



COMMITTEE ON BUDGET & FISCAL REVIEW  
Room 5019, State Capitol  
Sacramento, CA 95814

SENATOR MARK LENO, CHAIR

**MAJOR ACTION REPORT**

June 27, 2012

The purpose of this Major Action Report is to provide a review of the budget proposal adopted by the Legislature on June 27, 2012.

If you have additional questions, please contact the Committee at (916) 651-4103.

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## 2012-13 Budget Agreement

### Budget Problem Definition

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. Thus, the state’s budget deficit had increased by \$6.5 billion since the Governor’s initial budget proposal in January. This increase was primarily 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.

Despite the recent erosions in the budget condition, the Governor and the Legislature have made significant progress in shrinking the state’s ongoing budget shortfall. One year ago, the gap was \$20 billion, and the current estimates of the ongoing structural shortfall are around \$8 billion. The proposed budget agreement is summarized below

### General Fund Budget Summary (\$ millions)

<i>Category</i>	<i>2011-12</i>	<i>2012-13</i>
<b>Prior Year Balance</b>	-\$ 2,684	-\$ 2,882
<b>Revenues and Transfers</b>	86,829	95,887
<b>Total Expenditures</b>	87,027	91,498
<b>Fund Balance</b>	-2,882	1,507
<b>Reserve for Liquidation of Encumbrances</b>	719	719
<b>Special Fund for Economic Uncertainties</b>	-\$ 3,601	\$ 788

### Balanced Approach to the Budget

The Senate adopted most of the Governor’s May Revision framework which relied primarily on expenditure reductions and passage of a tax initiative on the November 2012 ballot, and additional “trigger” reductions if the initiative is not successful. Since the Legislature passed the Budget Bill on June 15, there have been additional changes within the overall budget framework, as outlined below and discussed in more depth in individual sections of this report. These changes met the Governor’s broad parameters with respect to balance, reserves, levels of reductions, and policy objectives.

In reconciling actions between the Senate and the Assembly, and through discussions with the Administration, the agreed-upon budget plan results in a balanced budget for the 2012-13 fiscal year. The summary below shows the magnitudes and the types of solutions to bring the budget into balance.

**Approved Solutions in the Budget Package (\$ millions)**

<i>Solution</i>	<i>2011-12</i>	<i>2012-13</i>
<b>Expenditure Reductions</b>	324.4	7,586.6
<b>Additional Revenues</b>	3,197.0	2,836.3
<b>Other Solution</b>	411.7	2,106.1
<b>Total</b>	3,951.1	12,529.0

As a result of the compromises and strategic decisions that were made, the budget results in an improvement to the state’s bottom line reserve over the current year.

**Budget Eliminates the Structural Deficit**

The budget compromise projects positive reserves over the next three fiscal years and will eliminate the state’s chronic \$8 billion annual operating shortfall each year. Certain additional actions incorporated since the budget bill was adopted on June 15, 2012 have benefited the out-year fiscal picture. This is because many of the additional actions in the plan provide ongoing benefit to the state’s budget. These include, additional suspensions of mandate repayments, reductions in special fund borrowing, and making certain revenue shifts permanent. The out-year impacts of the budget plan, according to Department of Finance, are summarized below.

**Summary of Final Budget (\$ millions)**

<i>Category</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
<b>Starting Problem</b>	-15,962	-8,304	-7,740	-5,642
<b>Expenditure Reductions</b>	7,929	4,317	3,554	3,794
<b>Additional Revenues</b>	6,033	4,267	4,429	4,723
<b>Other Solutions</b>	2,518	-272	-197	-539
<b>Total Solutions</b>	16,480	8,311	7,787	7,977

**Budget Balanced Mainly Through Expenditure Reductions**

Overall, the Legislature’s 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. The budget plan includes \$7.9 billion in solutions, and adopts the vast majority of the Governor’s proposed cuts.

While the plan makes cuts to virtually every area of state government, the final compromise plan does restore some of the Governor’s proposed cuts, primarily to the Cal Grant program, child care, and the CalWORKs program. In addition, while in many cases the plan adopts cuts of the same or nearly the same value as those proposed by the Governor, the plan modifies the cuts or prioritizes services somewhat differently than the Governor’s proposal.

## Major Expenditure Reductions

The final budget compromise contains numerous difficult spending cuts. The major expenditure reductions are listed below:

- ***CalWORKs.*** The budget compromise includes \$469 million in reductions to the state's welfare to work program (CalWORKs). This reduction is mainly achieved by a significant reduction to welfare-to-work services in the budget year. However, the compromise also makes significant ongoing changes to the program that cut in half the amount of time a welfare recipient can receive welfare-to-work services. This policy change would have the end result of significantly reducing aid to some families that were not able to get back to work in the two-year period.
- ***Major Reductions to Judicial Branch.*** The budget compromise contains \$544 million in reductions to the Judicial Branch. This includes a significant reduction to the trial courts, a delay in courthouse construction, and administrative savings at the Administrative Office of the Courts.
- ***Significant Reduction to State Prison System.*** The 2011 Public Safety Realignment allowed for the state to reduce the state prison population. That reduction, along with a package of reforms included in the 2012-13 budget, will allow the state to save \$1 billion in the state prison system in 2012-13.
- ***Dual Demonstration Project and Long-Term Care Integration.*** The budget compromise contains \$612 million in savings from merging service delivery for those who are eligible for both Medi-Cal and Medicare and integrating In-Home Supportive Services into managed health care. This savings is achieved by a one-time deferral, but over time this proposal will reduce costs and improve coordination of services.
- ***Reductions to Public and Private Hospitals.*** The budget compromise contains \$345 million in savings from various proposals that provide budgetary savings related to public and private hospitals.
- ***In-Home Supportive Services (IHSS) Program.*** The budget continues a 3.6 percent reduction in hours to IHSS recipients. This action results in \$59 million in the budget year.
- ***Child Care.*** The budget proposal includes an 8.7 percent across the board reduction to child care slots to save \$80 million in the budget year. The compromise also suspends the statutory cost-of-living allowance saving \$30 million in the budget year.
- ***Cal Grant Awards for Non-Public Institutions Reduced.*** The budget contains \$55 million in reductions to the Cal Grant program by restricting eligibility to those institutions that have less than a 30 percent graduation rate and a loan

default rate of more than 15.5 percent. This action mainly impacts for-profit schools. The final proposal also includes grant reductions starting in 2013-14, including eliminating grants for renewing students choosing to remain enrolled at ineligible institutions and reducing initial awards at non-public institutions for additional out-year savings.

- ***Suspends and Does Not Fund Mandates on Local Government.*** The budget proposes to suspend certain mandates on local governments for savings of approximately \$729 million in the budget year. This savings continues for the next two years from a continual suspension of payments on these mandated activities.

## Temporary Taxes and Trigger Cuts

The budget compromise 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.)

### Trigger Cuts Absent New Revenues

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. The trigger is contained in Control Section 3.62 of AB 1497 and the Education trailer bill, SB 1016. These cuts are detailed on the following page:

#### 2012-13 Trigger Cuts (in millions)

Program Area	May Revision Amount
K-14 Education (Proposition 98)	\$5,356.0
University of California	250.0
California State University	250.0
Developmental Services	50.0
Local Public Safety Grants	20.0
Department of Forestry and Fire Protection	10.6
Local Water Safety Patrol	5.6
Flood Control	6.6
Public Safety-Fish & Game, Park Lifeguards and Rangers, Department of Justice	6.0
Total	\$5,954.8

## K-12 EDUCATION

### 6110 CALIFORNIA DEPARTMENT OF EDUCATION

#### K-14 -- Proposition 98 Overall

- **Maintains Current Year Spending Levels.** Maintains the Governor's proposed current year level of spending for K-14 education at **\$47.8 billion**. This provides education with nearly \$900 million above the revised minimum guarantee of \$46.9 billion in 2011-12, which has fallen mostly due to declines in anticipated state revenues. The budget repurposes this over-appropriation to schools by simply reclassifying funds; however, these adjustments do not change the overall funding level for K-14 education in the current year.
- **Increased Funding in Budget Year.** Provides a Proposition 98 minimum guarantee of approximately **\$53.6 billion** for 2012-13, which reflects an increase of **\$6.7 billion** above the revised 2011-12 funding level for K-14 education -- assuming passage of the Governor's tax initiative. Although revenues have fallen below estimated levels, year-to-year changes in revenues have increased and this results in higher maintenance factor payments that in turn drive increases in Proposition 98 funding.
- **Reduction of Inter-Year Payment Deferrals.** Provides **\$2.3 billion** to reduce inter-year, payment deferrals for K-14 education beginning in 2012-13. This increase will provide roughly **\$2.1 billion** for K-12 schools and nearly \$210 million for community colleges to reduce these deferrals.
- **Major Mandate Funding Reforms Adopted.** Provides an additional **\$110 million** -- for a total of **\$200 million** -- to implement a modified version of the Governor's May Revise mandate block grant funding proposal in 2012-13.
- **Governor's Major Education Finance Proposals Not Endorsed.** The Legislature did not adopt the Governor's larger education finance reforms, in the form of the K-12 Weighted Pupil Formula and increased flexibility for the Community Colleges in 2012-13.
- **K-14 Trigger Reductions.** The budget includes **\$5.4 billion** in "trigger reductions" effective January 1, 2013, for K-14 education, if the Governor's November 2012 tax initiative is not passed by statewide voters. These trigger provisions include the following reductions to K-14 programs:
  - Eliminates approximately **\$2.3 billion** in repayments of deferrals being made as part of the 2012-13 budget package, with about \$2.1 billion and \$210 million of that total attributed to K-12 schools and community colleges, respectively;



- Enacts programmatic reductions of approximately **\$3.1 billion** by paying general obligation debt service and the Early Start Program from the Proposition 98 guarantee, with approximately \$2.7 billion and \$340 million of that total attributed to K-12 schools and community colleges, respectively (under current law, both of these obligations are paid for with non-Proposition 98 General Fund);
- Authorizes K-12 schools to reduce the school year by **an additional 15 days** – beyond the five days currently authorized – in 2012-13 and 2013-14. This would allow schools to reduce the instructional year to **160 days** in each of these two years; and
- Authorizes the Chancellor of the California Community Colleges, as approved by the Department of Finance, to reduce community college district enrollment levels in proportion to the programmatic reduction. States legislative intent that districts, to the greatest extent possible, implement any necessary reductions in courses and programs outside of those needed for students to achieve their basic skills, workforce training, or transfer goals. Requires the Chancellor to report by October 15, 2013, on the implementation of this provision.

### Other K-12 Education

- **Proposition 98 Savings for Selected Programs.** Reappropriates **\$221 million** in one-time Proposition 98 savings to offset K-12 program expenditures in 2011-12 and achieve General Fund savings of the same amount.
- **Charter School Growth Funding.** Provides **\$53.7 million** in additional funding for the Charter Schools Categorical Block Grant to reflect high rates of charter school growth. Also provides additional funding for Supplemental Categorical Grants for New Schools in 2012-13. These supplemental funds give new schools – limited to new charter schools -- access to categorical funds included in the categorical flexibility program. The budget bill provides an additional **\$5.6 million** for this purpose in 2012-13.
- **Charter School Program Reforms.** The budget includes several statutory changes to (1) streamline the deferral waiver process for charter schools; (2) improve access to external financing for charter schools, and (3) give charter schools priority for lease or purchase of surplus school property.
- **Transitional Kindergarten.** Rejects the Governor's proposal to eliminate funding for the Transitional Kindergarten program – created pursuant to Chapter 705, Statutes of 2010.

### Child Care & Development

- **Across-the-Board Reductions.** Implements across-the-board budget reductions of \$80 million for child care programs in 2012-13 by decreasing funding for the general Child Care Program, the Migrant Day Care Program, the Alternative Payment Program, the CalWORKs Stage 3 Program, and the Allowances for Handicapped Program by **8.7 percent**, effective July 1, 2012.

- **Consolidates Funding for State Preschool Program.** Provides **\$165 million** for preschool slots for low-income children, which consolidates funding for the part-day, part-year preschool program within Proposition 98. As discussed earlier, this proposal generates **\$165 million** in General Fund savings, and secures our state’s investment in early childhood education programs that, without a question, will lead to improved educational outcomes for children.
- **Authorizes Family Fees for State Preschool Program.** Requires fees to be assessed and collected for families with children in part-day, part-year preschools programs. Current law already allows family fees for families with children who need full day or “wraparound” care.

## HIGHER EDUCATION

### LONG-TERM FUNDING PLAN FOR UC, HASTINGS, CSU, AND CCC

The Governor's January budget proposed a long-term funding plan for UC, Hastings, CSU, and CCC that promised stable and increasing state funding and fiscal incentives to allow the segments to better manage their resources. The significant components included: affordability; student success; stable funding; fiscal incentives; and flexibility. Any future GF increases were contingent upon the passage of the Schools and Local Public Safety Protection Act in November 2012. The out-year increases were also dependent on the segments achieving certain performance metrics, as specified by the Administration.

For UC, Hastings, and CSU, adoption of the major components of the long-term funding plan, as proposed in the January budget, would result in the segments' budget assuming certain costs, such as for capital outlay debt service and retiree benefits. The Governor's rationale was that the segments would be given base increases in the future that they could use to manage these costs. For UC and CSU, the long-term plan also included components that would provide increased flexibility, primarily by eliminating earmarks and enrollment targets. For the CCC, and with regard to flexibility, the components of the long-term plan included: (1) consolidation of the majority of categorical program funding with no restriction on expenditure of those "flexed" funds and (2) repeal of the statutory FTES apportionment formula. In its place 2012-13 funding would be allocated on the same proportionate share that districts received in 2011-12 or a different allocation method developed by the Chancellor's Office, with the approval of the Department of Finance.

In January, the Administration informed the Legislature that it would be providing further details of its long-term funding plan in the course of budget discussions. However, the Administration was never able to deliver a developed plan because it was unable to reach agreement with any of the segments on its terms. Absent receipt of a complete plan, it was unclear how the components included in the January budget worked as a stand-alone proposal. This resulted in the Legislature rejecting the components of the long-term plan for UC, Hastings, CSU, and CCC.

