Research and establishes consolidated public works enforcement within the Division of Labor Standards Enforcement within the Department of Industrial Relations. This is one several government efficiency proposals contained in the 2012 Budget Act. This consolidation will result in the reduction of one position and on-going savings of $231,000 GF.

Employment Development Department: Automated Collection Enhancement System Technical Statutory Clean-up. Provides for the necessary "clean-up" to remove from statute the Franchise Tax Board's authority to collect delinquent accounts for the Department of Industrial Relations (DIR). This statutory authority is no longer needed; as of January 31, 2012, the Employment Development Department's Automated Collection Enhancement System is collecting all delinquent accounts for DIR.

California Unemployment Insurance Appeals Board Reforms. Reduces the size of the California Unemployment Insurance Appeal Board by two members (from a total of seven to five) and increases the qualifications of the Board members to require that they, at a minimum, be an attorney and have one year of experiences in conducting judicial hearings or five years of experience in the practice of law. This is one of several government efficiency proposals contained in the 2012 Budget Act. The proposal also retains the Board level review of the appeals caseload and eliminates vacant positions; when combined with the reduction in the size of the Board, results in savings of $1.2 million (other funds) in 2013-14 and on-going.

Administrative Costs for Financial Information System for California. Modifies the definition of administrative costs to include amounts expended by the Financial Information System for California (FI$CAL). Administrative costs are defined as amounts required for supervision and administration of state government for services to state agencies. Existing law requires the Department of Finance to determine, and the Controller to notify, a state agency of the amount deemed to be the fair share of administrative costs due and payable from each state agency.

Credit Enhancement Fees. Deletes the sunset date for language that places a 3-percent cap on amounts appropriated for fees, costs, and other similar expenses incurred in connection with any credit enhancement or liquidity agreement on bonds payable from the State's General Fund. After the June 30, 2013 sunset, the cap will fall to 2 percent. The cap was temporarily raised to 3 percent in budget legislation adopted in 2009. Market conditions could necessitate retention of the 3-percent cap and allow flexible overall terms possible for State borrowing.

Voluntary Investment Program. Allows local governments, school districts and special districts to deposit money into a fund within the state treasury for the state to use for cash flow purposes.

Repeal of the Filipino Employee Survey Mandate. Repeals the Filipino Employee Survey Mandate, a state mandate that had been suspended since 1990.

Financial Information Systems for California. Improves annual legislative reporting requirements for the Financial Information System for California, including benefits from the project that were achieved during the reporting period, and updates on the progress of meeting specific project objectives.

Fiscal Effect: This bill should not result in any changes to the budget act in related budget actions.

Support: Unknown

Opposed: Unknown

Comments: This bill provides the necessary statutory references to enact the 2012-13 budget related to General Government.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1467**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Michelle Baass**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Budget Act of 2012

Summary: This is the Omnibus Health Trailer Bill for 2012-13. It contains necessary changes to enact modifications in the Budget Bill for 2012-13 to achieve over $430 million in General Fund savings. It makes the following key changes:

1. **California Children's Services (CCS) Program and Educationally Related Therapy.** This bill requires that all services assessed and determined as educationally necessary by the Individualized Education Program (IEP) team and contained in the child's IEP shall be provided in accordance with the federal Individuals with Disabilities Education Act (IDEA), rather than the CCS program. This change provides for $24.6 million in savings ($12.2 million General Fund and $12.4 million county funds). This reflects that 5,352 children would now be covered using special education funds with annual cost per child at a Medical Therapy Unit (MTU) of $4,595. This estimate is based on 75 percent (or 10,705) of the 14,273 children with an IEP receiving therapy at an MTU that is included in their IEP and of these children, 50 percent (or 5,352) of therapy is included in the IEP and covered under federal special education law.

2. **Extends the CalOHII Sunset Date.** This bill extends the sunset date of the California Office of HIPAA (CalOHII) from January 1, 2013 to June 30, 2016, so that continuing and changing federal Health Insurance Portability and Accountability Act (HIPAA) requirements are effectively implemented within the state.

3. **California Health Facilities Financing Authority (CHFFA) Competitive Grant Program.** This bill creates a competitive grant program with $6.5 million from CHFFA's reserve for one or more projects to demonstrate new or enhanced methods of delivery of health care services to improve access and health outcomes for vulnerable populations or communities, or both that are effective at enhancing health outcomes and improving access to quality health care and preventive services. Those funds not awarded as a competitive grant would revert back to the fund balance on January 1, 2020.

4. **Transfers Direct Health Service Programs to DHCS.** This bill transfers three direct services programs from the Department of Public Health (DPH) to the Department of Health Care Services (DHCS) effective July 1, 2012. These programs are the Every Women Counts (EWC) Program, the Prostate Cancer Treatment Program, and the Family Planning Access Care and Treatment (FPACT) Program. These programs would be transferred to the Health Care Benefits and Eligibility Division at DHCS.

   These three programs provide direct health care services to individuals and have eligibility requirements designed to serve low-income Californians, thus aligning more closely with the scope of services provided by DHCS. Additionally, as federal health care reform is implemented, the transferring of these programs to DHCS will facilitate a more seamless transition to Medi-Cal enrollment and maximize opportunities to leverage federal Medicaid funds to cover the costs currently supported with state funds.

5. **Establishes the Long-Term Care Quality Assurance Fund.** This bill establishes the Long-Term Care Quality Assurance Fund effective August 1, 2013. Revenues from the AB 1629 nursing home quality assurance fee, Intermediate Care Facility/Developmental Disabilities (ICF/DD) quality assurance fee, ICF/DD transportation/day care quality assurance fee, and freestanding pediatric subacute facility quality assurance fee would be deposited into this fund.

6. **Eliminates the Genetically Handicapped Persons Program (GHPP) Advisory Committee.** This bill eliminates the GHPP Advisory Committee. This committee was established in the 1970s and has never convened.

