



Final Action Report

A Summary of the 2011 Budget Act

Chapter 33, Statutes of 2011

Senator Mark Leno, Chair
Senate Committee on Budget and Fiscal Review

July 22, 2011

FINAL ACTIONS

July 22, 2011

Senate Bill 87
2011-12 Budget Bill

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July 22, 2011

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2011-12 budget actions taken by the Legislature along with the Governor's vetoes. This report is available on the Senate Budget and Fiscal Review Committee website:

Please follow the links:

- 1 – www.sen.ca.gov
- 2 – Committees
- 3 – Budget and Fiscal Review
- 4 – Latest Information
- 5 – Final Action Report 2011

We hope you will find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee should you have any questions.

Sincerely,

MARK LENO
Chair, Senate Budget and Fiscal Review

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INTRODUCTION

On June 28, 2011, the Legislature passed the 2011 Budget Act (Chapter 33, Statutes of 2011). In enacting this measure, the Legislature met its constitutional obligation to pass a balanced budget.

This document is the Senate Budget and Fiscal Review Committee’s Final Action Report on the 2011 Budget Act. The report provides a detailed summary of the contents of the 2011 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee, the Budget Conference Committee, and includes final negotiations between leadership of the Legislature and the Administration, along with gubernatorial vetoes.

In total, the final 2011-12 Budget assumes \$85.9 billion in General Fund (GF) expenditures, including vetoes. The overall budget (GF, special fund, and select bond funds) is \$129.5 billion.

In January, the estimated General Fund (GF) shortfall was \$27.6 billion – including a \$1.0 billion reserve and including the cancelation of the sale-leaseback transaction. In March, the Legislature made major progress by passing \$14 billion in solutions, primarily spending reductions.

In early June, the Budget Committees of each house adopted a bi-cameral budget that included most of the Governor’s May Revision framework that relied on approximately \$11 billion in additional revenues. However, after failing to gain the Republican votes needed to move forward the revenue portions of the Governor’s framework, the Legislature identified alternative solutions and adopted a budget on June 15 which was subsequently vetoed by the Governor.

The Legislature and Governor identified additional alternative solutions, as well as retained many of the solutions from the June 15 budget. This final budget was adopted by the Legislature on June 28, and signed by the Governor on June 30.

In closing the budget gap left after the March action, the Legislature and Governor identified \$12.7 billion in additional solutions, which replace tax revenues and result in a slightly lower budgetary reserve of approximately \$500 million GF in the budget year.

The solutions by category – based on the January Budget problem and including March legislation – are as follows (Department of Finance scoring as of June 28):

Expenditure Reductions	\$15.0 billion
Other, including delayed loan repayments	\$2.9 billion
Revenues	\$0.7 billion
Special Fund Revenues	\$0.2 billion
<u>Natural Revenue Growth/Misc. Changes</u>	<u>\$8.3 billion</u>
TOTAL	\$27.1 billion
Reserve	\$0.5 billion

A summary of the major actions that solved the \$27.1 billion budget problem is outlined below, with solutions including both 2010-11 and 2011-12 dollars. The solution scoring and categorization conform to the Administration numbers on the prior page.

Adopted expenditure reductions that total \$15.0 billion:Health and Human Services Programs

- Adopted cuts totaling \$2.0 billion to the Medi-Cal program, including co-payments for medical visits, soft-caps on physician and clinic visits, and extension of the 10-percent provider payment reductions. Eliminated Adult Day Health Medi-Cal benefit and funded a scaled-back program at half the cost.
- Adopted cuts totaling \$861.2 million to mental health services using the Mental Health Service Act Fund (Prop 63) to fund the Early and Periodic Screening, Diagnosis and Treatment program and the Mental Health Managed Care program.
- Adopted cuts totaling \$837 million to CalWORKs, including an 8-percent grant cut, and reducing the time parents or care-givers can receive aid from 60 months to 48 months.
- Adopted cuts totaling \$567.2 million to the Department of Developmental Services, through various cost containment measures and other savings at the Department, Developmental Centers, and Regional Centers.
- Adopted cuts totaling \$413.0 million for In-Home Supportive Services, including a new requirement that recipients receive certification from a licensed healthcare professional.
- Adopted cuts totaling \$178.4 million for Supplemental Security Income/State Supplementary Payment Grants (SSI/SSP), by reducing grants to the federal minimum, which, for California, is below the level in effect in 1983.
- Adopted other cuts in the Health and Human Services area that total \$106.8 million.

Realignment Savings

- Adopted significant reform, and savings scored at \$2.6 billion, from realigning public safety services from the state to local governments. The savings to the General Fund include \$454 million from redirecting Vehicle License Fee revenues to fund realignment, \$33.7 million from savings related to the implementation of AB 109 (Chapter 15, Statutes of 2011) that realigned certain offenders from the state to the county, and \$2.1 billion from Proposition 98 education savings. The Proposition 98 savings are generated because base sales tax revenue is being shifted to local government for support of realignment.
- Provided \$5.6 billion to local government to implement public safety realignment. To finance this realignment, redefined 1.06 percent of the existing state sales tax as a local revenue to support \$5.1 billion in public safety programs. Additionally, shifted \$454 million of existing vehicle license fee revenue from the Department of Motor Vehicles and general-purpose local government support to fund realignment.

Education

- Maintained K-12 education funding at a similar level as 2010-11, including new payment deferrals included in the Governor's 2011 January budget.
- Adopted cuts totaling \$1.7 billion to the University of California, the California State Universities, and California Community Colleges.
- Adopted cuts totaling \$153 million to the Cal Grant Program.

Other Spending Cuts

- Adopted cuts of \$1.1 billion by shifting bond debt service to transportation special funds.
- Adopted cuts totaling \$743.6 million to the Courts, including a one-year pause to the court's construction program.
- Adopted cuts totaling \$471.1 million from employee compensation reductions and state operations efficiencies. This includes the elimination of 20 boards and commissions, and reducing the number of state employees.
- Adopted cuts totaling \$366 million to Corrections and Rehabilitation, including cuts to inmate medical care and training programs.
- Adopted cuts totaling \$327.5 million related to suspension of state mandates and deferred payment.
- Adopted cuts in various other areas that sum to \$794 million.

Adopted revenue solutions that total \$947 million:

- Achieved revenue of \$200 million by increasing compliance in collection of the use tax, by requiring collection of the existing tax by online retailers, as specified.
- Achieved revenue of \$220 million through a narrow tax amnesty program related to abusive tax avoidance transactions.
- Achieved revenue of \$198 million through a short extension of the existing hospital fee.
- Achieved revenue of \$160 million through an accrual adjustment.

Adopted "other" budget solutions – mostly special-fund loans – that total \$2.9 billion:

- Achieved a budget solution of \$2.4 billion from special fund loans, including new loans and repayment deferrals for outstanding loans. About half of this amount backfilled for the cancellation of the sale-leaseback of state office buildings.

- Borrowed \$319.5 million from the Disability Insurance (DI) special fund to pay interest to the federal government for the Unemployment Insurance (UI) program.
- Transferred about \$200 million in fungible special fund revenues to the General Fund.

Recognized natural revenue growth that totals \$8.3 billion – and added a budget trigger:

- The Governor’s May Revision recognized unanticipated revenue growth of \$6.3 billion, some of which increased the Proposition 98 education funding guarantee. The Final Budget Act forecast an additional revenue gain of \$1.2 billion in 2010-11 and \$4.0 billion in 2011-12. Due to the Prop 98 adjustment and other factors, the budget solution from this category nets to \$8.3 billion.
- Related budget trigger cuts – in the case that revenues are not achieved in the budget year, the budget package contains an additional \$2.5 billion in “trigger” cuts. These cuts would be triggered only if revenues to the state do not achieve levels assumed in the budget package. If revenues are \$1 billion below assumptions, \$600 million in additional reductions will be made on January 1, 2012, to a variety of programs but excluding K-12 education. If revenues are \$2 billion below assumptions, an additional amount of up to \$1.9 billion in cuts will be made to K-12 education on February 1, 2012.

Major reform adopted and the structural deficit almost eliminated:

As the summary on the prior pages indicates, the adopted budget was not a balanced approach between cuts and maintaining existing tax rates. The Governor’s proposal to freeze 2010 tax rates to prevent more severe cuts in education and public safety did not obtain the necessary two-thirds legislative support, and as a result additional cuts were made, and trigger reductions added. The Governor’s plan to accelerate the repayment of budgetary debt cannot be implemented without the extension of the temporary taxes and the accumulated debt will have to be repaid more slowly over a longer period. While this budget represented “Plan B” for the Governor and many in the Legislature, the difficult cuts were made and the State’s budget gap has been nearly eliminated. According to Administration figures, the projected structural deficit as measured in 2014-15 started at \$21.5 billion before solutions, and the budget actions have reduced that amount by over 90 percent – to a new projected structural deficit of \$1.6 billion. Another significant achievement in this budget is adoption of public safety realignment – this reform will end the costly revolving door of lower-level offenders and parole violators through the state’s prisons, and allow the state to comply with court orders related to prison overcrowding.

Final Budget Package
General Fund Budget Summary
With Vetoes
(Dollars in Millions)

	<u>2010-11</u>	<u>2011-12</u>
Prior Year Balance	-\$4,507	-\$1,206
Revenues and Transfers	\$94,781	\$88,456
Total Resources Available	\$90,274	\$87,250
Non-Proposition 98 Expenditures	\$55,789	\$53,058
Proposition 98 Expenditures	\$35,691	\$32,879
Total Expenditures	\$91,480	\$85,937
Fund Balance	-\$1,206	\$1,313
Budget Reserves:		
Reserve for Liquidation of Encumbrances	\$770	\$770
Special Fund for Economic Uncertainties	-\$1,976	\$543

BUDGET TRIGGER / EXPENDITURE CUTS

The budget provides for additional expenditure cuts of up to \$2.5 billion if revenue falls by \$1 billion, or more, below expectations in 2011-12. General Fund revenues in 2011-12 are anticipated to be \$88.5 billion. If revenues are forecast in December 2011 to be lower by \$1 billion to \$2 billion, expenditure cuts of \$600 million are triggered on. If revenues are forecast in December 2011 to be lower by more than \$2 billion, then additional expenditure cuts of up to \$1.9 billion are triggered on. The trigger is in Control Section 3.94 of the Budget Act and operates as follows:

- Requires the Department of Finance to provide notification to the Joint Legislative Budget Committee by December 15, 2011, with an updated revenue forecast for 2011-12 that is based on the higher of: (1) the November 2011 Legislative Analyst's revenue forecast, or (2) the Department of Finance's December 2011 revenue forecast.
- If the December 15, 2011, updated forecast of revenues predicts revenues less than \$87.5 billion, the following additional "Tier I" reductions, which total about \$601 million, shall occur up to the amount specified. These reductions, if triggered, would take effect on or after January 1, 2012. Additional detail on the trigger reductions can be found by subject matter in other sections of this report.
 - \$100 million to the University of California.
 - \$100 million to the California State Universities.
 - \$100 million to the Department of Developmental Services.
 - \$110 million to the In-Home Supportive Services program, including \$100 million in service hour cuts, and \$10 million for local anti-fraud efforts.
 - \$92 million to the Department of Corrections and Rehabilitation (CDCR), including \$72.1 million in increased county charges for youthful offenders sent to CDCR.
 - \$30 million to the California Community Colleges backfilled with a \$10 per unit fee increase.
 - \$23 million to the Department of Education related to childcare funding.
 - \$16 million to the California State Library related to library grants.
 - \$15 million to the California Emergency Management Agency related to local vertical prosecution grants.
 - \$15 million to Medi-Cal from extending the March 2011 cuts to all managed care plans.
- If the December 15, 2011, updated forecast of revenues predicts revenues less than \$86.5 billion, the cuts outlined above are still triggered, and the following additional "Tier II" reductions, which total about \$1.9 billion, would also occur up to the amount specified. These

reductions, if triggered, would take effect on or after January 1, 2012; however, the reduction to the 2011-12 school year would take effect on or after February 1, 2012.

- \$1.5 billion from reducing the 2011-12 school year by up to 7 days.
 - \$248 million from eliminating dedicated funding for home-to-school transportation.
 - \$72 million to the California Community Colleges related to an apportionment decrease.
- Requires that the Director of Finance notify the Joint Legislative Budget Committee of any trigger reduction within 10 days of the reduction.

Public Safety Realignment

Major 2011 Public Safety Realignment Adopted.

The final budget package of 2011 included a major realignment of funding and programs from the State to local governments where these programs can be implemented with greater flexibility and fine-tuned for specific local needs and priorities. Furthermore:

- Realignment is a cost savings effort to streamline and minimize the State's role in providing essential public services, many of which have historically been delivered by the Counties.
- Realignment will enable the State to save \$1.5 billion on the State prison system when realignment is fully implemented.
- Realignment will enable the state to meet the order set out by a recent U.S. Supreme Court decision that affirmed the lower court's decision to require the reduction of overcrowding in the state prison system. The State has two years to reduce the prison population by over 30,000 inmates. Realignment will allow the state to accomplish this reduction in a way that improves public safety by providing additional funding for local support services, rehabilitation programs, and law enforcement that enhance the safety of communities.
- Realignment will also result in savings to state operations related to these realigned programs when fully implemented. The Governor has targeted a 25 percent reduction in the state operations related to the programs being realigned.

Budget Provides \$5.5 Billion for Fully Funded Realignment. The final budget includes \$5.5 billion to fully-fund a revised public safety realignment program that realigns programs and funding currently funded at the state to local government. The funding included in the final budget package to support realignment is as follows:

- Redefines 1.06 percent of the existing state sales tax as a local revenue to support \$5.1 billion in public safety programs.
- Redirects vehicle license fee (VLF) revenues from the following sources to support public safety programs:
 - \$300 million from the Department of Motor Vehicles
 - \$106 million from cities
 - \$48 million from Orange County

Budget Includes Major Realignment Legislation. The Legislature passed AB 109 (Budget) in March and subsequent modifications in AB 117 (Budget), which does the following:

- Requires that certain felons—generally offenders that have never been convicted of a serious or violent crime, or are required to register as a sex offender—serve their felony sentences in local custody and not prison.

- Requires that some offenders released from prison that have historically been subject to a three-year parole period instead be subject to a three-year period of local post-release supervision according to plans implemented by local entities designated by the counties.
- Restricts persons who have been released from prison and are either on parole or local post-release supervision from being sent back to state prison for a violation of any condition of release, unless convicted of a new crime punishable in state prison.
- Requires that courts hear and decide petitions to revoke parole or post-release supervision rather than the Board of Parole Hearings beginning July 1, 2013.

These policy changes will go into effect October 1, 2011, except as noted above, with funding provided for a Community Corrections Grant Program. The final budget package fully funds the Community Corrections Grant Program with about \$1.6 billion. This funding is being provided and allocated to counties through formulas set out in AB 118 (Budget) for one year. Additional funding is provided for realignment in SB 89 (Budget) from the VLF. Future legislation will be needed to determine ongoing allocations beyond the 2011-12 fiscal year.

Assembly Bill 118 (Budget) also includes the allocation of funding to the other public safety programs being realigned that are *not* directly related to the implementation of AB 109 (Budget). These programs will generally continue with minimal changes until further legislation is enacted. The other public safety programs being realigned include funding for: (1) court security; (2) various law enforcement programs previously funded by 0.15 VLF; (3) child welfare services, foster care, and adoptions; (4) mental health services; (5) substance abuse treatment; (6) adult protective services; and (7) funding related to an earlier juvenile justice realignment. These programs have historically been implemented primarily by the counties, with funding from the state.

The public safety realignment fully funds the local public safety programs that had previously been funded by a dedicated 0.15 percent of the VLF (the 0.15 percent expired on June 30, 2011).

Future Actions Needed on Realignment. Realignment and the transfer of programs and responsibilities from the State to local governments is a major undertaking. More legislation will be needed to fully implement this effort. Additional legislation will be needed to address the ongoing allocation of funding and to address the overall structure of how the funding is provided to local governments and what flexibilities the locals are provided.

There also continues to be a need for a constitutional amendment that will permanently dedicate the funding to the locals and provide the state with some mandate protections.

A summary of the programs and funding to be realigned are listed on the next page.

Realignment Funding (Dollars in Millions) – June Allocation Plan

Program	2011-12	2012-13	2013-14	2014-15
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Vehicle License Fee Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction of Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	956.7	0.0	0.0	0.0
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	0.0	0.0	0.0
Mental Health Services				
EPSDT	0.0	629.0	629.0	629.0
Mental Health Managed Care	0.0	183.7	183.7	183.7
Existing Community Mental Health Programs	1,083.6	1,119.4	1,119.4	1,119.4
Substance Abuse Treatment	183.6	183.6	183.6	183.6
Foster Care and Child Welfare Services	1,567.2	1,567.2	1,567.2	1,567.2
Adult Protective Services	55.0	55.0	55.0	55.0
Existing Juvenile Justice Realignment	97.1	104.1	103.2	103.3
Program Cost Growth*	0.0	339.0	624.5	1,063.9
Total	\$5,559.1	\$6,024.8	\$6,467.9	\$6,841.3
VLF Funds Available	\$453.4	\$453.4	\$453.4	\$453.4
1.0625% Sales Tax	\$5,105.7	\$5,571.4	\$6,014.5	\$6,387.9

*This amount will be subject to future legislation and is intended to cover county costs and reimburse reasonable state costs.

Reducing State Government

The 2011-12 budget includes \$269 million GF (\$157.6 million Other Funds) in savings achieved through departmental consolidations, operational efficiencies, and other cost reduction measures, such as reducing contracts. The mechanism to achieve these savings is budget Control Section 3.91, which provides DOF with the authority to make the required budgetary reductions to achieve the total savings.

Since January and through executive action, the Administration has achieved savings of \$16.4 million GF (\$30.2 million Other Funds) from a statewide building rental rate reduction and cellular telephone reductions. Additional savings from other executive actions, including banning non-essential travel and reducing the statewide vehicle fleet, including the elimination of any non-essential vehicles and reducing the number of home-storage permits, have yet to be totaled.

Of the total, the Governor's May Revision identified a specific subset of 2011-12 savings, \$25.1 million GF (\$11.0 million other funds), attributable to the elimination of 40 boards, commissions, and task forces, and 15 program reductions and efficiencies.

The Governor's May Revision also included a comprehensive state asset review to result in the eventual disposition of non-essential or under-utilized state properties. However, this is not a 2011-12 proposal; rather, this would be discussed as part of the 2012-13 budget.

Specific Board, Commission, and Task Force Eliminations & Program Reductions and Efficiencies

As noted above, the Governor's May Revision identified a specific subset of savings from a variety of eliminations of boards, commissions, and task forces, and program reductions and efficiencies. The final legislative action achieved savings related to eliminating 23 boards and commissions and various program reductions, totaling \$24.6 million GF. The budget also included policy changes to put in motion a major reorganization and consolidation of various health care programs that, when fully implemented, may result in the further elimination of additional agencies. The below chart details the final legislative action on the various proposals.

	ELIMINATIONS OF BOARDS/COMMISSIONS/TASK FORCES	ADOPTED THE GOVERNOR'S MAY REVISION PROPOSAL?
1	Accelerate End of American Recovery and Reinvestment Act Task Force	Yes.
2	Eliminate the California Privacy Security Advisory Board	No, referred to policy committee for further review.
3	Eliminate the Health Care Quality Improvement and Cost Containment Commission*	Yes.

4	Eliminate Colorado River Board	No, referred to policy committee for further review.
5	Eliminate Salton Sea Restoration Council	No, referred to policy committee for further review.
6	Eliminate State Mining and Geology Board	No, referred to policy committee for further review.
7-15	Eliminate Nine Advisory and Review Panels/Committees at Fish and Game*	Yes, except for Dungeness Crab and two Salmon-related committees whose elimination was rejected.
16	Eliminate Commission on Emergency Medical Services	No, referred to policy committee for further review.
17	Eliminate the Health Policy and Data Advisory Commission*	Yes.
18	Eliminate the Healthcare Workforce Policy Commission	No, referred to policy committee for further review.
19	Eliminate the Rural Health Policy Council*	Yes.
20	Eliminate the Public Health Advisory Committee	Yes; under current law will sunset June 30, 2011.
21	Eliminate the California Medical Assistance Commission*	Yes, effective July 1, 2012.
22	Eliminate the Rehabilitation Appeals Board	No, referred to policy committee for further review.
23	Eliminate the Continuing Care Advisory Committee*	Yes.
24	Eliminate Early Learning Advisory Council	No, referred to policy committee for further review.
25	Eliminate California Postsecondary Education Commission (CPEC) <u>In a line item veto, the Governor vetoed the entirety of CPEC's GF appropriation of \$1.9 million and 19.1 positions. The remaining two positions, which are federally funded, would continue to administer a component of the federal improving Teacher Quality Grants Program in 2011-12.</u>	No, referred to policy committee for further review.
26	Eliminate the Office of the Insurance Advisor within the State and Consumer Services Agency	Yes.
27	Eliminate the California Anti-Terrorism Information Center	Technically did not eliminate the Center; rather scored the proposed savings with a statement of intent that the Department of Justice redirect other existing resources to support the Center.
28	Eliminate the Office of Gang and Youth Violence Prevention*	Yes.

29	Eliminate California Council on Criminal Justice*	Yes.
30	Eliminate Governor's Emergency Operations Executive Council	Yes.
31	Eliminate California Emergency Council*	Yes.
32	Eliminate the Economic Strategy Panel*	Yes.
33	Eliminate the Commission on the Status of Women <u>In a line item veto, the Governor reduced the Commission's GF appropriation by \$200,000. The 2010-11 budget provided the Commission with \$464,000 GF, \$2,000 reimbursements, and 4.3 positions.</u>	No, referred to policy committee for further review.
34	Eliminate the California Law Revision Commission	No, but funded through reimbursements from Legislative Counsel so 2011-12 savings achieved.
35	Eliminate the Commission on Uniform State Laws	No, but funded through reimbursements from Legislative Counsel so 2011-12 savings achieved.
36	Eliminate the Office of Privacy Protection (OPP) <u>In a line item veto, the Governor reduced the OPP's funding by \$430,000 (\$245,000 GF). The 2010-11 budget provided the OPP with \$701,000 GF and 7 positions.</u>	No, referred to policy committee for further review.
37	Eliminate the Fair Employment and Housing Commission	No, referred to policy committee for further review.
38	Eliminate the Occupational Safety and Health Standards Board	No, referred to policy committee for further review.
39	Eliminate the Managed Risk Medical Insurance Board	No, referred to policy committee for further review.
40	Eliminate the Department of Mental Health (DMH)*	No, but transferred Community-Based Medi-Cal-related programs to the Department of Health Care Services in 2011-12. The remainder of DMH will be discussed in 2012-13.
PROGRAM REDUCTIONS AND EFFICIENCIES		
1	Office of the Inspector General (OIG) Workload Reduction <u>In a line item veto, the Governor reduced the OIG's GF appropriation by \$1,150,000, which will leave approximately \$120,000 and two positions for the OIG to conduct special reviews.</u>	Yes, as modified.
2	Reduce the Labor and Workforce Development Agency	Yes.
3	Eliminate General Fund Support for the State and Consumer Services Agency	Yes.
4	Reduce Match for Tourism Office	Yes.

5	Reduce Funding for Small Business Loan Guarantee Program	Yes.
6	Eliminate Child Care Monitoring Support (Department of Housing and Community Development)	Yes.
7	Eliminate Preservation Technical Assistance (Department of Housing and Community Development)	No.
8	Eliminate Redevelopment Oversight (Department of Housing and Community Development)	Yes.
9	Housing Policy Development Division Reduction (Department of Housing and Community Development) <i><u>In a line item veto, the Governor vetoed the use of the alternate funds, effectively reducing the funding and staffing levels for the Division's housing element law-related workload by 75 percent.</u></i>	Yes, but provided an alternate fund source (BEGIN) of \$1.0 million a year for the next three fiscal years for housing element law-related workload.
10	Eliminate GF Support for the Tahoe Conservancy	Yes.
11	Revert Unexpended GF for Parks' Public Safety Technology Modernization Project	Yes.
12	Reduce General Fund Support for the Department of Water Resources	Yes.
13	Transfer Support of the Governor's Commission on Employment of People with Disabilities to the Department of Rehabilitation*	Yes.
14	Eliminate the Human Resources Modernization Project	Yes.
15	25-Percent State Operations Reduction for Realigned Public Safety Programs	Yes, see realignment section of this report.
PROPOSALS NOT PART OF THE 2011-12 BUDGET		
1	Eliminate the Unemployment Insurance Appeals Board	Not a 2011-12 proposal; will instead be submitted to Legislature in January 2012 as part of the 2012-13 budget.
2	Consolidate the State Personnel Board and the Department of Personnel Administration	Not a 2011-12 budget proposal; will be handled as a Governor's Reorganization Plan in the policy process.
3	Create a Department of State Hospitals	A 2012-13 proposal.
4	Eliminate the Department of Alcohol and Drug Programs (ADP)	Not an 2011-12 proposal; will be discussed in 2012-13. In 2011-12, did transfer Drug Medi-Cal Program from ADP to the Department of Health Care Services.*

*Action included adoption of budget trailer bill language.