### 6120 CALIFORNIA STATE LIBRARY (CSL)

- Augmented the CSL budget by \$4.7 million GF to meet federal match requirements and ensure the state's ability to expend \$15.03 million in federal library funds available to the state. The \$4.7 million is split 60/40 between Literacy Services and Library Services, or \$2.82 million and \$1.88 million, respectively.

**6440 UNIVERSITY OF CALIFORNIA**

- Approved an augmentation of \$89.135 million GF and provisional budget bill language tying the funds specifically to contributions to the University of California Retirement Plan for UC's state GF- and tuition-funded employees.
- Approved an augmentation of \$125 million in 2013-14 contingent on both of the following conditions: (1) the passage of the Schools and Local Public Safety Protection Act of 2012 and (2) if UC maintains the 2011-12 mandatory systemwide tuition and fee level in the 2012-13 academic year.
- Approved a "trigger" reduction of \$250 million, effective January 1, 2013, if the Schools and Local Public Safety Protection Act of 2012 is rejected by the voters.

**6610 CALIFORNIA STATE UNIVERSITY**

- Approved a \$52 million augmentation to cover the incremental year-to-year cost increase in CSU's required employer contribution to CalPERS.
- Approved an augmentation of \$125 million in 2013-14 contingent on both of the following conditions: (1) the passage of the Schools and Local Public Safety Protection Act of 2012 and (2) if CSU maintains the 2011-12 mandatory systemwide tuition and fee level in the 2012-13 academic year.
- Approved a "trigger" reduction of \$250 million, effective January 1, 2013, if the Schools and Local Public Safety Protection Act of 2012 is rejected by the voters.

**6600 HASTINGS COLLEGE OF THE LAW**

- Approved an augmentation of \$865,000 GF and provisional budget bill language tying the funds specifically to contributions to the University of California Retirement Plan for Hastings' state GF- and tuition-funded employees.

**6870 CALIFORNIA COMMUNITY COLLEGES**

- *Please see the K-12 Education Section of this report for information on the overall K-14 Proposition 98 budget.*
- Contingent on the passage of the Schools and Local Public Safety Protection Act of 2012, approved an increase of \$159.9 million in funding to pay down existing apportionment deferrals and \$50 million in growth funding to the community colleges.

- Approved trigger reductions of approximately \$550 million for the community colleges (out of a total of \$5.4 billion in Proposition 98 reductions) in the event that the Schools and Local Public Safety Protection Act of 2012 is not approved by voters. Of that reduction, \$209.9 million would be achieved by rescinding the CCC deferral buy down and growth funding; the remaining \$340 million would come in the form of programmatic cuts to districts, and includes a provision that permits districts to reduce the number of students they serve in proportion to the programmatic reduction.
- Approved statutory changes to ensure that the community college budget is held harmless and provided with a GF backfill should offsetting local property taxes available to community college districts due to the dissolution of Redevelopment Agencies (RDA) not materialize in both 2011-12 and 2012-13.
- Approved a new mandate funding structure by: (1) establishing a block grant for active community college mandates; (2) continuing to suspend in 2012-13 those mandates that are currently suspended; and (3) continuing the claiming process but requiring a community college district to choose between either claiming or utilizing the block grant. Community college districts will receive \$33 million for the new mandate block grant, resulting in a \$28 per student payment rate. As part of this action, rejected budget trailer bill language that would have eliminated the Health Fees/Services mandate.
- Approved budget trailer bill language to increase student fees for qualifying neighboring state students that attend a CCC based on reciprocal state attendance agreements to an amount that is two times the California resident student fee effective in 2012-13. Effective July 1, 2013, and ongoing, institutes a fee level for qualifying neighboring state students that is three times the California resident student fee.

## **7980 CALIFORNIA STUDENT AID COMMISSION**

- Approved tighter institutional eligibility criteria, requiring institutions to maintain a maximum cohort default rate of 15.5 percent and a minimum graduation rate of 30 percent to participate in Cal Grant programs. Institutions with default rates below 10 percent and graduation rates above 20 percent retain eligibility until the 2016-17 academic year. Maintained current law standard that institutions with fewer than 40 percent of undergraduates borrowing federal loans are not subject to the default and graduation rate limits. Under current law, a Cal Grant recipient already attending an ineligible institution may qualify for a renewal award reduced by 20 percent at that institution in 2012-13 only. Beginning in 2013-14, renewal awards will be eliminated at ineligible institutions. These actions are projected to reduce Cal Grant expenditures by \$55 million in 2012-13.

- For 2013-14, reduced maximum new tuition awards from \$9,708 to \$9,084 at private nonprofit (independent) institutions. This award level also applies to private for-profit institutions that are accredited by the Western Association of Schools and Colleges (WASC) as of July 1, 2012. Maximum new tuition awards at all other private for-profit institutions will be reduced to \$4,000. Beginning in 2014-15, maximum new tuition awards at nonprofit institutions and WASC-accredited for-profit institutions will be reduced further, to \$8,056. (Maximum awards at all other for-profits will remain at \$4,000). These actions are projected to reduce Cal Grant expenditures by \$16 million in 2013-14.
- Codified current practice limiting community college transfer entitlement awards to students who attended a California community college in the academic year before transferring to a four-year institution to avoid \$70 million in new Cal Grant program costs in 2012-13. Provided an additional year of eligibility for students who attended a community college in the 2011-12 academic year, because of the possibility that this group of students will have limited public four-year institution transfer options.
- Corrected an unintended consequence of Chapter 7, Statutes of 2011 (SB 70), which established tighter eligibility criteria for Cal Grant renewals, by ensuring that co-eligible students can switch from Cal Grant B to Cal Grant A if they meet all eligibility requirements for Cal Grant A awards upon renewal.
- Rejected the proposal to phase out existing loan assumption programs. Approved new warrants for the education and nursing loan assumption programs in the budget act.

# NATURAL RESOURCES

## **0540 Secretary for Natural Resources**

- Approved budget bill language requiring the Secretary for Natural Resources to explore a land exchange within the Tahoe Basin to align state land ownership within the Natural Resources Agency with current and future operations.
- Approved budget bill language requiring the Attorney General to determine whether the Tahoe Regional Plan Update is consistent with the Tahoe bi-state compact.

## **3110 Special Resources Program**

- Approved budget and reporting language for the Tahoe Regional Planning Agency to establish four-year performance measures and programmatic provisions included in the Tahoe Regional Planning Update.
- Approved budget and reporting language for the Tahoe Regional Planning Agency to develop a comprehensive and scientifically reviewed monitoring, evaluation and reporting plan for environmental thresholds in the Tahoe Basin.

## **3125 California Tahoe Conservancy**

- Approved budget bill language to submit an interagency cross-cut budget summarizing the Environmental Improvement Program.

## **3460 Colorado River Board of California**

- Denied a proposal to eliminate the Colorado River Board and shift its functions to the Secretary for Natural Resources.

## **3480 Department of Conservation**

- Approved a request for 18 permanent positions and a baseline appropriation of \$2.5 million (\$2.3 ongoing) from the Oil, Gas, and Geothermal Administrative Fund to enhance onshore and offshore regulatory programs by improving its construction site review, environmental compliance, and underground injection control programs.

- Rejected a proposal to eliminate the State Mining and Geology Board.

### **3500 Department of Resources Recycling and Recovery**

- Approved a request for a transfer of \$558,000 in expenditure authority and five positions from the Electronic Waste Recovery and Recycling Account from the Department of Toxic Substances Control to the Department of Resources Recycling and Recovery. Because this is a transfer of authority and positions, it adds no additional costs or positions.
- Approved a request to amend Section 14574 of the Public Resources Code to require beverage container distributors to submit redemption payments by the last day of the first month following the sale to better align revenue cash flow with expenditure cash flow.

### **3540 Department of Forestry and Fire Protection**

- Approved a proposal for \$8.3 million to implement the State Responsibility Area fee. Denied a proposal to add fire suppression to the eligible uses of the State Responsibility Area fee.
- Rejected a proposal requesting \$5.3 million GF for increased costs associated with unemployment insurance for seasonal firefighters.
- Approved two proposals and \$2.1 million to as part of a settlement with the Firefighter's Bargaining Unit 1 to increase compensation related to separation costs and ongoing compensation.
- Approved \$15.7 million to cover retroactive extended duty week compensation lump-sum buyout costs associated with the separation of the Firefighter's Bargaining Unit 8. This item was approved to be budgeted in the current year deficiencies item.

### **3600 Department of Fish and Game (DFG)**

- Approved the elimination of the Salton Sea Restoration Council. Rejected a proposal to fund ongoing work at the Salton Sea (Department of Water Resources budget item) but approved \$2.0 million from bond funds to produce a report detailing a cost-implementation plan for Salton Sea restoration efforts.
- Approved the addition of 16 permanent positions in 2012-13 and funding of \$2.9 million in the budget year (\$2.0 million ongoing) from the Oil Spill Prevention and Administrative Fund (OSPAF).
- Approved budget bill language requiring the DFG on or before January 10, 2012, to present the Legislature with a plan to redirect Fish and Game Preservation Funds to other priorities while backfilling any renewable energy activities with Cap and Trade Funding.



**3680 Department of Boating and Waterways**

- Took no action on the proposal to eliminate the Department of Boating and Waterways. Instead this proposal was shifted to the Governor's Reorganization Plan and reviewed by the Little Hoover Commission.
- Approved a shift of \$10 million annually from Harbors and Watercraft Revolving Fund to the State Water Project for boating-related fish and wildlife and recreation enhancement.

**3790 Department of Parks and Recreation (DPR)**

- Approved a series of actions to provide funding and flexibility to the DPR to alleviate park closures and to improve collaborations with locals and nonprofits who take over parks.
  - Approved the administration's two-year pilot proposal for continuous appropriation authority including trailer bill language with the intent to allow the DPR to become more entrepreneurial.
  - Approved intent language to allow for position classification changes that would allow non-peace officers to administer a greater proportion of non-law enforcement tasks.
  - Approved supplemental reporting language to explore opt-in fees for annual passes and other non-traditional revenue sources.
  - Approved trailer bill language to allow for a specialty license plate to support state parks.
  - Approved up to \$10 million in loans to be made available from the Clean Water Revolving Loan Fund for water and wastewater system repairs.
  - Approved up to \$21 million to be made available from the Motor Vehicle Fuel Account for park operations, park maintenance and capital projects including Off-Highway Vehicle Programs. Approved a reduction of \$10 million to the Off-Highway Vehicle Local Assistance Program. Prioritized remaining local assistance grants (\$11 million) for local law enforcement programs.
  - Approved \$10 million from the Alternative and Renewable Fuel Vehicle Technology Fund to be used for roads, road maintenance and law enforcement activities at state parks.
  - Approved \$13 million from reappropriations to be directed to an Enterprise Fund for capital in nature projects that improve the DPR's revenue generating capabilities.

**3860 Department of Water Resources (DWR)**

- Approved 37 permanent positions and 38 two-year limited term positions from State Water Project funds for the Delta Habitat Conservation and Conveyance Program (DHCCP). Rejected 60 remaining positions and approved budget bill language directing the DWR to move forward with preliminary design and construction work associated with DHCCP only after certain reporting and public notice criteria are met.
- Approved a shift of \$10 million from the Harbors and Watercraft Revolving Loan Fund to the DWR to fund boating-related fish and wildlife enhancement and recreation to satisfy the funding requirements of the Davis-Dolwig Act.

## ENVIRONMENTAL PROTECTION

### **0555 Secretary for Environmental Protection**

- Approved a request for an additional \$5.7 million in Unified Program Account authority from funds in place and already collected to continue statutory program requirements for the Unified Program electronic reporting implementation.
- Approved a proposal to increase federal reimbursement authority from the National Oceanic and Atmospheric Administration by \$388,000 to support the Education and the Environment Initiative Curriculum through a federal competitively awarded grant.

### **3900 Air Resources Board (ARB)**

- Approved a request for an increase in reimbursement authority of \$10.8 million to allow ARB to administer, via interagency agreements, existing incentive programs that are oversubscribed by consumer demand. These include the Air Quality Improvement Program, Alternative and Renewable Fuel and Vehicle Technology Program, and Enhanced Fleet Modernization Program.
- Revised Control Section 15.11 to allow the administration to expend at least \$500 million for GF related programs from auction allowance proceeds with not less than 60-day notification to the Legislature.
- Approved trailer bill language to establish both a Cost of Implementation Fee account within the Air Pollution Control Fund for AB 32 regulatory fee tracking as well as a dedicated fund for proceeds of auction revenues from the Cap and Trade program.
- Approved trailer bill and supplemental reporting language to provide oversight of the Cap and Trade program.
- Rejected a proposal to spend \$640,000 from the Air Pollution Control Fund to evaluate greenhouse gas emission impacts of certain development projects to determine eligibility for a streamlined judicial review process of the California Environmental Quality Act.

**3940 State Water Resources Control Board**

- Approved trailer bill language to allow for the reorganization of the regional water quality control boards including reducing the number of board members, eliminating categorical board member associations, and updating conflict of interest rules. Rejected proposals to consolidate regional boards and to allow the Governor to appoint the regional board chair.
- Approved \$1.5 million (various special funds) to allow the San Diego Regional Water Quality Control board to move its headquarters due to persistent toxicity in the current headquarters building.
- Approved budget bill language to direct up to \$700,000 from existing fees per Chapter 700, Statutes of 2010 (SB 918, Pavley) from the Waste Discharge Permit Fund for the adoption and development of uniform health standards for recycled drinking water.

**3960 Department of Toxic Substances Control (DTSC)**

- Approved a request for \$558,000 in expenditure authority and five positions to be transferred from the DTSC to the Department of Resources Recycling and Recovery for Electronic Waste Recycling Fraud case development and prosecution.
- Approved trailer bill language to eliminate un-utilized and under-utilized programs within the DTSC.
- Approved trailer bill language to align Toxic Substances Control Account funds with current programs and to eliminate unnecessary statutory references and to reduce the structural deficit in the fund.
- Approved a proposal to fund Green Chemistry regulatory programs by redirecting 39.0 positions and \$4.8 million from eliminated or underutilized programs to this purpose.