7. **Establishes Office of Health Equity.** This bill creates the Office of Health Equity (OHE) at the Department of Public Health (DPH). The OHE is a consolidation of functions of the Office of Women's Health at the Department of Health Care Services (DHCS), the Office of Multicultural Services at the Department of Mental Health, the Office of Multicultural Health at DPH, the Health in All Policies Task Force at DPH, and the Healthy Places Team at DPH.

   The OHE would take a more comprehensive and integrative approach to address the issues of health and mental health disparities and inequities and promote healthy communities.

8. **Department of Public Health – Special Fund Efficiencies.** This bill eliminates the Retail Food Safety and Defense Fund and directs the deposit of user fees (about $21,000) for retail food related activities collected by the Department of Public Health (DPH) to the existing Food Safety Special Fund. This bill also eliminates the Recreational Health Fund and Program which was set to sunset in 2014, as work has been completed by DPH.

9. **Seismic Retrofitting Notification Date.** This bill provides for a six month extension (from March 2012 to September 2012) by which hospitals need to notify the state on seismic retrofitting to reflect agreements associated with the hospital quality assurance fee.

10. **Creates a New Deputy Director for Mental Health and Substance Use Disorders Services at DHCS.** This bill creates a new Deputy Director for Mental Health and Substance Use Disorders Services at DHCS. This position is subject to confirmation by the Senate.

11. **Transfers Caregiver Resource Centers Program to DHCS.** This bill transfers the Caregiver Resource Centers program from the Department of Mental Health to DHCS, as the Department of Mental Health is eliminated in the 2012 Budget.

12. **Changes to the Mental Health Services Act.** This bill transfers Mental Health Service Act (MHSA) functions from Department of Mental Health (DMH) to the Department of Health Care Services (DHCS) and the Office of Statewide Health Planning and Development (OSHPD). Requires county mental health program and expenditure plans to be adopted by the county board of supervisors and submitted to the Mental Health Services Oversight and Accountability Commission (OAC), and requires county plans to be certified by the county mental health director and the county auditor controller as complying with the MHSA. Authorizes the OAC, in collaboration with DHCS and in consultation with specified entities, to work in designing a comprehensive joint plan for a coordinated evaluation of client outcomes in the community-based mental health system, and requires the Health and Human

Services Agency (Agency) to lead this comprehensive joint plan effort. Permits prevention and early intervention funds to be used to broaden the provision of community-based mental health services, and codifies Innovation Program project requirements.

13. **Medi-Cal: Closes Prior Supplemental Funds for Disproportionate Share Hospitals.** This bill adds sunset dates for the following special funds that are no longer used:
    - The Emergency Services and Supplemental Payments Fund
    - The Medi-Cal Medical Education Supplemental Payment Fund
    - The Large Teaching Emphasis Hospital and Children's Hospital Medi-Cal Medical Education Supplemental Payment Fund
    - The Small and Rural Hospital Supplemental Payments Fund

14. **Medi-Cal: Rates for Non-Contract Hospitals.** This bill extends the Rogers Amendment sunset date from January 1, 2013, to July 1, 2013, for capitation rates (known as Rogers Rates) paid to non-contract hospitals for emergency inpatient and post-stabilization services provided to Medi-Cal managed care plan (Plan) enrollees.

    Specifically, this code section is based on federal law and regulation (known as the Roger's amendment) that requires state Medicaid Programs (Medi-Cal) to establish separate payment amounts for emergency services and post-stabilization services. The intent of the law is to establish a basis for Medi-Cal Managed Care Plans to make reasonable payments to Hospitals who are "out-of-network" for these services. Historically, some hospitals have litigated payments from Managed Care Plans that were high enough for the federal CMS to determine them to be unreasonable for the services provided.

15. **Medi-Cal: Provides for Supplemental Payments to Primary Care Providers.** This bill conforms to the federal Affordable Care Act which requires Medi-Cal to increase certain physician primary care service rates to no less than 100 percent of the Medicare rate for specific services beginning January 1, 2013 to December 31, 2014. For services furnished during this time period, the federal Centers for Medicare & Medicaid Services (CMS) provides for 100 percent federal funding for the differential between Medi-Cal baseline rates (the level of payment in effect on July 1, 2009) and Medicare rates. Regular federal matching applies for any payment amounts above the minimum requirement or for any increases necessary to achieve the July 2009 rate.

16. **Medi-Cal: County Administration Suspension of Cost-of-Doing-Business.** The Budget Bill reflects a reduction of $13.1 million (General Fund) by eliminating the cost-of-doing-business for Medi-Cal eligibility administration conducted by the counties. This bill contains language for this suspension.

17. **Medi-Cal: California Medical Assistance Commission transfer to DHCS.** This bill creates a transition plan for the staff of the California Medical Assistance Commission (CMAC) and redirects the twelve non-commissioner positions, in their exempt status, to DHCS on July 1, 2012. These positions would be funded with $658,000 General Fund and $657,000 federal funds.

    The CMAC staff will continue to operate the Selective Provider Contracting Program (SPCP) until the new inpatient hospital payment system based on diagnosis-related groups (DRG) is implemented. Upon implementation of the DRG payment system, the twelve exempt positions will be abolished, at which point the CMAC staff shall be transferred into civil service classifications, for which they are eligible, within DHCS.

18. **<u>Medi-Cal: Laboratory Services Rate Reduction.</u>** This bill provides DHCS with the authority to establish a reimbursement rate methodology for setting Medi-Cal rates of reimbursement for clinical lab services provided to Medi-Cal beneficiaries. The proposed methodology would develop rates that are based on the lowest amounts other payers are paying for similar clinical laboratory services. Until the implementation of the new methodology, payments for clinical laboratory services would be subject to an additional 10 percent provider payment reduction. This achieves $7.7 million in General Fund savings.

19. **<u>Medi-Cal Copays for Non-Emergency Emergency Room Usage.</u>** This bill makes the definition of emergency and nonemergency services for purposes of copays consistent in law. The budget includes the implementation of a $15 copayment for non-emergency use of the emergency room (ER). This copayment would be implemented in the managed care setting and would not apply to those who are in the Family Planning, Access, Care, and Treatment program. The hospital would collect the $15 copayment from enrollees at the time of service, and the hospital would be reimbursed the appropriate Medi-Cal reimbursement rate minus the $15 copayment. This copay would result in $7.1 million General Fund savings in the budget year.