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
AB 95	Ch 2	Resources (trailer bill)	25-14	52-26
AB 97	Ch 3	Health (trailer bill)	36-2	59-14
AB 99	Ch 4	California Children and Families Act of 1998 (Prop 10): use of funds (trailer bill)	36-3	57-18
AB 100	Ch 5	Mental Health Services Act (Prop 63): use of funds (trailer bill)	37-2	57-16
AB 105	Ch 6	Transportation (trailer bill)	39-0	69-4
SB 70	Ch 7	Education finance (trailer bill)	22-17	53-25
SB 72	Ch 8	Human services (trailer bill)	39-0	61-11
SB 74	Ch 9	Developmental disabilities (trailer bill)	35-1	58-17
SB 78	Ch 10	Public Safety and Judiciary (trailer bill)	26-12	66-10
SB 80	Ch 11	General government (trailer bill)	33-2	55-21
SB 82	Ch 12	Cash management (trailer bill)	39-0	54-23
SB 84	Ch 13	Budget Act of 2010: Special fund loans (trailer bill)	25-12	52-26
SB 86	Ch 14	Tax administration (trailer bill)	23-16	52-25
AB 109	Ch 15	Criminal justice realignment (trailer bill)	24-16	51-27
AB 111	Ch 16	Criminal justice realignment (trailer bill)	25-14	52-23
SB 94	Ch 21	Vehicle License Fee Law: vehicle registration (trailer bill)	23-15	52-22
AB 94	Ch 23	Criminal justice realignment (trailer bill)	22-9	48-16
AB 102	Ch 29	Health (trailer bill)	24-15	53-25
AB 112	Ch 30	Budget Act of 2010: revisions (trailer bill)	24-15	52-26
AB 119	Ch 31	General Government (trailer bill)	23-15	52-26
AB 106	Ch 32	Human services (trailer bill)	24-15	52-26
SB 87	Ch 33	2011-12 Budget (Leno)	21-19	51-28
SB 73	Ch 34	Health (trailer bill)	23-17	51-28
SB 89	Ch 35	Vehicles: Registration fee (trailer bill)	22-17	51-27
SB 92	Ch 36	Public Safety (trailer bill)	24-15	51-28
AB 104	Ch 37	Developmental disabilities (trailer bill)	23-14	52-25
AB 115	Ch 38	Transportation (trailer bill)	24-15	52-26
AB 117	Ch 39	Criminal justice realignment (trailer bill)	24-14	51-28
AB 118	Ch 40	Local Revenue Fund 2011 (trailer bill)	24-15	51-28
AB 121	Ch 41	Budget Act of 2011 – Trigger (trailer bill)	23-17	51-28

AB 122	Ch 42	Budget Acts of 2009 and 2010: Supplemental Appropriations Bill (trailer bill)	26-4	53-24
AB 114	Ch 43	Education finance (trailer bill)	23-16	51-28
SB 79	Engrossing	State funds and Cash Flow Borrowing (trailer bill)	23-15	46-27
SB 91	Engrossing	Adult day health care centers (trailer bill)	24-14	60-11
SB 93	Engrossing	Health and human services	24-14	49-27
AB 96	Governor	Keeping Adults Free from Institutions (trailer bill)	24-15	52-24
AB 107	Governor	Public resources (trailer bill)	22-15	49-28
AB 108	Governor	Education (trailer bill)	23-15	50-25
AB 116	Governor	Criminal justice realignment (trailer bill)	24-15	50-27
AB 120	Governor	Public resources (trailer bill)	22-13	52-26
SB 69	<i>Vetoed</i>	<i>2011-12 Budget (Leno)</i>	<i>25-15</i>	<i>52-26</i>
AB 98	<i>Vetoed</i>	<i>Budget Act of 2011 (Committee on Budget)</i>	<i>23-15</i>	<i>51-26</i>

1st EXTRAORDINARY SESSION BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
ABx1 19	Ch 4, 1 st Ex	Nursing Homes Quality Assurance Fee (trailer bill)	32-2	69-5
ABx1 26	Ch 5, 1 st Ex	Redevelopment Agencies: Elimination and Resolution of Activities (trailer bill)	21-15	52-24
ABx1 27	Ch 6, 1 st Ex	Redevelopment Agencies: Alternative Voluntary Redevelopment Program (trailer bill)	21-16	47-31
ABx1 28	Ch 7, 1 st Ex	Tax administration: retailer engaged in business in the this state (trailer bill)	24-15	53-23
ABx1 29	Ch 8, 1 st Ex	State responsibility areas: fire prevention fess (trailer bill)	23-16	52-26
ABx1 22	Engrossing	Vehicles: vehicle license fees (trailer bill)	24-15	52-26
ABx1 23	Engrossing	Local government finance (trailer bill)	23-16	52-26
ABx1 34	<i>Vetoed</i>	<i>State Controller: property tax postponement (trailer bill)</i>	<i>33-0</i>	<i>78-0</i>

Subcommittee No. 1 – Education

6110 Department of Education
6120 California State Library
6420 California Postsecondary
Education Commission
6440 University of California

6600 Hastings College of the Law
6610 California State University
6870 California Community Colleges
7980 Student Aid Commission

Subcommittee No. 2 – Natural Resources, Environmental Protection, Energy & Utilities, Food & Agriculture and Transportation

0540	Secretary for Resources	3790	Department of Parks and Recreation
0555	Secretary for Environmental Protection	3810	Santa Monica Mountains Conservancy
2600	California Transportation Commission	3820	San Francisco Bay Conservation and Development Commission
2640	State Transit Assistance		
2660	Department of Transportation	3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy
2665	High Speed Rail Authority		
2670	Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun	3830	San Joaquin River Conservancy
2700	Office of Traffic Safety	3835	Baldwin Hills Conservancy
2720	California Highway Patrol	3840	Delta Protection Commission
2740	Department of Motor Vehicles	3845	San Diego River Conservancy
3110	Special Resources Programs	3850	Coachella Valley Mountains Conservancy
3125	California Tahoe Conservancy	3855	Sierra Nevada Conservancy
3340	California Conservation Corps	3860	Department of Water Resources
3360	California Energy Commission	3875	Sacramento-San Joaquin Delta Conservancy
3460	Colorado River Board	3885	Delta Stewardship Council
3480	Department of Conservation	3900	State Air Resources Board
3500	Department of Resources Recycling and Recovery	3930	Department of Pesticide Regulation
3540	Department of Forestry and Fire Protection	3940	State Water Resources Control Board
3560	State Lands Commission	3960	Department of Toxic Substances Control
3600	Department of Fish and Game	3980	Office of Environmental Health Hazard Assessment
3640	Wildlife Conservation Board	7300	Agricultural Labor Relations Board
3680	Department of Boating and Waterways	8570	Department of Food and Agriculture
3720	California Coastal Commission	8660	Public Utilities Commission
3760	State Coastal Conservancy	9350	Shared Revenues
3780	Native American Heritage Commission		

Subcommittee No. 3 – Health and Human Services

0530	Office of Systems Integration	4300	Department of Developmental Services
4140	Office of Statewide Health Planning and Development	4440	Department of Mental Health
4170	Department of Aging	4700	Department of Community Services and Development
4200	Department of Alcohol and Drug Programs	5160	Department of Rehabilitation
4260	Department of Health Care Services	5175	Department of Child Support Services
4265	Department of Public Health	5180	Department of Social Services
4270	California Medical Assistance Commission		
4280	Managed Risk Medical Insurance Board		

**Subcommittee No. 4 – State Administration, General Government, Judiciary,
Public Safety, Criminal Justice, and Veterans Affairs**

0502	Office of the Chief Information Officer	8830	California Law Revision Commission
0510	Secretary for State and Consumer Services	8840	Commission on Uniform State Laws
0520	Secretary for Business, Trans, & Housing	8850	State Public Works Board
0650	Governor’s Office of Planning and Research	8855	Bureau of State Audits
0690	California Emergency Management Agency	8860	Department of Finance
0840	State Controller	8880	Financial Information System for California (FI\$Cal)
0845	Department of Insurance	8885	Commission on State Mandates
0850	State Lottery Commission	8910	Office of Administrative Law
0860	Board of Equalization	8940	Military Department
0890	Secretary of State	8955	Department of Veterans Affairs
0911	Citizens Redistricting Initiative	9100	Tax Relief
0950	State Treasurer’s Office	9210	Local Government Financing
1100	California Science Center	9350	Shared Revenues
1110/1111	Department of Consumer Affairs	9600	Debt Service for General Obligation Bond
1700	Department of Fair Employment & Housing	9620	Cash Management and Budgetary Loans
1705	Fair Employment and Housing Commission	9860	Capital Outlay Planning and Studies Funding
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1920	State Teachers’ Retirement System	4.30	Lease Revenue Payment Adjustments
2100	Department of Alcoholic Beverage Control	28.50	Agency Reimbursement Payments
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2310	Office of Real Estate Appraisers		
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8620	Fair Political Practices Commission		
8640	Political Reform Act of 1974		
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8790	California Commission on Disability Access		
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0280 Commission on Judicial Performance
0390 Contributions to Judges' Retirement System
0552 Office of the Inspector General
0559 Labor and Workforce Development Agency
0820 Department of Justice
0855 Gambling Control Commission
1690 Alfred E. Alquist Seismic
 Safety Commission
1870 Victim Compensation & Gvrnmt Claims Bd
5225 Department of Corrections & Rehabilitation
7100 Employment Development Department
7120 California Workforce Investment Board
7350 Department of Industrial Relations
8120 Commission on Peace Officer Standards
 and Training (POST)
8140 State Public Defender
8550 California Horse Racing Board
9650 Support to Health and Dental Benefits
 For Annuitants
9800 Augmentation for Employee Compensation

Control Sections:

3.60 Contributions to Public Employee
 Retirement Benefits
3.90 Reduction for Employee Compensation
4.21 Health Care Premium Savings

SUBCOMMITTEE 1
ON EDUCATION
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Carol Liu, Chair
Bob Huff
Roderick Wright

Consultant

Kim Connor

SUBCOMMITTEE No. 1

EDUCATION

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K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

K-14 -- Proposition 98 Overall

- **2010-11 Proposition 98 Levels.** Provided **\$49.787 billion** in ongoing Proposition 98 funding in 2010-11. This continues funding provided in the original 2010-11 budget act, as updated by various workload adjustments. The final budget also provides an additional **\$156.6 million** in one-time funds in 2010-11.
- **2011-12 Proposition 98 Levels.** Provided **\$48.651 billion** in ongoing Proposition 98 funding in 2011-12 in order to meet the minimum funding guarantee. (As summarized later in this report, the 2011-12 budget makes a number of changes in the calculation of the Proposition 98 minimum funding guarantee in 2011-12). Together with \$1.054 billion in non-Proposition 98 General Fund for child care, the 2011-12 budget provides a total of **\$49.705 billion** in ongoing funding for K-14 education and child care. The final budget also provides an additional **\$161.2 million** in one-time funds in 2011-12.
- **Proposition 98 Rebenching Adjustments.** The final budget package includes a number of adjustments that “rebench” Proposition 98 to reflect changes in calculation factors or covered programs. These adjustments are summarized below:
 - **Mental Health Shift.** Provides an increase of **\$221.8 million** to reflect a shift in responsibility for the provision of educationally related mental health services for students with disabilities from counties to K-12 schools. The 2011-12 budget provides an additional \$221.8 million in Proposition 98 funding to K-12 schools to cover these services in 2011-12.
 - **Fuel Tax Swap.** Provides an increase of **\$578.1 million** to reflect education trailer bill provisions (SB 70) that extend previous law that specified the fuel tax swap shall have no negative effect upon the amounts that would otherwise be calculated under Test 1 of the Proposition 98 minimum education funding guarantee.
 - **Child Care Funding Shift.** Provides a decrease of **\$1.134 billion** to reflect the shift of funding for most child care programs from Proposition 98 General Fund to non-98 General Funds. The budget bill continues Proposition 98 funding for part-day preschool programs in 2011-12.
 - **Offset for New RDA Related Local Revenues.** Provides a decrease of **\$1.7 billion** to reflect new local remittances for K-12 local education agencies related to redevelopment agencies (RDAs) pursuant to provisions of the education budget trailer bill (SB 70) and

another RDA budget trailer bill (AB X1 27). These statutory provisions assure that there is no change in the combined amount of Proposition 98 funding that would otherwise be provided to K-12 LEAs without these local revenues. In effect, these provisions require that new local funds be used to offset state General Fund support of Proposition 98 through a rebenching of the Test 1 factor.

- **Dedication of State Sales Taxes for Local Realignment.** Reduces Proposition 98 by **\$2.1 billion** in 2011-12 to reflect the dedication of state sales tax revenues to local realignment pursuant to the 2011-12 budget package. These provisions will be operative beginning in 2011-12 only if: (1) these changes are authorized via ballot measures prior to November 17, 2012 and (2) provide funding for K-12 schools and community colleges equal to the amount that would have otherwise been provided if specified sales tax revenues were General Fund. If these conditions are not met, funds that would have been provided to Proposition 98 in 2011-12 prior to this shift are calculated and will be repaid, to K-12 schools and community colleges, over a five year period.
- **General Funds for Proposition 98 Settle-Up.**
 - Continued **\$450 million** in one-time General Funds for the Quality Education Improvement Education Act (QEIA) in 2011-12. These are one-time funds from prior year Proposition 98 savings and are utilized to satisfy Proposition 98 “settle-up” obligations.
 - Disapproved **\$53 million** in settle-up funds proposed by the Governor in 2011-12 and instead funded K-12 programs – including child care – within Governor’s ongoing Proposition 98 funding level and one-time Proposition 98 savings.
- **K-14 Mandates.** Continued **\$89.9 million** in Proposition 98 funding in 2011-12 for most K-14 mandates funded or suspended in 2010-11. Exceptions include two additional community college mandates that were added to the suspension list in 2011-12 with associated savings of \$4,000. The Legislature did not adopt the Governor’s May Revise proposal to reduce funding by \$38.2 million to reflect the adoption of specific recommendations of the K-14 workgroup on mandate reform created by Chapter 724; Statutes of 2010, including pursuing additional long-term reform options in collaboration with the Legislative Analyst’s Office to streamline future funding of K-14 mandates through a block grant approach.

K-12 Education

- **K-12 Intra-Year Payment Deferrals.** Authorized the State Controller's Office to delay specified K-12 and community college payments in 2011-12. Provisions of the state short-term cash management budget trailer bill (SB 82) make the following changes to the payment schedule for K-12 local educational agencies (LEAs) :

\$1.4 billion in both July 2011 and August 2011 payments deferred.

\$2.4 billion in October 2011 payments deferred.

\$700 million of the July deferral paid in September 2011.

\$4.5 billion from the remaining July, August, and October deferrals paid in January 2012.

\$1.4 billion in March 2012 payment deferred and paid in April 2012.

The new K-12 payment deferrals include a hardship waiver process for LEAs who might not be able meet financial obligations if payments are deferred. In order to be eligible for a hardship waiver, charter schools would need to demonstrate that they would become insolvent and school districts and county offices of education would need to qualify for an emergency apportionment absent an exemption from the enacted deferrals. Required payments of temporary revenue anticipation notes or other short-term debt issued for cash flow purposes in 2010-11 shall be considered expenditure obligations.

- **Inter-Year Payment Deferrals for 2011-12.** Deferred an additional **\$2.1 billion** in payments for K-12 revenue limits from 2011-12 to 2012-13. More specifically, the deferral moves \$1.3 billion in March 2012 and \$763 million in April 2012 payments to August 2012. The deferral reduces 2011-12 appropriations, but allows schools to retain programmatic expenditure levels in 2011-12. The deferral allows local educational agencies (LEAs) facing financial hardship to apply for an exemption from June apportionment payments scheduled to be deferred to July.
- **Extends Repayment of 2010-11 Inter-Year Deferrals for K-12 Schools.** Made changes to current statute to extend the repayment period for inter-year deferrals for 2010-11 in order to meet state cash needs.
- **Trigger Reductions – Instructional Days.** Requires local education agencies to reduce the minimum instructional days and minutes by up to seven additional days – beyond the five days currently authorized – if estimates of state revenues as of December 2011 are \$2 billion or more below current forecasts in 2011-12. This reduction is consistent with Control Section 3.94 of the 2011-12 budget act. Pursuant to implementing trailer bill language, this reduction would become effective February 1, 2012, if triggered, and would reduce LEA revenue limits by up to four percent, “scaled” in proportion to the General Fund shortfall. This reduction would generate up to **\$1.5 billion** in Proposition 98 savings in 2011-12.
- **Trigger Reductions – Home-to-School Transportation.** Reduces Proposition 98 funding by no more than **\$248 million** for the Home-to-School Transportation if estimates of state revenues as of December 2011 are \$2 billion or more below current forecasts for 2011-12, pursuant to Control Section 3.94 of the 2011-12 budget act. If triggered, this reduction would become

effective January 1, 2012, and would eliminate the remaining half-year of funding for the Home-to-School Transportation program in 2011-12.

- **Limits District Ability to Re-Open Layoffs in 2011-12.** Makes inoperative, in 2011-12, provisions of existing law that allow school districts to terminate employees for the period following budget passage through August 15th, if per pupil revenue limit funds do not increase by at least two percent.
- **Reduction of Fiscal Standards and Oversight for LEAs:**
 - Requires school districts and county offices of education in 2011-12 to project the same level of revenue per pupil as it received in 2010-11 and to maintain staffing and programs at that level in 2011-12. The Governor’s signing message, however, emphasizes that school districts and county offices of education should still make reductions to account for cost increases, the loss of federal funds, declining enrollment, or other factors that would require program reductions.
 - Prohibits school districts and county offices of education from being required to demonstrate they can meet financial obligations for the two years beyond the current fiscal year, consistent with previous law.
 - Limits the current authority of county offices of education to provide fiscal oversight for school districts by reducing existing requirements governing the approval of school district budgets in 2011-12.
 - Limits the current authority of the Superintendent of Public Instruction to provide fiscal oversight for county offices of education by reducing existing requirements governing the approval of county offices of education budgets in 2011-12.
 - Extends for two additional years (through 2011-12) existing statutory authority for school districts to reduce their “reserves for economic uncertainties” to one-third of the amounts previously required to be held, and requires them to restore those reserves to the normal levels by the beginning of 2013-14. In effect, these provisions allow LEAs to reduce reserves without fiscal oversight that would be otherwise required.
- **Mental Health Related Services Shift in 2011-12.** Eliminated the state AB 3632 mandate program, which required counties to provide mental health services to student with disabilities, and shifted responsibility for providing educationally related mental health services – including out-of-state residential services – as required by federal law for students with disabilities, in 2011-12. As a part of this shift, the final budget package appropriates a total of **\$423.6 million** for educationally related mental health services in 2011-12, including the following new and existing funds directed for this purpose:
 - **\$218.8 million** in new Proposition 98 funds allocated to Special Education Local Planning Areas (SELPAs) for educationally related mental health services. Funds are allocated to SELPAS using an equal per pupil formula.
 - **\$3 million** in new Proposition 98 funds available to the CDE to administer an extraordinary cost pool associated with educationally related mental health services for necessary small special education SELPAs. Funding is provided to CDE – in

collaboration with the Department of Finance (DOF) and Legislative Analyst's Office – and subject to final approval of DOF.

- **\$31 million** in existing Proposition 98 funds redirected to SELPAs for provision of educationally related mental health services. Funds are allocated to SELPAs on a one-time basis using an equal per pupil formula.
- **\$69 million** in existing federal special education funds allocated to SELPAs for educationally related mental health services. Funds are allocated on a one-time basis using a formula that reflects weighted student mental health service counts. It is the intent of the Legislature that in 2012-13 these funds be allocated to SELPAs on an equal per pupil formula.
- **\$98 million** in Proposition 63 funds allocated to counties via a formula developed by the state Department of Mental Health and local counties (County Welfare Director's Association), pursuant to Chapter 5, Statutes of 2011. Counties shall use funds exclusively for educationally related mental health services within a pupil's individualized education program (IEP) during the 2011-12 fiscal year. Unused funding will be reallocated to other counties. In order to access funds, LEAs may develop a memorandum of understanding or enter into a contract with its county mental health agency to address the interagency service responsibility for the provision and transition of mental health services identified on a pupil's IEP during 2011-12.
- **\$2 million** in one-time federal special education carryover funds appropriated to the Office of Administrative Hearings on a one-time basis for mental health service dispute resolution services in 2011-12. CDE shall submit documentation to the Department of Finance (DOF) justifying the increased mental health services caseload and obtain written approval from DOF prior to spending these funds.
- **\$800,000** in one-time federal special education funds appropriated to the Department of Education to provide oversight and technical assistance for LEAs as the responsibility for overseeing education related mental health services transitions from counties and to SELPAs. The department shall use these funds to assist SELPAs:
 - Minimize disruptions and maintain quality services for pupils through the transition period and in future years;
 - Develop internal capacity for overseeing, contracting for, and providing;
 - Quality educationally related mental health services;
 - Identifying best practices and effective models for service delivery ;
 - Identifying options for controlling costs and accessing Medi-Cal and other local, state, and federal funds; and
 - Strengthening linkages between mental health and education services.

The department shall also identify options for improving accountability for effective services and positive pupil outcomes. As a part of this effort, the department shall:

- Establish working groups to generate recommendations regarding best practices, accountability systems, and other matters, and
 - Hold public meetings with stakeholders to solicit input and share results.
- **\$443,000** in existing ongoing federal special education funds and 3.0 positions at the Department of Education redirected for increased department monitoring associated with educationally related mental health services.
- **Funding for Special Education Mental Health Services in 2010-11.** Reappropriated **\$80.8 million** in one-time Proposition 98 savings to address a funding shortfall for mental health related services for special education students in 2010-11. Funds are appropriated on a one-time basis based upon the relative costs of services provided.
- **Special Disability Adjustment Repeal.** Approved **\$74 million** reduction in special education funding in 2011-12 to reflect repeal of the Special Disability Adjustment formula on July 1, 2011.
- **Suspension of Cost-of-Living Adjustments (COLAs) for K-12 Programs.** Established a zero percent COLA for K-12 programs – revenue limits and categorical programs – in 2011-12. While COLA is estimated at 2.24 percent, it is not funded 2011-12.
- **Restored Funding for Economic Impact Aid.** Added **\$56 million** in order to restore full funding – aligned to estimated workload levels – for the Economic Impact Aid program in 2011-12. This action corrects an over-reduction in the Governor’s January budget proposal and reflects \$2.0 million in growth for EIA above the 2010-11 budget appropriation.
- **Growth Funding for Selected Categorical Programs:** Provided adjustments to reflect growth in student attendance or caseload for three programs in 2011-12, including **\$35.6 million** for Charter School Categorical Block Grants; **\$7.8 million** for Special Education; and **\$3.7 million** for Child Nutrition.
- **Extends Access to Supplemental Grants and Flexibility for New Schools.** Provides **\$11.0 million** in Proposition 98 funds to allow new schools that began operation in 2008-09 through 2011-12 to access “supplemental” categorical block grant funding that can be used for any education purpose. These supplemental categorical funds give new schools – limited to new charter schools – access to categorical funds included in the categorical flexibility program. Conversion charter schools are not eligible for this supplemental funding.
- **“Fair Share” Savings for “Basic Aid” Districts.** Implemented an 8.921 percent reduction to categorical programs for Basic Aid districts in 2010-11 and 2011-12, which generates approximately **\$145 million** in savings in each of these two years. This reduction is commensurate to the base revenue limit reduction rate for non-Basic Aid school districts in 2010-11 and 2011-12. States intent that categorical funding reductions for Basic Aid districts be restored as base revenue limit reductions are restored for non-Basic Aid districts. Basic Aid districts are defined as districts that do not receive state funding for revenue limits.

- **Redirection of County Office Savings.** Redirects up to **\$50 million** in county office of education property tax balances that are currently restricted, to offset state General Fund costs for trial courts in 2011-12.
- **One-Year Statutory Appropriation for K-3 Class Size Reduction (CSR) Program.** Provides an unspecified amount of funding for the K-3 CSR program through a statutory appropriation in 2011-12 as determined by the Superintendent of Public Instruction. This statutory appropriation is provided in lieu of a budget act appropriation for this program. The final budget package assumes **\$1.316 billion** in funding for the K-3 CSR program in 2011-12, which includes an augmentation of **\$42 million** in budget set-asides to better meet the anticipated costs of the continuous appropriation in 2011-12. The 2010-11 budget added a statutory program for the K-3 CSR program for one year. This was extended for one-additional year only in 2011-12.
- **Continues Suspension of Emergency Repair Program Funding.** Disapproves **\$54 million** in ongoing Proposition 98 funds proposed by the Governor in 2011-12 for the Emergency Repair Program. Makes statutory changes conforming to zero funding for the Emergency Repair Program in the 2011-12 budget bill.
- **Expand Charter School Revolving Loan Fund.** Appropriates **\$5 million** from the General Fund to augment the Charter School Revolving Loan Fund, which makes low-interest, start-up loans of up to \$250,000 to new charter schools in order to meet the purposes of their charters.
- **Clean Technology and Renewable Energy Training.** Added **\$3.2 million** in Proposition 98 funds for a new program – the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program authorized by Chapter 2, Statutes of 2011, First Extraordinary Session (SB X1 1/Steinberg). This program creates school-business partnerships that provide occupational training for at-risk high school students in areas such as conservation, renewable energy, and pollution reduction.
- **Local Funding Flexibility:**
 - **Extends Instructional Materials Purchase Flexibility.** Extends for two additional years (through 2014-15) the suspension of statutory requirements that local educational agencies (LEAs) buy newly-adopted instructional materials and that the State Board of Education adopt new materials.
 - **Extends Routine Maintenance Flexibility.** Extends for two additional years (through 2014-15) the suspension of a statutory requirement that school districts that meet the facility requirements of the *Williams* settlement deposit an amount equal to one percent of their General Fund expenditures into their deferred maintenance funds, on the condition that they maintain their facilities in good repair.
 - **Extends Surplus Property Sale Flexibility.** Extends for two additional years (through 2014-15) existing statutory authority for schools to sell non-state funded surplus property and use the proceeds for any one-time general fund purpose.

- **Extends Deferred Maintenance Flexibility.** Extends for two additional years (through 2014-15) the suspension of previously required General Fund set-asides for LEAs receiving deferred maintenance funds for school facilities.
- **Extends K-12 Categorical Funding Flexibility.** Extends by two years (through 2014-15) existing categorical funding flexibility that allows K-12 schools to use funding for nearly 40 categorical programs for any educational purpose. Requires school districts to discuss proposed use of these funds at a public meeting and to report on how they actually spent the funds. Requires the Department of Education to report each year on districts' use of this flexibility.
- **Extend Relaxation of K-3 Class Size Reduction (CSR) Program Penalties.** Extends for two additional years (through 2013-14) the relaxation of penalties for school districts participating in the K-3 CSR incentive program that exceed the maximum class sizes allowable under the program.
- **Extends Instructional Time Flexibility.** Extends by two years (through 2014-15) the authority for LEAs to reduce the number of instructional days by five – from 180 days to 175 days per year – without losing longer-year incentive grants.

Federal Funds Adjustments:

- **Statewide Longitudinal Student Data System -- 2011-12 Funding.** Restored **\$6.636 million** in federal Title VI and Title II funds for support of the California Longitudinal Pupil Achievement Data System (CALPADS) in 2011-12. As a condition of receiving funds, CDE shall ensure specified work has been completed. As a further condition of receiving funds, CDE shall not add additional data elements to CALPADS, require local educational agencies to use the data collected through CALPADS for any purpose, or otherwise expand or enhance the system beyond the data elements and functionalities that are identified in the most recent CALPADS feasibility study, special project reports, and data guide.
- **Statewide Longitudinal Student Data System -- 2010-11 Funding.** Restored **\$2.3 million** in federal funds – equivalent to about a half year of funding -- that were vetoed from the 2010-11 budget to continue support for the California Pupil Achievement Data System (CALPADS). Language specifies that first priority for funding shall be to support the transfer of knowledge from the CALPADS contractor to CDE and other relevant state agencies. Language also specifies that, as a condition of CALPADS funding, the California Department of Education (CDE) is required to provide LEAs with data templates to allow them to comply with the School Accountability Report Card.
- **Statewide Longitudinal Teacher Data System Funding.**
 - **Department of Education Funding.** Added **\$2.124 million** in federal funds for development of the California Longitudinal Teacher Integrated Data Education System (CALTIDES) in 2011-12. Funding shall be used for contracts to develop CALTIDES (\$1.1

million); California Commission on Teacher Credentialing staff to assist with project development (\$150,000); and other related costs, including training, operating expenses and equipment, and indirect costs (\$314,00). Federal dollars appropriated for CALTIDES include Title II funds and Institute of Education Sciences grant funds. *The Governor vetoed \$2.124 million in federal Title II and Institute of Education Sciences funds and 3.0 limited term positions to reflect elimination of CALTIDES funding. Per the Governor's Budget Summary, "CALTIDES was intended to provide a statewide longitudinal teacher database that would serve as the central state repository of information regarding the teacher workforce." However, per the Governor's veto message, "these reductions are necessary to avoid the development of a costly technology program that is not critical."*

- **Commission on Teacher Credentialing Funding.** Added **\$84,000** and 1.0 limited-term position from the Test Development and Administration Account, Teacher Credentialing Fund, and **\$150,000** in Reimbursements and 2.5 limited-term positions to support CALTIDES development in 2011-12. *The Governor vetoed all of these funds and 2.5 positions in 2011-12. Per the Governor's veto message, "these reductions are necessary to avoid the development of a costly technology program that is not critical."*
- **Additional Title I Funds for LEAs and Schools.** Approved **\$21.3 million** in federal Title I carryover funds for allocation to all Title I local educational agencies and schools in 2011-12. These one-time funds will be distributed using the state's standard distribution methodology for the federal Title I, Part A Basic Program.
- **Common Core Standards Development.** Approved **\$3.5 million** in federal Title I carryover funds pursuant to legislation enacted in the 2011-12 legislative session to support initial implementation of the Common Core Standards that includes revising the English language Development Standards for alignment with the Common Core Standards in English language arts, providing professional development on Common Core Standards, and establishing a state-level process for approval of supplemental instructional materials aligned to the Common Core Standards.

Child Development

- **Proposition 98 Funding Shift.** Shifts funding for most child care programs from Proposition 98 General Fund to non-98 General Funds. The budget bill continues Proposition 98 funding for part-day preschool programs in 2011-12.
- **Across-the-Board Reduction.** Included an 11 percent across-the-board reduction to child care and development programs for a savings of **\$176.9 million** in 2011-12.
- **Income Eligibility Ceiling Lowered.** Lowered the income eligibility ceiling from 75 percent to 70 percent of State Median Income (SMI) for a savings of **\$28.5 million** in 2011-12. The Governor had proposed lowering the income eligibility ceiling to 60 percent SMI.
- **License-Exempt Provider Reimbursement Rate.** Decreased the license-exempt provider reimbursement rate from 80 to 60 percent of the 85th percentile of the Regional Market Rate (RMR), which provides a savings of **\$37.4 million** in 2011-12.