## ENERGY AND UTILITIES

### **3360 California Energy Commission (CEC)**

- Approved \$1 million from the Electricity Procurement Investment Charge and 4.5 positions to complete an investment plan for the future appropriations from this charge established by the California Public Utilities Commission.
- Approved a request to continue one existing limited-term position for two additional years to continue to support the CEC's technical analysis and standards coordination needed to implement Chapter 327, Statutes of 2009 (SB 17, Padilla).

### **8660 California Public Utilities Commission (CPUC)**

- Approved trailer bill language to direct the rebate of auction revenues from the Air Resources Board Cap and Trade program to ratepayers. Up to 15 percent of this could be used for programs that reduce greenhouse gas emissions at the Commission.
- Approved 19 positions for gas and rail safety activities at the CPUC. Rejected 22 positions and \$300,000 for consulting services for a broader safety program at the CPUC. Approved reporting language requiring the CPUC to demonstrate the use of the approved positions to determine if safety metrics such as miles of gas and rail lines inspected and corrective actions were increased with these positions.
- Approved \$960,000 in federal funds to strengthen safety oversight and enforcement of gas, electric, communications, and rail public utilities.
- Approved three legislative proposals to increase rail and natural gas pipeline safety. These include:
  - Chapter 520, Statutes of 2011 (SB 44, Corbett): Gas Pipeline Emergency Response Standards (\$217,000, two positions).
  - Chapter 522, Statutes of 2011 (SB 705, Leno): Natural Gas Service and Safety (\$102,000 and one position).
  - Chapter 519, Statutes of 2011 (AB 56, Hill and SB 216, Yee): Gas Corporations Rate Recovery-Pipeline Safety Expenditures (\$322,000 and two positions).

## FOOD AND AGRICULTURE

### **7300 Agricultural Labor Relations Board**

- Approved a request for \$400,000 (Labor and Workforce Development Fund) to improve timeliness in investigating and adjudicating potential unfair labor practice violations.

### **8570 Department of Food and Agriculture (CDFA)**

- Approved an unallocated reduction of \$2.5 million to the CDFA's General Fund programs.
- Approved trailer bill language to expand permitting and inspection fee requirements and revised assessment of fees related to production, licensing, and inspection of milk and dairy products.
- Approved a request for reimbursement authority of \$1.4 million from the Department of Resources Recycling and Recovery to allow CDFA to participate in a cooperative agreement to detect and identify shipments of used beverage containers imported into California and illegally recycled for the California Refund Value (CRV).
- Approved a reappropriation of funds (Public Building Construction Fund) for the Tulare/Fresno animal health and food safety laboratory for the working drawing phase of the project.
- Approved reappropriation of funds (Public Building Construction Fund and State Highway Transportation Fund) for the Yermo Agriculture Inspection Station for acquisition, preliminary plans, working drawings and construction.

# TRANSPORTATION

## 2600 CALIFORNIA TRANSPORTATION COMMISSION

- Rejected funding of \$400,000 from the State Highway Account for consulting services related to the evaluation of any Public Private Partnerships that the Department of Transportation or local agencies may propose.

## 2660 DEPARTMENT OF TRANSPORTATION

### Transportation Finance and General:

- Approved expenditures of \$11.2 billion for the California Department of Transportation (Caltrans), almost all of which is special funds, bond funds, federal funds or reimbursements.
- Approved the shifts of truck weight fees to the General Fund to pay for future year debt service on eligible general obligation bonds and generate a General Fund solution of \$385 million.
- Approved the redirection of excise tax revenues from the sale of gasoline for certain uses to the General Fund for an indefinite period of time, resulting in additional revenues of \$184 million in 2011-12 and \$128 million in 2012-13, and ongoing.
- Approved the extension of various loan repayments that are due in 2012 and 2013 from the State Highway Account, Bicycle Transportation Account, Motor Vehicle Fuel Account, Environmental Enhancement Account, Historic Property Maintenance Fund and Pedestrian Safety Account, totaling \$307 million.
- Approved a total of \$3.1 billion in Prop 1B appropriations across multiple departments. Approved carryover of prior year Prop 1B bond funding of \$1.8 billion and \$1.3 billion in new appropriations for the following:
  - \$992 million for Corridor Mobility Improvement Account (CMIA)
  - \$774 million for Trade Corridors Improvement Fund
  - \$569 million for State Local Partnership
  - \$351 million for State Route 99
  - \$16 million for Local Bridge Seismic Retrofit
  - \$81 million for State Transportation Improvement Program

- \$137 million for State Highway Operations
- \$44 million for Grade Separations
- \$121 million for Intercity Rail

Other Prop 1B bond appropriations are outside of Caltrans and in the budgets of other state agencies and include projects for: Local Streets and Roads, Transit, Transit Security, School Bus Retrofit, Trade Infrastructure Air Quality, and Port Security.

- Reduced capital outlay support by 330 staff positions and \$14.6 million to account for expiration of American Recovery and Reinvestment Act (ARRA) funds and the associated decline in workload.

### **Highway Transportation and Transit**

- Rejected administration proposal to reduce research expenditures by \$7 million and instead reduced expenditure by \$4.1 million and retained research on seismic safety and university research center funding.
- Rejected administration proposal to fund an increase of \$2.2 million for Project Initiation Documents using local reimbursements and instead provided for funding and staffing from the State Highway Account.
- Rejected proposal for increased reimbursement authority of \$2.6 million for Public Private Partnerships for locally sponsored parts of the state highway system and restores funding from State Highway Account.
- Approved language that would allow the transfer of savings associated the Public Transportation Account to fund unanticipated increases in fuel costs for Amtrak.

### **2665 HIGH SPEED RAIL AUTHORITY**

- Approved general support for the High Speed Rail Authority of \$24.6 million in state Bond Fund and Federal Trust Funds. Also approved additional funds for acquisition and design work associated with various track segments.

### **2670 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN**

- Approved \$2.2 million in special funds for baseline operations of the Board. No budget change requests were submitted by the Administration.



**2700 OFFICE OF TRAFFIC SAFETY**

- Approved \$97.3 million in federal funds for baseline operations of the Office of Traffic Safety. No budget change requests were submitted by the Administration.

**2720 CALIFORNIA HIGHWAY PATROL**

- Approved total expenditures for the California Highway Patrol of \$1.8 billion in special funds.
- Approved a proposal for \$3.5 million one-time to pay for moving costs, rental expenses for offices in Grass Valley, Mojave and Tracy.
- Approved a request for an additional \$5.6 million for vehicle insurance and the reappropriation for various capital projects, including \$18.3 million for the Oceanside Area Office replacement project.

**2740 DEPARTMENT OF MOTOR VEHICLES**

- Approved total expenditures for the Department of Motor Vehicles (DMV) of \$950 million in special funds.
- Approved a loan from the Motor Vehicle Account to the General Fund of \$300 million. These funds provide GF relief and would be repaid with interest no later than June 30, 2016.
- Approved one-time funding of \$3.4 million to consolidate, relocate or replace several facilities in Palmdale, Lancaster, San Francisco, Escondido and the Newhall, Reedley and Santa Maria field offices.
- Approved funding of \$250,000 in the budget year and an additional \$11.1 million over the next three years to support replacement of the existing customer traffic management system with a new centralized web-based management system.
- Approved \$4.1 million in federal grant spending for automated driver licensing examinations at some DMV field offices.
- Made capital outlay adjustments of \$2.9 million to reappropriated amounts required for the Redding Field Office reconfiguration.

# HEALTH

## **0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY**

- California Office of Health Information Integrity (CalOHII). Adopted the Governor's proposal to extend the sunset date for CalOHII from January 1, 2013 to June 30, 2016 and reduce CalOHII GF expenditures by \$461,000.

## **4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OHSPD)**

- Mental Health Workforce and Training Program. Adopted the Governor's proposal to transfer the Mental Health Services Act Workforce Education and Training program to OSHPD from the Department of Mental Health (DMH), as DMH is eliminated in the budget. Approved \$15 million Mental Health Services Fund for this program.

## **4150 DEPARTMENT OF MANAGED HEALTH CARE (DMHC)**

- Transfer of DMHC to Health and Human Services Agency. Adopted the Governor's proposal to implement AB 922 (Statutes of 2011) to transfer DMHC to the California Health and Human Services Agency (CHHSA) and to separate the Office of Patient Advocate (OPA) from DMHC to become an office within CHHSA.
- Oversight of Medi-Cal Dental Managed Care. Approved the Governor's proposal for three positions to expand DMHC oversight of licensed dental managed care plans participating in the Medi-Cal Dental Managed Care program.
- Oversight of Duals Demonstration Pilot Project. Approved the Governor's proposal for 13 positions and \$1.1 million (Managed Care Fund), including \$77,500 for consultant services, to address the new workload attributable to the evaluation of plan readiness and oversight of health plans for the Duals Demonstration Pilot Project/Coordinated Care Initiative.

## **4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS (DADP)**

- Transfer of DADP Functions. Adopted the Governor's proposal to transfer the administrative and programmatic functions of DADP to other departments within the Health and Human Services Agency, effective July 1, 2013. Requires that, in consultation with stakeholders and affected departments, the Health and Human Services Agency prepare a detailed plan for the reorganization of DADP's functions to be submitted to the Legislature as part of the 2013-14 Governor's Budget.

**4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)**

- Duals Demonstration Pilot Project. Modified the Governor's Duals Demonstration Pilot Project/Coordinated Care Initiative proposal for a savings of \$611.5 million GF. The Legislature's provided authority to expand this pilot project to up to eight counties (current law only provides authority for four counties), defines health plan readiness, increases Legislative oversight, specifies additional consumer protections and notifications, and sunsets this demonstration project.
- Non-Emergency Emergency Room Copay. Approved the Governor's proposal to implement a \$15 copayment for non-emergency use of the emergency room for \$7.1 million GF savings.
- Prescription Drug Copay. Approved the Governor's proposal to implement a \$3.10 copay for non-preferred drugs for a \$13.1 million GF savings.
- Expand Medi-Cal Managed Care to Rural Counties. Approved the Governor's proposal to expand Medi-Cal managed care into the 28 rural counties that are now Fee-For-Service for a \$2.7 million GF savings.
- Default Managed Care Plan Assignment. Approved the Governor's proposal to consider health plan cost in addition to quality of care and safety net population factors as part of the default algorithm that is used when an enrollee does not select a health plan. This will result in \$2.4 million GF savings.
- First 5 California Funding Shift. Approved the Governor's proposal to shift \$40 million in First 5 California funding to Medi-Cal for children (aged five and under) to offset General Fund support in the program for 2012-13.
- Community-Based Adult Services (CBAS) Program. Approved the Governor's request for an additional \$71.7 million General Fund for the CBAS program. This request is due to a revised estimate (from 50 percent to 80 percent) of the number of former Adult Day Health Care (ADHC) enrollees eligible for CBAS program. Additionally, approved the request for five limited-term positions to implement and operate CBAS. DHCS proposes to redirect existing limited term Adult Day Health Care (ADHC) positions (five limited-term and one permanent positions) to perform this workload.
- California Children's Services Medical Therapy Program. Rejected the Governor's proposal to implement a financial means test for children in the California Children's Services (CCS) Medical Therapy Program (MTP).
- Interest Rates on Medi-Cal Overpayments. Approved the Governor's proposal 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. This results in \$750,000 GF savings in 2012-13.
- Value Based Purchasing. Rejected the Governor's proposal to establish a process for value based purchasing. Instead approved savings of \$30 million GF related to Medi-Cal no longer

paying for services directly related to potentially preventable hospital admissions and \$10 million GF related to operational efficiencies.

- Laboratory Rate Reduction. Approved the Governor's proposal to reduce rates for laboratory services by 10 percent until a new reimbursement methodology is established and approved by the federal CMS. This reduction results in \$7.7 million GF savings.
- Nursing Home Rate Reduction. Adopted the compromise between the Governor and the nursing home industry to achieve \$87.8 million GF savings. This compromise rescinds the 2 percent rate increase for 2012-13, defers payment of the Quality and Accountability Supplemental Payment System, and provides for a 3 percent in the weighted average Medi-Cal reimbursement rate.
- Redirect Unpaid Hospital Stabilization Funding. Approved the Governor's proposal to redirect unpaid hospital stabilization funding for 2005-06 through 2009-10 for \$42.8 million GF savings.
- Unexpended Public Hospital Waiver Funds. Approved the Governor's proposal to allow the state to retain 50 percent of the unexpended federal waiver funds designated for Public Hospitals for a \$100 million GF savings.
- Non-Designated Public Hospital Payment Methodology Change. Approved the Governor's proposal to require Non-Designated Public Hospitals (NDPHs) to use their expenditures to draw down federal funds instead of being reimbursed with 50 percent GF and 50 federal funds. This change is contingent on the ability of NDPHs to access additional federal waiver funds (upon approval of the federal CMS). This will result in \$94.4 million GF savings.
- Redirect Hospital Quality Assurance Fee Revenue. Approved the Governor's proposal to redirect hospital quality assurance fee revenue that was intended to fund supplemental payments to private hospitals for savings of \$150 million GF.
- CalHEERS Integration with Medi-Cal. Approved the Governor's proposal for 12 positions and \$1.4 million GF to implement changes to the MEDS system and for Medi-Cal's share of the CalHEERS costs.
- Oversight of Mental Health Services Act. Approved the Governor's proposal to shift responsibility for certain Mental Health Services Act (MHSA) functions to DHCS. Additionally, approved 13 positions to oversee MHSA revenues and allocations to counties to ensure that these funds are expended for purposes of the MHSA.
- Medi-Cal Dental Managed Care. Created a beneficiary dental exception process for children in Medi-Cal dental managed care in Sacramento County. This process provides the ability to opt-out of dental managed care and receive services through fee-for-service Denti-Cal.
- Payment Reform for Clinics and Community Health Centers. Rejected the Governor's proposal to integrate all Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) costs

into managed care capitated rates by reforming the payment methodology under Medi-Cal and reducing these payments by 10 percent.