20. **<u>Medi-Cal: Redirect Unpaid Hospital Stabilization Funding.</u>** This bill redirects all unpaid private and nondesignated public hospitals' stabilization funding for fiscal years 2005-06 through 2009-10 (including the extension period of the Medi-Cal Hospital/Uninsured Demonstration through October 31, 2010) for purposes of General Fund savings. Of the $54.7 million unpaid funding, $11.89 million will be paid to a hospital that incorrectly received underpayments in 2005-06 and 2006-07. The difference, $42.8 million, would be used to offset General Fund expenditures.

21. **<u>Medi-Cal: Changes Non-Designated Public Hospitals Payment Methodology.</u>** This bill changes the reimbursement methodology of non-designated public hospitals (NDPHs). Currently, NDPHs receive either the California Medical Assistance Commission (CMAC) negotiated per diem rates or cost-based reimbursement for inpatient Medi-Cal fee-for-service (FFS). These reimbursements are paid with 50 percent General Fund and 50 percent federal funds. With the proposed change in methodology, NDPHs would be funded for their inpatient Medi-Cal FFS in the same manner as Designated Public Hospitals in that they would use their certified public expenditures (CPEs) to draw down federal funds. This would result in $94.4 million General Fund savings (as General Fund would no longer be used to reimburse NDPHs).

    In addition, qualified NDPHs receive supplemental reimbursements from the NDPH Supplemental Fund, which is funded with 50 percent General Fund and 50 percent federal funds. This supplemental reimbursement would no longer be available, resulting in a General Fund savings of $1.9 million.

    Finally, NDPHs would no longer be eligible for the supplemental payments authorized by AB 113 (Statutes of 2011), which are funded by intergovernmental transfers and federal funds.

    These changes would be contingent on DHCS receiving federal approval (via a waiver amendment) to increase Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Pool (DSRIP) funding available to California. The additional funds would be made available to NDPHs to offset their uncompensated care costs and to support their efforts to enhance the quality of care and the health of the patients and families they serve. NDPHs are currently not eligible for these funds.

22. **Medi-Cal: Changes Hospital Quality Assurance Fee Allocations.** This bill changes hospital quality assurance fee revenue allocations for a total of $150 million General Fund savings. These changes include:
    - Redirecting $150 million in hospital fee revenue in 2012-13 to the General Fund. This revenue was intended to fund supplemental payments to private hospitals by managed care plans.
    - Redirecting $95 million in fee revenue in 2013-14 to the General Fund. Under current law, this funding would be provided to managed care plans ($75 million would have supported supplemental payments to private hospitals and $20 million for supplemental payments to designated public hospitals).
    - Eliminating direct grants to designated public hospitals in 2013-14 ($21.5 million) and would instead use the funds for children's health coverage under Medi-Cal.

23. **Medi-Cal: Rollover of Unexpended Public Hospital Waiver Funds.** This bill provides a mechanism for the state to retain 50 percent of the federal funding attributable to the Health Care Coverage Initiative (HCCI) rollover that would have gone to Designated Public Hospitals (DPHs). There is a total of $218 million in rollover. This would result in $100 million in General Fund savings in 2012-13.

    Designated Public Hospitals (DPHs) would voluntarily utilize their certified public expenditures (CPE) to claim the additional Safety Net Care Pool Uncompensated Care (SNCP) and allow the state to obtain 50 percent of this federal funding. This proposal relies on DPHs spending their CPEs to draw down federal funds, of which the state is proposing to take 50 percent.

    Additionally, this bill would allow the state to utilize DPHs' excess certified public expenditures to achieve its designated General Fund savings of $400 million for SNCP.

24. **Medi-Cal: Increases Interest Rates on Medi-Cal Overpayments.** This bill requires DHCS to assess interest against Medi-Cal provider overpayments at the Surplus Money Investment Fund (SMIF) rate or seven percent per year (annum), whichever is higher. The legislation would also require DHCS to pay interest at the same rate to a provider who prevails in an appeal of a payment disallowed by DHCS. This would result in $1.5 million ($750,000 General Fund) savings in 2012-13 and $3 million ($1.5 million General Fund) savings in 2013-14.

25. **Medi-Cal: Medi-Cal Dental Managed Care – Sacramento and Los Angeles counties.** This bill provides for the establishment of a stakeholder advisory committee to provide input on the delivery of oral health and dental care services in Sacramento County. It also provides the Director of DHCS with the authority to establish a beneficiary dental exception process in which Medi-Cal beneficiaries mandatorily enrolled in dental health plans in Sacramento County can move to fee-for-service Denti-Cal. This bill also establishes a list of performance measures to ensure that dental health plans meet quality criteria.

26. **Medi-Cal: Default Assignment Algorithm.** This bill directs DHCS to consult with the Auto Assignment Performance Incentive Program stakeholder workgroup to develop cost factor disregards related to safety net providers. The budget includes the addition of health plan costs as a factor in the default assignment algorithm and achieves $2.4 million General Fund savings.

27. **<u>Medi-Cal: Medi-Cal Electronic Health Records Incentive Payment Program.</u>** This bill allows up to $200,000 General Fund to be used for state support of the Medi-Cal Electronic Health Records Incentive Payment Program.

28. **<u>Medi-Cal: Expand Medi-Cal Managed Care to Rural Counties.</u>** This bill provides for the expansion of Medi-Cal managed care into the 28 rural counties that are now fee-for-service. This proposal would result in General Fund savings of $2.7 million in 2012-13.

29. **<u>Medi-Cal: Low Income Health Program and Public Hospitals.</u>** Current law allows Low Income Health Programs (LIHPs) to be reimbursed under a capitated model. It also requires an LIHP to agree to a capitated rate with DHCS during a given demonstration year. That rate may then be implemented retroactively back to the first day of the demonstration year if it is agreed upon during the same demonstration year.