- **Across-the-Board - Trigger Reductions.** Approves an additional across-the-board reduction to all child care programs of **\$23 million** in General Fund and Proposition 98 savings in 2011-12 that would be triggered if estimates of state revenues drop below specified levels. Pursuant to Control Section 3.94 of the 2011-12 budget act, this additional child care reduction would become effective January 1, 2012, if estimates of state revenues as of December 2011 are \$1 billion or more below current forecasts for 2011-12.
- **Restored Other Savings Proposals.** Restored funding for cuts adopted in March 2011 for the 2011-12 fiscal year that would have: (1) decreased the Standard Reimbursement Rate (SRR) by 10 percent; (2) deprioritized child care for 11 and 12-year old children; and (3) increased family fees by 10 percent.
- **Rejected Elimination of Early Learning Advisory Council.** Rejected the Governor's May Revise proposal to eliminate the Early Learning Advisory Council in 2011-12.
- **CalWORKs Stage 3 – Prior Year Funding.** Provided approximately \$60 million for CalWORKs Stage 3 child care for the period of April through June 2011.

Department of Education State Operations

- **New Charter School Positions.** Approved an additional **\$734,000** in state General Fund to address workload in the Charter Schools Division of CDE in 2011-12. No new positions are authorized for this purpose. Instead, this augmentation will allow CDE to redirect existing, unfunded positions for this purpose. *The Governor vetoed approved funding by \$323,000 General Fund. Per the Governor's veto message, "\$411,000 in augmented funding remains to provide additional support for 1.0 Staff Counsel, 1.5 Education Fiscal Consultants, and 1.0 Education Program Consultant to be redirected from within the Department of Education to the Charter Schools Division. This level of support will ensure that core functions of the division are accomplished and will encourage the Department to identify efficiencies and streamline processes."*

0558 OFFICE OF THE SECRETARY OF EDUCATION

- Adopted the Governor's proposal to eliminate the Office of the Secretary of Education (OSE), which results in General Fund savings of **\$400,000** in 2010-11 and **\$1.6 million** in 2011-12. Shifted another **\$274,000** in General Funds in 2011-12 from OSE to the Department of Education for support of the State Board of Education.

Education Budget & Other Related Budget Trailer Bills.

1. Education Budget. SB 70 (Chapter 7; Statutes of 2011.)
2. Education Budget. AB 114 (Chapter 43; Statues of 2011.)
3. Education Budget. AB 108 (Chapter xx; Statutes of 2011)
4. Trigger Reductions. AB 121 (Chapter 41; Statutes of 2011.)
5. Short-Term Cash Management. SB 82 (Chapter 12; Statutes of 2011.)
6. Community Redevelopment. AB X1 26 (Chapter 5; Statutes of 2011-12.)
7. Voluntary Alternative Redevelopment Program. AB X1 27 (Chapter 6; Statutes of 2011-12.)
8. California Children and Families Act. AB 99. (Chapter 4; Statutes of 2011.)
9. Mental Health Services Act. AB 100. (Chapter 5; Statutes of 2011.)

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Approved a \$15.2 million General Fund reduction for public libraries impacting the following programs in 2011-12: Public Library Foundation, California English Acquisition and Literacy Program, and the California Library Services Act.
- Approved an additional \$15.9 million in reductions for State Library programs that would be triggered if estimates of state revenues as of December 2011 are \$1 billion or more below current forecasts in 2011-12, pursuant to subdivision (b) of Section 3.94 of the Budget Act of 2011. These reductions would be implemented in January 2012.
- Approved \$1.024 million from bond funds for the California Cultural and Historical Endowment.
- Approved \$707,000 General Fund for the fourth year of the California State Library relocation during the on-going renovation of the historic Library and Courts building.
- Approved \$490,000 General Fund for 2011-12 and \$225,000 on-going for the Sutro Library relocation to a new library building on the California State University San Francisco campus.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

- The Legislature continued \$1.927 million in General Fund and 19.1 positions for support of the California Postsecondary Education Commission (CPEC) in 2011-12. The Legislature also approved Supplemental Report Language to require the Legislative Analyst's Office to evaluate the structure and activities of CPEC and make recommendations for improvements to the policy committees of the Legislature. *The Governor vetoed all General Fund support (\$1.927 million and 19.1 positions) for CPEC in 2011-12 in order to achieve statewide efficiencies and reduce state operations. CPEC will continue to administer a component of the federal Improving Teacher Quality Grants Program in 2011-12. (See item below.)*
- Approved \$8.6 million federal funds and 2.0 positions for the Improving Teacher Quality grant program.

6440 UNIVERSITY OF CALIFORNIA

- Approved a General Fund budget reduction of \$650 million for the University of California (UC) in 2011-12.
- Approved an additional \$100 million reduction for UC that is triggered if estimates of state revenues as of December 2011 are \$1 billion or more below current forecasts in 2011-12, pursuant to subdivision (b) of Section 3.94 of the Budget Act of 2011.
- Continued existing intra-year cash deferrals in 2011-12.
- Approved a \$106 million General Fund backfill for one-time ARRA funds.
- Established an enrollment target of 209,977 state-supported full-time equivalent students (FTES) for UC. This is the same enrollment target for 2010-11. However, budget bill language specifies that the university will not lose funding if it does not meet its state-supported enrollment goal.
- Stated that the reduction to the Student Academic Preparation and Education Programs (SAPEP) could not be greater, proportionally, than the overall General Fund reduction to the UC.
- Allowed for reductions proportional to the UC General Fund reduction to the COSMOS, Science and Math Teacher Initiative, and specialty nursing programs.
- Prohibited the use of General Fund for intercollegiate athletics and auxiliary enterprises.
- Provided \$3 million General Fund for scheduled personnel costs pursuant to the memoranda of understanding effective on February 12, 2009, between the University of California and Service Unit (SX).
- Established intent language that UC minimize fee and enrollment impacts by targeting actions that decrease instructional and administrative costs to meet the General Fund budget reduction.
- Required UC to report by June 1, 2011, on how the UC Regents intend to reduce the system's budget and report by September 1, 2012, on the actual reductions implemented.
- Approved two capital outlay construction projects from lease-revenue bond funds: the UC San Diego Scripps Institute of Oceanography and the UC Irvine Business School. In addition, approved four equipment-only phase capital outlay projects from general obligation bond funds.

6610 CALIFORNIA STATE UNIVERSITY

- Approved a General Fund budget reduction of \$650 million for the California State University (CSU) in 2011-12.
- Approved an additional \$100 million reduction for CSU that is triggered if estimates of state revenues as of December 2011 are \$1 billion or more below current forecasts in 2011-12, pursuant to subdivision (b) of Section 3.94 of the Budget Act of 2011.
- Continued existing intra-year payment deferrals in 2011-12.
- Approved a \$106 million General Fund backfill for one-time ARRA funds.
- Approved an increase of \$75.2 million General Fund for CSU retirement costs.
- Established an enrollment target of 331,716 state supported full-time equivalent students (FTES) for CSU. This is 8,157 FTES lower than the enrollment target for 2010-11. However, budget bill language specifies that the university will not lose funding if it does not meet its state-supported enrollment goal.
- Established intent language that CSU minimize fee and enrollment impacts by targeting actions that decrease instructional and administrative costs to meet the General Fund budget reduction.
- Required CSU to report by June 1, 2011, on how the Board of Trustees intends to reduce the system's budget and report by September 1, 2012, on the actual reductions implemented.
- Approved budget bill language stating that aggregate reductions to student academic preparation and outreach programs could not be greater, proportionally, than the overall General Fund reduction to the CSU.
- Adopted the Governor's May Revise proposal to eliminate duplicative audits at CSU campuses.
- Approved five capital outlay projects all from lease-revenue bond funds: CSU East Bay, CSU Fresno, CSU Channel Islands, CSU San Jose, and CSU Chico. Also, approved two equipment-only phase capital outlay projects from general obligation bond funds: CSU San Francisco and CSU Los Angeles.
- Recognized a General Fund reversion of \$75 million in 2010-11 because CSU did not meet its state-supported enrollment target for that year.

6600 HASTINGS COLLEGE OF THE LAW

- Approved a reduction of \$1.5 million to the Hastings College of the Law in 2011-12.

6870 CALIFORNIA COMMUNITY COLLEGES

- Approved a \$400 million General Fund reduction to the California Community Colleges (CCC) in 2011-12.
- Approved a \$10 fee increase, which raises student fees from \$26 per unit to \$36 per unit in 2011-12 and generates \$110 million in additional fee revenues. Approved language to decouple fee revenue from financial aid support for 2011-12.
- Approved shifting \$110 million General Fund enrollment growth funds generated by the fee increase into base apportionments in order to alleviate the \$400 million reduction and provide community colleges with more flexibility. Adopted provisional language that permits colleges to reduce enrollment (workload) in proportion to net base apportionment cuts.
- Approved an additional \$30 million reduction in apportionments that would be triggered if estimates of state revenues as of December 2011 are \$1 billion or more below current forecasts in 2011-12, pursuant to subdivision (b) of Section 3.94 of the Budget Act of 2011. As specified in budget trailer bill, this reduction is tied to an additional \$10 per unit student fee increase. If triggered, this fee increase would become effective in the winter term of the 2011-12 academic year and would bring student fees to \$46 per unit in 2011-12.
- Approved an additional \$72 million reduction in apportionments that would be triggered if estimates of state revenues as of December 2011 are \$2 billion or more below current forecasts in 2011-12, pursuant to subdivision (c) of Section 3.94 of the Budget Act of 2011. This reduction would be implemented in January 2012.
- Approved \$129 million in new inter-year payment deferrals, which bring total community college deferrals to \$961 million General Fund from 2011-12 to 2012-13. Provided a hardship waiver for small community college districts from the apportionment deferral, with the approval of the Director of Finance.
- Continued existing intra-year cash deferrals in 2011-12.
- Provided no cost-of-living adjustment (COLA) in 2011-12.
- Extended categorical program flexibility through 2014-15.
- Suspended two small mandates that are also currently required by federal law, thereby the state mandate is duplicative. Rejected shifting the cost of two financial aid mandates into the financial aid categorical program.
- Allowed sharing of student data consistent with the federal Family Educational Rights and Privacy Act (FERPA) in order to participate in the K-20 student data system.
- Rejected Governor's trailer bill language to change the enrollment census date to the end of the semester.

- Approved three capital outlay projects funded with General Obligation bond funds at Santa Clarita, San Francisco, and Coast Community College.

7980 CALIFORNIA STUDENT AID COMMISSION

- Provided an increase of \$388 million for higher financial aid program costs, primarily for Cal Grants. This increase covers higher participation levels in entitlement programs, and tuition and fee increases at UC and CSU for Cal Grant recipients.
- Required renewing Cal Grant recipients to meet the same income and asset limits as new applicants, resulting in General Fund savings of \$100 million in 2011-12. These changes were implemented through budget trailer bill language, which allows renewing students to use the higher of the income ceilings for either the budget year or the year the student first received a Cal Grant.
- Disqualified institutions with a 24.6 percent (or higher) three-year student loan cohort default rate from participating in Cal Grant programs for new awards, resulting in General Fund savings of \$10.7 million in 2011-12. These changes were implemented through budget trailer bill language, which sets the disqualification rate at 30 percent (or higher) in 2012-13. In addition, the trailer bill language permits existing Cal Grant recipients attending disqualified institutions to receive renewal awards, but the awards will be reduced by 20 percent.
- Approved \$62.25 million in Student Loan Operating Fund support for Cal Grants to offset the same amount in General Fund appropriation.
- Rejected the Governor's proposed shift of \$947 million of General Fund Cal Grant costs to the federal Temporary Assistance for Needy Families (TANF) Program associated with CalWORKs reduction proposals.
- Approved \$130,000 and a two-year term-limited position from the General Fund to oversee federal policies and programs.
- Approved eliminating funding for the Robert C. Byrd Honors Scholarship program, because the federal government cancelled its support for this program.
- Approved increasing the General Fund appropriation for Cal Grants by \$10.6 million and decreasing federal funds by the same amount to reflect the federal government's elimination of two federal grant programs.
- Approved a \$180 million increase in the Cal Grant appropriation in 2010-11 to reflect increased caseload and increased tuition at UC and CSU. Also approved a 2010-11 General Fund decrease of \$186,000 and a corresponding increase in the federal appropriation for Cal Grants to align appropriations with a federal grant waiver.

SUBCOMMITTEE 2
ON
RESOURCES,
ENVIRONMENTAL
PROTECTION, ENERGY AND
TRANSPORTATION
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

S. Joseph Simitian, Chair
Jean Fuller
Alan Lowenthal

Consultants

Catherine Freeman - Resources
Brian Annis - Transportation

SUBCOMMITTEE No. 2

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NATURAL RESOURCES

0540 Secretary for Natural Resources

- Approved \$100 million from Proposition 84 to implement a court settlement between water users and the federal government concerning the San Joaquin River Restoration. The agency will direct approximately \$60 million to the Department of Water Resources and \$40 million to the Department of Fish and Game for program implementation.
- Approved minor increases for statewide oversight of bond expenditures at the Secretary level, an extension of liquidation for the River Parkway project, and a reversion of \$7.4 million (unused funds) from Proposition 84 from the San Joaquin River Restoration program.
- Approved \$3.5 million (federal fund authority) for the Coastal Impact Assistance Program which includes 25 projects throughout the state.
- Approved remainder of programs as budgeted.

3110 Special Resources Program

- Approved budget bill language to require the Tahoe Regional Planning Agency to adopt a strategy for a regional plan update by September 1, 2011 that provides for attainment of environmental thresholds.
- Approved supplemental reporting language to require the Tahoe Regional Planning Agency to report on its progress in adopting a five-year evaluation report.
- Approved remainder of programs as budgeted.

3125 California Tahoe Conservancy

- Approved \$15.8 million (multiple funding sources) to continue capital outlay and local assistance funding for the implementation of the Environmental Improvement Program for the Lake Tahoe Basin.
- Approved various reappropriations, reversions and an extension of liquidation for local assistance projects previously approved for the Lake Tahoe Basin.
- Approved a technical adjustment (\$72,000) from the Habitat Conservation Fund to extend the liquidation for the Truckee River project.
- Approved supplemental reporting language to require the conservancy to develop a report on its progress in coordinating, integrating, and recommending efficiencies in state agency planning and project implementation in the Tahoe Basin.
- Approved supplemental reporting language requiring the Conservancy, in conjunction with the Tahoe Regional Planning Agency, to provide a summary of state activities needed to fulfill California's

responsibilities under the Lake Tahoe Environmental Improvement Program as well as agency progress in developing a sustainable community's strategy for the Lake Tahoe Basin.

- Approved remainder of programs as budgeted.

3340 California Conservation Corps

- Approved a one-time \$541,000 augmentation to the Collins Dugan Reimbursement account as well as limited term position authority to fulfill a contract employing Corpsmembers who serve as energy efficiency auditors. Funding for the EnergySmart Jobs program is from the American Reimbursement and Recovery Act (ARRA) federal funds.
- Approved a loan of \$10 million from the Collins Dugan Reimbursement Account to the GF.
- Approved reappropriation of funds for a portion of the Tahoe Base Center Relocation to comply with required permit compliance for design work through the construction phase.
- Approved a one-time augmentation of \$812,000 (federal ARRA funded reimbursements to the Collins Dugan Reimbursement Account) to fund the last year of services for energy-efficient auditors through the EnergySmart Jobs Program.
- Approved a three-year augmentation to the Collins Dugan Reimbursement Account (\$1.6 million per year) to fund resources necessary to accommodate an Americorps grant recently awarded to the Corps by the federal Corporation for National and Community Service through California Volunteers to fulfill requirements from partnering sponsor agencies.
- Approved \$881,000 in 2011-12 and \$533,000 in 2012-13 (Collins Dugan Reimbursement Account) to fund the last two years of project work requested by Caltrans for transportation enhancement projects.
- Approved \$105,000 (reimbursements to the Collins Dugan Reimbursement Account) to fund State Trails Program, a partnership between the Corps and the Department of Parks and Recreation to develop a pilot program.
- Approved a reappropriation for the Delta Service Center construction to be consistent with previous year budget items.

3460 Colorado River Board of California

- Denied the Governor's request to eliminate the board and referred the request to policy committees for further review.
- Approved as budgeted.

3480 Department of Conservation

- Approved a one-time appropriation of \$132,000 from various special funds for maintenance of the department's information technology infrastructures.
- Approved a one-time appropriation of \$2.5 million from Proposition 40 bond funds to provide local assistance grants to permanently protect strategically important farmland.
- Approved a one-time appropriation of \$3.6 million in local assistance from Proposition 84 to continue the implementation of the statewide Watershed Coordinator Grant Program.
- Approved request for reappropriation of \$1.2 million in unencumbered Proposition 50 bond funds to continue implementation of the former watershed element of the CALFED Bay-Delta Program through the department's Statewide Watershed Program.
- Approved a baseline increase of \$145,000 (special funds) for the Division of Oil, Gas, and Geothermal Resources (DOGGR) to address increased legal workload related to enforcement actions and formal administrative hearings for appeals.
- Approved trailer bill language that would enable the department to shift its main appropriation and clearing account to the Oil, Gas, and Geothermal Administrative Fund.
- Approved a proposal to align Proposition 50 and Proposition 84 appropriations with expected expenditures and to reappropriation Proposition 84 funds for the conservation of agricultural and open space and resources.
- Approved 18 positions and \$2.4 million (Oil, Gas and Geothermal Administrative Fund) to enhance the onshore and offshore regulatory programs of the Division of Oil, Gas and Geothermal Resources to improve environmental compliance, underground injection control, and construction site review.
- Approved budget bill language allowing the department to report on hydraulic fracturing activity in a public forum.

3500 Department of Resources Recycling and Recovery

- Approved a proposal to reallocate expenditures for health and safety activities serving all of the department from the Integrated Waste Management Account to five special funds and shift the associated activities from a specified program to distributed administration.
- Shifted 5.5 positions and \$627,000 between the Integrated Waste Management Account to the Tire Recycling Management Fund to align the funding source with workload activities. Costs will be absorbed within existing Tire Fund expenditure authority.
- Denied a proposal to redirect \$1.1 million Beverage Container Recycling Fund to fund 11 permanent positions to address findings and recommendations from a recent audit report.
- Approved a redirection of \$681,000 and 7 permanent positions from Consulting and Professional Services to Personal Services.
- Approved a loan of \$2.5 million in the budget and an additional \$2.5 million in the current year from the California Used Oil Recycling Fund to the GF.

- Approved a delay of General Fund loan repayments to the PET (Polyethylene Terephthalate) and Glass Processing Fee accounts.
- Approved an extension of repayment date from January 1, 2012 to June 30, 2014 for three existing loans from the California Tire Recycling Management Fund and the Recycling Market Development Revolving Loan Subaccount to the GF.
- Approved a loan in the current year of \$27 million from the Electronic Waste Recovery and Recycling Account, Integrated Waste Management Fund to the GF.
- Approved budget bill language to require the department to convene a monthly working group with legislative staff and the LAO related to administrative and operating issues stemming from a reorganization at the department. **Vetoed by the Governor.**

3540 Department of Forestry and Fire Protection

- Approved a proposal to reduce \$30.7 million GF and eliminate the department's fourth firefighter staffing during the summer and early fall.
- Approved a request to authorize a lease for an Air Attack base at Hemet-Ryan airport.
- Approved \$500,000 for acquisition of the Blanchard Forest Fire Station and acquisition of a purchase option for relocation of the Shasta-Trinity headquarters in the City of Redding.
- Approved a request for permanent baseline authority for \$42.8 million GF and 73.4 positions following legislative direction to shift permanent emergency-fund expenditures to the base budget and to submit a zero-based budget.
- Approved a proposal for \$1.7 million GF, ten two-year limited-term positions, leased office space and vehicles for the Civil Cost Recovery Program.
- Approved 18 permanent positions and \$2.9 million GF to maintain the minimum level of staffing coverage for the Battalion Chief classification which existed prior the workweek change implemented with the recent Bargaining Unit 8 contract.
- Approved \$1.7 million over three years to perform mandated site investigations, monitoring, clean-ups and/or closing of underground fuel tanks to comply with the Clean Water Act.
- Approved \$10.6 million GF for increased unemployment insurance costs due to federal changes in eligibility requirements.
- Approved various requests for reappropriation of major capital outlay projects. These projects were funded between 2005 and 2010.
- Approved a reappropriation of Proposition 40 bond funds for a technical cleanup to the budget act that previously extended only the liquidation of these funds, rather than a reappropriation anew.
- Approved a reduction of \$12.8 million GF from the fire protection budget for least-risk fire protection programs.

- Approved a fee on structures in State Responsibility Areas of up to \$150 per structure (reduced GF spending authority by \$50 million in the budget year. This will grow to \$200 million when fully implemented).
- Approved a legislative request for a working group to examine funding for state wildland firefighting and possible changes to future funding, realignment or changes in the state's management of firefighting.
- Approved budget bill language to require a contract for independent analysis of wildland firefighting costs as compared to other Western states and reporting language requiring the department to report to the Legislature the results of these two efforts. **Vetoed by the Governor.**

3560 State Lands Commission

- Approved \$1 million GF to fulfill the state's legal obligation to pay a proportional share of hazardous waste remediation costs at the Selby Slag remediation site.

3600 Department of Fish and Game

- Approved \$4.1 million (Fish and Game Preservation Fund) and conversion of one position to overhaul the department's radio communications to comply with federal regulations.
- Approved \$3.8 million in reimbursements from the Resources Agency (Proposition 84 bond funds) to continue work on the San Joaquin River Settlement Agreement.
- Approved \$32,000 from the Proposition 99 funds (Tobacco Tax and Health Initiative) to make certain levee and pumping improvements at Grizzly Island Wildlife Area—Pond 11 Reservoir.
- Approved \$15,000 from Proposition 99 funds to replace certain water control and pipeline features at North Grasslands—Salt Slough Wildlife Area—Field 50 Wetland Enhancement.
- Approved \$76,000 from Proposition 99 funds to replace certain water control and pipeline features at Mendota Wildlife Area—Water Conveyance Enhancement Pump #2.
- Approved \$179,000 from Proposition 99 funds to construct certain pipeline and seasonal wetland features at Shasta Valley Wildlife Area—Ten Field Water Conveyance Systems.
- Approved \$118,000 from Proposition 99 funds to install certain water control features on a seasonal wetland at Los Banos Wildlife Area—Field 70/71 Pipe Line/Water Conversion.
- Approved a technical adjustment to correct the exclusion of a prior year cash low loan resulting in a \$2.6 million additional expenditure authority to the Oil Spill Prevention and Administration Fund.
- Approved a request to increase the Big Game Management Account per Chapter 408, Statutes of 2010 to consolidate three existing subaccounts: Deer, Bighorn sheep, and Wild Pig.
- Approved a request for \$300,000 in Proposition 99 funds for construction of the Elkins Well on the Ash Creek Wildlife Area.
- Approved a \$17 million reduction for coastal fishery projects based on updated bond fund assessment and to avoid an over-allocation of available bond funds.

- Rejected a request for reappropriation of the unencumbered balances of prior-year appropriations (\$13 million) for the Salton Sea Restoration Program.
- Approved a request for \$6.8 million over three years from the Hatcheries and Inland Fisheries Fund (HIFF) for fish production projects.
- Approved \$158,000 from the HIFF to replace a supply pond cover at Hot Creek Hatchery in order to protect against invasive species.
- Approved \$386,000 from HIFF to replace metal feed bins with higher capacity feed bins, a common staircase, and a walkway at Black Rock Hatchery—Feed Bins and Catwalk.
- Approved \$525,000 from HIFF to increase hatchery water quality by increasing the level of dissolved oxygen in the fish-rearing areas in order to comply with Chapter 689, Statutes of 2009 (AB 7, Cogdill “AB 7”) at Darrah Springs Hatchery Low Head Oxygen System.
- Approved \$739,000 from HIFF to replace an incubation hatchery building in order to comply with trout production goals of AB 7 at the American River Hatchery—New Hatchery Building.
- Approved budget bill language redirecting \$2 million from the Hatcheries and Inland to Timber Harvest Plans (\$1.5 million), state forest nurseries (\$500,000) and wild trout programs (\$500,000). **Vetoed by the Governor.**
- Approved budget bill language prohibiting the department from using funds for suction-dredge regulation, permitting or other activities, except enforcement and litigation costs. **Vetoed by the Governor.**
- Approved trailer bill language prohibiting suction dredging for five years or until certain review and criteria (including funding criteria) were met, whichever of the two comes first.
- Approved a loan of \$40 million in the current year from the Oil Spill Response Trust Fund to the GF.

3640 Wildlife Conservation Board

- Approved a request for re-appropriation of \$7 million of an unencumbered balance from 2007 due to the bond freeze. This annual transfer of funds and expenditure is required by the voter-approved Wildlife Protection Act of 1990.
- Approved a request for \$21 million from Proposition 1E for the Wildlife Conservation Board to carry out the mandates of the Wildlife Protection Act of 1990.
- Approved an extension of the liquidation period for two projects due to the 2008 bond freeze for the San Joaquin River Conservancy. Of the original \$14.6 million appropriated, \$145,000 has not been liquidated.
- Approved a request to extend the liquidation periods of the Habitat Conservation Fund and associated Proposition 50 transfer to the implement the Wildlife Conservation Act due to the bond freeze and seasonal timing of the work.
- Denied \$13 million in reappropriations for the San Joaquin River Conservancy acquisitions and public access funding.

- Approved reappropriation of \$24.9 million (Proposition 84) Natural Communities Conservation Planning projects.

3680 Department of Boating and Waterways

- Approved \$1.8 million in federal funding from the Army Corps of Engineers to support wave and water level studies for the Coastal Data Information Program.
- Approved \$865,000 from the Harbors and Watercraft Revolving Fund (HWRF) and \$1.1 million from the Public Beach Restoration Fund (PBRF) in the budget and \$865,000 (HWRF) and \$350,000 (PBRF) in 2012-13 for multiple local assistance grants to protect public coastal infrastructure within the Beach Erosion program.
- Approved a request to authorize and create a repair and replacement fund (\$300,000 within the HWRF) in the baseline budget rather than Capital Outlay in order to immediately respond to unforeseen events and circumstances that impact the safe use of recreational boating facilities.
- Approved \$4.2 million (HWRF) for various minor capital outlay projects (mainly boat launches, ramps, and parking improvements).
- Approved \$100,000 (HWRF) to contract for financial services for basic financial management activities.
- Approved \$17.9 million (HWRF) for local assistance public small craft loans and boat launching facility grants.
- Approved re-appropriations and/or liquidation period extensions (HWRF) for entities with delayed projects including the following: City of Long Beach Boating and Ports.
- Approved a request for \$3.3 million (HWRF) to fund the state's share of a continuing project to build multi-use public instructional, storage and dock facilities with California State University, Channel Islands.
- Approved a loan of \$17 million from the Harbors and Watercraft Revolving Loan Fund to the GF.
- Approved the remainder of programs as budgeted.

3720 California Coastal Commission

- Approved a one-time augmentation of \$82,000 from Whale Tail license plate revenues for grants to nonprofits and government agencies for coastal and marine education.
- Approved the remainder of programs as budgeted.

3760 State Coastal Conservancy

- Approved reappropriation of unencumbered balances (bond funds) for ocean-related capital and science projects that were suspended or delayed due to the bond freeze.

- Approved \$300,000 (Violations Remediation Account) for the Conservancy's public access program according to the program adopted criteria (including paths and stairways that provide access to the beach, coastal locations, and the Coastal Trail).
- Approved a shift of \$2.4 million (bond funds) to the support budget as an ongoing base budget shift. Approved supplemental reporting language requiring the conservancy to submit a long-term funding plan that does not rely on bond funds for operations and staffing on or before January 10, 2013.
- Approved the remainder of programs as budgeted.

3780 Native American Heritage Commission

- Approved as budgeted.