- Lock-In at Annual Open Enrollment. Rejected the Governor's proposal to establish an annual enrollment period for Medi-Cal; whereby, an enrollee could only change plans once a year.

#### **4265 DEPARTMENT OF PUBLIC HEALTH (DPH)**

- AIDS Drug Assistance Program (ADAP). Rejected the Governor's proposal to implement significant premiums in ADAP. Further, the Legislature directed the Office of AIDS to work with stakeholders on the transition of ADAP clients to the Low Income Health Program.
- Transfer of Direct Health Care Programs to DHCS. Approved the Governor's proposal to transfer the Every Woman Counts Program, the Prostate Cancer Treatment Program, and the Family Planning Access Care and Treatment (FPACT) Program to DHCS.
- Office of Health Equity. Modified the Governor's proposal to create a new Office of Health Equity (OHE). 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 (DMH), the Office of Multicultural Health at DPH, the Health in All Policies Task Force at DPH, and the Healthy Places Team at DPH.
- California Reducing Disparities Project. Approved the Governor's proposal to shift administration of the California Reducing Disparities Project from the DMH to DPH, as DMH is eliminated in the budget. Provided for \$15 million from the Mental Health Services Fund in 2012-13 for this project.
- Licensing and Certification State Laws. Rejected the Governor's proposal to eliminate current State mandates regarding health facility inspections and complaint investigations.
- State Water Device Certification. Rejected the Governor's proposal to eliminate state certification of water devices.
- Kids' Plate – Childhood Injury Prevention. Directed DPH to create a regional grant program for childhood injury prevention and provided for state administration of this program.

#### **4280 MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)**

- Healthy Families Program Shift to Medi-Cal. Modified the Governor's proposal to shift all Healthy Families Program (HFP) children to Medi-Cal starting January 1, 2013. This results in \$13.1 million GF savings in 2012-13.
- Healthy Families Rate Reduction. Rejected the Governor's proposal to require MRMIB to negotiate HFP rates to be less than or equal to the statewide average capitation rate established

by the Department of Health Care Services for health benefits for children up to age 19 in the Medi-Cal program.

- Elimination of MRMIB. Rejected Governor's proposal to eliminate MRMIB and transfer its programs to DHCS.

#### **4440 DEPARTMENT OF MENTAL HEALTH (DMH) – Community Mental Health**

- Eliminate Department of Mental Health. Approved the Governor's proposal to eliminate the DMH and create a Department of State Hospitals. Also approved the transfer of DMH's community mental health programs to other departments:
  - *Department of Health Care Services (DHCS).* DHCS would assume responsibility for the administrative functions for Medi-Cal Specialty Mental Health managed care plan services and Early Periodic Screening, Diagnosis, & Treatment (EPSDT); certification of mental health treatment programs at Skilled Nursing Facilities with Special Treatment Programs, Community Residential Treatment Systems, and Community Treatment Facilities; and oversight of certain Mental Health Services Act components.
  - *Department of Public Health (DPH).* DPH would be responsible for the functions of the Office of Multicultural Services in the new Office of Health Equity; administration of the California Reducing Disparities Project; and disaster services related to mental health.
  - *Department of Social Services (DSS).* DSS would assume responsibility for the licensing and quality improvement efforts for mental health rehabilitation centers and psychiatric health facilities.
  - *Office of Statewide Health Planning and Development (OSHPD).* OSHPD would become responsible for the Mental Health Services Act Workforce Education and Training component.
- Realignment of Medi-Cal Specialty Mental Health and EPSDT. Adopted the Governor's proposal to realign the EPSDT Program and Medi-Cal Specialty Mental Health Managed Care.
- Caregiver Resource Centers. Rejected the Administration's proposal to eliminate \$2.9 million GF for Caregiver Resource Centers (CRCs). Instead transferred the CRC program to the DHCS.

#### **4440 DEPARTMENT OF MENTAL HEALTH (DMH) – State Hospitals**

- Establish the Department of State Hospitals (DSH). Adopted the Governor's proposal to 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 state psychiatric facilities.

- DSH Savings Proposals. Adopted various DSH savings that result in savings of \$122.6 million GF in 2011-12 and \$193.1 million GF 2012-13 and the elimination of 619 positions, of which 230 are filled and 370 vacant.
- Increases County Bed Rate. Adopted the Governor's proposal to allow DSH to recover, from counties, a greater share of the cost of housing civil commitments, resulting in GF savings of \$20 million in 2012-13.
- Expands the Incompetent to Stand Trial (IST) Jail Program. Adopted the Governor's proposal to provide 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. Expanding this program will save \$3 million GF in 2012-13.

## HUMAN SERVICES

### 0530 Office of Systems Integration (OSI)

Among other automation-related actions, approved modified trailer bill language to give OSI authority to provide project management of the CalHEERS project, and approved 16 positions for this function. Adopted modified budget bill language to allow expenditures of funds upon notification to the Legislature and submittal of plan identifying necessary system changes.

### 4170 California Department of Aging (CDA)

Approved as budgeted, including approval of:

- \$787,000 (\$473,000 GF) for staffing and resources to support the Department's role in certifying Community Based Adult Services (CBAS) programs (which replaced the former Adult Day Health Care program) for participation in the Medi-Cal program.
- The planned integration, as part of a demonstration project, of the Multi-Purpose Senior Services (MSSP) program into Medi-Cal managed care as a part of the Coordinated Care Initiative (described in greater detail under the Health section of this report).

### 4300 Department of Developmental Services (DDS)

**Reduced Developmental Services by \$200 million GF:** Adopted trailer bill language to achieve a \$200 million GF reduction in 2012-13 through the policies described below. A reduction of \$100 million GF in 2011-12 was triggered in December 2011 due to less than anticipated state revenues at the time, pursuant to provisions of a 2011-12 budget trailer bill (AB 121, Chapter 41, Statutes of 2011). The proposed \$200 million GF reduction for 2012-13 represented an annualized amount of those savings on an ongoing basis. To develop the policies described below, DDS utilized a stakeholder process for gathering input.

**A. Maximized Federal Funds** through aggressive enrollment in the state's 1915(c) Medicaid Home and Community Based Services waiver (\$61 million GF savings) and amendments to the state's plan under the Section 1915(k) Community First Choice Option waiver (\$7 million GF savings).

**B. Recognized Savings from Implementation of SB 946** (Chapter 650, Statutes of 2011), including: 1) \$69.4 million GF savings from requiring health care insurers to provide coverage for behavioral health treatment for individuals with pervasive developmental disorder or autism,



and 2) \$10.4 million GF savings from applying the same requirement to Healthy Families & CalPERS insurance plans.

**C. Redesigned Services for Individuals with Challenging Needs** by significantly restricting the statutory criteria for admissions to Developmental Centers (DCs), limiting the use of locked mental health facilities and out-of-state placements, and strengthening the capacity of the community to serve individuals with challenging needs (including expanded availability of Adult Residential Facilities for Individuals with Special Health Care Needs and the creation of a statewide Specialized Resource Service) (\$20 million GF savings).

**D. Redesigned Supported Living Assessments** by rescinding existing requirement for independent assessment under specified circumstances and replacing it with a standardized assessment questionnaire that will be completed at specified points in time through the Individual Program Plan (IPP) process (\$4.2 million GF savings).

**E. Reduced Regional Center & Provider Rates by 1.25 Percent for one year**, for savings of \$30.7 million GF. This is a lower degree of rate reduction than the 4.25 percent reduction that was in place last year.

**F. Recognized Additional Cost Savings and Efficiencies** of \$4.3 million GF from funds that had been earmarked for other purposes, including downsizing of Community Care Facilities and filling the gap in federal funding authority when facilities transfer ownership, as well as new uses of technology.

**November 2012 Trigger Provisions:** Approved a \$50 million “trigger reduction” to developmental services, effective January 1, 2013 for the remainder of the 2012-13 fiscal year *if* the Governor’s November 2012 tax initiative is not passed by voters statewide. Trailer bill provisions establish the Legislature’s intent that the reduction be kept as far away as possible from the direct services and needs of DDS consumers and that the department consult with stakeholders in order to develop savings proposals related to the trigger provisions.

**Other Actions:** Adopted trailer bill language to require annual compilation and publishing of existing purchase of service utilization and expenditure data by regional center with respect to race and ethnicity, age of consumer, and disability.

#### **4700 Department of Community Services & Development (CSD)**

Approved as budgeted

#### **5160 Department of Rehabilitation (DOR)**

In addition to approving the overall budget for the department as budgeted, took the following actions:

- Approved the Administration's proposal to change the appeals process so that impartial hearing officers will review appeals, rather than the Rehabilitation Appeals Board. Correspondingly, modified the proposed trailer bill language in order to safeguard the due process rights and needs of appellants (including unrepresented parties).
- Rejected the proposed elimination of the Orientation Center for the Blind Trust Fund Committee.

### **5170 State Independent Living Council**

Approved as budgeted.

### **5175 Department of Child Support Services**

Approved as budgeted, including approval of Administration's proposal to suspend Child Support collections. The entire non-federal portion of child support collections will instead provide a \$31.9 benefit, on a one-time basis, to the General Fund. Also, adopted trailer bill language to provide authority for temporary suspension of specified collections to the Administration.

### **5180 Department of Social Services**

#### *CalWORKs*

Adopted the following changes to the CalWORKs program, which are anticipated to result in \$469.1 million GF savings in 2012-13:

- **Changing Time Limits and Work Participation Requirements:**
  - A. Modified the number of required welfare-to-work hours to conform to federal requirements.
  - B. Effective January 1, 2013, prospectively created a new 24-month time limit on welfare-to-work services. Unless otherwise exempt from participation, applicants and recipients would receive 24 months of welfare-to-work services and activities under current state rules, and would then be required to meet federal participation requirements to access the remainder of the months toward their 48-month lifetime time limit. Specified certain conditions under which months of assistance do not count toward the 24-month time limit.
  - C. Authorized counties to extend assistance for no more than 20 percent of recipients upon expiration of the 24-month time limit. Under specified circumstances, counties are required to grant those extensions, subject to the 20 percent limitation. In other circumstances, counties may grant them.

**D.** Established noticing, due process, and other requirements related to the above changes, and required consultation between the Department and stakeholders with respect to implementation of the changes. Additionally, established the Legislature's intent for the state to work with counties and stakeholders to ensure that the extension process, in particular, will be implemented with minimal disruption to the impending completion of welfare-to-work plans for recipients.

- **Changes Related to Exemptions from Work Participation Requirements:**

**A.** Extended existing temporary exemptions and related policies from July 1, 2012 until January 1, 2013, when they will sunset. These temporary exemptions have been provided to a parent or other relative caring for one child who is from 12 to 24 months of age, or 2 or more children under age 6. Required counties to reengage recipients who received these exemptions in welfare-to-work activities over a period of two years.

**B.** Created an ongoing, one-time, young child exemption for caregivers of a child 24 months of age or younger, and provided that a month during which this exemption applies would not be counted as a month of receipt of aid for the recipient.

- **Other Changes:**

**A.** Required DSS to convene a workgroup to identify best practices and other strategies to improve early engagement and barrier removal efforts, as specified, and to report back to the Legislature. Also, required DSS to update the Legislature regarding the changes made to the CalWORKs program, and to contract with an independent, research-based institution for an evaluation and written report.

**B.** Established an annual, rather than quarterly or semi-annual, eligibility reporting requirement for CalWORKs cases that do not include an eligible adult.

**C.** Effective October 1, 2013, restored the earned income disregard policy to that which existed prior to the enactment of the 2011-12 Budget Act, allowing a participant to retain \$225 and \$.50 of each dollar thereafter of monthly earnings.

**D.** Delayed the effective date for the Work Incentive Nutritional Supplement (WINS) program until January 1, 2014 and reduced the amount of the benefit, from \$40 to \$10 per month.

- **Phased-in Restoration of Cal-Learn Program:** Rejected the Governor's proposal to eliminate 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, authorized counties to provide full or partial

year funding, depending on the pace of their progression to full implementation, by April 1, 2013.

- *Note:* See child care section of this report for additional CalWORKs-related outcomes.

### ***In-Home Supportive Services (IHSS) Program***

- **3.6 Percent Reduction in Authorized IHSS Hours:** Extended, 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 (anticipated to save approximately \$58.9 million GF).
- **Domestic & Related Services:** Rejected the Governor's proposals to eliminate domestic and related services (e.g., heavy cleaning, meal preparation, and clean-up) for IHSS recipients who live in shared living arrangements.
- **Coordinated Care Initiative:** As part of a demonstration project, approved of the integration of IHSS into Medi-Cal managed care (described in greater detail under the Health section of this report). Further, established, as specified, a Statewide Authority for purposes of collective bargaining with respect to the wages and benefits for IHSS providers.
- **Medication Dispensing Pilot:** Repealed a pilot project that would have required the Department of Health Care Services to identify individuals who receive Medi-Cal benefits on a fee-for-service basis and who are at high risk of not taking their prescribed medications. The Department would then have procured automated medication dispensing machines to be installed in participants' homes. Concurrently, repealed a trigger mechanism for alternative reductions.

### ***Children and Family Services Programs***

- **Moratorium on Group Home Rate-Setting:** Permanently extended a moratorium on licensing of new group homes or approvals of specified changes for existing providers, with some exceptions. New provisions further limit, for one year, exceptions for any programs with rate classification levels below 10 to those associated with a program change.
- **Cost-of-Living Adjustment for Dual Agency Rates:** Required annual adjustment 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.
- **Programmatic Trailer Bill Language Related to Realignment:** The 2011-12 budget realigned \$1.6 billion in state funding for the CWS, foster care, and adoptions programs, to the counties. For that first year, no changes were made to state law governing those programs. Among other provisions, the 2012-13 budget included the following programmatic changes,

which largely impact the uses of 2011 realignment funding (as well as federal and county funds), and not the state General Fund:

**A. Flexibility for Counties:** Revised, or created more flexibility within, the requirements of specified programs, which already offered some degree of county option.

**B. Accountability and Oversight Provisions:** Required specified reporting related to 2011 realignment of CWS programs, including an annual report that summarizes outcome and expenditure data. Further, required the department and counties to develop agreed upon performance targets for improvements.