    Public hospital systems are evolving their Low Income Health Programs from fee-for-service to risk-based programs to using capitated rates. This bill contains technical language to preserve the state's option under the existing 1115 Medi-Cal Waiver with the federal government to utilize a capitation rate under the LIHP. It is necessary to take this action before June 30, 2012.

30. **<u>Medi-Cal: Hospital Quality Assurance Fee Accounting.</u>** This bill allows hospitals to book hospital quality assurance fee revenue generated from fee-for-service for accounting purposes without having to wait for federal approval of the managed care component of the hospital quality assurance fee.

31. **<u>Cash Flow Loan for County Medical Services Program (CMSP).</u>** This bill would permit the Director of Finance to approve no more than $100 million General Fund in cash flow loans in fiscal years 2012-13 and 2013-14 for County Medical Services Program (CMSP) Governing Board expenditures associated with a Low Income Health Program (LIHP) operated by the CMSP Governing Board. Any cash flow loans made would be considered short term and would not constitute General Fund expenditures. The loans and their repayment would not affect the General Fund reserve. Interest on this loan would be charged at the Pooled Money Investment Account rate.

    The CMSP Governing Board elected to administer a LIHP; however, due to the fiscal challenges its member counties currently face, it requires a loan to bridge the time between when it will be required to pay out its first claims and when federal funds will begin to flow back to the program. This proposal would allow the CMSP Governing Board, upon approval from the Director of Finance, access to a cash flow loan of no more than $100 million over two fiscal years, 2012-13 and 2013-14, in order to ensure the Board's ability to maintain a financially solvent LIHP.

32. **<u>Transition of Ryan White Clients to the Low Income Health Program.</u>** This bill strengthens consumer protections for Ryan White Clients (e.g., AIDS Drug Assistance Program clients [ADAP]) as they transition to the Low Income Health Program. It requires the Department of Public Health and the Department of Health Care Services to consult with community representatives to obtain expert advice on policy decisions regarding the transition of clients living with HIV/AIDS from Ryan White funded programs to LIHP. This bill also requires the Department of Public Health to report to the Legislature if the assumptions it used to determine the transition of ADAP clients to LIHP may result in an inability to provide ADAP services to eligible ADAP clients.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1470**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Joe Stephenshaw**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Budget Act of 2012: State Hospitals

Summary: Provides for statutory changes necessary to enact the State Hospital provisions of the Budget Act of 2012.

Background: This is the State Hospitals Budget Trailer Bill. It contains the necessary changes to enact the Budget Act for 2012-13, as follows:

1. **Establishes the Department of State Hospitals (DSH)**
   Consistent with the transfer of community mental health functions to other state departments, primarily the Department of Health Care Services, makes various technical statutory changes necessary to eliminate the Department of Mental Health (DMH) and establish the DSH, which will have the singular focus of providing oversight, safety, and accountability at the state's five mental health hospitals and other psychiatric facilities. The majority of the amendments contained in this bill consist of changing statutory references to DMH to DSH. In addition, various obsolete reporting requirements are eliminated.

2. **Increases County Bed Rate**
   Establishes that, if a county has not contracted with the DSH by July 1 of any given fiscal year, that each monthly reimbursement shall be an amount equal to one-twelfth the number of beds provided to the county the previous fiscal year multiplied by the current state rate. This allows DSH to recover, from counties, a greater share of the cost of housing civil commitments and results in GF savings of $20 million in 2012-13.

3. **Expands the Incompetent to Stand Trial (IST) Program (IST)**
   Provides for expanded authority to treat IST patients in county jails rather than in state hospitals. In 2007, a pilot program to test a more efficient and less costly process to restore competency for IST defendants by providing services in county jails, in lieu of providing them within state hospitals, was established in San Bernardino County. The LAO estimates that the state achieved approximately $1.2 million in savings from the San Bernardino County pilot project. Expanding this program will result in $3 million in GF savings in 2012-13.

4. **Deletes the Time Cap on Exception to Treatment for Probable Cause Sexually Violent Predators**
   For the purpose of Department of Public Health Licensure, removes a six-year limit for suspending treatment for probable cause sexually violent predators at Coalinga State Hospital, allowing for an indefinite suspension.

5. **Legislative Intent for Staffing**

States the Legislature’s intent that any changes in staffing ratios at the state’s mental hospitals address adequate staff and patient safety standards, and that staffing ratios may vary based on patient acuity.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1471**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Jennifer Troia**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Budget Act of 2012: Human Services Omnibus

Summary: Contains the necessary statutory and technical changes to implement the Human Services provisions of the Budget Act of 2012.

Proposed Law:

This bill includes the following provisions

1) **Child Support Payment Trust Fund:** For the 2012-13 fiscal year only, authorizes money in the Child Support Payment Trust Fund accounts to be invested in specified securities or alternatives that offer comparable security, including mutual funds and money market funds. The provision does not authorize an investment or transfer that would interfere with the objective of the Child Support Payment Trust Fund.

2) **Continues Suspension of Child Support Incentive Payments:** Extends the suspension of performance and health insurance-related incentive payments to local child support agencies (LCSAs) through the 2014-15 fiscal year. Existing law, in the absence of a suspension, would award the ten highest performing counties with an additional share of collections and require the state to provide payments to LCSAs of $50 per case for obtaining 3rd-party health coverage or insurance of Medi-Cal beneficiaries.

3) **Continues Suspension of Fingerprint Fee Exemption:** Extends the suspension of a prohibition on the state charging fees for fingerprinting in order to conduct background checks of applicants for licenses to operate specified community care facilities that serve children.

4) **Changes to Implementation Date for Sales Tax on Support Services:** Delays the date when the state can implement existing law related to the extension of the sales tax to apply to support services (i.e., homecare)- from July 1, 2010 to January 1, 2012. Under existing law, corresponding supplementary payments would be made to specified providers of those services.

5) **Repeals Sections Related to Statewide Eligibility and Enrollment Processing:** Repeals a statute that was enacted as part of the 2009 Budget Act that required the Administration to develop a statewide eligibility and enrollment determination process for the California Work Opportunity and Responsibility to Kids (CalWORKs), Medi-Cal, and Supplemental Nutrition Assistance Program (SNAP, also known as CalFresh or food stamps) programs, and directed the development of a comprehensive plan with respect to a centralized eligibility and enrollment process. Subsequent statutes changes related to the Statewide Automated Welfare System have obviated these requirements. Thus, this repeal resolves potential statutory conflicts with respect to the state's information technology systems and enrollment processes.