3790 Department of Parks and Recreation

- Reduced the overall Parks budget by \$11 million GF and \$22 million ongoing starting in 2012-13. Approved trailer bill language specifying criteria for reducing the state park system including selecting parks for closure, partial closure, or reduced service. Approved trailer bill language limiting liability for closed or partially closed parks.
- Approved a reduction of \$10 million to the Off-Highway Vehicle (OHV) Program and a shift of \$10 million from the Motor Vehicle Fuel Account to the GF.
- Approved \$11.6 million (\$7.4 million State Park Recreational Fund; \$2.7 million Proposition 84 and \$1.5 million GF) to fund ongoing evaluation, analysis, and implementation of remedial alternatives at Empire Mine State Historic Park.
- Approved a \$1.8 million augmentation (State Park Recreational Fund) for air quality improvements standards on older vehicles per Air Resources Board regulation.
- Approved \$617,000 (Proposition 12) for projects to restore and protect cultural resources in State Parks including archaeology, planning surveys, and restoration. This represents the balance of funding allocated to this program from Proposition 12.
- Approved \$21,000 (Proposition 12) for forest planting, exotic plant removal, and restoration within the State Park System. This represents the balance of funding allocated to this program from Proposition 12.
- Approved reappropriation of two items from Proposition 84 for continued deferred maintenance projects. Items 3790-002-6051 (2007) and 3790-002-6051 (2008).
- Approved \$2.0 million (\$1.8 million one-time and \$200,000 ongoing) from the OHV Trust Fund to fund compliance efforts for storm water pollution management, planning, and compliance.
- Approved \$7.4 million (OHV Trust Fund) in 2011-12 and \$1.75 in 2012-13 for consulting contracts to initiate and/or update general plans and Environmental Impact Reports for State Vehicular Recreation Areas and OHV park areas.
- Approved \$1.2 million (OHV Trust Fund) to initiate and complete land surveys for State Vehicular Recreation Areas.

- Approved \$150,000 (Proposition 84) to fund initial capital outlay project development phases for statewide budget development.
- Approved \$169,000 (Proposition 84) to build an enhanced interpretive exhibit at Donner Memorial State Park.
- Approved \$250,000 (OHV Trust Fund) for purchase of property, appraisals, and capital outlay project development costs near current State Vehicular Areas.
- Approved \$5.3 million (OHV Trust Fund) for initial phase for administration, maintenance, and recreational facilities at Heber Dunes State Vehicular Recreation Area.
- Approved \$6.6 million (OHV Trust Fund) to reconstruct and rehabilitate unpaved roads to meet current law requirements at Carnegie State Vehicular Recreation Area.
- Approved \$416,000 (OHV Trust Fund) to rehabilitate campgrounds including installation of water and electrical system upgrades at the Hollister Hills Vehicular Recreation Area.
- Approved \$508,000 (Proposition 12) for minor rehabilitation of parks including rehabilitation of the Emerald Bay State Park Eagle Point campground.
- Approved \$380,000 (Proposition 84) to improve trails within various units of the State Park System.
- Approved \$638,000 (Proposition 84) for rehabilitation and construction of various volunteer facilities including for volunteer host sites within the State Park System.
- Approved \$9 million (OHV Trust Fund) to fund sixteen minor capital outlay projects at various State Vehicular Recreation Areas for enhancements and improvements and include park operations, public access, energy efficiency, and restoration (among others).
- Approved a loan of \$21 million from the OHV Trust Fund to the GF.
- Approved re-appropriations and/or liquidation period extensions for entities with delayed projects including the following: El Monte, Gibson neighborhood park; County of Inyo, Tecopa Hot Springs Park; City of Encinitas, Leucadia State Beach and recreational grants; Boys and Girls Club of Hollywood; County of Sacramento recreational grants; Rio Linda/Elverta RPD recreational grants; Lassen County recreational grants; Amador County recreational grants; Sutter County recreational grants; City and County of San Francisco (various); County of Modoc (various); City of San Jose; County of Sierra; Del Rio Woods Recreation and Park District; City of El Monte; County of Fresno (various); City of Los Angeles (various); and County of Los Angeles including Benny Potter Playground, Hansen Dam Skate Park, Ken Malloy Playground, and Riverside Park Outdoor Development.
- Approved a proposed increase of \$80,000 (Proposition 99) to provide additional support to the state park system.
- Approved an extension of liquidation (\$163,000 GF) for database re-host project.
- Approved reappropriation of \$11.6 million (\$6.6 million Proposition 40 bond funds and \$5 million reimbursements) to acquire former industrial buildings related to the California State Railroad Museum.

- Approved a technical capital outlay request for reappropriation and appropriation anew from bond funds and special funds for Marshal Gold Discovery State Historic Park and Oceano Dunes and Pismo Beach State Recreation Areas.
- Approved budget bill language prohibiting the department from entering into a concession agreement for Angel Island State Park without first notifying the Legislature. **Vetoed by the Governor.**
- Approved budget bill language to provide a two-year extension of liquidation for all Proposition 40 bond funded local parks projects including those requested by the administration.
- Approved supplemental reporting language requiring the department to report (1) its budget to the Legislature on estimated park-unit basis on January 10, 2012; (2) revenues by park unit by March 1, 2012; and (3) statistics on peace officer use of weapons and crime response by March 1, 2012.

3810 Santa Monica Mountains Conservancy

- Approved various reappropriations from bond funds for projects in (1) the Upper Los Angeles River watershed, Santa Monica Bay, and Ventura Coastal watersheds; and (2) Santa Monica Mountains Zone and Rim of the Valley corridor.
- Approved a request to revert \$105,297 from Proposition 50 bond funds that was inadvertently over-appropriated in a previous budget.

3820 San Francisco Bay Conservation and Development Commission

- Approved as budgeted.

3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy

- Approved \$6.7 million (Proposition 84) to fund the fifth year of capital outlay projects in the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy.
- Approved a request for \$705,000 (Proposition 50) for new acquisition and improvement projects consistent with the adopted work plan and open space plans.
- Approved a request to re-appropriate \$605,000 (Proposition 50) for currently authorized and approved improvement projects including Puente Creek Nature Center and San Gabriel River Enhancement Development Project.

3830 San Joaquin River Conservancy

- Approved \$1.0 million reimbursement authority to allow the conservancy to receive funds from the Wildlife Conservation Board so the conservancy can direct and administer projects along the San Joaquin River Parkway.

3835 Baldwin Hills Conservancy

- Approved reversion and reappropriation of the remaining balance of Proposition 40 funds to continue work on the park master plan as required by Chapter 752, Statutes of 1999.
- Approved a reappropriation of \$6.3 million bond funds (Propositions 40 and 84) related to the Baldwin Hills Park Master Plan.

3840 Delta Protection Commission

- Approved as budgeted.

3845 San Diego River Conservancy

- Approved as budgeted.

3850 Coachella Valley Mountains Conservancy

- Approved \$8.8 million (mainly Proposition 84) to allow the conservancy to acquire and protect mountainous zones and provide funding to implement the natural community conservation plan (NCCP) lands within the conservancy boundaries.
- Approved a technical reversion of \$40,000 (Proposition 84 bond funds) in order to ensure that the bond funds are not over-subscribed.

3855 Sierra Nevada Conservancy

- Approved reappropriation of unencumbered balances in Proposition 84 local assistance grant funding to award grants and cooperative agreements in the Sierra Nevada region.

3875 Sacramento-San Joaquin Delta Conservancy

- Approved a request for \$165,000 (Environmental License Plate Fund) for technical consultation to complete the required Delta Conservancy strategic plan and to enable the conservancy to be relocated within the legal Delta as required by law.

3860 Department of Water Resources

- Approved \$1.3 million (Proposition 50) for three years to implement provisions of the groundwater monitoring program pursuant to SBx7 6 (Steinberg and Pavley) in November 2009.
- Approved \$966,000 (Proposition 13) in local assistance for the Groundwater Recharge Project Loan and Infrastructure Rehabilitation Grant Program for contracts with the Pajaro Valley Water Management Agency and City of Sanger.

- Approved \$1.4 million (Federal funds) annually for five years (\$250,000 per year for the first four years and \$450,000 in the final year). This will allow the department to receive anticipated Truckee River Operating Agreement grant funds to fulfill California's responsibilities under the Truckee River water agreement.
- Approved \$5 million (Proposition 50) for local assistance funding for pilot and demonstration projects to develop efficient, effective, and economical ways of removing drinking water contaminants.
- Approved \$121.9 million (mainly bond funds) for various ongoing flood management capital outlay projects.
- Approved various reappropriations totaling \$151.2 million (bond funds) for continuing capital outlay projects including Feather River, West Sacramento, Upper Sacramento River, Lower Cache Creek, Merced County, Sutter Bypass, and System-wide Levee Evaluations and Repair.
- Approved re-appropriations and extension of liquidation requests for the Flood Protection Corridors, Urban Streams, Delta Fish Facility Improvement, Drinking Water, Water Use Efficiency, Water Supply Reliability, Sediment Removal, and Agricultural Drainage programs.
- Approved a request for \$4.2 million reimbursement authority for the Salton Sea Restoration Program.
- Rejected \$2 million (bond funds) for the Delta Knowledge Improvement Program.
- Approved \$575,000 for FloodSAFE conservation strategy for review in spring budget hearings. Approved remainder of FloodSAFE program as budgeted.
- Approved 12 new full-time positions (State Water Project off-budget funds) for implementation of the biological opinions. Approved budget bill language restricting the use of these positions and funding to only activities that support or are required by the biological opinions. **Budget bill language vetoed by the Governor.**
- Rejected a proposal to convert 15 limited-term positions to be made permanent to continue work on the Delta Habitat Conservation and Conveyance Program. Instead allowed for current limited-term positions to be extended by one year pending release of the Delta Plan.
- Approved 90 positions for support and management of the State Water Project (State Water Project off-budget funds).
- Approved a request for four full-time positions at an estimated cost of \$900,000 (State Water Project off-budget funds) for mercury and methyl-mercury studies ordered by the Central Valley Regional Water Quality Control Board. Approved \$300,000 per year for two years to provide a state share of the regulatory compliance.
- Approved budget bill language and reporting language requiring the department to work with the Legislature, LAO and an independent third party related to the Davis-Dolwig report including a working group to develop possible solutions to ongoing funding for the state's recreation enhancements at the State Water Project.
- Denied a request for \$757,000 from Proposition 84 bond funds for the Lake Perris Seismic Retrofit pending the outcome of working group on state recreation enhancement funding.
- Approved a proposal to shift \$16 million from the General Fund to Proposition 1E bond funds for levee maintenance, Delta levees, and floodplain mapping activities in order to address the remaining budget shortfall.

- Approved a shift of \$1.2 million from the General Fund to reimbursements in the Watermaster Program to conform to existing law.
- Approved a control section reduction of \$1.8 million General Fund including for the California Water Plan, North Delta Program, Flood Management Program and Central Valley Flood Protection Board.
- Approved remainder of department as budgeted.

3885 Delta Stewardship Council

- Adopted a proposal to shift the date for submission of the CALFED zero-based budget from April 1, 2011 to April 1, 2012 as well as to require the council to conduct a programmatic review of the CALFED Bay-Delta program expenditures for consistency with the Delta Plan which will not be completed until January 1, 2012.
- Reduced reimbursement authority by \$5.8 million to reflect for unallocated purposes in order to better reflect funding from the federal government and provide more oversight at the council.
- Approved the remainder of programs as budgeted.

ENVIRONMENTAL PROTECTION

0555 Secretary for Environmental Protection

- Approved a loan of \$1.3 million from the Rural Certified Unified Program Account to the GF and a loan of \$8.7 million from the Unified Program Account to the GF.
- Increased 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

- Approved technical adjustments for reappropriations and reversions for Proposition 1B Goods Movement Emission Reduction Program, and trailer bill language to allow a time frame to encumber the funds through June 30, 2014 and liquidation of funds through June 30, 2017.
- Reduced the board's budget by \$750,000 for activities specifically related to the 33-percent Renewable Energy Standard/Renewable Portfolio Standard rulemakings and proceedings.

3930 Department of Pesticide Regulation

- Approved \$2.6 million (\$603,000 one-time and \$1.9 million ongoing) from the Department of Pesticide Regulation Fund to enhance the California Department of Food and Agriculture pesticide analysis capabilities.

3940 State Water Resources Control Board

- Approved the Governor's proposed fund shifts (from GF to fee-supported special funds):
 - \$1.4 million in the National Pollutant Discharge Elimination System Wastewater Program from GF to the Waste Discharge Permit Fund (WDPF).
 - \$1.8 million in the Irrigated Land Regulatory Program from GF to the WDPF.
 - \$3.2 million in the Water Rights Program from GF to the Water Right Fund.
 - \$17.6 million for Basin Planning, Water Quality Standards Program, and other water quality programs from GF to the Waste Discharge Permit Fund and \$745,000 from GF to Reimbursements.
- Approved \$327,000 and 2.1 limited term positions for regulatory oversight of the expedited cleanup at Edwards Air Force Base.
- Approved various technical adjustments for local assistance appropriations and re-appropriations for continuing program implementation for Propositions 13, 50, and 84.

- Approved \$5.0 million (\$2.6 million General Fund and \$2.4 million Waste Discharge Permit Fund, to continue defending the State of California from a lawsuit filed by Pacific Lumber Company concerning the Headwaters Agreement.
- Approved a one-time augmentation of \$119 million to the Underground Storage Tank Clean-up Fund (USTCF) in order to expend additional revenues generated by the temporary fee increase adopted pursuant to Chapter 649, Statutes of 2009 (Ruskin, AB 1188).
- Approved a loan of \$1 million in the budget and \$3 million in the current year budget from the State Water Pollution Control Revolving Fund Small Communities Grant Fund to the GF.
- Approved a transfer in the current year of \$1.2 million from the Environmental Protection Trust Fund to the GF after the program sunset date.
- Approved a technical amendment to the Water Code to ensure that money collected by the Wastewater Operator Certification Program is deposited into the Wastewater Operator Certification Fund.
- Approved various technical adjustments for local assistance and state operations, reversion and re-appropriation for bond funds from Propositions 13, 40, 50 and 84.

3960 Department of Toxic Substances Control

- Approved a request for ongoing reimbursement authority in order to expend funds available for State Certified Unified Program Agency (CUPA) agreements with businesses in Imperial and Trinity Counties.
- Approved \$1.6 million GF to fund working drawing activities for the construction of a new pre-treatment plant to treat contaminated groundwater from the Stringfellow site.
- Approved conversion of three limited-term positions to permanent reimbursable positions to support investigation, feasibility study, and cleanup phases of the Santa Susanna Field Laboratory Project. Additionally, approved budget bill language clarifying that no positions approved shall be used to investigate or work on a transfer of land between the responsible parties and the state.
- Approved the following current year loans to the GF: (1) \$13 million from the Hazardous Waste Control Account; (2) \$1 million from the Site Remediation Account; (3) \$1 million from the Illegal Drug Lab Cleanup Account; and (4) \$500,000 from the Cleanup Loans and Environmental Assistance to Neighborhoods Account.
- Approved \$731,000 (Expedited Site Remediation Trust Fund) to reimburse Santa Cruz Metro for the orphan share associated with its remediation activities at the Greyhound Site in the City of Santa Cruz.
- Approved a one-time reduction of \$802,000 from the General Fund by shifting illegal drug lab removals contract funding from the General Fund to the Illegal Drug Lab Cleanup Account.

3980 Office of Environmental Health Hazard Assessment (OEHHA)

- Denied the Governor's proposal to shift \$1.1 million (one-time) and \$2.3 million ongoing in future years from the Safe Drinking Water and Toxic Enforcement Fund to the General Fund for Proposition 65 activities. Approved Supplemental Report Language requiring OEHHA to determine the appropriateness of other fund sources for this ongoing deficiency.

ENERGY AND UTILITIES

3360 California Energy Commission

- Approved a ten-month extension of nine limited-term positions to manage and close out activities implementing the state Energy Program funded under the American Recovery and Reinvestment Act of 2009 (ARRA).
- Approved \$8.4 million Energy Resources Program Account (ERPA) for baseline budget. Provided \$200,000 of this restoration for programmatic audit by the Office of State Audits and Evaluations to evaluate the commission's priorities relative to statute.
- Approved a loan of \$20 million in the current year budget from the Renewable Resources Trust Fund to the GF.
- Approved continuation of two expiring limited-term positions for implementation of Chapter 132, Statutes of 2006 (SB 1, Murray), the California Solar Initiative.
- Denied the funding source conversion of four existing positions from ERPA to the AB 32 Cost of Implementation Fee.
- Approved five positions (ERPA), including four shifted from a denied budget request, to implement Chapter 1, Statutes of 2011 (SBx1 2, Simitian) which requires energy providers to buy 33 percent of their energy from renewable energy sources by 2020. Approved supplemental reporting language requiring the Commission to return in January 2012 with a proposal for long-term funding for these positions.

3860 Department of Water Resources (California Energy Resources Scheduling Division)

- Approved as budgeted.

8660 Public Utilities Commission

- Approved three positions and \$24.8 million from the California Advanced Service Fund (CASF) to extend the existing CASF program of grant awards for broadband deployment projects.
- Approved an increase of four limited-term positions and \$1.6 million from the Federal Trust fund for State Broadband and Development Grant Program to the American Reinvestment and Recovery Act (ARRA) grant program.
- Approved a proposal to allow the CPUC to enter into a limited-term contract with a technical consultant and other state agencies to perform analysis of seismic studies at Diablo Canyon Power Plant.

- Approved two positions and \$229,000 to develop and implement advanced energy storage (AES), and modernization of the electric grid. The commission was requested to return to spring budget hearings with a proposal that reflects recently adopted legislation.
- Approved four positions and \$498,000 to improve the safety of natural gas distribution systems in California. Approved an additional 5.5 positions for inspectors and auditor positions above the Governor's proposal.
- Approved trailer bill language requiring the CPUC to report on interactions with a newly formed nonprofit organization, the "CPUC Foundation" including any exchange of funding or endorsement of the nonprofit by CPUC staff or commissioners.
- Approved a one-time reduction in program activity and transfer of \$155 million from the Gas Consumption Surcharge Fund to the General Fund.
- Amended the repayment date of a \$59 million loan to the GF from the California High-Cost Fund-B Administrative Committee Fund to June 30, 2013.
- Approved the following loans in the current year budget to the GF: (1) \$100 million from High-Cost Fund B Administrative Committee Account; \$75 million from California Advanced Services Fund; and \$25 million from the PUC Utilities Reimbursement Account.
- Approved two positions and \$173,000 from the PUC Ratepayer Advocate Account to the Division of Ratepayer Advocates natural gas and auditing activities.
- Approved nine positions and \$2.1 million (Public Utilities Reimbursement Account) for implementation of Chapter 1, Statutes of 2011 (SBx1 2, Simitian). Denied one position related to the Governor's Clean Energy Jobs Plan which includes increasing renewables from distributed generation by 12,000 Mw. Approved budget bill language to restrict the use of the funds approved to exploration of policy options rather than development of regulations related to distributed generation.

FOOD AND AGRICULTURE

7300 Agricultural Labor Relations Board

- Approved as budgeted.

8570 Department of Food and Agriculture

- Approved a proposal to eliminate state support (including coordination and local assistance) for the California Network of Fairs (a reduction of \$32 million GF).
- Approved a reduction of \$15 million GF in the budget year and \$30 million ongoing across all program areas at the Department of Food and Agriculture.
- Approved a request for 38 three-year limited-term positions, 61 temporary help positions, and \$15 million (federal funds) to continue the Asian Citrus Psyllid and Huanglongbing Mitigation Project. This request will provide funding for detection, control, quarantine, and laboratory services to prevent the spread of these species throughout the state.
- Approved a request for 10 three-year limited-term positions and \$12 million (federal funds) to provide funding for detection, control, quarantine enforcement, and laboratory services to prevent the European Grapevine Moth from spreading throughout the state.
- Approved an augmentation of \$7.5 million (federal funds) to provide an additional two-year funding for performing survey, delimitation, control, and regulatory activities necessary to ensure that the continuous threat of infestation by the Light Brown Apple Moth is contained.
- Approved a request for \$637,000 (federal funds) to support increased activities under the Country-of-Origin Labeling program. This program provides California with funding to conduct retail surveillance review of commodities sold in the state to ensure the accuracy of the originating country is properly labeled.
- Approved budget bill language requiring full public participation, including public meetings, from all major regions of the state for each notification of proposed actions within the Light Brown Apple Moth program. Approved intent language that the Light Brown Apple Moth state support be reduced by \$700,000 in the budget and an additional \$900,000 thereafter as part of the unallocated GF reduction to the department.
- 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

- Approved total funding of \$28.5 million for the California Transportation Commission, including \$25 million in Clean Air and Transportation Improvement bond funds.
- Rejected funding of \$400,000 from the State Highway Account for consulting services related to the evaluation of any Public Private Partnerships (P3s) that the Department of Transportation or local agencies may propose. Instead, approved budget bill language that authorizes the Director of Finance to augment budget funding by up to \$400,000 if workload materializes and with notification to the Joint Legislative Budget Committee.

2640 STATE TRANSIT ASSISTANCE

- Approved funding of \$330 million from the Public Transportation Account to maintain state funding for transit agency operations, at the level adopted with the 2010 fuel tax swap.
- Approved expenditures of \$500 million from Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding. The expenditures utilize bond funds appropriated in prior budgets.

2660 DEPARTMENT OF TRANSPORTATION

Transportation Revenue and Finance:

- Approved expenditures of \$14.2 billion for the California Department of Transportation (Caltrans), including \$83 million GF, \$3.9 billion special funds, \$4.8 billion bond funds, \$4.3 billion in federal funds, and \$1.1 billion local reimbursements. *The Governor vetoed \$234 million in Proposition 1A bond funds, which are available to improve intercity and urban rail to better connect to the future high-speed rail system. This action reduced total budget funding to \$14.0 billion.*
- Through various mechanisms, provided a total GF solution of \$2.1 billion. The GF solution came from the following categories and amounts are combined totals for 2010-11 and 2011-12.
 - \$962 million from bond debt service funded from truck weight fees.
 - \$851 million from loans to the GF from truck weight fees.
 - \$135 million from deferring a GF loan repayment from 2011-12 to 2012-13.
 - \$101 million from redirecting specified tribal gaming revenues from transportation funds to the GF.
 - \$72 million from bond debt service from miscellaneous transportation revenues.

Adopted trailer-bill language that directs that loan repayment from truck weight fees be directed to bond debt and be repaid as needed to fund bond debt.

- Approved re-enactment of the 2010 fuel tax swap to conform to the two-thirds vote requirement in Proposition 26.
- Approved shifts in various transit funds to conform to the requirements of Proposition 22, and maintain annual ongoing funding for transit operations near \$350 million.
- Approved a total of \$3.8 billion in Prop 1B appropriations, including reappropriation, across multiple departments. Approved Prop 1B bond funding of \$3.4 billion for the following bond categories that are budgeted directly in Caltrans budget (figures include state operations, local assistance, and capital outlay).
 - \$1.2 billion for Corridor Mobility Improvement Account (CMIA)
 - \$1.2 billion for Trade Corridors Improvement Fund
 - \$527 million for State Route 99
 - \$165 million for State Local Partnership
 - \$117 million for Intercity Rail
 - \$48 million for the State Highway Operations and Protection Program (SHOPP)
 - \$14 million for Local Bridge Seismic Retrofit

Other Prop 1B bond appropriations are in the budgets of State Transit Assistance (Transit); the Office of Emergency Services (Security); and the Air Resources Board (Air Quality and School Bus Retrofit).

- Augmented proposed bond funding from \$28 million to \$252 million from Proposition 1A bond funds for intercity rail and connector rail that will provide connectivity to the high-speed rail system. The additional amount is tied to a program of projects adopted by the California Transportation Commission after public hearings were held and local input received. *The Governor vetoed the \$234 million in Proposition 1A bond augmentation adopted by the Legislature. His veto message indicated: “The projects identified for funding by Caltrans and the California Transportation Commission appear unrelated to the high-speed rail project or an integrated rail plan. As plans for the high-speed route are further developed, the Authority should work with local agencies to build mutually beneficial projects.”*

Highway Transportation

- Approved the Administration’s May Revision zero-based budget for the Capital Outlay Support (COS) staffing, which increased workload from the January budget by a total of 122 positions, resulting in a grand total of 10,756 positions (including overtime and contract resources). However, changed the 122 positions from the contract resources requested to 61 state positions and 61 units of state position overtime. This action reduced costs by \$17.7 million, and this savings was directed to investment in pavement maintenance.

- Approved the Administration's May Revision zero-based budget for transportation-planning workload related to Project Initiation Documents (PIDs), which are preliminary planning documents. However, rejected an Administration proposal to shift the costs of PIDs for locally-funded highway projects (projects where the construction phase is primarily funded with local monies) from State funds to local-government reimbursement. The total number of positions approved and funded for PIDs was 314 positions, with 50 of those for locally-funded highway projects. ***The Governor vetoed \$6.4 million and eliminated the 50 positions associated with locally-funded highway projects. His veto message indicated: "State funds should be reserved to fund state projects and not to subsidize locally funded projects on the state highway system."***
- Approved \$1.7 million (special funds) for increased fuel costs.
- Approved \$1.3 million (federal funds) and 9 new positions to address bridge-inspection workload for locally-owned bridges. The new staff would complete load ratings on these bridges to comply with new federal requirements.
- Approved a reduction of \$3.0 million (State Highway Account) and the elimination of 35 positions for efficiency savings in the accounting area that are due to the Enterprise Resource Planning Financial System (E-FIS) IT project.
- Approved reappropriation of up to \$8.3 million (State Highway Account) to complete the Project Resource and Scheduling Management System (PRSM) IT project. The total cost for the project is estimated to be \$11.6 million and its expected completion is February 2012. This project will improve the department's management and tracking of State employee time-recording-by-project in the Capital Outlay Support Program.
- Approved the revised expenditure schedule for the multi-year Construction Management System (CMS) IT project. The total cost for the project is estimated to be \$22.8 million and its expected completion is in 2013-14. This project will allow better expenditure tracking for construction projects and should produce cost avoidance of about \$19 million annually from reducing bad payments to contractors and reducing federal ineligibility notices.
- Approved a net-zero shift of funding across Proposition 1B bond programs to reflect audit activities planned for 2011-12.
- Approved construction funding of \$8.7 million (State Highway Account) for the Eureka district office building repair project.
- Approved \$2.8 million in reimbursements from local planning entities and the California Energy Commission to complete the California Household Travel Survey, which is completed once every decade using United States Census data as an input. Caltrans is absorbing the baseline survey cost of \$7.2 million (State Highway Account) within its existing budget.
- Approved \$3.8 million in redirected federal funds to continue 21 limited-term positions performing workload related to various audit, accounting, and reporting, of federal funds allocated to local governments.

- Approved \$1.6 million in local reimbursements to review locally-sponsored public-private-partnership (P3) project proposals. P3s generally involve new highway tolls and a lease of the public highways to private operators.

Mass Transit, Aeronautics, Bicycle, and Environmental Mitigation

- Approved a \$63 million (State Highway Account) funding request for equipment and vehicle replacement and retrofit for air quality compliance. Added budget bill language that requires the Director of Finance to reduce funding for this purpose if the Governor's fleet reduction proposal results in cost savings. The language directs any savings achieved to increased investment in pavement maintenance.
- Approved a one-time increase of \$10.3 million (Public Transportation Account) to baseline funding of \$5.8 million for the 2011-12 cost of railcar maintenance for the Intercity Rail Program.
- Approved \$274,000 (federal funds) and continuation of 3 temporary positions to administer federal funding for the Job Access Reverse Commute (JARC) and New Freedom transit programs.
- Approved a funding shift for one position in the Rail Program from Public Transportation Account to Proposition 1A bond funds.
- Approved \$7.2 million in local assistance grants from the Bicycle Transportation Account – the same amount of funding as provided in 2010-11.
- Approved \$10 million in local assistance grants from the Environmental Enhancement and Mitigation Program Fund – the same amount of funding as provided in 2010-11.
- Approved a reappropriation to utilize the remaining \$2 million from the \$20 million in Clean Energy Renewable Energy Bonds (CREBs) initially authorized in the 2008-09 budget. CREBs are a federal energy program that helps finance solar-generated electricity projects – Caltrans is using these funds to install solar panels on its facility rooftops.

All Caltrans Areas

Trailer Bill Language (AB 105 and AB 115)

1. Approved the Governor's proposal to use truck weight fees to fund bond debt service and loans to the GF totaling about \$1.8 billion across both 2010-11 and 2011-12.
2. Approved the Governor's proposal to modify transportation loans to the General Fund to extend repayment dates and to direct repayment of truck weight fee loans to bond debt service.
3. Approved re-enactment of the 2010 fuel tax swap, including shifts of transit funds to maintain that portion of the swap. These actions conform transportation funding with the

requirements of Proposition 22 and Proposition 26, which were both approved by voters in November 2010.