**C. Continuum of Care and Needs Assessment-Related Reforms:** Required DSS to establish workgroups, as specified, to develop and submit recommended revisions to the foster care rate-setting system, as well as performance standards and outcome measures for providers of out-of-home care. Additionally, revised selection criteria for foster care placements and increased, on an interim basis, the monthly rates paid for Intensive Treatment Foster Care (ITFC), which is intended to offer lower-cost, family based care to children and youth who would otherwise be served in more expensive and restrictive settings.

**D. Other Changes:** Improved transitional services for 18 through 20 year olds exiting the foster care system by allowing specified non-minor dependents to receive assistance during a window of time in which they might otherwise have a gap in eligibility, and by ensuring continued support of non-minor dependents who are 20-years-old, effective January 1, 2014. Further, revised licensing or certification standards for transitional housing and increased basic care and supervision rates paid to foster families certified by foster family agencies.

## TAX ADMINISTRATION

### 0860 STATE BOARD OF EQUALIZATION

- Approved funding for compliance measures associated with the Board of Equalization's (BOE's) Natural Gas Public Purpose Programs surcharge on natural gas. The efforts focus on unregistered companies and consumers.
- Approved \$1.9 million in funding and positions for the department's Tax Gap II efforts related to the audit program, bankruptcy collections program, and internal education and outreach effort. Rejected \$2.5 million request for an outside media campaign.
- Provided funding of \$3.2 million and positions (some limited-term) to implement the requirements of the use tax nexus (Amazon Tax) that was adopted as part of the 2011-12 Budget. This policy, which requires certain out-of-state sellers to collect use taxes, is estimated to generate \$107 million in annual revenues.
- Approved expansion of the Financial Institutions Records Match (FIRM) to BOE and \$523,000 in resources. The program matches tax debts with debtor resources at financial institutions and has proved to be successful with other tax collection agencies.
- Provided additional funding from General Fund and special funds of \$6.2 million to account for increased rental expenses for the headquarters building. Also approved supplemental reporting language for the headquarters building plans.
- Approved \$6.4 million in resources and 57 positions to implement the State Responsibility Area fire prevention fee. This fee adds over 800,000 fee payers to BOE existing base of tax and fee payers and requires substantial implementation expenses.
- Granted additional funding to pay for the processing of refund claims from purchasers of Dell Computers who were charged a tax by the company erroneously. State costs associated with processing the refunds are approximately \$3.1 million and requires 14.5 limited-term positions.
- Approved a significant new technology program for BOE that will result in vastly improve tax collection, data maintenance and information sharing. In addition, the Centralized Revenue Opportunity System (CROS) will be benefits funded. In the initial year, costs will be \$23.8 million while generating \$38.8 million in revenues.

**1730 FRANCHISE TAX BOARD**

- Approved additional General Fund support of \$775,000 and positions for the Franchise Tax Board (FTB) to expand the listing of top tax debtors from 250 to 500, and to update that list biannually.
- Approved funding of \$95.6 million for the continuing development of the department's major database management and retrieval system. The project is benefits funded and is expected to greatly enhance the tax compliance and enforcement.
- Provided resources to work-down the department's existing inventory of accounts receivable. The funding of \$8.5 million and 111 positions will generate \$120 million in revenue. Approved continuation of limited-term positions for the luxury vehicle tax audit program.
- Approve trailer bill to allow for additional tax collection methods to apply to earnings withholding. The measure would allow the FTB to withhold amount for tax debts beyond 10 year period with necessitating recording a lien.
- Adopted trailer bill to impose a penalty for baseless claims for refund. The 20 percent penalty based on the magnitude of the erroneous claim, should provide a disincentive for companies and individuals playing the "audit lottery."
- Adopted trailer bill language that confirmed that any election under the corporation franchise tax must be made on an original return.

## CASH MANAGEMENT AND BORROWING

### **9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS**

- Approved the Governor's funding level for 2012-13 bond debt-service costs. The General Fund costs total \$5.2 billion. This is made up of general obligation bond debt service of \$4.5 billion and \$741.1 million in lease revenue bond debt service. Not included in these figures is \$1.4 billion for the Economic Recovery Bonds that are repaid with a dedicated one-quarter cent of the sales tax.

### **9620 CASH MANAGEMENT AND BUDGETARY LOANS**

- Assumed the issuance of a \$10 billion Revenue Anticipation Note (RAN) to be repaid within the 2012-13 fiscal year to cover the state's cash flow requirements.
- Approved \$18 million GF for interest costs related to budgetary borrowing, which are multi-year loans to the General Fund from special funds. The costs in the 2011-12 fiscal year will also decline for a two-year reduction of \$48 million.
- Established a voluntary deposit program for local governments. The fund would accept deposits from local government to provide an additional cash cushion for the state and augment its existing external and internal cash flow borrowing. The local governments would benefit from a slightly higher interest rate than they would otherwise obtain.



## STATE ADMINISTRATION

### **0502 CALIFORNIA TECHNOLOGY AGENCY**

- Approved Governor's proposal to eliminate the Technology Service Board. The Board is responsible for the oversight and approval of the Office of Technology Services budget and rates, both of which are functions of the Department of Finance.
- Approved Governor's proposal to eliminate the Electronic Funds Task Force, a task force established to develop and implement a new payment dispersal system using electronic funds transfer technology. AB 1585 (Chapter 7, Statutes of 2010) defined the report as obsolete, making the need for a task force unnecessary.
- Approved Governor's proposal to increase the contract oversight capabilities of the Agency by increasing expenditure authority by \$670,000 (\$218,000 GF) and 5.0 positions. This proposal is designed to reduce the reliance on contractors of technology projects
- Adopted trailer bill language designed to enhance the procurement mechanisms of the California Technology Agency.
- Adopted trailer bill language designed to enhance the oversight capabilities of the Agency. The requested language will put in place a requirement that the Agency approve oversight contracts by state agencies.

### **0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT**

- Established the stand alone Office of Business and Economic Development to provide a focus for business assistance and development. Approved \$4.1 million and 28 positions staffing California Business Investment Services Program, Office of Small Business Advocate and Go BIZ positions

### **0510 SECRETARY FOR STATE AND CONSUMER SERVICES**

- Restored funding for the Office of Privacy Protection which totaled \$246,000 GF and \$190,000 Special Fund.

- Denied Governor's proposed elimination of the Office of Privacy Protection due to the unique set of tasks assigned to the Office of Privacy Protection in assisting consumers in understanding and addressing identity theft.

#### **0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY**

- Rejected Governor's proposal to eliminate the California Specialized Training Institute. The Administration assumed \$187,000 in GF cost savings attributed to the relocation in 2012-13. Concerns related to the costs associated to dismantling the facility eventually outweighed any cost savings that might be achieved from relocation and the plan was rejected. Approved subsequent proposal to withdraw original proposal to relocate the California Specialized Training Institute and reduce GF contribution to the Agency by \$225,000.

#### **0840 STATE CONTROLLER**

- Approved \$76.9 million (\$45.3 million GF, \$1.0 million reimbursements, and \$33.4 million special funds) to fund the 21st Century Project in 2012-13. The 21st Century Project will result in an integrated human resource management system that will replace the existing payroll, employment history, position management, and leave accounting systems.

#### **0890 SECRETARY OF STATE**

- Approved \$14.4 million (federal funds) in 2012-13 to continue implementation of VoteCal, the federal Help America Vote Act (HAVA)-required and funded uniform, centralized, interactive computerized voter registration database that is defined, maintained, and administered at the state level.

#### **0950 STATE TREASURER'S OFFICE AND BOARDS AND COMMISSIONS**

- For the State Treasurer's Office, approved trailer bill language that would delete the sunset date for the 2 percent cap on letter of credit fees. This would allow the state to pay up to 3 percent of the letter of credit guarantee amount indefinitely.
- For the California Alternative Energy and Advanced Transportation Financing Authority, approved a request to allow payment deferral of \$2.4 million from the Renewable Resource Trust Fund. The loan would be repaid by June 30, 2014 instead of June 30, 2012.
- Approved the early reversion of resources to the General Fund of \$63.1 million for additional General Fund solution. The program—originally funded with General Fund moneys—has not been fully subscribed, allowing for additional resources.

**1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS**

- Bureau of Automotive Repair: Approved request for \$36.35 million and 12.0 two-year limited term positions to support the Enhanced Fleet Modernization Program. The Enhanced Fleet Modernization Program is designed to provide subsidies to qualified consumers to receive either repair assistance or retire their older vehicle in place of a newer, cleaner vehicle.

**1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING**

- Consolidated the Fair Employment and Housing Commission within the Department of Fair Employment and Housing.
- *See also Item 1705 Fair Employment and Housing Commission for description of an additional budget item impacting the Department of Fair Employment and Housing.*

**1705 FAIR EMPLOYMENT AND HOUSING COMMISSION**

- Adopted trailer bill language approving the Administration's request to consolidate the Fair Employment and Housing Commission within the Department of Fair Employment and Housing. This consolidation will result in \$391,000 in General Fund savings.

**1760 DEPARTMENT OF GENERAL SERVICES**

- Reduced Department of General Services overall spending by \$33.39 million and 45.5 positions. The reductions include the following:
  - \$15.4 million and 7 positions from the Office of State Publishing. Utilization of increased technology and automation will allow the Office of State Publishing to offset some of the reductions.
  - \$6.7 million and 28.5 positions in various Real Estate Services Division programs by reprioritizing workload, reducing travel by increasing use of videoconference capabilities, and other operational measures will be utilized to offset these reductions.

- \$6.3 million and 3.0 positions in various Building Regulations programs. Reductions will be achieved by greater use of operational efficiencies and reductions in consulting and contracting costs.
- \$5 million and 7.0 positions within the administrative support will be achieved by streamlining processes, and enhancing operational efficiencies.

#### **2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

- Augmented the Department of Housing and Community Development with \$575,000 in disencumbered funds in order to support the Department of Housing and Community Development's continued role in reviewing local housing elements.

#### **8620 FAIR POLITICAL PRACTICES COMMISSION (FPPC)**

- Approved \$767,000 in 2012-13 and \$384,000 in 2013-14 to fund 6.0 limited term positions in support of an unanticipated workload stemming from the Kindee Durkee embezzlement case. The FPPC anticipates a greater number of audits and a significantly larger workload for the legal division within the FPPC.

#### **8820 COMMISSION ON THE STATUS OF WOMEN**

- Rejected Governor's proposal to eliminate the Commission on the Status of Women.
- Adopted trailer bill language that revises the mission of the Commission on the Status of Women and Girls and seeks to find a better long-term funding solution.

#### **8885 COMMISSION ON STATE MANDATES**

- Approved Commission on State Mandates adjustments to baseline budget and May Revision request for unanticipated costs.
- Approved funding for certain property tax related and public safety mandates for the budget year for a total cost of \$48.7 million.
- Approved the suspension of most non-education local mandates in 2012-13 for GF savings of about \$375.58 million. Most of these mandates were also suspended in 2011-12, but some additional mandate suspensions were added due to the fiscal condition of the state – among

these were various mandates related to elections. Suspending a mandate means the local government is not required to comply nor is the state required to fund.

- Approved the continued suspension of the mandates suspended in the budget year, for the fiscal year 2013-14 and 2014-15.

## **9100 TAX RELIEF**

Approved funding of \$438.9 million for the Homeowners' Property Tax Relief program, which is constitutionally required.

## **9210 LOCAL GOVERNMENT FINANCING**

- Adopted trailer bill language to address issues associated with the dissolution of redevelopment agencies. The bill allows entities who remit property taxes and assets according to law, the ability to retain assets, be repaid loans made, and use bond proceeds. The bill also contains measures that facilitate compliance with the law.
- Approved funding for Amador County to compensate for loss of funds that would have been received in the absence of the tax swap and the triple flip. The revenue loss is the result of schools in the counties all becoming basic aid. Department of Finance and Legislative Analyst's Office were directed to develop a methodology for future aid.

## VETERANS AFFAIRS

### 8955 DEPARTMENT OF VETERANS AFFAIRS (DVA)

- Approved a net GF increase of \$40.9 million in 2012-13 for all of the Veterans Homes of California (VHCs), including an augmentation of \$10.6 million phase-in staffing and residents in the existing and new VHCs in Redding and Fresno.
- Approved \$2.41 million (federal funds) for the construction phase of the Yountville Veterans Home cemetery restoration project. General obligation bonds have previously been approved in the amount of \$436,000 for the preliminary plans and working drawing phases of the project. The objectives within this restoration project will bring the cemetery into compliance with the National Cemetery Administration standards and enable the state to maintain the cemetery grounds according to those standards in future years.
- Sustained the historical funding level of \$2.6 million GF for County Veterans Service Offices (CVSOs), local agencies that assist veterans in receiving federal benefits for which they are eligible. This funding level has been in place since 2004.
- Approved the Governor's proposal for greater position authority for the DVA. The Administration requested 22.0 additional positions within the Greater Los Angeles and Ventura County Veterans Homes. The Greater Los Angeles and Ventura County Veterans Homes entered into a sharing agreement with the U.S. Department of Veterans Affairs that included pharmaceutical, medical supply, and medical services. The U.S. Department of Veterans Affairs began cancelling the sharing agreements in 2010 due to the lack of a cohesive budget timeline. Funds that were encumbered for the sharing agreement will now be utilized for the civil service positions and will not impact GF expenditures.
- Approved additional state operations reductions of \$3.01 million in 2012-13, a result of: (1) Skilled Nursing Facility Activation schedule shift at the Greater Los Angeles and Ventura County – West Los Angeles campus which resulted in a \$3.0 net reduction in GF contribution. The schedule slip stems from a food sharing agreement with the U.S. Department of Veterans Affairs that was cancelled. The DVA will now have to seek an outside vendor for food services which will slightly delay the opening of the Skilled Nursing Facility at the West Los Angeles Veterans Home. (2) Overall decrease in the census population of veterans located within the VHC's combined with a slight increase of the reimbursement rate per veteran at each home.
- Adopted trailer bill language that revises the current fund distribution formula utilized by the DVA to ensure that a more qualitative, rather than quantitative, measure is utilized to disburse funds to support CVSO related operations.