6) **Reduction to CalWORKs Single Allocation:** Permanently extends a reduction to the CalWORKs Single Allocation that has been in effect during each of the last three fiscal years (while lowering the reduction from $375 to $327 million GF annually). The Single Allocation funds welfare-to-work employment services, Stage 1 child care, and the counties' implementation of specific program administration responsibilities. Over the last few years, and again in the provisions of this bill, the reduction has been accompanied by welfare-to-work exemptions for parents with young children (one child under the age of two or two children under the age of six). This bill would also continue to allow counties flexibility to redirect funding between specified employment assistance and substance abuse treatment funding sources.

7) **Phase-in and Reporting Related to Cal-Learn Program:** Restores the operation of intensive case management services provided through the Cal-Learn program within CalWORKs. State funding for these services was suspended during the 2011-12 fiscal year. From July 1, 2012 to March 31, 2013, inclusive, authorizes counties to provide full or partial year funding, depending on the pace of their progression to full implementation, by April 1, 2013. Additionally requires the Department of Social Services (DSS) to annually report specified information related to the program to the budget committees of the Legislature. The phase-in approach included in this bill provides for savings in 2012-13 of approximately $5 million GF.

8) **Moratorium on Group Home Rate-Setting:** Permanently extends the moratorium on the licensing of new group homes or approvals of specified changes for existing providers, with some allowable exceptions. This moratorium was initially established as a part of the 2010 Budget Act. New provisions further limit, for one year, exceptions for any programs with rate classification levels below 10 to those associated with a program change.

9) **Cost-of-Living Adjustment for Dual Agency Rates:** Requires annual adjustment by changes in the cost of living (as measured by the California Necessities Index) of rates payable for care and supervision of children who are dually eligible for the Child Welfare Services and Developmental Services systems. This change is consistent with changes made last year to foster family home and related rates in response to litigation. Under the provisions of this bill, the change to dual agency rates would begin retroactively with the 2011-12 fiscal year.

10) **Repeal of Medication Dispensing Machine Pilot:** Repeals statute that required the Department of Health Care Services (DHCS) to establish a medication dispensing machine pilot project for certain at-risk Medi-Cal recipients. This pilot project was also associated with a reduction, with some exceptions, in authorized hours of service for In-Home Supportive Services (IHSS) recipients that would have been triggered if savings from the pilot had not been achieved. This bill would repeal both of these policies.

11) **Extension of 3.6 Percent Reduction in Authorized IHSS Hours:** Extends, for the 2012-13 fiscal year, an existing reduction of 3.6 percent in authorized IHSS hours that is otherwise scheduled to sunset on July 1, 2013. This reduction is anticipated to save approximately $58.9 million GF in 2012-13.

12) **Criminal Offender Record Information (CORI) Sharing:** Authorizes local public authorities or nonprofit consortia to share Criminal Offender Record Information (CORI) background reports with DSS in specified circumstances. More specifically, allows the public authority or nonprofit consortia to share this information when an individual who is

applying to become an IHSS provider has requested from the department an exception to a prohibition on his/her ability to become a provider because of his/her criminal record.

13) **Rate-setting for IHSS Public Authorities:** Extends by one year, to the 2013-14 fiscal year, the required time by which DSS, in consultation with designated stakeholders, must develop a new rate-setting methodology for estimating the costs of public authorities with respect to administration of specified requirements related to the state's IHSS program.

14) **Rehabilitation Appeals:** Eliminates the Rehabilitation Appeals Board, which currently serves as the entity which hears appeals by applicants for, or clients of, programs provided by the Department of Rehabilitation. Instead provides for fair hearings to be held before an impartial hearing officer and establishes standards, training, and due process requirements related to those fair hearings.

15) **Kids' Plates Funding:** Amends existing requirements related to distribution of funds in the Child Health and Safety Fund that are derived from the *Have a Heart, Help Our Kids* specialized license plate program (Kids' Plates). Specifically, redirects $501,000 from child abuse and injury prevention programs to support specific Department of Social Services' (DSS) responsibilities related to child day care licensing.

16) **Child Welfare Services Automation System:** Requires DSS to use specified funding included in the 2012 Budget Act for the next steps necessary to move forward with the recommendation of the Child Welfare Automation Study Team (CWAST) to proceed toward procuring a new information technology system to replace the existing Child Welfare Services/Case Management System (CWS/CMS). Further, requires the Office of Systems Integration (OSI) and the department to report the results of these activities, in addition to key milestones and anticipated timelines, to the Legislature by March 1, 2013, for review during 2013 budget hearings.

17) **Assessment of Automation Costs:** Requires DSS and OSI to have a qualified 3rd party conduct a cost-reasonableness assessment of specified costs related to changes in the Statewide Automated Welfare System (SAWS). More specifically, requires this assessment with respect to costs that will be proposed by the project vendor in order to consolidate two of the state's three existing consortia systems into one new consortium (leaving the state with a two-consortium system). This migration will consolidate data and functionality for the counties currently served by Consortium-IV into the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System, which is newly being developed. The cost reasonableness assessment is intended to assist the state in determining whether the proposed overall costs for this migration are within range of reasonableness, based on specified factors.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1472**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Jennifer Troia**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Budget Act of 2012: Developmental Services

Summary: Contains necessary statutory and technical changes to implement to the Developmental Services provisions of the Budget Act of 2012.

Background: The Department of Developmental Services (DDS) administers services for persons with developmental disabilities. The services are provided in the community through 21 Regional Centers and also in state-run Developmental Center institutions (DCs). Services and supports provided range from day programs to transportation or residential care. Determination of which services an individual consumer needs is made through the process of developing an Individualized Program Plan (IPP) (or Individual Family Service Plan if the consumer is an infant/toddler three years of age or younger).