4. Added trailer bill language related to flexibility and clean-up for Proposition 1B programs. Amendments included an extra year to expend funds for cities, counties, and public waterborne transit agencies, and reporting requirements for trade corridor funds.
5. Added trailer bill language to enhance annual reporting related to the Capital Outlay Support staffing adjustment.
6. Added trailer bill language to clarify that gasoline excise revenues associated with the fuel tax swap are not subject to the maintenance-of-effort requirements of Proposition 42 sales tax funds. Additionally, added trailer bill language to provide the City of Santa Rosa additional time to meet its maintenance of effort for Proposition 42 gasoline sales tax revenue received by the city in 2009-10. Similar language was approved in the 2010-11 budget for the County of Fresno.

2665 HIGH-SPEED RAIL AUTHORITY

- Approved appropriations for the High-Speed Rail Authority (HSRA) that totaled \$156.3 million (\$89.7 million Proposition 1A bond funds and \$66.6 million federal funds). A total of \$47.4 million in 2010-11 capital funds was unexpended and will carry-over for expenditure in 2011-12 – so budget resources total \$203.7 million. *The Governor vetoed \$1.1 million – see more information below.*
- Approved the Governor’s request to add 15 positions for HSRA at a cost of \$1.4 million, which brings the total number of authorized positions to 56.5 positions.
- Approved capital outlay funding of \$138.6 million which includes the following: (1) \$74.6 million for engineering and design work on the “Phase I” segments that run from San Francisco to Anaheim (carry-over funds of \$47.4 million are also available for this segment); (2) \$58.5 million for the ongoing program management contract; \$5.5 million for the “Phase II” segments of Sacramento to Merced, and the Altamont Pass (carry-over funds of \$1 million are also available for the Sacramento to Merced segment). Added budget bill language that limits right-of-way purchase and construction contracts until after legislative reporting and review.
- Approved funding of \$3.0 million for the ongoing program management oversight contract.
- Approved \$2.3 million for the communication contract – added budget bill language requiring the HSRA to report to budget committees during hearings next spring on the progress in transitioning from contract staff to state staff for public outreach.
- Approved \$750,000 for the financial consultant.

- Approved an augmentation of \$1.1 million (relative to a base of \$359,000) to fund interagency agreements with Caltrans, the Department of General Services, and the Department of Justice.
- Approved a one-time augmentation of \$750,000 for information technology service contracts. The need is ongoing, but the Administration will submit a new budget request next year after further analysis is performed on how to best divide this workload between state and contract resources.
- Added funding of \$1.1 million for the 2011-12 cost of the 2009 memorandum of understanding between HSRA and CalTrain. ***The Governor vetoed this augmentation and his veto message indicated: Workload associated with CalTrain should be charged to Schedule (I) of Items 2665-305-6043 and 2665-305-0890.***

Trailer Bill Language (AB 105 and AB 115)

1. Approved trailer bill language that requires the HSRA to report to the Legislature with information on fiscal, management, and planning issues. The first reporting date was February 14, 2011, and deliverables included: a report on community outreach; a copy of the strategic plan developed pursuant to the State Administrative Manual; a report on the performance of the program manager contractor; and a report on how the HSRA has addressed the recommendations of the State Auditor. The second reporting date is October 14, 2011, and deliverables include: a complete legal analysis of the revenue guarantee; a financial plan update; a public outreach plan for the Bakersfield to Los Angeles segment; a formal response to the April 18, 2011, statement by elected officials for the San Jose to San Francisco segment; and, a formal response and full analysis of the issues raised in the May 10, 2011, Legislative Analyst's report. One half of the HSRA funding in 2011-12 is made contingent on the submittal and review of the reports.
2. Approved trailer bill language that authorizes the Governor to appoint six management-level exempt positions. The positions are specified as: a chief program manager; up to three regional directors; a chief financial officer; and a director of risk management and project controls.

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

- Approved as budgeted, which is \$2.2 million (special funds) for baseline operations of the Board. No budget change requests were submitted by the Administration.

2700 OFFICE OF TRAFFIC SAFETY

- Approved as budgeted, which is \$96.9 million (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 (CHP) of \$1.9 billion (special funds).
- Approved a reappropriation of funding of up to \$27.8 million (special fund) for the Computer Aided Dispatch (CAD) replacement project, which is nearing completion.
- Approved \$12.8 million (special funds) for radio tower replacement projects related to the CHP Enhanced Radio System (CHPERS) project, which is nearing completion. Approved reappropriations for unexpended CHPERS funds of \$24.7 million to carry-over into 2011-12.
- Approved a total of \$37.9 million (special funds) for specified phases of the following facility capital outlay projects: Santa Fe Springs Area Office (\$19.6 million for construction); and Oceanside Area Office (\$18.3 million for construction).

Trailer Bill Language (AB 115)

1. Approved trailer bill language that places in statute the CHP's internal policy for privacy protection in the use of data obtained from license-plate-reader cameras.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved total expenditures for the Department of Motor Vehicles (DMV) of \$922 million (special funds).
- Approved a transfer from the Motor Vehicle Account (MVA) to the GF of \$72 million. These funds are revenue from the sale of information and other miscellaneous sources, which are not restricted in expenditure by Article XIX of the Constitution.
- Approved a February 15, 2011, Finance Letter that deferred repayment of a prior MVA loan of \$20.5 million from 2011-12 to 2013-14.
- Approved \$511,000 (special funds) to continue 9 limited-term positions, which administer the Ignition Interlock Device (IID) Program. The program provides for the installation of IIDs in specified circumstances when the car owner has a conviction for Driving Under the Influence (DUI).

- Approved \$369,000 (special funds) to continue 7 limited-term positions, which administer the Temporary Operating Permit (TOP) Program. The program provides for a temporary operating permit when a certificate of smog compliance is required.
- Approved \$2.3 million (special funds) to fund third-party contractors to monitor the Traffic Violator School (TVS) Program. Pursuant to AB 2499 (Chapter 599, Statutes of 2010, Portantino), this program is being shifted from the courts to DMV.
- Approved a federal grant of \$918,000 for privacy and security enhancements to the DMV information technology systems.
- Approved a total of \$668,000 (special funds) for specified phases of the following facility capital outlay projects: Grass Valley Field Office Replacement (\$648,000 for preliminary plans); and the Southern Los Angeles Commercial Driver License Test Center (\$20,000 for initial planning for a leased facility).
- Approved reappropriations totaling \$23.7 million for the field office capital outlay projects in the following locations: Redding, Oakland, Fresno.
- Approved a reversion of \$359,000 for the Palmdale and Lancaster consolidated field office capital outlay project which is now scheduled for 2012-13.

Trailer Bill Language (AB 105 and SB 89)

1. Approved trailer bill language that requires DMV to place on driver license applications a voluntary check-box that allows veterans to self-identify if they want to be connected by the Department of Veterans Affairs to obtain federal veterans benefits.
2. Approved trailer bill language to recalculate the cost allocation for DMV's collection of fees and taxes. The amount funded from the Motor Vehicle License Fee (MVLFF) Account was reduced by \$300 million, and the amount funded from the Motor Vehicle Account was increased by \$300 million. Vehicle registration fees were raised by \$12 to cover the cost increase. The MVLFF savings were directed to cities and counties for 2011 public safety realignment.

9350 SHARED REVENUE

- Approved a request to reappropriate Prop 1B bond funds from the 2009 Budget Act. Prop 1B funds in this item are allocated to cities and counties for local streets and roads.

SUBCOMMITTEE 3
ON
HEALTH
AND
HUMAN SERVICES
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Mark DeSaulnier, Chair
Elaine Alquist
Bill Emmerson

Consultants

Jennifer Troia – Human Services
Diane Van Maren – Health

SUBCOMMITTEE No. 3

HEALTH and HUMAN SERVICES

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HEALTH

4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

Key Issues for the Medi-Cal Program

- Medi-Cal Enrollee Mandatory Copayments for Services. Adopted the Administration's proposal to implement mandatory copayments for specified services in Medi-Cal as contained in AB 97 for a total reduction of \$583.8 million (General Fund). In addition to statutory changes, this action requires a State Plan Amendment and a federal Waiver which both require federal Centers for Medicare and Medicaid (CMS) approval.

The mandatory copayment requirement applies to *all* Medi-Cal enrollees, including adults, children, pregnant women, and people in Long-Term Care Facilities. No exemptions.

Under this action, a Medi-Cal enrollment must pay the copayment at the point of service, and the Medi-Cal provider will be reimbursed their Medi-Cal payment minus the copayment. If the Medi-Cal enrollee does not have the copayment, the provider can deny the service. It should be noted that hospitals must still comply with the Emergency Medical Treatment and Active Labor Act; therefore, it is likely that most hospital care would still be provided.

The proposed reductions for the copayments are as follows:

- \$152.8 million (General Fund) by implementing mandatory copayments of \$5 per visit at the point of service for Physician Office Visits and Clinic Office Visits;
 - \$140.3 million (General Fund) by implementing mandatory copayments of \$3 per prescription for preferred drugs (Generics) and \$5 per prescription for non-preferred (Brand) at the point of service;
 - \$262.8 million (General Fund) by implementing mandatory copayments of (1) \$50 for Non-Emergency Room use of an Emergency Room; (2) \$50 for Emergency Room use; and (3) \$100 for an Inpatient Day, with a maximum of \$200 per Inpatient stay; and
 - \$27.9 million (General Fund) by implementing mandatory copayments of \$5 per Dental Office Visit.
- Medi-Cal Provider Payment Reduction. Adopted the Governor's proposal to reduce Medi-Cal Provider Payments, in Fee-for-Service and Managed Care, by an overall 10 percent for a reduction of \$1.1 billion (\$537.1 million General Fund). In addition to statutory changes as contained in AB 97, Statutes of 2011, this action requires a State Plan Amendment and federal CMS approval. DHCS intends to conduct rate analyses and studies where necessary in order to obtain federal approval.

- Unallocated Reduction to Medi-Cal. An unallocated reduction of \$345 million (General Fund) is assumed in lieu of extending the Hospital Fee and in lieu of transitioning Healthy Families Program enrollees gradually over to the Medi-Cal Program. Deliberations on the extension of the Hospital Fee are continuing through the policy committee process in SB 335. The Healthy Families Program transition as proposed by the Governor at the May Revision was not adopted in any form.
- 1115 Medicaid Waiver Shift for Federal Funds. Adopted the Governor's proposal to authorize the DHCS to submit an amendment to the State's 1115 Medicaid Waiver to annually transfer federal funds within the Health Care coverage Initiative portion of the Waiver to the Safety Net Care Pool to be expended for uncompensated care provided by the State and by Designated Public Hospitals. AB 102, Statutes of 2011, specifies the structure of this transfer. The purpose of this transfer is to enable the State to fully achieve its annual \$400 million General Fund savings from the Waiver and to enable Designated Public Hospitals to fully access federal funds available to California under the Waiver.
- New Processing Fee for Inter-Governmental Transfers (IGTs). Approved the Governor's proposal to institute a new 20 percent fee on each voluntary IGT that is used to match federal funds to provide Medi-Cal Managed Care rate increases, beginning July 1, 2011. Revenues generated from this 20 percent fee will be used to offset a total of \$34.2 million in General Fund expenditures within the Medi-Cal Program.
- Medi-Cal Provider Payment Reduction—Nursing Home Facilities (AB 1629 Facilities). Modified the Governor's proposal to reduce these provider payments as contained in AB 1X 19, Statutes of 2011. Key components of this compromise include the following:
 - Extends the sunset date by one additional year to July 31, 2013, for the AB 1629 Quality Assurance Fee (QAF) and the rate-setting methodology. This extension includes applying the QAF to freestanding Pediatric Subacute Care Facilities for the first time.
 - Applies the 10 percent payment reduction effective June 1, 2011, *equally* to each nursing home's 2010-11 rates. For 2011-12, beginning August 1, 2011, DHCS will offset the 10 percent payment reduction by the weighted average rate increase (no more than 2.4 percent) applicable to the rate year and will apply the net percent decrease *equally* to each nursing home's 2010-11 rates. Therefore, for 2011-12, the *net* percent decrease will be approximately 7.6 percent.
 - Sunset's the 10 percent payment reductions on August 1, 2012.
 - Reverts back to a facility-specific rate methodology for 2012-13 but holds harmless any facility from rates that are less than their rate that was on file on May 31, 2011. To the extent the net increase provided on August 1, 2011 is less than 2.4 percent for 2011-12, provide the difference in 2012-13.
 - Delays implementation of the Quality and Accountability Supplemental Payment System (QASP) for one year, but establishes 2011-12 as the base year.

- Requires the results of nursing home staffing audits and other performance measures utilized in the Quality and Accountability Supplemental Payment System to be published beginning in 2011-12.
 - Delays, until 2012-13, the set-aside to the Quality and Accountability Supplemental Payment System of one percent of the AB 1629 facilities reimbursement rate.
 - Increases the upper limit of the penalty range for Class B citations from \$1,000 to \$2,000 for nursing homes.
 - Beginning June 1, 2011, the payment reduction for freestanding Pediatric Subacute Care Facilities, which currently receive the 2008-09 rates, will be a 5.75 percent decrease (versus the 10 percent).
 - Clarifies that the June 1, 2011, reimbursement rates for freestanding Pediatric Subacute Care Facilities will include the projected cost of complying with new state or federal mandates.
- Medi-Cal Provider Payment Reduction—Certain Long-Term Care Facilities. Adopted a technical adjustment to reduce by \$39.1 million (General Fund) the Medi-Cal Provider Payment on an average of 10 percent for Distinct-Part Nursing Facilities, Rural Swing Beds, Distinct-Part Subacute, and Pediatric Subacute facilities. Without this technical adjustment, these specific facilities would be receiving an average reimbursement increase of 4.31 percent for 2010-11 and 4.76 percent for 2011-12 while other Medi-Cal providers would be experiencing a 10 percent reduction.
 - Medi-Cal Provider Payment Reduction for Intermediate Care Facilities for the Developmentally Disabled. Reduced, by \$41.1 million (\$20.5 million General Fund), by applying the Administration’s provider reduction to ICF-DD facilities. In addition to statutory changes as contained in AB 97, Statutes of 2011, this action requires a State Plan Amendment and federal CMS approval.
 - Settlement with Quest Laboratories. Recognized the settlement with Quest Laboratories to pay California \$241 million for claims that Quest overcharged Medi-Cal for laboratory testing services and giving kickbacks to physicians. Of this amount, \$50.1 million will go to Medi-Cal and is recognized as a one-time only General Fund offset.
 - “Soft Cap” on Physician Services. Rejected the Governor’s proposed “hard cap” of ten annual Physician Visits for Medi-Cal enrollees and instead, adopted a “Soft Cap” of seven annual visits. The “Soft Cap” reduces by \$89.7 million (\$44.9 million General Fund) and applies *only* to Adults. It affects outpatient primary care and specialty care, but *not* specialty mental health services or pregnancy-related services, provided under the discretion of a Physician. As specified in AB 97, Statutes of 2011, visits exceeding the seven per Adult Medi-Cal enrollee will be required to be self-certified by the Physician, or medical professional under the supervision of a Physician, attesting that one or more of the following circumstances is applicable:

- Are necessary for diagnostic workup in progress that would otherwise result in an admission to emergency or inpatient setting;
- Are necessary for the purpose of assessment and form completion for Medi-Cal recipients seeking or receiving In-Home Supportive Services (IHSS).
- Will prevent disruption in ongoing medical therapy or surgical therapy as specified;
- Will prevent deterioration in an enrollee's condition that would otherwise result in an emergency room visit or inpatient admission;
- Cessation of the Adult Day Health Care Services and Transition Program. Approved the Governor's elimination of the Medi-Cal Optional Benefit of Adult Day Health Care Services, as contained in AB 97, Statutes of 2011, but also provided \$85 million (General Fund) to provide for a temporary transition program for existing ADHC enrollees to other Medi-Cal appropriate services and for the development of policy legislation to create a federal Waiver program. The Governor sustained the \$85 million General Fund amount but vetoed Budget Bill Language regarding the Legislature's intent to craft legislation regarding a federal Waiver program. It should be noted that AB 96 regarding the Keeping Adults Free from Institutions Program was passed by both houses and sent to the Governor. In addition, SB 91 provides ADHC facilities relief from Medicaid certification.
- Medi-Cal Managed Care Tax and GF Offset. Identified \$89.9 million in unexpended Children's Health and Human Services Fund from implementation of the Medi-Cal Managed Care Tax in 2009 and directed these funds to offset General Fund expenditures within the Medi-Cal Managed Care Program.
- Medi-Cal Managed Care—One Year Lock-In. Rejected the DHCS proposal to require all Medi-Cal Managed Care enrollees to "lock-in" enrollees on an annual basis, effective October 1, 2011. This proposal is counter to the structure of the 1115 Medicaid Waiver and enabling legislation which provides for the mandatory enrollment of Seniors and Special Need Populations into Medi-Cal commencing June 1, 2011.
- Managed Care Drug Rebate Funds. Identified savings of \$64 million (General Fund) by collecting drug rebates from drugs dispensed by the Medi-Cal Managed Care Plans as newly allowed under federal law.
- Sweep of Unexpended Hospital Funds. Reduced by \$77.9 million (General Fund) by sweeping the balances of the Medi-Cal Inpatient Payment Adjustment (MIPA) Fund (\$45.2 million) and the Private Hospital Supplemental Fund (\$32.7 million). The MIPA Fund contained unexpended balances from before 1998 that were Intergovernmental Transfers made by public entities that can no longer be identified. The Private Hospital Supplemental Fund has an unexpended balance that is attributable to receipt of federal funds obtained from ARRA which offset the need to expend from the supplemental fund.
- Rejected Maximum Annual Dollar Limit for Durable Medical Equipment. Rejected the Administration's proposal of a maximum dollar limit of \$1,604 annually per person for durable

medical equipment. A key concern with this proposed limit was for people who require a combination of durable medical equipment products due to their fragile medical state, as well as people who may need customized wheelchairs in order to live independently and be mobile (access to school, work, and quality of life issues). The Legislature restored \$14.7 million (\$7.4 million General Fund) by rejecting this proposal.

- Rejected Maximum Annual Dollar Limit for Medical Supplies. Rejected the Administration's proposal of a maximum dollar limit for Wound Care Dressing (\$391 annually), Incontinence Supplies (\$1,659 annually), and Urologicals (\$6,435 annually). The Legislature restored \$3.9 million (\$1.9 million) by rejecting this proposal.
- Rejected Hard Cap of Six Prescription Outpatient Drugs. Rejected the Administration's proposal to establish a "hard cap" on the existing six prescriptions per month limit. Under this proposal, Medi-Cal would not pay for prescriptions beyond the six-prescription per month limit unless Medi-Cal deems the drugs to be life-saving. However, it was unclear in practice what would be considered life-saving and it would be determined solely by the DHCS. The Legislature restored \$22.1 million (\$11 million General Fund) by rejecting this proposal.
- Change to Medi-Cal Over-the-Counter Drugs. Agreed with the Governor's proposal to save \$2.2 million (General Fund) by eliminating non-prescription cough and cold products for Adults.
- Change to Average Acquisition Price as New Pricing Benchmark for Pharmacy Reimbursement. Agreed with the Governor's May Revision to establish an "Average Acquisition Cost" to represent the actual acquisition cost paid for drugs by Medi-Cal Pharmacy providers, including those that provide specialty drugs. When fully implemented, this method would be used in lieu of the existing Average Wholesale Price (AWP) since this information is not reliable or fully valid, and will likely no longer be available as of September 2011, due to it no longer being published by First Data Bank.

Further, once this new "Average Acquisition Cost" methodology is fully implemented, the 10 percent reduction on Pharmacy providers, as enacted in AB 97, Statutes of 2011, shall no longer apply. This is because comparable savings will be achieved through this new methodology. Changes to the Pharmacy reimbursement pertaining to average acquisition price are contained in AB 102, Statutes of 2011.

- Fee-for-Service Option for Access for Infants and Mothers (AIM) and Healthy Families. Approved the Administration's proposal, as contained in AB 102, Statutes of 2011, to provide the Managed Risk Medical Insurance Board (MRMIB) with the flexibility to provide health care coverage through existing participating health plans, as well as through an interagency agreement with the Department of Health Care Services through the Medi-Cal Fee-for-Service Program. MRMIB requested this flexibility to ensure adequate statewide program coverage and in order to control program costs. Federal law now requires States to provide health plan choice to children enrolled in Children's Health Insurance Programs (Healthy Families in California).

The Administration notes that there are presently eight counties where children enrolled in Healthy Families only have one plan option available.

- Transition of Community-Based Medi-Cal Mental Health Programs to the DHCS. Modified the Governor's proposal to transition certain State-level responsibilities associated with Medi-Cal, including the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, and Specialty Mental Health Managed Care, from the Department of Mental Health to the Department of Health Care Services. Required involvement of stakeholders and the Legislature in the development of transition plans as specified in AB 102, Statutes of 2011, and adopted extensive Budget Bill Language to facilitate the transition.
- Transfer of Drug Medi-Cal Program to DHCS. Modified the Governor's proposal to transition the Drug Medi-Cal Program currently administered by the Department of Drug and Alcohol Programs to the Department of Health Care Services. Required involvement of stakeholders and the Legislature in the development of transition plans as specified in AB 102, Statutes of 2011, and adopted extensive Budget Bill Language to facilitate the transition.
- Limit Enteral Nutrition Products. Agreed with the Governor's proposal to save \$14.5 million (General Fund) by limiting Enteral Nutrition products provided to Adults. Specifically, these products would only be provided for Adults who must be tube-fed. Conditions which require tube feeding include, but are not limited to, anatomical defects of the digestive tract or neuromuscular diseases. There are limited exemptions to this reduction as specified in AB 97, Statutes of 2011.
- Hearing Aid Cap. Adopted the Administration's proposal to save \$507,000 (General Fund) by capping the maximum expenditures per Medi-Cal enrollee for Hearing Aids at \$1,510 annually. This cap includes expenditures for the Hearing Aid, ear molds, and repairs.
- Extended Roger's Amendment. Adopted the Administration's proposal to extend for one year (to January 2012) the State statute that implements the federal "Roger's Amendment", enacted as part of the Federal Deficit Amendment Act of 2005. It sets a limit on the amount that a Medi-Cal Managed Care plan can reimburse a non-contracted hospital that provides emergency services to one of the plan's members. It requires hospitals to accept, as payment in full, no more than the amounts that it could collect under the Fee-for-Service Medi-Cal Program. Savings of about \$6.4 million (General Fund) are attributable to this action.
- County Administration Suspension of Cost-of-Doing Business. Reduced by \$11.8 million (General Fund) by eliminating the cost-of-doing business for Medi-Cal eligibility administration conducted by the Counties.
- New Budget Methodology for Medi-Cal Eligibility. Adopted language as contained in AB 102, Statutes of 2011, to develop a new methodology for reimbursing Counties for Medi-Cal eligibility determinations for applicants and enrollees. This new methodology would be developed in consultation with County representatives and would be presented to the Legislature by March 2012 for deliberation before any implementation.

- State Option for Health Homes. Increased by \$700,000 (\$350,000 reimbursements and \$350,000 federal funds) for assessment activities related to a federal option to provide health homes for enrollees with chronic conditions program. These funds would provide for the planning and assessment activities and do not commit the State to implementing the Health Homes program. This assessment phase will allow the State to evaluate whether the activity is warranted.
- Implementation of 1115 Medicaid Waiver (SB 208, Steinberg, Statutes of 2010). Approved \$7 million (federal funds and county certified public expenditure funds) to fund 39 State staff to implement various components of this federal Waiver which will enable California to obtain \$10 billion in new federal funds over the next five years.
- Low-Income Health Program (AB 342, Perez, Statutes of 2010). Approved \$4.3 million (federal funds and county certified public expenditure funds) to support 23 positions and various contracts to implement this program.
- Federal Health Care Reform. Approved \$1.2 million (\$495,000 General Fund) to fund a total of 9 limited-term positions (to June 30, 2012) to implement additional health care reform mandates. These positions will be responsible for: (1) conducting enhanced provider screenings; (2) developing the infrastructure for integrating dual eligible beneficiaries into a new health care delivery system; (3) expanding the Program All-Inclusive Care for Elderly (PACE) health plans; and (4) addressing workload related to various Waiver analyses and system changes.
- State Staff for Development of Diagnosis Related Groups Reimbursement. Approved a compromise to increase by \$118,000 (\$59,000 General Fund) to support a Research Program Analyst position and redirected five audit positions, which would have been eliminated due to the ADHC benefit elimination, towards the development of this new reimbursement methodology.
- Control Section 3.94 of 2011 Budget Act--Trigger. This control section of the 2011 Budget Act includes a reduction of \$15 million (General Fund) related to reimbursement and services provided under the Program of All-Inclusive Care for the Elderly (PACE), the Senior Care Action Network, and the AIDS HealthCare Foundation. These reductions will only occur if subdivision (b) of Control Section 3.94 of the 2011 Budget Act is operative.

4265 DEPARTMENT OF PUBLIC HEALTH

- AIDS Drug Assistance Program (ADAP). Appropriated a total of \$511.1 million (\$82.6 million General Fund, \$253.8 million Drug Rebate Fund, \$74.1 million reimbursement from the 1115 Medicaid Waiver, and \$100.6 million federal funds) for the ADAP. Rejected the Governor's proposal to implement significant premiums in ADAP. Approved the Administration's expansion of the Comprehensive AIDS Resources Emergency/Health Insurance Premium Payment Program (CARE/HIPP) which results in reduced ADAP expenditures. Also identified savings attributable to changes made to the Pharmacy Benefit Manager Contract, updated

revenues in the Drug Rebate Fund, and by enrolling people with HIV/AIDS into the Pre-Existing Condition Insurance Plan (PCIP).

- Every Woman Counts Program. Approved total expenditures of \$71.5 million (\$18.4 million General Fund, \$10.7 million Breast Cancer Control Account, \$22.1 million Cigarette and Tobacco Produce Surtax Funds, and \$4.4 million federal funds) to serve about 393,000 clients.
- Community Challenge Grant Program. Eliminated \$20 million (federal Temporary Assistance for Needy Families) for this program since these CalWORKs dollars were needed for core CalWORKs functions within the Department of Social Services.
- Vaccine Purchases. Increased by \$7.3 million (General Fund) to provide influenza vaccine for distribution to Local Health Jurisdictions to immunize up to 700,000 “at-risk” populations, including the elderly and pregnant women.
- Reappropriation of Health Care Surge Capacity. Reappropriated \$1.3 million (General Fund) through June 30, 2013, from unspent funds originally appropriated in SB 162 (Ortiz), Statutes of 2006, to support the storage, maintenance, and transportation costs associated with healthcare surge stockpile and mobile field hospitals.
- Various General Fund Savings in State Support. Reduced by \$4.7 million (General Fund) by identifying State administration expenditures which were no longer necessary, including \$2.3 million for licensing State facilities, unnecessary operating expenditures, and State positions which were no longer applicable.
- Valley Fever Contract. Eliminated the \$1 million (General Fund) periodically provided for the development of a Valley Fever vaccine due to the State’s fiscal crisis. Typically private industry, the federal government, and foundations support the development of vaccines. It is not a core State responsibility.
- Repayment of Loan from Childhood Lead Poisoning Prevention Program. Identified savings of \$9.1 million (General Fund) by using the Childhood Lead Poisoning Prevention Fund to pay back the General Fund for a loan that was provided to it in the 1990s. Further research is being done on this issue and more savings may be identified.
- California Health Information Survey (CHIS). Saved \$672,000 (General Fund) by shifting the support for this comprehensive health information survey to Proposition 99 Funds.
- Pregnant and Parenting Teens. Increased by \$2 million (federal funds) to link an evidence-based Positive Youth Development case management intervention to school-based care services for pregnant and parenting teens.
- Women, Infant, Children’s Supplemental Food (WIC) Program. Approved a total of \$1.448 billion (\$1.2 billion federal funds and \$227.7 million Manufacturer Rebate Funds) for local WIC assistance which reflects an increase of \$132.8 million (federal funds) for 2011-12. Also approved the DPH request to increase by \$2.3 million (federal funds) and 20 new State

positions to support vendor management, expand WIC's Breastfeeding Peer Counseling Program and to improve administration and financial reporting.