# LABOR

## 7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

- Rejected the Governor's proposal to, effective January 1, 2013, eliminate the California Unemployment Insurance Appeals Board (CUIAB) and restructure the second level appeals process for full-year savings of \$1.2 million in 2013-14 and on-going. Adopted a refined LAO alternative that retains the Board level review of the appeals caseload, eliminates vacant positions, reduces the size of the Board by two members, and increases the qualifications of the Board, for savings of \$1.2 million in 2013-14 and on-going.
- Approved a one-time augmentation of \$8.8 million (special funds) and 41 positions for year seven of the Automated Collection Enhancement System (ACES) project, an information technology project intended to improve EDD's ability to track, collect, and audit the payment of employer payroll taxes, including unemployment insurance and personal income taxes. Additionally, beginning in 2013-14 and on-going, approved \$5.7 million (special funds) and 22 positions for on-going support of ACES.
- Approved the expansion of the Financial Institution Records Match (FIRM), an enforcement tool used to collect delinquent taxes and non-tax debts of individuals and business entities, to the EDD, effective January 2013.
- Approved a loan of \$312.6 million from the Unemployment Compensation Disability Fund to the GF to pay the September 2012 unemployment insurance loan interest payment due to the federal government, including the budget provisional language. Rejected the other aspects of the Governor's proposal, including proposed trailer bill language, pertaining to: (1) the Employment Training Fund surcharge and (2) income eligibility for unemployment insurance benefits.
- Approved a request for a one-time augmentation of \$33.787 million (Disability Insurance Fund) to fund a net of 68 positions to support the fourth year of development, testing, and implementation of the Disability Insurance Automation (DIA) project. The DIA project was initially funded in the 2006 Budget Act. It will provide greater access to services for claimants, medical providers, and employers by allowing these individuals to use the Internet to submit claims data using a direct electronic interface or through web-based intelligent forms. This will simplify and automate the numerous manual work processes involved when a disability insurance (DI) claim is filed with EDD. The DIA project is scheduled to "Go Live" in summer 2013.

- Approved a one-time budget augmentation of \$16.9 million (including \$11.6 million EDD Contingent Fund and \$5.3 million Unemployment Fund) and a redirection of \$6.3 million Unemployment Administration Fund for the UIMOD Continued Claims Redesign (CCR) Project. The increase will fund 47 existing positions, hardware purchases, project management and other consultant costs, Independent Verification and Validation services, Independent Project Office Coordinator services, and an increase to the prime vendor services contract. First authorized in the 2003 Budget Act, the Call Center Network Platform and Application Upgrade (CCNPAU) and CCR subprojects are intended to modernize unemployment insurance (UI) services. The CCR project is scheduled to “Go Live” in March 2013.

### **7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)**

- Approved the elimination of the Division of Labor Statistics and Research, transferring all responsibilities and workload to the Division of Occupational Health and Safety and the Division of Labor Standards Enforcement, and otherwise reorganize the DIR. This consolidation will result in the reduction of one position and on-going savings of \$231,000 GF.
- Approved, on a three-year limited-term basis, increased expenditure authority of \$765,000 (Labor and Workforce Development Fund) and four positions in 2012-13, and \$639,000 on-going, to comply with the requirements of Chapter 677, Statutes of 2011 (AB 551), related to prevailing wage violations. Of the requested resources in 2012-13, \$100,000 is for one-time costs to redesign and/or upgrade the existing database system.
- Approved, on a three-year limited-term basis, increased expenditure authority of \$1.7 million (Labor and Workforce Development Fund) and 13 positions in 2012-13, and \$1.65 million on-going, to comply with the requirements of Chapter 706, Statutes of 2011 (SB 459, Corbett), related to willful misclassification of independent contractors.
- On a two-year limited-term basis, approved increased expenditure authority of \$583,000 (Entertainment Work Permit Fund) and four positions in 2012-13, and \$307,000 on-going, to comply with the requirements of Chapter 557, Statutes of 2011 (AB 1401), related to minors’ temporary entertainment work permit program. Of the resources requested in 2012-13, \$250,000 is one-time to create an on-line application and payment system.
- Approved on a three-year limited-term basis increased expenditure authority of \$2.3 million in 2012-13, and \$1.6 million in 2013-14 and 2014-15, from the Labor and Workforce Development Fund and four redirected positions, to increase the overall efficacy of statewide enforcement of labor laws.
- Rejected the proposal to eliminate the Occupational Safety and Health Standards Board (OSH Board).



- Adopted provisional budget bill language to reinstate a biennial reporting requirement for the Labor Enforcement Task Force (formerly the Economic and Employment Enforcement Coalition), which is a federal-state multi-agency partnership formed to combat the worst violators of federal and state labor, licensing, and tax laws operating in the underground economy.
- Approved the transfer of the State Mediation and Conciliation Service program, currently housed within the DIR, to the Public Employment Relations Board. This request has a net-zero budget impact between the two budget items and a reduction of one limited-term position.

## PUBLIC EMPLOYMENT AND RETIREMENT

### **8320 PUBLIC EMPLOYMENT RELATIONS BOARD**

- Approved the transfer of the State Mediation and Conciliation Service program, currently housed within the Department of Industrial Relations, to the Public Employment Relations Board. This request has a net-zero budget impact between the two budget items and a reduction of one limited-term position.

### **8380 DEPARTMENT OF HUMAN RESOURCES**

- Consistent with the Governor's Reorganization Plan Number 1 of 2011, which was approved by the Legislature in 2011, approved the transfer of budget authority from the Department of Personnel Administration and State Personnel Board to the new Department of Human Resources (CalHR), effective July 1, 2012. Over the next two fiscal years, CalHR will reduce staff levels by 15 percent (a total of 60 positions eliminated) and achieve savings of \$8.6 million (\$3.7 million GF).

### **6645 and 9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS**

- Approved \$1.7 billion (\$1.6 billion GF) for the costs associated with providing health and dental benefits for retirees. These costs were offset by savings of \$124 million (\$122.4 million GF) from a CalPERS Board action to convert the CalPERS HMO and PPO Supplemental Medicare plans from the Medicare Retiree Part D Retiree Drug Subsidy program to Employer Group Waiver Plans. With the passage of federal health care reform, the Employer Group Waiver Plans option now provides greater cost savings for the state.

### **9800 AUGMENTATION FOR EMPLOYEE COMPENSATION**

- Approved an increase of \$9.3 million GF and \$4.5 million other funds over the Governor's January budget level (\$42 million GF and \$55.4 million) to reflect revised estimates as a result of: (1) updated health care enrollment figures; (2) projected health care premium increases; (3) and updated salary surveys affecting the California Association of Highway Patrolmen (Bargaining Unit 5) and Judges. This action ratifies the addenda to extend the contract with Bargaining Units (BUs) 12 (International Union of Operating Engineers), 16 (Union of American Physicians and Dentists), 18 (California Association of Psychiatric Technicians), and 19 (American Federation of State, County and Municipal Employees) through July 1, 2013. For BUs 12 and 18, this action includes an adjustment to the 2012 health care premium rates on July 1, 2012, and the 2013 rates effective December 1, 2012.

**CONTROL SECTIONS****CS 3.60      CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS**

- Approved an estimated \$2.4 billion GF (\$4.3 billion all funds) state contribution to the California Public Employees Retirement System (CalPERS). The net changes in 2012-13 are a result of various factors including higher than expected retirement rates and the CalPERS Board decision to decrease the assumed rate of investment return to 7.5 percent from 7.75 percent.

**CS 3.90      REDUCTION FOR EMPLOYEE COMPENSATION**

- Approved savings of \$401.7 million GF (\$437.4 million other funds) from employee compensation-related reductions equivalent to a 4.62 percent reduction in pay (total of eight hours per month) achieved through: (1) memoranda of understanding; (2) furloughs; and/or (3) other reductions for non-represented employees through existing administration authorities and/or statutory authority. Ratified the memorandum of understanding reached with several state bargaining units between June 7, 2012, and June 25, 2012, wherein affected represented employees agreed to participate in the Personal Leave Program 2012 (PLP 2012). Under the terms of the PLP 2012, which is operative from July 1, 2012, to June 30, 2013, a participating employee shall receive a reduction in pay not greater than five percent and, in exchange, receive eight hours of PLP 2012 leave credits on the first day of each monthly pay period. Approved budget trailer bill language, in support of this control section, implementing the policies necessary to achieve these savings from employees not participating in the PLP 2012.

## CORRECTIONS AND REHABILITATION

### 5225 Department of Corrections and Rehabilitation (CDCR)

- CDCR Blueprint, The Future of California Corrections. Adopted the Governor's proposal, known as the Blueprint, to reform the CDCR and achieve \$1 billion in savings in 2012-13 associated with public safety realignment. Aspects of the Blueprint include:
  1. \$810 million in lease revenue bond authority to construct three level II dorm facilities.
  2. \$700 million in AB 900 (Solorio 2007) lease revenue authority for court-ordered medical upgrades.
  3. \$167 million in AB 900 lease revenue authority for the conversion of the Dewitt juvenile facility to satisfy medical and mental health bed requirements (1,133 beds, including 953 health care beds).
  4. Reappropriates funding necessary to ensure completion of health care projects required to comply with court orders as well as maintain the safe and efficient operation of existing prison facilities.
  5. \$2.8 million for expenditure on capital improvement projects at the Folsom Transitional Treatment Facility to convert it into a women's facility.
  6. The closure of the California Rehabilitation Center, upon the completion of the three level II dorm facilities.
  7. Various reporting and oversight requirements, including Office of the Inspector General monitoring and reporting on programmatic implementation of the Blueprint.
  8. Improving the inmate classification system and access to rehabilitative programming.
  9. Standardizing staffing levels.
- Receiver Baseline Adjustment. Approved the Governor's proposal to restore \$124.5 million GF in previous unallocated reductions to the prison medical Receiver's budget.
- Female Offender Alternative Custody Program Expansion. Adopted the Governor's proposal to expand eligibility for the Alternative Custody Program for Female Offenders. In addition, provided the Secretary of CDCR to consider additional female offenders for the Community Prisoner Mother's Program on a case-by-case basis.
- Division of Juvenile Justice (DJJ) Jurisdiction and Fees. Adopted the Governor's proposals to make the following changes related to the state's jurisdiction of juvenile offenders: 1) lower the maximum age of jurisdiction for youths committed to the DJJ in the CDCR, or on parole from one of those facilities from 25 to 23 years of age, 2) terminates juvenile parole as of January 1, 2013, 3) impose a \$24,000 per year fee for any offender committed to the DJJ on or after July 1, 2012.
- DJJ Time-Adds. Eliminated the authority for DJJ staff to extend the date that a juvenile offender, under their care, appears before the Juvenile Parole Board for consideration of parole.

## PUBLIC SAFETY AND CRIMINAL JUSTICE

### **5227 Board of State and Community Corrections (BSCC)**

- County and Court Data. Adopted trailer bill language requiring the BSCC, in consultation with the Administrative Office of the Courts (AOC), the California State Association of Counties, the California State Sheriffs Association, and the Chief Probation Officers of California to develop and implement a first phase baseline data collection instrument to reflect the impact of 2011 Public Safety Realignment. Also requires the AOC to collect relevant data from the courts.
- Local Jail Funding. Adopted Governor's proposal to provide \$500 million in lease revenue bond authority to fund the construction of local jail facilities. The BSCC will administer the program with consideration given to counties that are seeking to replace existing compacted, outdated, or unsafe housing capacity or seeking to renovate existing or build new facilities that provide adequate space for the provision of treatment and rehabilitation services, including mental health treatment. In addition, a participating county may only add capacity using this authority if it clearly documents an existing housing capacity deficiency and does not lease housing capacity to any other public or private entity for 10 years. Local agencies would be required to provide a 10 percent match to any award they received.

## JUDICIARY

### 0250 Judicial Branch

- Trial Court Reserves. Approved the Governor's proposal to reduce funding for trial courts in the amount of \$300 million. However, rather than reducing allocations to trial courts based on each court's proportionate share of statewide local reserves, as proposed by the Governor, the Legislature allocated the reduction as follows: 1) \$235 million from local reserves 2) \$50 million based on the courts' historic allocation methodology, and 3) \$15 million from the Administrative Office of the Courts (ongoing reduction \$10 million).
- Trial Court Construction Redirection. Adopt the Governor's proposal to redirect \$240 million from the Immediate and Critical Needs Account to support trial court operations and reduce GF support for trial court operations by the same amount. This action results in the potential delay of up to 38 trial court construction projects.
- Court Fees. Approved the Governor's proposal to increase various court user fees resulting in approximately \$57 million of additional revenue for the Judicial Branch as follows: 1) the complex case fee increases from \$550 to \$1000 (\$7.1 million), 2) the motion fee increases from \$40 to \$60 (\$8.3 million), 3) the first paper filing fee increases from \$395 to \$435 (\$21.1 million), 4) the jury deposit is made nonrefundable and moves up payment timeline, (\$11.7 million), 5) a new will deposit fee of \$50 (\$2.2 million), 6) a new court reporter fee of \$30 for services under an hour (\$5.5 million), and 7) a 20 percent increase (\$120 first filing, \$65 response) in the appellate court filing fees (\$1 million).

## APPENDIX

EDMUND G. BROWN JR.  
Governor

June 27, 2012

**State of California**  
Governor's Office

I object to the following appropriations contained in Assembly Bill 1464.

Item 0510-001-0001—For support of Secretary of State and Consumer Services. I reduce this item from \$246,000 to \$0 by reducing:

(1) Support from \$1,530,000 to \$1,094,000,

and by deleting:

(3) Amount payable from the Central Service Cost Recovery Fund (Item 0510-001-9740) of (-\$190,000).

I am reducing this item by \$246,000 and 3.5 positions for the Office of Privacy Protection. While I am supportive of efforts in this area, I do not believe this program is of sufficient priority to justify the use of limited state resources.

I am revising this item to conform to the action taken in Item 0510-001-9740.