Individuals with developmental disabilities have a number of residential options. Ninety-nine percent of DDS consumers receive community-based services and live with parents or other relatives, in their own houses or apartments, or in group homes (of various models) designed to meet their medical or behavioral needs. Another approximately 1,800 individuals reside in four state-operated DCs and one state-operated community facility. Consistent with national trends that support integrated services and reduced reliance on state institutions, California has been reducing its use of DCs as a placement for individuals with developmental disabilities for several decades.

Due to lower than anticipated revenue projections, the Department of Finance announced in December 2011, that DDS's 2011-12 budget would be reduced by $100 million General Fund (GF) in accordance with A.B. 121, Chapter 41, (Statutes of 2011). The proposed budget for 2012-13 includes the full year impact of the revenue trigger reduction for DDS of $200 million GF. Several of the policy changes necessary to implement this reduction are included in the provisions of this bill.

Proposed Law:

This bill includes the following provisions:

1) Consistent with federal requirements, provides that the use of private health insurance to pay for early intervention services for infants and toddlers with disabilities under the California Early Intervention Services Act and Part C of the federal Individuals with Disabilities Education Act may not result in the loss of benefits due to an annual or lifetime health insurance cap, may not negatively affect the availability of health insurance for the individual or family, and may not be the basis for increasing health insurance premiums for the individual or family.

2) Decreases reliance on developmental centers (DCs), residential facilities for which federal Medicaid funding is not available, and out-of-state placements through several measures, including those detailed below, which are intended to redesign services for individuals with challenging service needs. This redesign is anticipated to result in savings of $20 million GF annually.

   a) Establishes a statewide resource service to track specialty services and coordinate with regional centers, and prioritizes the development of specialty resources, including regional community crisis homes, when allocating community placement plan funding.

   b) Requires regional centers to complete, by December 31, 2015, comprehensive assessments of specified developmental center residents residing in a DC on July 1, 2012, and provides that the assessments shall be shared with IPP teams to assist in determining the least restrictive environment for the consumer.

   c) Expands the availability of adult residential facilities for persons with special health care needs to consumers of any regional center moving from a DC; and, with prior DDS authorization, to consumers of any regional center not residing in a DC who meet the requirements for admission if: i) there is a vacancy; ii) no DC resident from any regional center meets the requirements for admission; and iii) the placement is necessary to protect the consumer's health or safety.

   d) Establishes new restrictions on admissions to DCs by limiting them to individuals with developmental disabilities who are:

      i) Committed by a court to Porterville DC for secure treatment:

         (1) For the attainment of mental competence, pursuant to Penal Code provisions pertaining to persons determined to be incompetent to stand trial for criminal offenses;

         (2) After involvement with the criminal justice system, a determination of incompetence to stand trial, and a finding that the individual is dangerous to himself, herself, or others; or,

         (3) For the attainment of mental competence pursuant to Welfare and Institutions Code provisions pertaining to juvenile offenders;

      ii) Committed by a court to Fairview DC due to an acute crisis, as defined; or,

      iii) Released from a DC on a provisional placement of up to 12 months and have an automatic right of return to the DC during the period of provisional placement.

   e) Requires regional resource development program determinations that admittance to a DC is necessary due to an acute crisis, as defined, to include a regional center report detailing all considered community-based options, excluding out-of-state placements and specified placements that are ineligible for federal Medicaid funding, and an explanation of why those options cannot meet the consumer's needs at the time of the determination.

   f) Establishes assessment and transition planning requirements, including timelines, following court-ordered DC admissions due to an acute crisis.

g) Limits court-ordered DC admissions due to an acute crisis to six months unless specified conditions are met and the committing court extends the commitment for an additional period, not to exceed a total commitment period of one year. Permits an additional 30-day extension only if the regional center demonstrates significant progress toward implementing the consumer's transition plan and extraordinary circumstances exist beyond the regional center's control preventing the regional center from obtaining the identified services and supports within the timeline specified in the plan.

h) Revises provisions governing court-ordered DC placements and stays of individuals with developmental disabilities (pursuant to Welfare and Institutions Code Section 6500 et seq.), to conform to the admission criteria and time limits for placements at Fairview DC due to an acute crisis, or Porterville DC secure treatment program based on a determination of dangerousness to self or others.

i) Prohibits regional centers from purchasing out-of-state services without prior DDS authorization, and limits authorization to six months, with a possible six-month extension based on a determination that the consumer's needs cannot be met in California. Requires regional centers to submit, by December 31, 2012, a transition plan for all consumers residing out of state as of June 20, 2012, for whom the regional center is purchasing services.

j) Prohibits regional centers from purchasing residential services from a mental health rehabilitation center unless the facility is eligible for federal Medicaid funding; or has an approved plan in place to transition to a Medicaid-eligible program structure within specified timeframes; or, in the event of an emergency when alternative, federally eligible services cannot be located, for no longer than six months.

k) Prohibits regional centers from purchasing residential services from an institution for mental disease (IMD) for which federal Medicaid funding is not available, except in emergencies, subject to specified assessment and transition planning requirements. Requires comprehensive assessments prior to the consumer's next scheduled IPP meeting for any consumer residing in an IMD as of July 1, 2012.

l) Authorizes certain facilities, with residents no younger than 10 years of age, to utilize delayed egress devices in combination with secured perimeters under specified conditions when approved by a state department and in accord with emergency regulations promulgated by the Department of Developmental Services (DDS).

m) Requires annual reporting to the Legislature by DDS, with input provided by regional centers, on the outcomes of various measures to reduce reliance on DCs, residential facilities for which federal funding is not available, and out-of-state placements.

3) Authorizes the use of technology, including telecommunication, when feasible and recommended by the IPP team to facilitate better and cost-effective services. Restricts the use of technology in lieu of a consumer's in-person appearance at judicial proceedings or administrative hearings to only circumstances in which the consumer (or, when appropriate, the consumer's legally authorized representative) has provided informed consent. These provisions are anticipated to result in savings of $2.0 million GF.