- WIC State Operations. Increased by \$7.6 million (federal funds) for (1) interagency agreements with various State agencies due to increases in vendor applications, increased participation in WIC, and changes in federal regulations; and (2) consultant contracts related to automated management systems which generate reporting data to the USDA and WIC stakeholders.
- Maternal, Infant and Early Childhood Home Visiting Program. Increased by \$14.3 million (federal funds) to implement a new Home Visiting Program as directed in the federal Affordable Care Act of 2010. Of this amount, \$10.2 million (federal funds) is for local assistance and \$4.1 million is for 36 new State positions to operate the program.
- Performance Management and Public Health Infrastructure. Approved the DPH request to increase by \$2.1 million (federal funds) to support 15 new State positions and provide for a contract with a facilitator to establish a Performance Management Office.
- National Background Check Program. Increased by \$1.7 million (federal funds) to enhance the State's criminal record clearance process for direct patient access employees of Long-Term Care Facilities.

4270 CALIFORNIA MEDICAL ASSISTANCE COMMISSION (CMAC)

- Transition of the California Medical Assistance Commission (CMAC). The Legislature conformed to the Governor's May Revision for the CMAC to continue through June 30, 2012, after which time it shall be dissolved. Upon dissolution of CMAC, all powers, duties, and responsibilities of the CMAC shall be transferred to the Director of the DHCS. A CMAC staff transition plan is to be included in the Governor's 2012-13 budget to ensure a smooth transition.

4280 MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)

- Unallocated Reduction. An unallocated reduction of \$103.3 million General Fund was enacted in lieu of extending the Medi-Cal Managed Care tax to January 1, 2013, since extension of the Medi-Cal Managed Care tax requires a two-thirds vote. Legislation for the extension had not been enacted when this publication was completed. Legislation could be enacted before the end of the session.
- Increase in Premiums for Healthy Families Program. Approved the MRMIB proposal to reduce by \$63.3 million (\$22.2 million General Fund) by increasing monthly premiums paid by families for coverage of their children enrolled in Healthy Families. As contained in AB 97, Statutes of 2011, this action requires a State Plan Amendment and federal approval prior to implementation. Premiums will be increased as follows:
 - 151 Percent to 200 Percent of Poverty. Increased by \$14 per child, for a total of \$30 per child per month. The family maximum will be \$90 per month for three or more

children. A reduction of \$35.7 million (\$12.5 million General Fund) is identified for this piece.

- 201 Percent to 250 Percent of Poverty. Increased by \$18 per child, for a total of \$42 per child per month. The family maximum will be \$126 per month for three or more children. A reduction of \$27.6 million (\$9.7 million General Fund) is identified for this component.
- Conform to Medi-Cal Program's Mandatory Copayments for Hospitals. Adopted the MRMIB's proposal to increase copayments paid under the Healthy Families Program for Emergency Room visits which do not result in hospitalization or outpatient observation, and for Hospital Inpatient Days. This action conforms to the Medi-Cal Program and results in a reduction of \$15.9 million (\$5.5 million General Fund) in Healthy Families.
- Vision Coverage Reimbursement Change. In lieu of eliminating Vision Coverage as proposed by the Governor, reduced by \$3 million (General Fund) by reducing costs associated with both eyeglass frames and lenses within Healthy Families and modifying the reimbursement rate.
- Fee-for-Service Option for Access for Infants and Mothers (AIM) and Healthy Families. Approved the Administration's proposal to provide the Managed Risk Medical Insurance Board with the flexibility to provide health care coverage through existing participating health plans, as well as through an interagency agreement with the Department of Health Care Services through the Medi-Cal Fee-for-Service Program. MRMIB requested this flexibility to ensure adequate statewide program coverage and in order to control program costs. Federal law now requires States to provide health plan choice to children enrolled in Children's Health Insurance Programs (Healthy Families in California). The Administration notes that there are presently eight counties where children enrolled in Healthy Families only have one plan option available.
- California's Pre-Existing Condition Insurance Program. Approved \$3.5 million (federal funds) and 28 positions to continue implementation and operation of California's Pre-Existing Condition Insurance Program as recently authorized in both federal and State law. California received federal approval in August 2010, along with an allocation of \$761 million (federal funds) to operate a high risk health insurance pool. The federal government will reimburse the MRMIB for administrative expenses and claims for covered medical services that are in excess of the premiums collected from enrollees.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

- Developmental Center Reductions. Reduced by a total of \$39.5 million General Fund the appropriation for the State Developmental Centers, in lieu of reducing community-based services. This reduction consists of the following:
 - \$13.3 million (\$6.8 million General Fund) and 140 Non-Level of Care positions associated with resident and program consolidations;

- \$6.6 million (\$5.2 million General fund) through limiting equipment replacement, special repairs and other operations;
 - \$2.1 million (\$1.2 million General Fund) by reducing 28 positions from Lanterman Developmental Center to adjust for population reductions.
 - \$30 million (\$15 million General Fund) by adjusting for population decreases, program consolidations, and related factors;
 - \$2.7 million (General Fund) by deleting the Sonoma Developmental Center capital outlay project for medical gases; and
 - \$8.6 million (General Fund) by deleting the Fairview Developmental Center fire alarm system.
- Required Independent Review of Developmental Centers Fiscal Assumptions. The Legislature adopted uncodified trailer bill language, as contained in AB 104, Statutes of 2011, which requires the DDS to reimburse the Office of State Evaluations and Audits (OSAE) within the Department of Finance for a review of the fiscal assumptions used to develop the budget estimates for the Developmental Centers. This review should be completed by fall of 2011.
 - Reduction of \$174 million (General Fund) Through Various Actions. First, in lieu of the Governor's January proposal to reduce community-based services by \$424 million (General Fund) through the implementation of Statewide Standards for the Purchase of Services, the Legislature adopted statutory changes in SB 74, Statutes of 2011, for a reduction of \$174 million (General Fund) through the development of "Best Practices" using the involvement of stakeholder workgroups. This legislation was signed into law in March and the workgroup process, led by the department, commenced. As required, the DDS brought forward recommendations to the Legislature at the time of the May Revision.

Second, based upon the Governor's May Revision, the Legislature adopted the following components which, on an annualized basis, achieve the \$174 million (General Fund) reduction identified in March:

- Recognized \$28.5 million (General Fund) in savings from 2010-11 to be applied as an offset against 2011-12.
- Recognized \$55.6 million (General Fund) in savings due to updated expenditures, caseload and utilization changes identified at the May Revision for 2011-12.
- Cut a total of \$1.8 million (General Fund) in various contracts, including information technology, quality assessment, and client's rights advocacy.
- Reduced by an additional \$20.9 million (General Fund) due to the receipt of federal funds from various actions. This results in a fund shift only.

- Reduced Regional Center Operations by an additional \$14.1 million (General Fund), including \$3 million in office relocations, \$1.9 million in community placement plan staff, and \$5.4 million as an unallocated reduction.
- Reduced by \$7 million (General Fund) the amount appropriated for Community Placement Plans based on updated “start-up” placement and deflection expenditures.
- Adopted statutory changes as contained in AB 104, Statutes of 2011, to ensure rate equity and negotiated rate control related to the 4.25 percent payment reduction for service providers with a “usual and customary” rate. This will save \$3.4 million (General Fund).
- Adopted the Administration’s proposal to implement an annual Family Program fee in the amount of \$150 or \$200 depending on family income as articulated in AB 104, Statutes of 2011. This will result in a reduction of \$3.6 million (General Fund).
- Implemented a mixed payment rate for Alternative Residential Model (ARM) living arrangements as contained in AB 104, Statutes of 2011, for a reduction of \$1.4 million (General Fund).
- Adopted the Administration’s proposal regarding maximizing the utilization of generic resources related to education services as contained in AB 104, Statutes of 2011, for a reduction of \$10.2 million (General Fund).
- Reduced Supported Living Services by a total of \$5.5 million (General Fund) through two actions as proposed by the Administration as contained in AB 104, Statutes of 2011. First, a reduction of \$2.1 million (General Fund) is assumed by requiring Regional Centers to assess, during Individual Program Planning (IPP) meetings, whether there are tasks that can be shared by consumers who live with roommates. Second, a reduction of \$3.4 million is assumed by requiring an independent assessment for all consumers in Supported Living with costs that exceed 125 percent of the annual statewide average cost of providing Supported Living Services and reducing expenditures by an average of five percent.
- Adopted the Administration’s proposal to modify Day Program services for a reduction of \$9.6 million (General Fund) as specified in AB 104, Statutes of 2011.
- Approved the Administration’s proposal to modify Behavioral Services for a reduction of \$3.8 million (General Fund) as specified in AB 104, Statutes of 2011.
- Reduced by \$7.5 million (General Fund) by modifying and transferring the Prevention Program to the Family Resource Centers as specified in AB 104, Statutes of 2011, as proposed by the Administration.
- Reduced Transportation Services by \$1.1 million (General Fund) by requiring development of consumer transportation access plans at the time of the Individual

Program Plan to facilitate community integration and participation through the use of public transportation services.

- General Fund Reductions through Use of Alternative Funding. Reduced by \$137.7 million (General Fund) by shifting various expenditures from General Fund support to federal fund support, and utilizing \$50 million in Proposition 10 Funds. These fund shifts included \$12.7 million more than identified by the Administration. The \$137.7 million in fund shifts included the following components:
 - Obtain \$60 million more in federal funds to offset General Fund support through the 1915 (i) State Plan changes for community-based services;
 - Obtain federal certification at Porterville Developmental Center to save \$13 million (General Fund), or \$3 million more than proposed by the Administration;
 - Use federal “Money Follows Person” funds of \$10 million to offset General Fund support, or \$5 million more than identified by the Administration;
 - Adjustment to recognize availability of federal funds for Large Residential Facilities, assuming these facilities make changes over 2011-12, to offset \$1.7 million (General Fund);
 - Offset of \$3 million (General Fund) by using more of the federal Home and Community-Based Waiver for Regional Center Operations; and
 - Use of \$50 million (Proposition 10 Funds from State Commission) to offset General Fund in the Early Start Program.
- Continuation of the 4.5 Percent Reduction to Regional Center Operations and Purchase of Services. Adopted the Administration’s proposal to reduce by \$165.5 million (\$91.5 million General fund) by extending for one year the 4.25 percent reduction to both Regional Center Operations and Provider Payments reimbursed for services. SB 74, Statutes of 2011, extends the date to June 30, 2012.
- Administrative Cost Cap. Reduced by \$39.5 million (General Fund) by adopting statutory changes regarding an administrative cost cap. Of this amount, \$1.3 million (General Fund) is from Regional Center Operations and \$38.2 million (General Fund) is from the Purchase of Services. First, this language requires all contracts between DDS and the Regional Centers for Operations funding to have no more than 15 percent spent on administrative functions as specified. Second, it requires all Regional Center contracts or agreements in which rates are determined through negotiation to have no more than 15 percent spent on administrative functions as specified. Third, it requires Service Providers and Contractors, upon request, to provide Regional Centers with access to any documents, books, papers, computerized data, or related information pertaining to negotiated rates.
- Accountability and Transparency Legislation for Regional Center Services. Reduced, by \$27.1 million (General Fund), by adopting statutory changes regarding contracts and vendor

requirements. First, it requires each Regional Center Board to submit to DDS detailed documentation that the composition of the Board is in compliance with state law as specified. Second, it requires each Regional Center Board to adopt written policies that require contracts to be discussed and approved by the Board. This information would be placed on its Internet Website, along with many other provisions regarding public information policies. Third, it would make certain persons or entities ineligible, to be Regional Center Vendors if convicted of prescribed crimes or have been found liable for fraud or abuse of civil proceedings within the previous 10 years. Fourth, it provides for emergency regulation authority to amend provider and vendor eligibility and disclosure criteria to meet federal requirements.

- Changes to Audit Provisions for Regional Center Services. Reduced, by \$21.5 million (General Fund), by adopting statutory changes related to fiscal audits. Of this amount, \$200,000 is from Regional Center Operations and \$21.3 million (General Fund) is from the Purchase of Services.

First, this language restricts Regional Centers from using the same accounting firm more than five times in every 10-year period. Second, it requires non-governmental entities receiving payments from Regional Centers to contract with an independent accounting firm for an audit or review of financial statements as specified. Third, it requires Regional Centers to review the audit results and take any necessary action to resolve issues.

- Conflict of Interest Legislation for Regional Center Services. Reduced by \$11 million (General Fund) by adopting statutory changes to establish conflict of interest reporting requirements regarding Regional Centers. Of this amount, \$900,000 (General Fund) is from Regional Center Operations and \$10.1 million (General Fund) is from the Purchase of Services. This language requires the DDS to adopt emergency regulations, and it requires each Regional Center to submit a conflict-of-interest policy to the DDS by July 1, 2011 and to post this information online by August 1, 2011. It also states that the DDS shall ensure no Regional Center employee or Board Member has a conflict of interest with an entity that receives Regional Center funding as specified. Regional Center Board Members and specified staff shall complete conflict of interest statements as specified. A person who knowingly provides false information on a conflict of interest statement shall be subject to a civil penalty in an amount up to \$50,000, in addition to any civil remedies available to the department.
- Third Party Liability Changes. Reduced by \$10.5 million (General Fund) by adopting statutory changes regarding third-party liability and Regional Center services. First, this language authorizes DDS or Regional Centers to institute legal proceedings against a Third party payer (insurance companies) as a result of an injury in which the Third Party payer is liable. The language underscores that DDS and Regional Centers are the payers of last resort when Third Party payment is responsible. Second, the language provides for recovery of reasonable value for services provided. It establishes procedures for the enforcement of a lien by the DDS or Regional Center upon a judgment or award in favor of a consumer for Third Party injury.
- Regional Center Operations and the Prevention Program. Reduced by \$8 million (General Fund) the Prevention Program which provides intake, assessment, case management and referral

for generic services. This reduces the amount of Regional Center Operations staff available for this purpose.

- Conforming Action: Adjust Regional Center Purchase of Services to conform to Medi-Cal. Deleted an augmentation of \$15 million (General Fund) since the Legislation did not implement all of the Administration's Medi-Cal proposals which would have increased expenditures for the Regional Centers. This included *denying* the "hard caps" for Physician Services, *denying* the Medical Supplies cap, and *denying* the Durable Medical Equipment cap.
- Reduced Agnews Community Placement Staff. Reduced by \$1.5 million (General Fund) Regional Center Operations to delete additional funding for community placement staff related to the Agnews Developmental Center closure since these resources are no longer necessary.
- Control Section 3.94 of 2011 Budget Act--Trigger. This control section of the 2011 Budget Act directs that if Section 3.94(b) of the 2011 Budget Act is operative, up to \$100 million (General Fund) can be reduced from the developmental services system, including State administration, Developmental Centers, and Regional Center expenditures. A variety of strategies may be used for purposes of identifying savings, including, but not limited to, savings attributable to caseload adjustments, changes in expenditure trends, or other administrative savings or restructuring. This reduction will only occur if subdivision (b) of Control Section 3.94 of the 2011 Budget Act is operative.

4440 DEPARTMENT OF MENTAL HEALTH (DMH)

- Transition of Community-Based Medi-Cal Mental Health Programs to the DHCS. Modified the Governor's proposal to transition certain State-level responsibilities associated with Medi-Cal, including the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, and Specialty Mental Health Managed Care, from the Department of Mental Health to the Department of Health Care Services. Required involvement of stakeholders and the Legislature in the development of transition plans as specified in AB 102, Statutes of 2011, and adopted extensive Budget Bill Language to facilitate the transition.
- Modifications of Mental Health Services Act (MHSA) of 2004 and Realignment. Adopted the Governor's fiscal proposal to realign certain community-based mental health programs, including the Early Periodic Screening, Diagnosis, & Treatment (EPSDT) Program, Medi-Cal Specialty Mental Health Managed Care, and mental health services provided to special education pupils. In addition, made changes to the State Administrative component of the MHSA. These changes consist of three primary components as follows:
 - One-Time Redirection of \$861.2 million (MHSA Funds). Redirected a total of \$861.2 million (MHSA) from Counties to backfill for General Fund support, as contained in AB 100, for three programs as follows: (1) EPSDT = \$579 million; (2) Medi-Cal Specialty Mental Health Managed Care = \$183.6 million; and (3) Mental Health Services to Special Education Pupils = \$98.6 million. This one-time redirection is necessary to adequately fund essential mental health services that would otherwise be significantly

- reduced absent this temporary funding support. This funding serves as a bridge to the 2011 Realignment and a shift in providing mental health services to special education pupils from the counties to school districts.
- 2011 Realignment. Beginning in 2011-12, the EPSDT and Mental Health Managed Care programs will be managed by the Counties, with oversight and direction by the State as necessary due to federal requirements. The Legislature's intent is to more equitably align program responsibilities and to provide a stable funding source.
 - State Administration Changes. Modified the 5 percent of total annual revenues for State administrative expenditures to support the DMH, the MHSA Oversight and Accountability Commission and other State entities to be a total of 3.5 percent. Appropriated a total of \$21.975 million (MHSA Funds) for State administration.

Of this amount, \$1.9 million (MHSA Funds) is for State staff at the DMH. This provides for a total of 19 positions, including seven positions for housing, three positions for suicide prevention, four positions for stigma mitigation, and five positions for focused data analysis. The DMH will no longer be reviewing and approving County MHSA Plans. A total of five positions were also provided to the Mental Health Planning Council to continue their involvement with the MHSA.

In addition, a total of \$6.864 million (MHSA) in contract funds was appropriated for the California Institute of Mental Health, the Office of Multicultural Services (including \$1.5 million for reducing disparities), California Network of Mental Health Clients, National Alliance for Mentally Ill, and the United Advocates for Children and Families.

The MHSA Oversight Commission received a total appropriation of \$5.529 million (MHSA Funds) and 22 positions. This reflects an increase of \$1 million (MHSA Funds), as compared to the Governor's budget, to continue evaluation and outcome metric analyses. The MHSA Oversight Commission will no longer be reviewing and approving County MHSA Plans.

Other State entities that will continue to receive limited MHSA Funds for specified State activities included the Judicial Council, the Office of Statewide Health Planning and Development, Department of Developmental Services, Department of Health Care Services, Military Department, Veteran's Affairs, Community Colleges, and California Department of Education.

- Technical May Revision Adjustment for State Support Funded by Mental Health Services Act Funds. Adopted the Governor's May Revision to augment by \$2.277 million (MHSA Funds) and 51 positions (25.5 personnel years) for transition planning purposes.
- Student Mental Health Services. Provided a total of \$98.6 million (MHSA Funds) within the Department of Mental Health to county mental health departments, as referenced above, for mental health services provided to pupils in Special Education, and also approved Governor's re-benching of the Proposition 98 guarantee by \$222 million for this purpose (i.e., funding

previously provided by Counties per the AB 3632 mandate). Also augmented 2010-11 funding by \$80 million from Proposition 98 to partially backfill for a funding shortfall created when Governor Schwarzenegger vetoed funding for the AB 3632 mandate.

- Evaluations for Sex Offender Commitment Program. Provided a total of \$14.1 million (General Fund), or \$3.9 million (General Fund) less than proposed by the Governor, for conducting evaluations of potential Sexually Violent Predators as referred to the DMH by the California Department of Corrections and Rehabilitation. The augmentation of \$2.8 million (General Fund) as compared to the current year represents a 25 percent increase.
- Expansion of Psychiatric Program at California Medical Facility--Vacaville. Reduced by \$1.8 million (General Fund) the Governor's requested \$7.5 million (General Fund) to support 80 new positions at Vacaville in order to accelerate the activation schedule of 64 beds in the Intermediate Treatment Program as requested by the Coleman Court. This reduction reflects a more phased-in approach.
- Legal Staff. Rejected the DMH's request to increase by \$2.1 million (General Fund) for legal services to be performed by the Attorney General's Office since it lacked justification by the DMH.

HUMAN SERVICES

0530 OFFICE OF SYSTEMS INTEGRATION (OSI)

- Approved proposed budget bill language to allow increases in expenditure authority that correspond to increases in the Department of Social Services' budget, but amended the language to allow for legislative notification prior to any such increases taking place.
- Rejected \$2.1 million (\$951,000 GF that is reflected in the DSS budget) for four positions and contract resources to support project management for the Child Welfare Services (CWS)/Web Project.
- See Department of Social Services section below for additional details related to OSI-managed automation projects.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OSHPD)

In addition to other actions to approve of Special Fund authority:

- Approved the Governor's proposal to extend the dates for repayment of \$32 million in loans to the GF from the Hospital Building and Health Data and Planning Special Funds.
- Denied the proposal in the Governor's budget for \$5 million GF to support the Song-Brown base and Registered Nurse programs, and instead approved \$5 million from the Health Data and Planning Fund for those purposes. The Governor later embraced the same funding shift as part of a package of solutions to replace a prior plan to sell and lease-back specified state buildings.
- Approved the Governor's May Revision proposal for 5.0 two-year limited-term positions and \$746,000 in 2011-12 Hospital Building Fund expenditure authority to implement the requirements of SB 90 (Chapter 19, Statutes of 2011) related to hospital seismic safety requirements.
- See the Reducing State Government section of this report for additional outcomes related to OSHPD.

4170 CALIFORNIA DEPARTMENT OF AGING (CDA)

In addition to other actions to approve federal funds authority:

- Approved a reduction of up to \$2.5 million GF to the Multipurpose Senior Services Program (MSSP). Adopted related budget bill language directing the Departments of Aging and Health Care Services to consult with the federal government about how to achieve the savings operationally and to minimize any impacts on the number of clients served.
- Approved the Governor's proposal to shift funding for the Long-Term Care Ombudsman Program from the Federal Citations Penalties Account to a combination of the State Health Facilities Citation Penalties Account (\$1.2 million) and the Skilled Nursing Facility Quality and Accountability Fund (\$1.9 million). Also approved a corresponding statutory change to include the program as an allowable use of resources in the State Health Facilities Citation Penalties Account.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS (ADP)

Approved as budgeted, including the following actions:

- Transferred administration of the Drug Medi-Cal (DMC) program from the Department of Alcohol and Drug Programs (ADP) to the Department of Health Care Services (DHCS), effective July 1, 2012. Authorized transition activities prior to July 1, 2012, consistent with a related administrative and programmatic transition plan that must be developed and submitted to the Legislature, after consultation with stakeholders as specified.
- Realigned \$183.6 million for substance abuse treatment programs, including the DMC program, non-DMC perinatal and other state funded treatment programs, as well as drug courts, from the state to local governments. The realignment does not include responsibility for licensure or certification of treatment programs or funding for community-based diversion programs (Proposition 36 and the Offender Treatment Program) that was eliminated in 2009-10 and 2010-11.

4700 DEPARTMENT OF COMMUNITY SERVICES & DEVELOPMENT

- Approved as budgeted, except for the addition of a legislative notification requirement to the proposed budget bill language allowing augmentations to the department's budget related to the carry-over of unexpended federal funds into another budget year.

5160 DEPARTMENT OF REHABILITATION (DOR)

- Approved as budgeted, including the denial of \$216,000 from the Mental Health Services fund for one position and a partnership with the Department of Mental Health. These resources were originally proposed in the Governor's budget. Subcommittee #3 rejected the proposal, and the Governor later rescinded the proposal as part of a larger action under the Department of Mental Health.

- See the Reducing State Government section of this report for additional outcomes related to DOR.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Approved as budgeted, including \$24.4 million GF savings from a one-year suspension of county share of child support collections, as well as \$1.3 million GF savings from delaying a Child Support Automation System (CCSAS) technology refresh and \$6.3 million GF from reverting previously approved funds for CCSAS that were not yet encumbered. The Governor proposed these CCSAS-related savings after the release of his January budget proposal as part of a package of solutions to replace a prior plan to sell and lease-back specified state buildings.

5180 DEPARTMENT OF SOCIAL SERVICES

In addition to other minor adjustments and approved proposals, took the actions described below by program area:

California Work Opportunities and Responsibilities to Kids (CalWORKs)

- Adopted the following changes to the CalWORKs program that are anticipated to result in \$913.2 million GF savings in 2011-12:
 - Extended a 2009-10 and 2010-11 reduction of \$376.9 million GF in funding for child care, employment services, and administration (contained in what is known as the counties' "single allocation") through 2011-12. Correspondingly, extended exemptions from welfare-to-work requirements for parents of very young children (i.e., one child between the ages of 12 and 23 months, inclusive, or two children under the age of six years), which erode \$7.5 million of those savings. Also approved the proposed flexibility for counties to redirect between and among specified funding for employment assistance, substance abuse treatment, or mental health services during the same time period.
 - Effective June 1, 2011, or 90 days after enactment of AB 96, whichever is later, reduced the Maximum Aid Payment in effect on July 1, 2009 by 8 percent. As a result, maximum monthly grants for a family of three in a high-cost county were lowered from \$694 to \$638 (lower in actual dollars than the grant level in 1987). This change is anticipated to result in \$314.3 million GF savings in 2011-12 and on an ongoing annual basis. In January, the Governor had proposed a deeper reduction of 13 percent.
 - Effective June 1, 2011, or 90 days after enactment of AB 96 (Human Services Omnibus Trailer Bill), whichever is later, lowered the amount of time parents or caregiver relatives can receive aid--from 60 to 48 months. This change is anticipated to result in \$102.6 million GF savings in 2011-12 (\$112.9 million GF annually) and the removal of approximately 22,500 adults from aid. In January, the Governor proposed this change in

time limits for adults, but also proposed to change the rules with respect to counting months during which they were or would be exempt. The Legislature rejected those proposed changes to exemptions and exceptions. The Governor further proposed to apply the same time limit to children in cases without aided adults. The Legislature rejected that policy change as well. Finally, the Legislature made other changes related to the time limit change for adults, including approval of the Governor's proposed deletion of self-sufficiency reviews and revised time limit and sanction policies that would otherwise take effect on July 1, 2011, as enacted by AB X4 8 (Chapter 8, Statutes of 2009-10 Fourth Extraordinary Session). These changes eroded some of the savings from the change to a 48-month time limit.

- Amended the state's current policy of disregarding the first \$225 of earned income and 50 percent of each dollar earned beyond \$225 when calculating a family's monthly grant. Instead, the first \$112 of earned income, and then 50 percent of all other relevant earnings, would be disregarded. As a result, some families who currently have qualifying earnings will have their grants reduced. This change is anticipated to result in \$83.3 million GF savings in 2011-12 (\$90.9 million GF annually).
- Suspended, for one year, case management services and sanctions otherwise available under the CalLearn program for pregnant and parenting teenagers. These teenagers will instead be eligible for regular welfare-to-work services that are available in their counties. They will also continue to be eligible for supplements or bonuses related to progress in school, as specified. These changes are anticipated to result in \$43.6 million GF savings in 2011-12.
- Delayed development of the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting (LEADER) Replacement System (LRS), recognizing \$14.1 million GF savings in 2010-11 and resulting in an additional \$13 million GF savings in 2011-12.
- Made cost-neutral changes to expand the state's participation in an existing subsidized employment program and align the program more closely with operation of a related program that existed under the federal American Recovery and Reinvestment Act of 2009's (Public Law 111-5) Emergency Contingency Fund. As a result, the state will participate in half of the costs of the subsidized employment participant's wages, up to the amount that the state would instead have paid for the family's assistance grant.
- Swapped specified 1991 realignment funding that was dedicated to community mental health for a higher share of CalWORKs grants.
- Delayed to April 1, 2014 (from April 1, 2013), the date by which the Work Incentive Nutritional Supplement (WINS) program shall be fully implemented. Delayed to October 1, 2014 (from October 1, 2011), the date by which the Temporary Assistance Program (TAP) must begin. The Governor proposed to repeal both of those programs. Further, approved the Governor's proposed delay of the statewide implementation of a CalWORKs county peer review process to no later than July 1, 2014.