Item 0510-001-9740—For support of Secretary of State and Consumer Services. I delete this item.

I am deleting this item to conform to the action taken in Item 0510-001-0001.

Item 2660-001-0042—For support of Department of Transportation. I reduce this item from \$2,387,730,000 to \$2,383,185,000 by reducing:

(9) 40-Transportation Planning from \$118,242,000 to \$113,697,000,

and delete Provision 3.

I am reducing this item by \$4,545,000 and 23.0 positions to reserve state funds to fund state projects and not to subsidize the development and review of project initiation documents for locally funded projects on the state highway system. I am sustaining \$3,890,000 and 28.0 positions to complete work on projects where local agencies executed cooperative agreements with Caltrans to provide reimbursements.

I am also vetoing Provision 3 because the requirements contained in this provision to expend Capital Outlay Support funds on state staff, external contracts, and operating expenses and equipment create unnecessary cost pressures and limit Caltrans' flexibility to utilize the most cost-effective portfolio of resources to meet its workload needs. Caltrans needs the flexibility to choose a staffing mix that allows it to complete the workload without resulting in unnecessary costs associated with hiring additional state staff and incur training expenses for short-term workload.



Item 3360-011-3117—For transfer by the Controller, upon order of the Director of Finance, from the Alternative and Renewable Fuel and Vehicle Technology Fund to the State Parks and Recreation Fund. I reduce this item from (\$10,000,000) to (\$3,000,000).

I am reducing this item by \$7,000,000 to conform to the action I have taken in Item 3790-001-0392.

Item 3600-001-0200—For Support, the Department of Fish and Game. I revise this item by deleting Provisions 3 and 4.

I am deleting Provision 3 because the requirement contained in this provision to expend funds on a plan to redirect Fish and Game Preservation Fund to other priorities increases overall cost pressures within this item. The Fish and Game Preservation Fund is structurally imbalanced with expenditures exceeding revenues by approximately \$17 million. While the intent of this provision is to identify a plan that could reduce the imbalance, any activities that would be redirected to the Greenhouse Gas Reduction Fund would not result in Fish and Game Preservation Fund savings as permit fees currently cover the Department's renewable energy activities.

I am also deleting Provision 4 because it would require up to \$2 million to be appropriated from the Salton Sea Restoration Fund to the Salton Sea Authority to update previous analyses of restoration planning efforts for the Salton Sea. I am vetoing the provision because the Salton Sea Restoration Fund has a reserve of \$675,000 for the 2012-13 fiscal year, and using other departmental funds would result in an unallocated reduction to other Fish and Game programs. I will be directing the Department of Fish and Game to continue conversations with the Salton Sea Authority and environmental stakeholders in an effort to identify other options for conducting the proposed feasibility study and enhancing restoration efforts.

Item 3790-001-0392—For support of Department of Parks and Recreation. I reduce this item from \$147,946,000 to \$126,946,000 by reducing:

(1) Support of Department of Parks and Recreation from \$430,099,000 to \$399,099,000,

and by deleting:

(9.5) Amount payable from State Water Pollution Control Revolving Fund (Item 3790-001-0617) (-\$10,000,000).

The Department has readied the closure of 70 state parks based on criteria included in the 2011 Budget Act. As of today, the state has signed its 32nd agreement with a local partner to continue to operate a park slated for closure. This achievement is a testament to the work and dedication of the Department, nonprofit organizations, local governments, and others—along with the state Legislature—to keep state parks available to the public.

The Budget includes one-time funding to attempt to resolve an ongoing structural imbalance by using funds that were intended for other important uses to support state parks. While a portion of these funds will help ensure a successful transition as the state develops a long-range vision for state parks, I cannot fully support this action because proposed funding either takes from other important purposes or may violate the state's agreement with the federal government regarding the State Water Pollution Control Revolving Fund.

Therefore, I am reducing this item by \$31 million and sustaining \$10 million in new funding to support the needs of the state's parks system. These funds will allow, among other purposes a transition window for park operating agreements that are currently being negotiated, but are not yet final. I am also sustaining \$13 million in redirected bond expenditures, which will now be used for projects that can aid the Department to increase park revenues.

Item 3790-001-0617—For support of Department of Parks and Recreation. I delete this item and Provision 1.

I am deleting this item to conform to the action I have taken in Item 3790-001-0392.

Item 3940-001-0439—For support of State Water Resources Control Board. I revise this item by deleting Provision 3.

I am deleting Provision 3 because the requirement contained in this provision to expend funds on a proposal increases overall cost pressure with this item. This provision requires the State Water Resources Control Board to submit a proposal to increase program efficiencies through reduction of the number of regional water quality control boards by January of 2013. This provision is unnecessary.

Item 4265-001-0001—For support of Department of Public Health. I revise this item by deleting Provision 4.

I am deleting Provision 4 because the requirement contained in this provision to expend funds on an annual work plan for the Nursing Home Administrator's Program creates unnecessary cost pressures. Elimination of this report is consistent with my plan to eliminate unnecessary reports and reporting requirements.

Item 4265-111-0001—For local assistance, Department of Public Health. I reduce this item from \$49,332,000 to \$48,832,000 by reducing:

(3) 20.20—Infectious Diseases from \$258,897,000 to \$258,397,000.

I am reducing this item by \$500,000, which eliminates funding for the Public Health Laboratory Director Training Program. This reduction is necessary to help bring ongoing expenditures in line with existing resources and to build a prudent reserve.

Item 4440-011-0001—For support of Department of State Hospitals. I revise this item by deleting Provisions 5 and 13.

I am deleting Provision 5 because the requirement contained in this provision to expend funds by providing quarterly progress reports on the hiring plan related to federal court monitoring of compliance with the Civil Rights of Institutionalized Persons Act (CRIPA) creates unnecessary cost pressures. This provision would require the Department to continue reporting on a hiring plan when facilities have achieved substantial compliance with CRIPA and are in the process of being released from further court monitoring. Elimination of these reports is consistent with my plan to eliminate unnecessary reports and reporting requirements.

I am also deleting Provision 13, which permits up to \$3,600,000 to be used for the Adult Education program, and eliminating 37.6 unfunded positions added separately by the Legislature for this program, because the requirement creates unnecessary cost pressures and

restricts the Department's efforts to achieve planned General Fund cost savings. The Budget reflects my Administration's efforts to close a structural gap in the Department's budget. Authorizing this program without providing the necessary resources would undermine these efforts.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$34,505,000 to \$34,420,000 by reducing:

- (2) 20-Instructional Support from \$140,134,000 to \$139,944,000,
- (9) Amount payable from the Federal Trust Fund (Item 6110-001-0890) from -\$162,299,000 to -\$162,194,000,

and by deleting Provision 19.

I am reducing this item by \$85,000 and 1.0 position at the State Department of Education to conform to my veto of local assistance funding for the Early Mental Health Initiative in Item 6110-162-0001.

I am deleting Provision 19 to conform to this action.

I am also revising these schedules to conform to the actions I have taken in Item 6110-001-0890.

Item 6110-162-0001—For support of Department of Education (Proposition 98), Early Mental Health Services. I delete this item.

I am eliminating the \$15,000,000 appropriation for the Early Mental Health Initiative. While I appreciate the importance of prevention and early intervention services, I believe that school districts are in the best position to determine whether these services should be funded at the local level.

Item 6110-196-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from \$510,975,000 to \$481,003,000 by reducing:

- (1) 30.10.010-Special Program, Child Development, Preschool Education from \$510,975,000 to \$481,003,000.

I am reducing \$29,972,000 from preschool programs, which are administered by Title 5 centers that contract directly with the Department of Education. While I would have preferred to restructure rates and reform the program to achieve savings, this across the board reduction in slots is necessary to help bring ongoing expenditures in line with existing resources.

Item 6110-202-0001—For local assistance, Department of Education. I delete this item and Provisions 1, 2, and 3.

I am eliminating the \$10,100,000 legislative augmentation which would provide a supplemental child nutrition reimbursement to private schools, private child care centers, and other meal sponsors that are not eligible for Proposition 98 funding. This reduction is necessary to bring ongoing expenditures in line with available General Fund resources.

I am also deleting Provisions 1, 2, and 3 to conform to this action.

Item 6440-004-0001—For support of University of California. I delete Provisions 1, 2, and 3.

I am deleting Provisions 1, 2, and 3 because the requirements contained in these provisions to expend funds on the University of California, Merced campus create unnecessary cost pressures and are unnecessarily restrictive. Eliminating these provisions will give the University greater flexibility to manage the \$750 million permanent reduction in state funding enacted in 2011-12.

Item 6440-005-0001—For support of University of California. I delete Provision 1.

I am deleting Provision 1 because the requirement contained in this provision to expend funds on the California Institutes for Science and Innovation creates unnecessary cost pressures and is unnecessarily restrictive. Eliminating this provision will give the University greater flexibility to manage the \$750 million permanent reduction in state funding enacted in fiscal year 2011-12.

Item 6600-001-0001—For support of Hastings College of the Law. I delete Provision 3.

I am deleting Provision 3 because the requirement contained in this provision to expend funds on retired annuitant health and dental benefits creates unnecessary cost pressures and is unnecessarily restrictive.

Item 8885-295-0001—For local assistance, Commission on State Mandates. I reduce this item from \$50,586,000 to \$48,786,000 by reducing:

- (1) For payment of the following mandate claims for costs incurred in the 2004–05 through 2010–11 fiscal years from \$50,586,000 to \$48,786,000,

and by deleting:

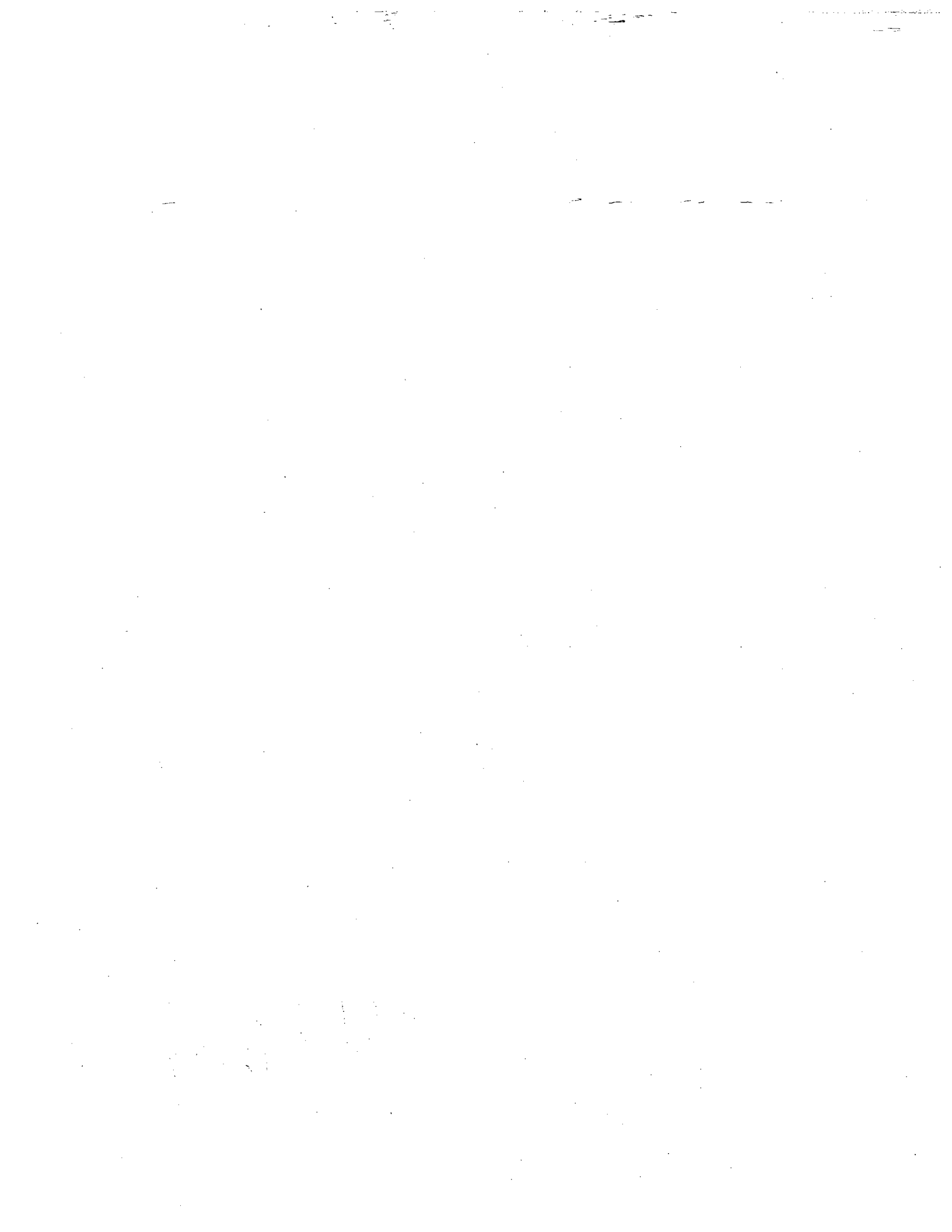
(1)(n) Crime Statistics Reports for the Department of Justice, Homicide Reports: Ch. 1338, Stats. 1992; Hate Crime Reports: Ch. 1172, Stats. 1989; Ch. 933, Stats. 1998; Ch. 626, Stats. 2000; Ch. 700, Stats. 2004) (02- TC-04, 02-TC-11, and 07-TC-10). (1,800,000)

and by deleting Provision 4.

The activities related to this mandate should already be standard procedure as they provide information to the federal government that ultimately enables local agency receipt of federal grant funds. Therefore, the existence of the mandate is unnecessary as an incentive to collect and report this information.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 1464.

  
EDMUND G. BROWN JR.



EDMUND G. BROWN JR.  
Governor

June 27, 2012

**State of California**  
Governor's Office

I object to the following appropriations contained in Assembly Bill 1497.

Item 0250-101-0932—For local assistance, Judicial Branch. I revise this item by deleting a portion of Provision 15.