4) Deletes provisions of current law requiring independent assessments of consumers receiving supported living services who have supported living costs, or an initial recommendation for service costs, that exceed 125% of the annual statewide average cost. Instead, requires that IPP teams complete a standardized assessment questionnaire at specified times to assist in

determining whether the supported living services provided or recommended are necessary, sufficient, and cost-effective. Requires the questionnaire to be developed with input from regional centers and other stakeholders and posted on the DDS Web site by June 30, 2012. These provisions are anticipated to result in net savings of $4.2 million GF.

5) Reduces, from July 1, 2012, until June 30, 2013, payments to Regional Centers and providers of specified services by 1.25 percent. A payment reduction of three percent was initiated in 2009. It was increased to 4.25 percent on July 1, 2012 and is scheduled to sunset June 30, 2012. This bill would instead extend the reduction for one additional year, but at a lower amount. This provision is anticipated to result in savings of $30.7 million GF.

   Correspondingly, this bill extends authorization for temporary modifications of personnel requirements, functions, or qualifications, or staff training requirements, as well as prescribed annual review and reporting requirements for affected providers, until June 30, 2013. Also suspends specified regional center staffing level and staff expertise requirements until June 30, 2013.

6) Requires DDS and each regional center to annually report and post on its Web site purchase-of-service authorization, utilization, and expenditure data, by regional center, with respect to race or ethnicity, age, primary language, and disability, and requires each regional center to meet with stakeholders in a public meeting regarding this data.

7) Establishes the intent of the Legislature that if a reduction of $50 million to the developmental services system is triggered by a specified provision of the Budget Act during the 2012-13 fiscal year, the impacts of that reduction should be kept as far away as possible from the direct services and needs of DDS consumers. To that end, the bill identifies a variety of strategies that might assist the Department in carrying out that intent. Additionally, this bill requires the Department to consider input from prescribed stakeholders as necessary to develop savings proposals related to this trigger.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1475**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Mark Ibele**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Budget Act of 2012: Tax Administration and Compliance.

Summary: This measure makes various changes to state laws regarding tax administration and compliance necessary for the implementation of the Budget Act of 2012.

Background: Under current law, the state is authorized to issue a withholding order for taxes to collect an outstanding state tax liability, including any penalties, accrued interest, and costs in accordance with state law and regulation. Currently, "state tax liability" is defined to mean an amount for which the state has a state tax lien created pursuant to specified provisions. Under existing law, the Franchise Tax Board imposes certain penalties in connection with tax avoidance and partially conforms to federal law in this respect, but not with respect to erroneous refund claims. Current law requires multistate corporations to apportion income among the states based on specified criteria. From 1993 through 2010, corporations were required to apportion income using a four-factor formula based on the relative proportion in California of property value, payroll cost and sales revenue (weighted twice). Current law allows the Franchise Tax Board to use automatic data exchanges to identify accounts of delinquent tax debtors held at financial institutions doing business in California.

Proposed Law: This bill includes the following provisions:

1. **Changes the Ability of Franchise Tax Board to Impose Earnings Withholding**. Expedites and reduces the costs associated with the earnings withhold process by expanding the term "state tax liability" to include any liability under the Personal Income Tax Law, Corporation Tax Law, or specified franchise and income tax provisions that is due and payable and that remains unpaid. The proposal would save the administrative costs associated with recording a lien. It would also allow the tax agency to collect tax liabilities that are over 10 years old. (Tax debts over 10 years old expire unless renewed by recording a lien.) The change is expected to result in additional General Fund revenues of $11 million in the current year and $27 million in 2012-13.

2. **Imposes a Penalty on Certain Erroneous Refund Claims.** Alters state tax law to achieve additional conformity with federal law by imposing a penalty for filing an erroneous claim for refund, when the claim lacks a reasonable basis. The corresponding federal treatment imposes a penalty if a claim for refund is made for an excessive amount unless there is a reasonable basis for the claim. The measure would close a loophole in the general accuracy-related penalty framework by imposing a penalty is equal to 20 percent of the excessive amount. The new policy is intended to further restrict the potential use of refund requests when the reason for refund is not substantiated. The estimated revenue impact is $1 million in 2011-12 and $3 million in 2012-13.

3. **Confirms Existing Law with Respect to the Apportionment of Income.** Confirms that current law with respect to apportionment of corporation income is pursuant to an

original return, repeals all provisions related to the Multistate Tax Compact resulting in budgetary savings of about $0.5 million, and adopts non-inference language regarding this action.

4. **Expands the Use of a Financial Institution Records Match.** Authorizes the expansion of the Financial Institutions Records Match (FIRM) program to the Employment Development Department and Board of Equalization. The 2011 Budget Act authorized the Franchise Tax Board to operate and administer FIRM and utilize automated data exchanges to identify accounts of delinquent tax debtors held at financial institutions doing business in California. The Franchise Tax Board estimated that the use of FIRM would generate $30 million in additional General Fund revenues in 2011-12. Expanding the FIRM program to tax programs administered by the Employment Development Department and Board of Equalization is expected to result in additional General Fund revenues of $4 million in 2011-12 and $11 million in 2012-13.

Fiscal Effect: The measure will result in additional General Fund revenues of $16 million in 2011-12 and $41 million in 2012-13.

Support: Unknown

Opposed: Unknown

Comments: This measure would facilitate the collection of tax liabilities that remain unpaid by changing the existing earnings withholding procedures; imposing a penalty on the filing of refund claims with no reasonable basis; confirming the income apportionment method for multistate corporations; and expanding the existing Financial Institutions Records Match program from Franchise Tax Board to include taxes programs administered by the Employment Development Department and the Board of Equalization.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1485**
Author:	**Committee on Budget**
As Amended:	**June 14, 2012**
Consultant:	**Peggy Collins**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Budget Act of 2011: Supplemental Appropriations

Summary: This bill appropriates $1.1 billion General Fund to the Department of Corrections and Rehabilitation ($295.4 million), Department of Mental Health ($41.8 million), Department of Health Care Services ($759.6 million), and Mariposa and Lassen counties ($125,436).