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

In-Home Supportive Services (IHSS) Program

- Adopted the following changes to IHSS and Medi-Cal that are anticipated to result in \$336.8 million GF savings in 2011-12:
 - Established a requirement that an applicant for, or recipient of, IHSS obtain certification from a licensed health care professional, as specified, declaring that the applicant or recipient is unable to perform one or more activities of daily living independently, and that without one or more IHSS services, the applicant or recipient is at risk of placement in out-of-home care. Allowed services to be authorized temporarily, pending receipt of the certification, when there is a risk of out-of-home placement. These changes are anticipated to result in \$67.4 million GF savings in 2011-12.
 - Directed the Department of Health Care Services to determine whether it would be cost-efficient for the state to exercise the Community First Choice Option made available under section 1915(k) of the federal Social Security Act (42 U.S.C. Sec. 1396n(k)). This new state plan option becomes available October 1, 2011. States that take advantage of the option receive a six percentage point increase in federal matching payments for costs associated with the covered home and community-based services programs. The change is anticipated to result in \$128 million GF savings in 2011-12.
 - Established a pilot project that requires 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 will then procure automated medication dispensing machines to be installed in participants' homes and monitored as indicated. The Department will subsequently report on and evaluate the pilot project. The Department is also authorized to terminate the pilot under specified circumstances. The pilot is anticipated to result in \$140 million GF savings in 2011-12.
 - Created a trigger mechanism for alternative reductions if the Department of Finance determines that data reported regarding the medication assistance pilot project described above does not demonstrate the ability to achieve annualized net savings of \$140 million GF (after offsetting administrative costs). Under these provisions, the director of the department shall notify the Legislature by April 10, 2012, and request the passage of legislation by July 1, 2012, that provides alternative options for achieving any additional savings needed to reach this target. If the pilot and any subsequent legislation are not anticipated to result in \$140 million annualized GF savings, the Department of Social Services is required to implement an across-the-board reduction in IHSS services beginning October 1, 2012, with specified exceptions.

- Authorized counties to establish IHSS Advisory Committees that submit recommendations to the county board of supervisors on the preferred mode or modes of service to be utilized in the county. Under existing law, these Advisory Committees are instead required, and the Governor proposed this change. The change is anticipated to result in \$1.4 million GF savings. The Governor also proposed the reduction of an additional \$168,000 GF that the Legislature rejected in order to maintain some funding for advisory committee functions required in counties that opt to have public authorities.
- Created a second trigger mechanism--if specified revenues are not obtained and conditions specified in Section 3.94(b) of the 2011 Budget Act are met--for implementing an across-the-board reduction in IHSS services of 20 percent, beginning January 1, 2012, with specified notice requirements and exceptions. If this trigger is pulled, the resulting reduction would affect approximately 374,000 IHSS recipients and would generate approximately \$100 million GF savings in 2011-12 (growing to \$242.8 million GF annually).
- Rejected the Governor's proposals to implement, in 2011-12, an across-the-board reduction of IHSS hours by 8.4 percent, with specified exceptions, and to make permanent an existing, temporary reduction of 3.6 percent (for a total reduction of 12 percent proposed by the Governor in January).
- Rejected the Governor's January proposals to eliminate domestic and related services (e.g., heavy cleaning, meal preparation, and clean-up) for specified adults who live in shared living arrangements and children whose parents are their IHSS providers.
- Rejected the Governor's May Revision proposal for trailer bill language that would have broadened and made more generic the list of criminal offenses that serve as a bar to being an IHSS provider. Further, rejected proposed funding for a state-only program that would have supported IHSS services provided by individuals who are listed on the state's Suspended & Ineligible list for Medi-Cal providers (which is governed by laws that differ from those applicable to IHSS). Approved \$1.2 million GF in 2011-12 for a state-only program to support IHSS services provided by individuals who are included on a federally-managed list of providers who are ineligible to provide services supported by Medicaid funding.
- Allocated approximately \$24.7 million (\$8.9 million GF) in funding for responsibilities carried out by public authorities. Rejected a related May Revision proposal that would have reduced their funding to around \$7.7 million (\$3.2 million GF) lower than this level. Additionally, required DSS, in consultation with designated stakeholders, to develop a new rate-setting methodology for public authority IHSS administrative costs, which is intended to take effect beginning with the 2012-13 fiscal year.
- Allocated approximately \$390 million (\$139 million GF) to the counties for local administration of IHSS. Rejected a related May Revision proposal to reduce this funding to around \$12.6 million (\$5.2 million GF) lower than this level.

- Approved, subject to change by operation of a trigger mechanism, the Governor's January proposal to continue an augmentation of \$28.4 million (\$10.0 million GF) for additional county and district attorney anti-fraud activities related to IHSS. This funding was first included in the 2009-10 budget, as part of a package of program reforms and corresponding program integrity savings. If the trigger is pulled because specified revenues are not obtained and conditions specified in Section 3.94(b) of the 2011 Budget Act are met, the expenditure authority for these activities would be eliminated.
- Approved approximately \$1.0 million (\$500,000 GF) and eight limited-term positions (two two-year limited-term positions related to provider exclusions, two two-year limited-term positions related to the establishment of the provider sales tax, and four one-year limited-term positions to support the final stages of development of a new Case Management Information and Payrolling (CMIPS II) system.

Supplemental Security Income/State Supplementary Program (SSI/SSP)

- Approved a reduction, to the federally required minimum level, of the SSP portion of grants for individuals who are aged or blind or who have disabilities. As a result, maximum SSI/SSP grants for approximately one million individuals will be reduced from \$845 to \$830 monthly (or from roughly 94 percent to 92 percent of the Federal Poverty Level). This change is anticipated to result in ongoing, annual savings of \$177 million GF.

Children and Family Services Programs

- Realigned \$1.6 billion for child welfare services and foster care programs, including child abuse prevention and adoption programs, as well as emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care services, from the state to local governments. This realignment does not include responsibility for the state's automated case management and data collection systems, licensing of residential placements for children, or specified work related to independent adoptions, statewide training activities, and tribal-state agreements.
- As required by a recent court order, increased by around 30 percent the monthly rates paid to foster families for the care and supervision of children in foster care. Beginning with 2011-12, the rates will also increase annually based on cost-of-living adjustments. These changes also impact the rates paid for other permanent family placements, including specified adoptions and guardianships. The total General Fund (GF) impact of these increases is \$17.4 million in 2011-12.
- Related to a return of responsibility from counties to schools for mental health care that is determined to be necessary in order for students who are deemed to be seriously emotionally disturbed (SED) to access a free, appropriate public education, transferred \$166.5 million (\$66.6

million GF) in funding for the board and care of these students who are in out-of-home residential placements from the DSS budget to the budget for the California Department of Education (CDE). The transferred amount did not include approximately \$2.0 million (\$1.4 million GF) that was previously budgeted for administrative costs incurred by county welfare departments (at a rate of close to \$95 per case). See Education section of this report for additional details on the larger transfer of responsibilities.

- Extended, until January 1, 2013, an existing moratorium on the establishment of new or changed foster care rates for group homes. Continued to allow for case-by-case exceptions to the moratorium, as appropriate.
- Suspended development efforts related to a replacement system for CWS/CMS (anticipated to result in \$3.1 million GF savings in 2011-12). Correspondingly, requires the Department of Social Services (DSS), in partnership with the Office of Systems Integration, to report to the Legislature, by January 10, 2012, regarding specified child welfare-related automation needs and functionalities.
- Further delayed, until January 1, 2012, implementation of the resource family approval pilot established by AB 340 (Chapter 464, Statutes of 2007).
- Further delayed, until July 1, 2013, the implementation of requirements, created by AB 2985 (Chapter 385, Statutes of 2006), for county welfare departments to engage in specified activities to identify and prevent the impacts of identity theft on foster youth. This delay results in savings of \$0.3 million GF.
- Delayed, for one additional year, to July 1, 2012, implementation of provisions enacted by AB 2488 (Chapter 386, Statutes of 2006) related to disclosure of personal information between adoptees and their biological siblings. Declared intent for implementation to continue in the interim to the extent possible. The Governor proposed a two-year delay of this program.
- Made technical changes to correct an inaccurate reference to the State/county sharing ratios used for repayment of overpayments in the foster care and adoption assistance programs.

Community Care Licensing

- Approved an increase of \$43,000 (\$27,000 GF) and 0.5 of a position to address additional workload associated with Solano County returning responsibility for the licensing of its foster family homes to the department. These increased state costs are more than offset by a reduction of \$94,000 (\$61,000 GF) in local assistance costs.
- Rejected the Governor's May Revision proposal to suspend, in 2011-12, the requirements of AB 2084 (Chapter 593, Statutes of 2011), which established nutrition-related standards for

beverages served by specified child care facilities (e.g., limited servings of juice). This May Revision proposal replaced the request in the Governor's budget for \$69,000 GF and 1.5 Licensing Program Analyst positions to check during on-site inspections that these requirements are met. Instead directed the Department to absorb this minimal workload during its regularly scheduled inspections.

Disability Determination Services Division (DDSD)

- Approved proposal for \$20.5 million (all federal funds) to establish 245 new positions to process Social Security and Supplemental Security Income disability claims.
- Approved \$540,000 (\$270,000 GF) in anticipated costs for increased market-rate rent associated with a relocation of the Los Angeles branch of the DDSD. The move is necessary because the current location does not meet the state's seismic safety criteria.

Other

- Realigned \$55.0 million for Adult Protective Services from the state to local governments.
- Rejected proposals for around \$5 million (\$3.4 million GF) and an additional 42.5 new or extended-term positions, mainly in the Children and Family Services and Adult Programs Divisions of DSS.
- See the Reducing State Government section of this report for additional outcomes related to DSS.

SUBCOMMITTEE 4
ON
STATE ADMINISTRATION
AND
GENERAL GOVERNMENT
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Michael Rubio, Chair
Doug La Malfa
Noreen Evans

Consultants

Brian Annis
Keely Martin Bosler
Kris Kuzmich

SUBCOMMITTEE No. 4

STATE ADMINISTRATION, GENERAL GOVERNMENT, AND VETERANS AFFAIRS

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STATE ADMINISTRATION

0502 CALIFORNIA TECHNOLOGY AGENCY (formerly Office of the Chief Information Officer)

- Approved increased expenditure authority of \$29.7 million (Technology Services Revolving Fund) and 23 positions associated with increased computer system utilization at the state level, including mainframe processing, data storage, and server capacity, as illustrated in the below chart:

	2010-11 Funding Level	Description	Positions
Mainframe CPU Processing	\$5.499 million	1.616 million of Instructions Per Second (MIP)	0.0
Midrange Server	\$8.186 million (\$2.044 ongoing)	95 addition UNIX server instances and 412 additional Windows server instances	20.0
Data Storage Capacity	\$5.366 million	Hardware, software, and connectivity components	0.0
CA.mail and California Email Services	\$10.639 million	Implement vendor hosted California Email Services	3.0

- Approved prior year baseline adjustments to the Technology Agency's expenditure authority to align previously approved budget actions with the actual expenditures required to support the needs of its customers. The adjustments result in a net reduction of \$10.2 million (Technology Services Revolving Fund) in 2010-11 and \$10.0 million (Technology Services Revolving Fund) in 2011-12.
- Approved increased expenditure authority of \$966,000 (Technology Services Revolving Fund) and nine permanent positions for Independent Information Technology Project Oversight to meet workload increases, mandated responsibilities of Chapters 183 and 404, Statutes of 2007 (SB 90) and 2010 (AB 2408), respectively, and to ensure consistent implementation of information technology projects.
- Approved budget trailer bill language and supplemental report language to improve reporting and information sharing related to the continued implementation of the 2009 Governor's Reorganization Plan No. 1 (GRP), which consolidated information technology (IT) policy and project development under the California Technology Agency. The additional reporting

requirements include metrics such as cost (and risk) avoidance and any impediments to the continued implementation of the GRP. A copy of the annual report on IT savings will also now be transmitted to the Joint Legislative Budget Committee and fiscal committees of both houses of the Legislature.

- Approved as budgeted a technical adjustment to shift \$842,000 (Technology Services Revolving Fund) in budget authority from Operating Expenses and Equipment to Overtime and Temporary Help beginning in 2010-11 and ongoing to ensure the appropriate alignment of spending authority in the future.

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

- Approved eliminating General Fund support for the Secretary for State and Consumer Services for savings of \$965,000 all funds (\$548,000 General Fund), and requiring departments under the Agency's purview to reimburse the Agency for operational expenses.
- Approved the Governor's proposal to eliminate the Office of Insurance Advisor.
- Rejected the Governor's proposal to eliminate the Office of Privacy Protection. *The Governor vetoed \$430,000 (\$245,000 GF) for this office.* This is also discussed further in the Reducing State Government section of this report.

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- For the Small Business Loan Guarantee Program, approved expenditures from a new federal grant expected to total \$84 million. The program had received a one-time GF transfer of \$20 million in the 2010 Budget Act, and that amount was reverted to the GF in recognition of the alternative funding from the federal grants. Added additional savings for the GF of about \$900,000 by shifting a portion of administrative costs from the GF to federal funds, and from rejecting the addition of one new position.
- For the Office of Tourism, approved a decrease in GF support of \$734,000, which brings remaining GF support to \$200,000. The program will continue to receive \$50 million from industry self-assessed fees.

Trailer Bill Language

1. Adopted trailer bill language for a Small Business Loan Guarantee Program, to prioritize the use of federal funds over state funds, and to revert \$20 million to the GF.

0650 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

- Approved as budgeted.

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

- Approved Governor's proposal for \$592,000 in federal fund authority in 2011-12 to continue to administer federal stimulus funds provided for the Byrne Justice Assistance Grant program.
- Approved Governor's request for \$1.0 million in Federal Trust Fund authority to administer the federal John R. Justice Grant Program. Of this amount, 5 percent is to be retained for state administration by CalEMA.
- Approved a total of \$12 million in special fund loans to the GF from the Victim-Witness Assistance Fund (\$11 million) and the Antiterrorism Fund (\$1 million).
- Approved a one-time reduction of \$1.8 million GF to reflect the planned purchase of fire engines using federal funds in 2011-12.
- Approved a reduction of \$779,000 related to the elimination of GF support for the annual Golden Guardian Exercise and offering state agency training on a reimbursement basis.
- Approved a reduction of \$20 million GF local assistance for California Disaster Assistance Act funding. This reduced the program funding more in line with historic funding levels.

0840 STATE CONTROLLER

- Approved \$1.1 million (reimbursements) and 6.3 positions in 2010-11, and \$1.8 million and 12.6 one-year limited-term positions in 2011-12, to augment existing personnel providing audit services to the California Department of Public Health (CDPH) Women, Infants, and Children program. These audits are federally funded and required, and are provided by the Controller's Office to the CDPH on an interagency contract. Approval of this request allows CDPH to attain the minimum level of audits mandated by the federal Department of Agriculture.
- Approved \$462,000 (reimbursements) and 4.2 two-year limited-positions beginning in 2011-12 for processing of electronic claims. In 2009-10, 14.2 million in audit exceptions were found by 19.2 audit staff. Therefore, the Controller's Office estimates that the additional 4.2 audit staff would produce \$3.0 million in audit exceptions and potential savings to the state.
- Approved \$314,000 (federal funds) and 2.0 permanent positions to reconcile the current federal contract with the federal Department of the Interior, Bureau of Ocean Energy Management, Regulation, and Enforcement. California receives a percentage of the royalty income from onshore and offshore federal leases located within its borders. For twenty years, the federal Department of the Interior has contracted with the Controller's Office to ensure royalties are correctly reported and paid by oil and gas, geothermal resources, and solid minerals companies producing and selling energy resources from the federal leases in California. The Controller's Office reports that the additional staffing resources will generate \$5 million in revenue.

- Approved an increase of \$524,000 (reimbursements) in 2011-12, and \$702,000 in 2012-13 and ongoing, to fully support the cost of administering the California Automated Travel Reimbursement System, an automated system which replaced the paper system to process employee travel claims more rapidly and accurately.
- With regard to the 21st Century Project, which began in May 2004 and upon its completion in October 2012, at a total estimated cost of \$303.2 million (one-time and continuing) will result in an integrated human resource management system that will replace the existing payroll, employment history, position management, and leave accounting systems, approved:
 - \$63.7 million (\$34.2 million GF, \$1.0 million reimbursements, and \$28.4 million special funds) to fund the 21st Century Project in 2011-12.
 - Adopted modified provisional budget bill language to allow for additional 21st Century Project funding of up to \$2 million in a fiscal year, subject to approval by DOF, due to unforeseen circumstances and if required to ensure the successful deployment of the system. The modified language does not alter an existing requirement that the Legislature be notified in writing 30 days in advance of any adjustment being made. Companion supplemental report language was also adopted to require the DOF and Technology Agency, in consultation with the LAO, to develop written criteria regarding the use of this authority in the future and implement the criteria prior to October 1, 2012, to ensure it is utilized in the development of the 2012-13 budget.
 - Adopted a three-year extension of the Controller's existing statutory authority to assess a variety of state funds to support the completion of the 21st Century Project, which will replace the existing statewide human resource management systems to improve management processes and fulfill payroll and reporting obligations accurately and on time. Existing law would repeal this provision on June 30, 2011. The adopted budget trailer bill language extended the date until June 30, 2014, consistent with completion of the project.
 - Denied without prejudice two additional proposed pieces of budget trailer bill language related to the 21st Century Project with direction that those changes be pursued in a policy bill. The denied proposals pertain to excluded employees within the Controller's Office and the Controller's administration of employee-requested deductions for the purpose of purchasing savings bonds through the Federal Treasury Direct Program.
- With regard to the Unclaimed Property Program, approved:
 - \$293,000 (Unclaimed Property Fund) for 1.0 permanent and 3.1 two-year limited-term positions in 2011-12, \$281,000 in 2012-13 and \$68,000 ongoing, to support increased workload in compliance with the Unclaimed Property Law.

- A two-year augmentation of \$300,000 (Unclaimed Property Fund) beginning in 2011-12 to provide proper representation in legal matters associated with representing the Unclaimed Property Program in lawsuits filed against the Controller's Office.
- On a three-year limited-term basis, approved increased expenditure authority of \$2.414 million (Unclaimed Property Fund) to develop and implement a holder outreach and compliance program to identify and contact non-reporters or inconsistent reporters of unclaimed property and bring them into compliance with the state's Unclaimed Property Law. Via companion supplemental report language, the Controller is also required to report to the Legislature after the first full year of implementation as to program outcomes.
- Approved \$140,000 (reimbursements) and one position for 2010-11, and \$134,000 for 2011-12, to conduct mandated independent audits of airport customer facility fees as a result of Chapter 642, Statutes of 2010 (SB 1192). The Controller's Office anticipates that this workload will be ongoing and may therefore request to continue this funding at a later time.
- Approved increased expenditure authority of \$43,000 (reimbursements) in 2010-11 and \$217,000 (reimbursements) in 2011-12 and ongoing, for increased postage expenses due to a United States Postal Service rate increase that was effective April 17, 2011. As part of the 2010 Budget, the Controller previously received \$442,000 (various special funds) for a postage increase. However, that postage increase did not happen: The Controller reports that the \$442,000 in 2010-11 funds for postage have not been spent and will instead revert at the end of the current fiscal year.
- Approved continuation of 12.6 positions and \$1.751 million (reimbursements) on a two-year limited-term basis to authorize the Controller to continue providing audit services for Indirect Cost Allocation Plans for Local Government Agencies on an interagency agreement with the California Department of Transportation. These audits are required by the federal government. Also approved companion supplemental report language requiring the Controller to report to the Legislature by March 1, 2012, on estimated and actual workload and analysis of any changes in federal audit requirements that could affect workload in 2012-13.
- Effective January 1, 2012, and on a three-year limited-term basis, approved increased expenditure authority of \$2.098 million (reimbursements) to support 16.4 existing positions to provide increased oversight of local government entities under the Controller's existing statutory authority related to the annual financial transaction reports required of local governments. With these new resources, the Controller will investigate and prepare annual financial transaction reports for all non-filers, as well as conduct investigations of individual financial issues that indicate some information in an annual transaction report is "false, incorrect, or incomplete." Via companion supplemental report language, the Controller is required to report to the Legislature after the first full year of implementation as to program outcomes.

- Rejected a request for increased expenditure authority of \$1.44 million GF and ongoing to support 11.8 positions for increased oversight of local government entities under the Controller's existing, as well as proposed, statutory authorities (the Controller is sponsoring two pending bills) to: (1) increase the types of audits of local government that are submitted to the Controller; (2) increase the number of quality control reviews of audits of local government; (3) post all local government audits to, and establish a "dashboard" of information on each city, county, and special district on the Controller's website; (4) increase the current penalties for failure to file annual transaction reports; and (5) expand the collection and reporting of local government compensation data to include all local government entities. In rejecting this request, the Subcommittee deferred to the policy process and indicated it would consider any requests to further expand the Controller's local government oversight activities once the bill process has concluded and as part of the 2012-13 budget.

0845 DEPARTMENT OF INSURANCE

- Approved increased expenditure authority of \$2.6 million (Insurance Fund) in 2011-12 to complete the final year of implementation and provide ongoing maintenance of the Paperless Workflow System Project (PWSP), which replaced the Department's paper process with an electronic-based system.
- With regard to the implementation of federal health care reform (Patient Protection and Affordable Care Act – PPACA), as well as additional state statutory changes that created California-specific requirements beyond the parameters of the PPACA mandates, approved the following limited-term requests:
 - \$1.2 million (Insurance Fund) in 2011-12, \$1.1 million in 2012-13, to fund 10.0 positions (8.0 two-year limited-term, 1.0 one-year limited-term, and 1.0 two-year limited-term) to address new workload associated with the review of health insurance rate filings as a result of Chapter 661, Statutes of 2010 (SB 1163).
 - \$642,000 (Insurance Fund) in 2011-12, and \$602,000 in 2012-13, to fund 6.0 Staff Counsel positions on a two-year limited-term basis to support the additional rate filings and new cancellation and non-renewal appeal process as a result of Chapter 658, Statutes of 2010 (AB 2470).
 - \$107,000 (Insurance Fund) in 2011-12, and \$100,000 in 2012-13, to fund one staff counsel position on a two-year limited-term basis to support the additional policy form review activities required as a result of the implementation of the California Health Benefits Exchange established by Chapters 659 and 655, Statutes of 2010 (SB 900 and AB 1602, respectively).
- On a two-year limited-term basis, approved an increase of \$748,000 (Insurance Fund) to fund eight existing positions to address the increased workload associated with implementing PPACA. The resources in this request are different from that of the above 17 positions related

to implementation of PPACA, as they are intended to address the following workload: (1) providing expertise and consultation regarding legal and implementation issues to various Department units; (2) providing legal consultation regarding proposed legislation; (3) implementation of new legislation, policy monitoring, analysis, and recommendation regarding current and future impacts of health reform on the Department; and (4) workload associated with the coordination of future implementation activities with the Legislature, the Governor, the U.S. Department of Health and Human Services, and the National Association of Insurance Commissioners, as well as mandated reporting requirements.

- Approved increased expenditure authority of \$7.9 million (Insurance Fund) in 2011-12, and \$7.0 million ongoing, to fund 54.0 positions to address increased workload and workload backlogs, while continuing to meet statutory mandates.
- Approved increased expenditure authority of \$1.646 million (Insurance Fund) local assistance in 2011-12 and ongoing to fund local District Attorney workers' compensation fraud investigation workload increases.

0850 STATE LOTTERY COMMISSION

- Approved as budgeted.

0890 SECRETARY OF STATE

- Approved \$70 million (federal funds) in 2011-12 to continue implementation of the statewide mandates of the federal Help America Vote Act of 2002 (HAVA). Of the \$70 million, \$66.9 million is proposed as local assistance to counties and \$3.2 million is for state operations. Of the \$66.9 million in local assistance, \$65.9 million is for voting system upgrades and \$1.0 million is for elections assistance for individuals with disabilities. The voting system upgrades are required under HAVA to ensure an accessible, voter-verifiable paper audit trail. The state operations funding will be utilized for the continued administration of statewide modernization and replacement of voting equipment; education and training programs for elections officials and poll workers; and, development and dissemination of voting information to increase voter participation and confidence.
- Approved \$11.6 million (federal funds) in 2011-12 to continue implementation of VoteCal, the federal HAVA-required and funded uniform, centralized, interactive computerized voter registration database that is defined, maintained, and administered at the state level.
- Approved one-time increased expenditure authority of \$1.16 million (reimbursements) to develop a Request for Proposal and subsequent Special Project Report for the California Business Connect Project, an information technology project intended to automate the Business Program Division at the Department. In taking this action, the expectation is that a budget request for the California Business Connect Project in-full will be presented to Subcommittee No. 4 as part of a future budget cycle.

- Adopted amendments to the 2010-11 budget to authorize DOF to augment the Secretary of State's 2010-11 budget by up to \$10 million GF for its costs related to a statewide special election to be conducted before June 30, 2011. This authority was permissive and no special election occurred so these funds were not utilized.

0911 CITIZENS REDISTRICTING INITIATIVE

- Approved \$400,000 GF to provide the additional resources necessary for the Citizens Redistricting Commission (Commission) to complete the required redistricting maps by the constitutional deadline of August 15, 2011, and to perform related support activities. In addition, approved provisional budget bill language to allow the Commission expedited access to up to \$1.5 million GF for potential litigation support activities in 2011-12.

0950 STATE TREASURER'S OFFICE

- For the California Tax Credit Allocation Committee, approved \$282,000 (special funds) and two new positions and contract funding for federal reporting related to the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act (ARRA) of 2009.
- For the California Alternative Energy and Advanced Transportation Financing Authority, rejected a request for \$9 million in reimbursement authority related to the Ethanol Producers Incentive Program. The draft March 2011 AB 118 report raised questions on the effectiveness of this program.
- For the California Alternative Energy and Advanced Transportation Financing Authority, approved an increase in reimbursement authority of \$205,000 to receive funds from the California Energy Commission related to the Energy Upgrade California Program. The program funding comes from the federal American Recovery and Reinvestment Act of 2009 and promotes statewide energy and water efficiency and renewable energy generation retrofit.
- Approved budget bill language that would allow the Treasurer to fund bond advertising and rating agency expenses from the GF, instead of bond proceeds, in the case where a bond sale is planned, but later cancelled. The authority is limited to \$800,000.

1100 CALIFORNIA SCIENCE CENTER

- Approved a \$1.7 million unallocated reduction.
- Approved \$850,000 in new expenditure authority from the Exposition Park Improvement Fund. These funds come from parking fee revenue and concessions.

- Approved budget bill language: 1) encouraging the Science Center to raise revenue from sources other than admissions fees; 2) restricting the unallocated reduction to the California African American Museum to \$95,000; and 3) stating that no General Fund can be used to fund positions at the Office of Exposition Park Management. *The Governor vetoed the budget bill language related to the positions at the Office of Exposition Park Management.*

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

- Bureau of Automotive Repair: approved \$22.157 million and 12.3 positions from the Enhanced Fleet Modernization Subaccount toward the vehicle retirement program. Also reduced by \$7.693 million and eight positions, appropriations from the High Polluter Repair or Removal Account, due to ending a program providing a financial subsidy to qualified low-income individuals to receive repair assistance for their vehicles.
- BreEZe: Approved realignment of an existing \$1.2 million in special fund funding authority to support an up-front payment to the selected information technology vendor. This funding realignment brings the total BreEZe funding for 2011-12 to \$3.483 million. BreEZe will provide the departments and their associated boards and commissions with a new integrated enterprise enforcement case management and licensing system.
- Various Special Fund Loans: Approved \$66.2 million in special fund loans to the General Fund to replace the revenue from the sale-leaseback of state buildings.
- Approved trailer bill language to:
 - Allow a smaller reserve to be maintained in the Accountancy Fund, so that loans can be repaid to the fund when the funds are operationally necessary.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

- Approved, on a two-year limited-term basis, the transfer of the Department's Information Technology (IT) function and five positions to the Department of General Services (DGS) for which the Department will reimburse DGS using existing budget authority of \$507,000 GF. Also on a two-year limited-term basis, approved the redirection of two remaining IT positions to the Department's enforcement division to process claims resulting from the settlement of a class-action lawsuit. These resources were approved on a limited-term basis to ensure the transfer will be revisited in two years, thereby allowing a determination to be made regarding what cost savings and/or efficiencies were achieved.