I am revising this item by deleting the last sentence of Provision 15, which would permit the Judicial Council to offset General Fund reductions to the trial courts by redirecting additional funds from within the Judicial Branch's budget. I believe this language is unnecessary as the Budget already provides the appropriate level of funding, given available resources, for each segment of the Judiciary.

~~"15. Notwithstanding any other provision of law, during the 2012-13 fiscal year, the Judicial Council shall allocate \$385,000,000 of reductions in funding contained in Schedule (1) as follows: (a) no more than \$235,000,000 shall be allocated to each trial court based on each court's proportionate share of total statewide trial court reserves, and (b) no more than \$150,000,000 shall be allocated based on each trial court's proportionate share of the 2011-12 fiscal year Trial Court Trust Fund allocation. Upon approval of the Director of Finance and no sooner than 30 days after notification in writing to the committees of each house of the Legislature that consider the State Budget, the Judicial Council may offset either of these reductions through transfers from any other item within the Judicial Branch's budget, with the exception of funding scheduled for the Supreme Court, Courts of Appeal, and Habeas Corpus Resource Center."~~

Item 5180-111-0001—For local assistance, Department of Social Services. I reduce this item from \$4,443,230,000 to \$4,438,530,000 by reducing:

(2) 25.15-IHSS from \$6,239,606,000 to \$6,234,906,000.

I am reducing this item by \$4,700,000 to eliminate an augmentation to support administration of the In-Home Supportive Services (IHSS) program. This would align funding with the level I included in the May Revision. This reduction is necessary to provide for a prudent General Fund reserve. With this reduction, \$134,223,000 General Fund still remains for IHSS administration.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from \$717,265,000 to \$694,265,000 by reducing:

(1) 16.75-County Administration and Automation Projects from \$1,833,498,000 to \$1,779,498,000.

(3) Amount payable from the Federal Trust Fund (Item 5180-141-0890) from -\$1,068,900,000 to -\$1,037,900,000.

I am reducing this item by \$54,000,000 (\$23,000,000 General Fund) on a one-time basis in the County Administration and Automation Projects program for administration of the CalFresh

program. This reduction is necessary to provide for a prudent General Fund reserve. With this reduction, total funding of \$1,464,752,000 still remains budgeted to support CalFresh administrative costs. This level of funding for county administration is greater than what I proposed in the May Revision.

Item 5180-141-0890—For local assistance, Department of Social Services. I reduce this item from \$1,068,900,000 to \$1,037,900,000.

I am reducing this item by \$31,000,000 to conform to the action I have taken in Item 5180-141-0001.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$162,299,000 to \$162,194,000 and by revising Provision 35.

I am reducing this item by \$105,000 federal Migrant Education Funds to eliminate indirect cost funding associated with the Bureau of State Audits audit of the Migrant Education Program. This amount duplicates state operations funding already included in the Department of Education's budget and is unnecessary. With this reduction, \$600,000 remains to fund the audit.

I am revising Provision 35 to conform to this action as follows:

"35. Of the funds appropriated in this item, up to ~~\$705,000~~ \$600,000 is provided in one-time federal Title I, Part C, carryover funds for transfer to the State Audit Fund for the purpose of the Bureau of State Audits to conduct an independent audit of state and local implementation of the federally funded Migrant Education Program. The audit report shall be submitted to the appropriate fiscal and policy committees of each house of the Legislature and to the State Department of Education (SDE) no later than March 1, 2013.

(a) The audit report shall include all of the following:

- (1) A detailed audit of expenditures, fiscal practices, and fiscal oversight at the SDE and in a sample of local Migrant Education Program regions to determine whether there is compliance with applicable state and federal laws, regulations, and administrative policies.
- (2) A detailed audit of the State Parent Advisory Council (SPAC) makeup and activities at the state level and in a sample of local Migrant Education Program regions to determine whether there is compliance with applicable state and federal laws, regulations, and administrative policies, and to assess whether the state appropriately supports and engages migrant parents.
- (3) A detailed review of how effectively the state organizes and implements migrant education services at both the state and local levels, which includes alignment between program goals and program activities, outcomes from state-level contracts, effectiveness of data collection structures and internal operations, and the efficacy of the existing regional service delivery structure.
- (4) Recommendations for how the state may address audit findings related to the topics described in paragraphs (1), (2), and (3).
- (5) A review of the extent to which any relevant findings raised in recent federal reviews (since 2006) of the state's Migrant Education Program pertaining to these and other topics have been addressed. If these findings have not been adequately addressed, provide recommendations on how the state should address them to ensure the delivery of services in the Migrant Education Program are efficient and effective.

(b) The regions selected for the sample shall be sufficient in number to reflect the diversity of local regions and program structures.”

Item 6110-140-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from \$886,000 to \$0 by reducing:

(2) 20.90.001.020-California School Information Services Administration from \$2,184,000 to \$1,298,000.

I am reducing this item by \$886,000 to reflect the decrease in workload at the California School Information System (CSIS) associated with the completion of the California Longitudinal Pupil Achievement Data System (CALPADS) project. The Budget acknowledges the continued workload associated with CSIS’s support of the CALPADS maintenance phase, and therefore, continues to provide \$7,136,000 to ensure that CSIS is successful in meeting this objective.

Item 6110-194-0001—For local assistance, Department of Education. I reduce this item from \$770,603,000 to \$750,603,000 by reducing:

(1.5) 30.10.020-Child Care Services from \$1,329,885,000 to \$1,309,885,000, and

(d) 30.10.020.007-Special Program, Child Development, Alternative Payment Program from \$194,031,000 to \$174,031,000.

I am reducing \$20,000,000 from voucher-based child care programs, except for those serving current and former CalWORKs families. While I would have preferred to restructure rates and reform the program to achieve savings, this across the board reduction in child care slots is necessary to help bring ongoing expenditures in line with existing resources. With this reduction, a total of \$1.3 billion in non-Proposition 98 General Fund and federal funds remain to support child care programs administered by the Department of Education.

Item 6110-488—Reappropriation, Department of Education. I revise this item by deleting Provision 8.

I am deleting Provision 8 which contains an augmentation of \$8,100,000 for the Advancement Via Individualized Determination program because it creates additional cost pressures within Proposition 98 and school districts are in the best position to determine whether this program should be funded at the local level.

Item 6440-001-0001—For support of University of California. I reduce this item from \$2,053,750,000 to \$2,053,749,000 by reducing:

(1) Support from \$2,053,750,000 to \$2,053,749,000,

and by deleting Provisions 5, 7, 8, 9, 10, 11, 12, 14, 15, and 17.

I am deleting Provisions 5, 7, 8, 9, 10, 11, and 12, because the requirements contained in these provisions to expend funds on various programs create unnecessary cost pressures within this item and are unnecessarily restrictive. Specifically, these provisions earmark funding levels for the following programs administered by the University of California (University): the Charles R. Drew Medical Program, the California State Summer School for Mathematics and Science, the Science and Math Teacher Initiative, the Program in Medical Education, nursing programs,



Acquired Immune Deficiency Syndrome research, and the California Subject Matter Projects. Eliminating these earmarks will give the University greater flexibility to manage the \$750 million permanent reduction in state funding enacted in fiscal year 2011-12.

I am deleting Provision 14 because the requirement contained in this provision to expend funds on retired annuitant health and dental benefits creates unnecessary cost pressures and is unnecessarily restrictive.

I am deleting Provision 15 because the requirement contained in this provision that the University achieve an enrollment target of 209,977 resident full-time equivalent students creates unnecessary cost pressures on this item and is unnecessarily restrictive.

Finally, I am reducing this item by \$1,000 and deleting Provision 17 which would restrict the University's ability to contract out for services rather than using in-house personnel, under specified terms. While I encourage the University to review the overall cost effectiveness of its contracting out, this provision would unnecessarily limit the University's ability to effectively manage its operations.

Item 6610-001-0001—For support of California State University. I delete Provisions 5, 6, 9, and 10.

I am deleting Provisions 5 and 6 because the requirements contained in these provisions to expend funds on various programs creates unnecessary cost pressures and are unnecessarily restrictive. Specifically, these provisions earmark funding levels for the Science and Math Teacher Initiative and nursing programs administered by the California State University (CSU). Eliminating these earmarks will give CSU greater flexibility to manage the \$750 million permanent reduction in state funding enacted in 2011-12.

I am deleting Provision 9 because the requirement contained in this provision to expend funds on retired annuitant dental benefits creates unnecessary cost pressures and is unnecessarily restrictive.

Finally, I am deleting Provision 10 because the requirement contained in this provision that the CSU achieve an enrollment target of 331,716 resident full-time equivalent students creates unnecessary cost pressures and is unnecessarily restrictive.

Item 7980-101-0001—For local assistance, Student Aid Commission. I reduce this item from \$721,452,000 to \$698,852,000 by reducing:

(1) 15-Financial Aid Grants Program from \$1,638,628,000 to \$1,616,028,000,

and by revising Provisions 1 and 3.

I am reducing this item by \$22,600,000 and amending subsections which establish the maximum Cal Grant awards. The amounts of these awards are statutorily required to be in the Budget. Specifically, I am reducing the private institution award from \$9,708 to \$9,223, the independent institution award from \$9,708 to \$9,223, the Cal Grant B access award from \$1,551 to \$1,473, the Cal Grant C tuition and fee award from \$2,592 to \$2,462, and the Cal Grant C book and supply award from \$576 to \$547. Each of these represent a 5-percent reduction. This action is necessary to align ongoing program expenditures with existing resources. This action will not eliminate eligibility for any Cal Grant student.

I am revising subsections (a), (b), (c), (d), and (e) of Provision 3 to conform to this action as follows:

- "(a) New and renewal recipients attending private institutions shall be ~~\$9,708~~\$9,223.
- (b) New and renewal recipients attending independent institutions shall be ~~\$9,708~~\$9,223.
- (c) All recipients receiving Cal Grant B access awards shall be ~~\$1,551~~\$1,473.
- (d) All recipients receiving Cal Grant C tuition and fee awards shall be ~~\$2,592~~\$2,462.
- (e) All recipients receiving Cal Grant C book and supply awards shall be ~~\$576~~\$547."

I am further revising subsections to eliminate costs resulting from the Student Aid Commission's authority to issue new warrants for the Assumption Program of Loans for Education and the State Nursing Assumption Program of Loans for Education. The number of awards are statutorily required to be in the Budget. The General Fund savings that will begin in 2013-14 will help align ongoing program expenditures with available resources into the future.

I am revising subsection (c) of Provision 1 to conform to this action as follows:

"(c) The purchase of loan assumptions under Article 5 (commencing with Section 69612) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code. ~~The Student Aid Commission shall issue 7,200 new warrants.~~"

I am revising subsection (f) of Provision 1 to conform to this action as follows:

"(f) The purchase of loan assumptions under the State Nursing Assumption Program of Loans for Education (SNAPLE) pursuant to Article 1 (commencing with Section 70100) of Chapter 3 of Part 42 of Division 5 of Title 3 of the Education Code. ~~The Student Aid Commission shall issue 400 new warrants.~~"

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 1497.

  
EDMUND G. BROWN JR.

## Veto to AB 1464 - 2012 Budget Act

(Dollars in Thousands)

	<b>Department/Issue Title</b>	<i>General Fund</i>	<i>Other Funds</i>
1	Elimination of the Office of Privacy Protection (page 1)	\$246	\$190
2	Department of Transportation—State Funding of Local Highway Project Development (page 1)	0	4,545
3	Department of Transportation—Cap on Project Design Contracting (page 1)	0	0
4	Energy Resources Conservation and Development Commission—Fund transfer (page 2)	0	(7,000)
5	Department of Fish and Game—Fish and Game Preservation Fund and Salton Sea Restoration Feasibility Study (page 2)	0	0
6	Department of Parks and Recreation—Sustainable Parks Proposal (pages 2 and 3)	0	31,000
7	State Water Resources Control Board—Provisional Language to Reduce the Number of Regional Boards (page 3)	0	0
8	Public Health—Nursing Home Administrator's Program Plan (page 3)	0	0
9	Department of Public Health—Public Health Laboratory Director Training Program (page 3)	500	0
10	State Hospitals—Quarterly Hiring Plan Update and Adult Education Discretionary Program (page 3)	0	0
11	Department of Education—State Operations for the Early Mental Health Initiative (page 4)	85	0
12	Department of Education—Early Mental Health Initiative (page 4)	15,000	0
13	Department of Education—State Preschool (page 4)	29,972	0
14	Department of Education—Child Nutrition Funding for Non-LEAs (page 4)	10,100	0
15	UC—Provisional Earmarks to Provide Flexibility (page 5)	0	0
16	Hastings—Provisional Language for Retirement Funding (page 5)	0	0
17	Department of Justice—Crime Statistic Reports mandate (page 5)	1,800	0
	<b>Total</b>	<b>\$57,703</b>	<b>\$35,735</b>

## Veto to AB 1497 - 2012 Budget Act

(Dollars in Thousands)

	<b>Department/Issue Title</b>	<b>General Fund</b>	<b>Other Funds</b>
1	Judicial Branch—Redirection of Funds to Support Trial Courts (page 1)	\$0	\$0
2	Department of Social Services—IHSS Administration (page 1)	4,700	0
3	Department of Social Services—CalFresh Administration (pages 1 and 2)	23,000	31,000
4	Department of Education—Migrant Education Audit Funding and Positions (page 2)	0	105
5	Department of Education—California School Information Services (page 3)	886	0
6	Department of Education—Child Care Reductions (page 3)	20,000	0
7	Department of Education (Proposition 98)—Advancement Via Individualized Determination (page 3)	(8,100)	0
8	UC—Provisional Earmarks to Provide Flexibility and Provisional Language for Retirement Funding (page 3)	1	0
9	CSU—Provisional Earmarks to Provide Flexibility and Provisional Language for Retirement Funding (page 4)	0	0
10	Student Aid Commission—Cal Grants: Across-the-Board Reduction of Awards by 5% (page 4)	22,600	0
11	Student Aid Commission—Provisional Language Authorizing New Warrants for the Loan Assumption Programs (page 5)	0	0
	<b>Total</b>	<b>\$71,187</b>	<b>\$31,105</b>