Background: The Budget Act of 2011 appropriated specific amounts from the General Fund for the support of state government. This bill contains funding necessary to address deficiencies in the 2011 Budget Act. The proposed funding in this measure has been approved by the Department of Finance (DOF) and reviewed by the Joint Legislative Budget Committee (JLBC).

Proposed Law: This bill includes the following provisions:

1. Appropriates $295.4 million General Fund to augment the 2011 Budget Act for the Department of Corrections and Rehabilitation (CDCR) to address a shortfall in the Receiver's Medical Services Program. Included in this amount is:
    a. $163.2 million to address the Receiver's inability to realize the savings associated with a 10 percent unallocated budget reduction included in the 2011 Budget Act;
    b. $86 million to address a structural deficiency in the pharmaceutical budget; and
    c. $46.2 million to address increased custody costs related to the transportation of prisoners to and from medical appointments and supervision while at medical appointments.

2. Appropriates $41.8 million General Fund to augment the 2011 Budget Act for the Department of Mental Health (DMH) associated with increased operating costs. Included in the amount is:
    a. $147.5 million associated with patient-related activities (such as enhanced observation of patients and admission assessments) and costs associated with the redirection of staff toward Civil Rights for Institutionalized Persons Act (CRIPA)-related activities. DMH and the United States Department of Justice entered into a Consent Judgment in 2006 requiring state hospitals to implement numerous corrective actions for CRIPA violations;
    b. $13.9 million to address costs associated with increased patient caseload related to the Coleman lawsuit settlement which required improved mental health services to CDCR prisoners; and
    c. $119.6 million in additional savings associated with a decrease in the projected state hospital caseload, implementation of the state hospitals savings plan, and increased reimbursements.

3. Appropriates $759.6 million General Fund to augment the 2011 Budget Act for the Department of Health Care Services (DHCS) for costs primarily associated with unrealized savings anticipated by the 2011 Budget Act. These include:
    a. $346.8 million to address costs associated with a court injunction barring the implementation of provider rate reductions;
    b. $511.1 million to address costs associated with the failure to obtain federal approval to implement copayments in the Medi-Cal program; and
    c. $98.3 million in various adjustments within the Medi-Cal local assistance budget that result in a net savings.

4. Appropriates $125,436 General Fund to counties requesting reimbursement of qualified homicide trial costs. These claims have been approved by the State Controller. Included in this amount is:
    a. $6,508 to Mariposa County for the case of "*People v. Cary Stayner;*" and
    b. $118,928 to Lassen County for the cases of "*People v. Joanna Lynne McElrath*" and "*People v. Robin Glenn James.*"

Fiscal Effect: Appropriates $1.1 billion General Fund in the current year. This appropriation is assumed in the proposed 2012 Budget Act. Any unencumbered funds will revert to the General Fund.

Support: None on file

Opposed: None on file

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1495**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Jennifer Troia, Brady Van Engelen, Catherine Freeman**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Budget Act of 2012

Summary: Contains necessary changes to implement the Budget Act of 2012.

Proposed Law:

1) **Mortgage Settlement Funds:** Authorizes a loan of $50 million from the National Mortgage Settlement deposit fund to the General Fund. These funds would be utilized to offset Department of Justice costs. This is a $50 million dollar reduction to the total amount of the loan that was previously included in the proposed 2012 Budget Act.

2) **State Highway Account Loan Repayment:** Rejects the proposed delay in the repayment of existing $150 million and $135 million loans from the State Highway Account to 2014, leaving the current repayment dates in place.

3) **State Highway Account Loan:** Institutes a new loan from the State Highway Account of $50 million that would be repaid by June 30, 2016, upon order of the Director of Finance.

4) **CalWORKs:** Recognizes $104.8 million General Fund savings from streamlining administration of the CalWORKs welfare-to-work program in cases where families are receiving assistance on behalf of children only (with no aided adults). Under existing law, counties are required to annually redetermine the children's eligibility for CalWORKs benefits. The adult who is receiving the assistance on behalf of the children is, however, required to report to the county, orally or in writing, specified changes that could affect the amount of aid to which the children are entitled. Recent legislation (AB 6, Chapter 501, Statutes of 2011) requires counties to convert from this quarterly to a semi-annual reporting system (SAR) no later than October 1, 2013. The savings reflected in this bill assume that the frequency of reporting in these cases would instead become annual.

5) **Beverage Container Recycling Fund:** Rejects the proposed delay of $99.4 million Beverage Container Recycling Fund loan payments from the 2003 and 2006 budget acts.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	**AB 1491**
Author:	**Committee on Budget**
As Amended:	**June 13, 2012**
Consultant:	**Brady Van Engelen**
Fiscal:	**Yes**
Hearing Date:	**June 14, 2012**

Subject: Continued funding for the Alfred E. Alquist Seismic Safety Commission

Summary: Statutory changes necessary for the continued funding of the Seismic Safety Commission.

Background: Existing law provides for the Seismic Safety Account within the Insurance Fund. Funds within the account may be appropriated by the Legislature to support the activities of the Seismic Safety Commission and certain administrative costs incurred by the Department of Insurance. Existing law provides for assessments levied against certain insurers to be deposited within the Seismic Safety Account. The provisions establishing the Seismic Safety Account and authorizing these assessments is set to expire on July 1, 2012.

Proposed Law: This bill would make the following changes:

Continued funding for the Seismic Safety Commission. Requires the Department of Insurance to calculate an annual assessment to be charged to each commercial and residential property exposure based on specified factors. Requires the insurer to collect the assessment and remit it to the Department of Insurance unless the insurer elects to pay the assessment on the insured's behalf.

Fiscal Effect: Budget Bill Language has been included in the 2012 Budget Act that would be implemented if this measure does not receive the necessary votes for passage. The adopted budget bill language would allow the Department of Finance to augment the Seismic Safety Commission's budget by $923,000 in General Fund in the event that fee revenue is no longer available to cover the costs to support the commission."

Support: Unknown

Opposed: Unknown

Comments: This bill provides the necessary statutory references for the continued existence of the Alfred E. Alquist Seismic Safety Commission. This bill would extend the operation of these provisions indefinitely. This bill is subject to a 2/3 vote.