1705 FAIR EMPLOYMENT AND HOUSING COMMISSION

- Approved as budgeted.

1760 DEPARTMENT OF GENERAL SERVICES

- Approved a state operations reduction of \$247,000 GF and 1.9 positions for the Office of Public School Construction (OPSC) administration of the Emergency Repair Program (ERP) in 2011-12. This request will conform OPSC budget resources to the remaining workload needs of the ERP. In approving this state operations reduction, the Subcommittee restated its concern that the Administration is not consulting with the State Allocation Board regarding the OPSC's budget.
- Approved reappropriation of a total of \$5.951 million (seismic bonds) in working drawing and construction funds for the structural retrofit of the Walker Clinic and Infirmary Buildings at the California Institute for Women, Corona.
- Approved a one-year extension in the encumbrance and liquidation period for \$437,000 (lease-revenue bonds) in construction funds for the Building Office 10 Renovation project. This extension will accommodate completion of a number of accessibility and security items identified after occupancy, primarily related to the installation of security card readers at strategic points within the building.
- Approved a one-year extension in the encumbrance and liquidation period for \$851,000 (lease-revenue bonds) in construction funds for the California Department of Transportation District 3 Office, Marysville, Office Replacement project to ensure sufficient time to seek Leadership in Energy & Environmental Design (LEED) certification and to complete close-out activities related to contract acceptance.
- Approved modified provisional budget bill language to authorize the DOF to augment the Department's budget with Reimbursements funding for additional workload costs related to construction inspection services for the California Health Care Facility project in Stockton.
- Please also see Item 1700 Department of Fair Employment and Housing for description of an additional budget item impacting the Department of General Services.

1880 STATE PERSONNEL BOARD

- Approved as budgeted but with several technical corrections to ensure correct scheduling of programs and display expenditures in the appropriate program.

1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- Adopted the budget approved by the California Public Employees' Retirement Systems' (CalPERS) board, including an augmentation of \$202,000 (Public Employees Health Care Fund) to establish two two-year limited-term positions to obtain health premium cost savings, fully enact cost containment processes, and provide increased operational resources in the administration of the Public Employees' Medical and Hospital Care Act.

- Rejected request to provide \$1.5 million GF to the California Public Employees Retirement System (CalPERS) to provide pension reform-related consultation, technical advice, and fiscal analysis at the request of and for DOF.
- Please also see Control Section 4.21 Health Care Premium Savings, in the Public Employment section of this document, for a description of an additional budget item impacting CalPERS.

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Adopted the budget approved by the California State Teachers' Retirement System (CalSTRS), including the following augmentations:
 - On a one-time basis, \$14.6 million (Teachers' Retirement Fund) for development and implementation of the Corporate Accounting and Resource Management System. The requested resources will support vendor implementation, system software and hardware, project management, and oversight and a contingency reserve.
 - \$1.1 million (Teachers' Retirement Fund) to support the establishment and expansion of CalSTRS' operated benefit counseling offices in four locations within California. These newly established offices will replace the current system of contracting for services with County Offices of Education and local school districts.
 - \$766,000 (Teachers' Retirement Fund) to support five new positions in Investment Support to support anticipated growth in assets under management and the increased complexity of the CalSTRS' portfolio.
 - \$214,000 (Teachers' Retirement Fund) to support two new positions in the Investment Accounting and Research Unit to perform new investment accounting operational activities arising out of the Investment Accounting Project and absorb the additional workload associated with the growing complexity of the CalSTRS' investment portfolio.
 - \$48,000 (Teachers' Retirement Fund) to support the costs associated with continuing professional education requirements for CalSTRS audit staff.
- Approved an increase of \$1.375 million GF, over the January Governor's budget level, due to an increase in the creditable compensation reported by CalSTRS for fiscal year 2009-10. As required by law, this increase represents a necessary technical adjustment to the GF CalSTRS payment for 2011-12. The Governor's Budget estimated 2011-12 GF contribution of \$1.35 billion, based on the October 2010 report of prior-year teacher payroll by CalSTRS. This funding level also reflects a CalSTRS determination that the timing requirements of Education Code Section 22955(b) relative to the state's payment obligations under that statute, which are required when certain liabilities emerge, do not start until October 1, 2011.

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved as budgeted.

2120 ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

- Approved as budgeted.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Approved \$352,000 in special funds for three positions for the Consumer Services Program to address an increasing number of inquiries and complaints from the public resulting from the financial crisis. \$50,000 of these funds is for one year only for information technology updates. Also approved making four existing temporary Banking Program examiners into permanent positions.

2180 DEPARTMENT OF CORPORATIONS

- Approved as budgeted.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Rejected proposed budget bill language that would suspend budget authority for \$99 million in new loans and grants for housing projects, which would otherwise be administered by the Department in 2011-12. In its place, adopted budget bill language to provide appropriation authority to the Department for budget-act bond programs, as follows:
 - \$17 million (Proposition 46 bond funds) for the Building Equity and Growth in Neighborhoods program;
 - \$25 million (Proposition 1C bond funds) for the Housing Urban-Suburban-and-Rural Parks program; and,
 - \$18 million (Proposition 1C bond funds) for the Transit-Orientated Development Implementation program.
- Approved a shift of \$1.1 million in federal budget authority from State Operations to Local Assistance, and a reduction of ten positions for the Community Development Block Grant program, to reflect a correction in federally allowable administrative costs. To accommodate the reduced level of program administration funding, the Department worked extensively with recipient communities to develop and finalize a set of new policies to ensure the broadest possible eligibility for local governments and the continued effective operation of this federal program.

- Approved two- and three-year extensions of the liquidation dates, respectively, of Propositions 46 and 1C Liquidation Extension Building Equity and Growth in Neighborhoods appropriations, to provide the time necessary to fulfill the final steps of the program obligations, complete projects, and find qualified homebuyers. The new liquidation date for these two appropriations is now June 30, 2013.
- Approved a three-year extension of the liquidation date (until June 30, 2014) for the \$601,000 GF appropriation provided by Chapter 163, Statutes of 2006, for the costs of settlement in the case of *Vega et al. v. Richard Mallory, California Department of Housing and Community Development* (Sacramento County Superior Court, Case No. 97AS06548). Chapter 163 provided the final funding for the Department to complete the repayment process prescribed by the *Vega v. Mallory* Settlement, which addressed overcharges by the OMS to center residents. The settlement provides that any remaining funds, after payment of all center resident claims, be used for OMS center repairs. However, the term of liquidation under Chapter 163 will expire before the Department can complete the process to utilize the remaining funds for OMS center repairs hence the need for this extension of the current liquidation date until June 30, 2014.
- Approved an increase of \$11.3 million in Federal Fund Loan Assistance budget act authority for the Neighborhood Stabilization Program, Round 3 (NSP-3). The federal NSP program is intended to assist states and local governments in the redevelopment of abandoned and foreclosed residential properties. The federal Department of Housing and Urban Development developed a formula for distributing funds based on the highest need resulting from home foreclosures.
- Please also see the Reducing State Government section of this report for additional budgetary actions, including a gubernatorial line-item veto, impacting several programs within the Department of Housing and Community Development.

2310 OFFICE OF REAL ESTATE APPRAISERS

- Approved as budgeted.

2320 DEPARTMENT OF REAL ESTATE

- Denied \$216,000 (Real Estate Fund) and two positions for continued implementation of the federally mandated Secure and Fair Enforcement Licensing Act of 2008 (SAFE Act) which requires states to implement a new licensing program for mortgage loan originators. Due to the timeline when SAFE Act enforcement activities will commence in earnest, the actual workload data is still relatively unknown. Additionally, the Department has indicated that it is exploring available business analytic technology opportunities to substantially reduce the number of positions needed. The Administration confirmed that the approach is for the Department to submit a new comprehensive SAFE Act-related request in a future budget cycle rather than taking a fragmented approach, such as that contained in the 2011 request.

- Approved increased expenditure authority of \$2.612 million (Real Estate Fund) to relocate and consolidate into one location on or about January 1, 2012, the Department's Sacramento Headquarters Office and Examination Center. This action included adoption of provisional budget bill language to state that the Department cannot redirect amounts in excess of agreed-upon relocation and consolidation costs, including lease terms, to other purposes, and requires the DOF to report to the Legislature within 30 days of the lease terms being finalized.

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved \$1,776,000 from special funds and 13 temporary positions to address new workload attributable to the passage of the federal Health Care Reform Act.
- Approved \$1,024,000 from special funds for two years only and two temporary positions to conduct health plan premium rate increase reviews as required by SB 1163 (Leno, 2010).
- Approved Supplemental Reporting Language for the Department of Managed Health Care to report on options for bringing actuarial review of health plan premium rate increases in-house.
- Approved trailer bill language to extend the sunset date of the Consumer Participation Program until January 1, 2018.

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted.

8320 PUBLIC EMPLOYEES RETIREMENT BOARD

- Approved as budgeted.

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Approved a reduction of \$350,000 GF and deleted provisional budget bill language to reflect the fiscal year 2008-09 expiration of recruitment contracts for medical professionals. In the 2007-08 Budget, the Legislature approved on a two-year limited-term basis an augmentation of \$350,000 GF and language for recruitment contracts for medical professionals. The funding and language should have been removed in the 2009-10 Budget when the limited-term period expired. For unknown reasons, this action was not taken; the funding and language remained in the Department's budget but has not been spent. Therefore, in addition to the 2011-12 reduction, two reversion items were added to the 2011-12 budget to capture an additional \$700,000 GF savings from these unspent prior year appropriations.

- Please also see the Reducing State Government section of this report for budgetary actions related to the Human Resources Modernization Project, which is funded through this budget item.

8385 CITIZENS COMPENSATION COMMISSION

- Approved as budgeted.

8500 BOARD OF CHIROPRACTIC EXAMINERS

- Approved as budgeted.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Approved as budgeted.

8640 POLITICAL REFORM ACT OF 1974

- Approved as budgeted.

8780 MILTON MARKS “LITTLE HOOVER” COMMISSION

- Approved as budgeted.

8790 CALIFORNIA COMMISSION ON DISABILITY ACCESS

- Approved as budgeted.

8820 COMMISSION ON THE STATUS OF WOMEN

- Rejected the Governor’s proposal to eliminate the Commission on the Status of Women. *The Governor vetoed \$200,000 GF from the support for this office.* This is also discussed further in the Reducing State Government section of this report.

8830 CALIFORNIA LAW REVISION COMMISSION

- Approved savings. Please also see the Reducing State Government section of this report for legislative action on this item.

8840 COMMISSION ON UNIFORM STATE LAWS

- Approved savings. Please also see the Reducing State Government section of this report for legislative action on this item.

8850 STATE PUBLIC WORKS BOARD

- Approved as budgeted.

8855 BUREAU OF STATE AUDITS

- Approved an increase of \$8.2 million (\$4.7 million GF) and 34 positions in 2011-12 to fund a two-year plan intended to better assist the Legislature in its oversight of government operations, including conducting additional audits, completing more high risk analyses, and better integrating the audit process with the work of legislative budget and policy committees. At the end of the two-year plan, which will result in the addition of 54 new audit staff, the Auditor reports that audit production will increase from the 2010-11 average of 30 audits per year, to 50-55 per year, including discretionary and mandated audits, as well as more work under the high-risk authority. The additional audit staff will also reduce the time it currently takes to complete an audit, and will also reduce staff burnout and a high turnover rate. The Auditor reports that the addition of eight investigative staff over the two years will result in self-initiated statewide investigations increasing from the 2010-11 average of one per year to four to eight per year. The Auditor indicates that the additional audit and investigative results from the two-year plan will produce more monetary benefits for the state, and offers the following recent examples of savings from audit and investigative work: (1) \$194 million in unallowable costs, plus \$53 million in cost avoidance over seven years (State Mandates Audits, 2003 and 2009); (2) \$3.3 million revenue increase (Citation Penalty Accounts, 2010-108); (3) \$4.8 million in cost avoidance (Medi-Cal TARS, 2009-112); and (4) \$12 million cost recovery (CalWorks, 2009-101).

8860 DEPARTMENT OF FINANCE

- Approved \$2.7 million General Fund to address a shortfall in the Department's budget.
- Please also see the Reducing State Government section of this report for budgetary actions related to the America Recovery and Reinvestment Act Task Force, which is funded through this budget item.

8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

- Approved an April Finance Letter that reduced the 2010-11 cost of the Financial Information System for California (FI\$Cal) project to \$38.5 million (\$2.5 million GF). Next spring will be a key decision point for the project as the Administration will have selected a preferred solution and contractor, and the Legislature will review the completed proposal.

8885 COMMISSION ON STATE MANDATES

- Approved \$47.8 million GF to reimburse local governments for active state mandates.
- Approved the deferral of pre-2004 mandate reimbursements for GF savings of \$94 million.
- Approved the suspension of most non-education local mandates in 2011-12 for GF budget savings of about \$228 million. Most of these mandates were also suspended in 2010-11, but some additional mandate suspensions were added due to the fiscal condition of the state – among these were various mandates related to elections. The mandates still funded and in effect are those related to law enforcement and property-tax collection.
- Rejected suspension of the Brown Act / Open Meeting mandate. Did not fund prior year's mandate claims with the intent that a constitutional amendment related to the 2011 Local Realignment Plan, or a stand-alone constitutional amendment, will clarify that open meetings are constitutionally protected and do not require state reimbursement.
- Approved a shift of the student mental health services mandate (also known as the AB 3632 mandate) into the Proposition 98 education funding guarantee, and rebench Prop 98 accordingly.

Trailer Bill Language

1. Approved trailer bill language to make minor technical amendments to the requirements that special districts file written statements with the Local Agency Formation Commissions (LAFCOs) concerning what classes of services those special districts provide. The amendments authorize LAFCOs to require such information, but does not require it – this change saves the state \$277,000 GF in reimbursement costs.

8910 OFFICE OF ADMINISTRATIVE LAW

- Approved as budgeted.

8940 MILITARY DEPARTMENT

- Approved the continuation of the California National Guard Behavioral Health Outreach Liaison (BHOL) Program and the three existing positions, funded by \$451,000 in Proposition 63 funds, along with provisional budget bill language requiring the Department to annually collect baseline program data, such as specific program offerings and number of servicemembers served, and report that information to the Legislature.
- Approved increased expenditure authority of \$67,000 (\$17,000 GF and \$50,000 federal funds) for a custodian to support the new Dublin Readiness Center and Field Maintenance Shop located at the Parks Reserve Forces Training Area, thereby ensuring the state meets its responsibility to ensure the facilities are operational and maintained to meet mission requirements and comply with federal requirements (the federal government paid for 100 percent of the construction costs of the facility).
- Approved a baseline augmentation of \$1.363 million (\$705,000 GF and \$658,000 Federal Trust Fund) to cover the State Active Duty (SAD) compensation increases to be granted effective January 1, 2011, and estimated to be granted January 2, 2012. SAD employee compensation is based upon military pay increases granted by Congress; additional compensation adjustments are also mandated due to a congressionally-approved increase in the military allowance for housing and subsistence. The 2011-12 estimates are 1.9 percent for salary and 1.5 percent basic allocation for housing.
- Approved increased expenditure authority of \$413,000 (federal funds) and four positions to support increasing environmental requirements within the Environmental Program Directorate and ensure compliance with all federal, state, and local environmental laws, as well as Department of Defense Instructions and Army regulations. The four positions would come at no cost to the state as they are 100 percent federally funded by the National Guard Bureau through a Master Cooperative Agreement with the state. The four positions required for this augmentation will be absorbed from within the Department.
- Approved increased expenditure authority of \$1.0 million (reimbursements) in support of State Homeland Security Grant Program funds for emergency planning, immediate emergency response and exercise Homeland Security planning, and procurement of emergency equipment to support the Governor's Office and the California Emergency Management Agency. Of the expenditure authority approved, \$635,000 will enable the Department to hire four personnel to fill required assignments in operations and plans, training and exercises, operational law, and operational logistics. These positions will be absorbed from within the Department. The remaining \$383,000 will be used to purchase communications equipment to allow California National Guard forces/assets a greatly increased capability to conduct interoperable communications with civilian emergency responders.
- Approved continuation of reimbursement authority in 2011-12 of \$5.1 million and the re-establishment of 33 three-year limited-term positions to execute an interagency agreement between the Military Department and the California Emergency Management Agency

(CalEMA) for staffing support and operating expenses. The source of funds is the federally-funded Homeland Security Grant Program. The 33 positions were originally established on a limited-term basis for purposes of the interagency agreement between the Military Department and CalEMA and all expired on June 30, 2011.

- Approved increased expenditure authority of \$393,000 (federal funds) for four Quality Assurance Representatives to provide on-site quality assurance and observation support to the Facilities Directorate project managers on renovation and construction projects statewide, and to help ensure that construction projects at Military Department facilities are executed in compliance with relevant building codes, specifications, and plans. The resources in this request, which are 100 percent federally-funded, will ensure federal inspection standards are met. These four positions will be absorbed from within the Department.
- Approved a decrease of \$1.5 million GF to reflect a reduction in retirement benefit costs provided to eligible retired service members. In a subsequent action, approved a redirection of \$300,000 of these resources on a two-year limited-term basis to the Department to support an expansion of the California Cadet Corps. Via companion supplemental reporting language, the Department is required to submit an annual report on expenditures and outcomes for the Cadet Corps program, including the \$300,000 two-year limited-term augmentation for program expansion.
- As a technical action, denied a budget request related to the Oakland Military Institute to comply with the Administration's request to withdraw the item from the 2011-12 budget.

9100 TAX RELIEF

- Approved funding of \$442 million for the Homeowners' Property Tax Relief program, which is constitutionally required. Approved the Governor's budget suspension of funding for other tax relief programs including the Williamson Act / Open Space Subventions.

Trailer Bill Language

1. Approved trailer bill language (SB 80) to revert \$10 million GF provided for the Williamson Act in 2010-11. The language also repealed the alternative program adopted by AB 2530 and SB 863 in the 2009-10 legislative session.
2. Adopted trailer bill language (ABX1 34) to restart the Property Tax Postponement Program in 2012-13 as a capped grant program that utilizes repaid funds received from prior grants. The program allows low-income seniors and disabled individuals to postpone payment of their property tax, with the State backfilling for the local revenue loss. The State is repaid when the property is sold. The program has been suspended since the 2008-09 budget. ***The Governor vetoed this legislation.***

9210 LOCAL GOVERNMENT FINANCING (including Redevelopment)*Trailer Bill Language*

1. Approved trailer bill language (ABX1 26 and ABX1 27) to eliminate existing redevelopment agencies and to create an alternative program to continue redevelopment in those communities that opt to participate. To opt-in to the alternative program, the community that sponsors the redevelopment agency (either a city or county), has to agree to make a community remittance to support schools, fire special districts, and transit special districts as applicable. The redevelopment agency can direct additional funds to the city or county to mitigate for the community remittance. State General Fund relief of \$1.7 billion is generated in 2011-12 from the reduced State Proposition 98 funding obligation. Ongoing funding of about \$400 million will benefit schools and special districts. Redevelopment agencies will continue to receive a state subsidy, but at a reduced level due to the State's fiscal condition.

9350 SHARED REVENUES

- Approved the various State apportionments to local governments of special funds and bond funds made under this budget item. The allocation totals about \$1.9 billion, and most apportionments are continuously appropriated in statute.

Trailer Bill Language

1. Approved trailer bill language to shift \$153 million from the Motor Vehicle License Fee (MVLF) Account to repurpose the funds for public safety realignment. The funds had been available for general purposes and were allocated to cities and Orange County. The funds will now be available to cities and counties to support 2011 public safety realignment.

9860 CAPITAL OUTLAY PLANNING AND STUDIES FUNDING

- Approved a decrease of \$500,000 GF to reflect the reduction in the Unallocated Capital Outlay budget, which provides funding to state agencies to develop design and cost information for new projects, known as "budget packages." Due to the current fiscal condition of the state, fewer infrastructure projects are being authorized and, as such, the state is preparing fewer budget packages. As a result, the Administration determined that the \$500,000 budgeted for 2011-12 is not needed because there are sufficient funds remaining for carryover from the 2010-11 appropriation.

CONTROL SECTIONS

3.91 REDUCTION IN STATE OPERATIONS

- Approved reductions totaling \$269 million GF and \$157.6 million Other Funds for savings associated with the identification of efficiencies in state operations, including identification of agencies, departments, and programs that can be reorganized to eliminate duplication and unnecessary functions and reductions in other areas like contracting, fleet operations, and cell phone use. For a more detailed discussion of these reductions, including several line-item vetoes, please see the Reducing State Government section of this document.

Trailer Bill Language:

1. Adopted uncodified trailer bill language to authorize the Director of Finance to reduce appropriations in 2010-11 to reflect a reduction in building rental rates charged to departments by DGS. The 2011-12 building rental rate reduction savings will be captured via Control Section 3.91.

4.30 LEASE REVENUE PAYMENT ADJUSTMENTS

- Approved various technical adjustments to amounts budgeted for lease-revenue debt service payments in 2011-12, resulting in a decrease of \$471,000 GF and a decrease of \$4.047 million (Other Funds).

28.50 AGENCY REIMBURSEMENT PAYMENTS

- Adopted amendments to an existing control section to authorize each house of the Legislature to transfer funds from its budget to other state departments and programs. Over the past several years, the Assembly has made internal budget reductions and used the savings to assist other state departments, such as for staffing at the Employment Development Department, to restore CalWORKs Stage 3 Child Care funding, and to cover CAL FIRE wildfire-related expenses. In some cases, these transfers have resulted in direct GF savings to the state. To date, these actions have been made via a Memorandum of Understanding (MOU) between the Assembly and a given state department. However, neither house of the Legislature has the authority to transfer funds from its own budget if an MOU is not possible.

VETERANS AFFAIRS

8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved funding of \$103.3 million GF for Program 30, Veterans Homes of California (VHCs). This funding level is below that proposed in the Governor's January budget due to the following actions (and resultant savings) related to the Greater Los Angeles Ventura County (GLAVC), Redding, and Fresno VHCs:
 - Net savings of \$20.2 million GF due to postponing the opening of the Redding and Fresno VHCs beyond the 2011-12 fiscal year (the Governor's January budget proposed to open these VHCs in February and April 2012, respectively); and
 - Net savings of \$6.1 GF for the GLAVC VHC by aligning the facilities' operational budget and census ramp-up, as follows: (a) \$6.5 million GF attributed to a four- to six-month delay in the implementation of the electronic health records information technology project at the West Los Angeles VHC, which in turn delays the opening of the Skilled Nursing Facility (SNF) at that home until February 2012; and (b) as a result of the delay in opening the SNF at the West Los Angeles VHC, offsetting GF revenues from federal per diem subsidies and resident fees will be reduced by \$1.3 million in 2011-12. Additional savings of \$902,000 GF have been identified from a slower than anticipated ramp-up in the average daily census at the other two GLAVC VHCs, located in Lancaster and Ventura.
- Approved state operations reductions of \$5.5 million GF in 2011-12, a result of: (a) efficiencies from implementation of the Enterprise-Wide Veterans Home Information System; and (b) cancellation of federal sharing agreements at the Greater Los Angeles Ventura County VHC which allowed the Department to enter into lower-cost contracts with vendors.
- With regard to capital and infrastructure projects at the Yountville VHC, approved the following expenditures:
 - \$2.4 million (federal funds) for the construction phase of the Yountville VHC 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 complete project costs total \$2.847 million and will be fully reimbursed by the federal government once the grant is awarded. This restoration project will bring the cemetery into compliance with the National Cemetery Administration standards and enable the state to maintain the cemetery grounds in accordance with those standards in future years.
 - \$2.236 million (lease-revenue bonds) to correct system deficiencies in the Chilled Water System at the Yountville VHC. The additional chiller plant and replacement of cooling towers, pumps, and valves will ensure the Yountville VHC has the

required chiller capacity to maintain a proper temperature throughout the VHC to protect the health and safety of the elderly and/or disabled veteran residents. The total estimated project cost is \$6.398 million and will be funded by: (1) \$497,000 – Veterans’ Home Bond; (2) \$2.236 million – lease-revenue bonds; and (3) \$3.665 million – Federal Trust Fund.

- \$3.387 million (lease-revenue bonds) to renovate the deteriorating underground steam distribution system at the Yountville VHC. The project includes replacement of underground lines and valves and removal and replacement of badly deteriorated asbestos insulation that is a safety hazard. As part of landscaping an area disrupted by the steam line replacement project, 10 ADA-accessible parking spaces will be provided to an underserved part of the VHC. Renovation of the steam distribution system will ensure a safer and more energy efficient operation and the uninterrupted availability of steam for the Yountville VHC’s critical daily operations. The total estimated project cost is \$7.482 million and will be funded by: (1) \$3.387 million – Lease-Revenue Bonds; and (2) \$4.095 million – Federal Trust Fund.
- Approved the transfer and appropriation of \$1.074 million for the preliminary plans phase of the Central Coast Veterans’ Cemetery project, a project that will be funded by a mixture of private and federal funds. While the private funding for the preliminary plans phase have not yet been fully raised or deposited with the state, the Administration requested this budget action to show good faith on the part of the state and clear intent to support the Cemetery Project. Current statute contains checks and balances to prevent moving forward on the preliminary plans without required private funding first being deposited with the state.
- 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 to eliminate \$7.3 million GF (\$5 million local assistance and \$2.3 million state operations) in 2011-12 for Operation Welcome Home, a program started by the prior Administration in February 2010 and funded initially with one-time federal grant funding that expired in December 2010. The 2010-11 budget provided \$5 million GF for this program; the funds have not been allocated and the Administration has informed the Legislature that it has cancelled their expenditure.

Trailer Bill Language:

1. Approved trailer bill language requiring the Department of Motor Vehicles to update its initial and renewal driver license and state identification card application forms, both paper and electronic, to identify veterans who wish to be contacted regarding their eligibility for state and federal veterans’ benefits. The language requires the Department of Motor Vehicles to share this information with the California Department of Veterans Affairs in compliance with state and federal privacy protection laws and otherwise shield this information from public view. This trailer bill language complements similar budget bill language first adopted in the 2010-11 budget.

TAX ADMINISTRATION

0860 STATE BOARD OF EQUALIZATION

- Approved various tax administration proposals that will result in a net revenue gain of \$251.8 million to the GF through greater compliance with existing tax law. Included in these proposals are the following:
 - Use Tax Collection—Nexus. Approved trailer bill language (TBL) to enable the state to collect use tax on purchases made by California customers from Internet companies that do not claim nexus in California and do not collect use tax on taxable goods sold to California customers. Current law requires that the use tax is owed by California customers regardless of where the product is purchased. This bill made the following changes to nexus:
 - Revises the state definition of “retailer engaged in business in the state” to be as expansive as permitted under federal law.
 - Establishes that contracts out-of-state retailers have with affiliates in California establish nexus for the purposes of collecting use tax.
 - Requires that any corporation that is part of a “commonly controlled group” of companies that filed corporate income tax as a unitary group of companies, that has one or more of those companies based in California, is sufficient to establish nexus for the purposes of collecting use tax.
 - Statewide Compliance and Outreach Program. Approved an augmentation of \$14.2 million (\$10.2 million GF) to continue the Statewide Compliance and Outreach Program that focuses on identifying and registering entities actively engaged in business in California whom were selling tangible personal property without a seller’s permit. The Board of Equalization (BOE) estimates that this program is generating approximately \$68 million (\$45.3 million GF) annually through increased compliance.
 - Use Tax Collection – Voluntary Disclosure Program “Look-up” Table. Approved trailer bill language to provide that persons who are required to report and remit the Use Tax on the purchase of tangible personal property are to use a “look-up” table, which provides an estimated amount due based on income level. The BOE estimates that this law change would generate approximately \$10 million in 2011-12 and annually thereafter, \$6.5 million of which is GF.
- Denied a request for \$2.1 million (\$1.1 million GF) to cover projected rent increases to cover the full debt service costs related to the sale of lease-revenue bonds planned to purchase the BOE headquarters building.
- Denied a request for \$4.2 million (\$2.8 million GF) for additional staff to process refunds in the class action suit of *Diane Mohan v. Dell*.

1730 FRANCHISE TAX BOARD

- Approved various tax administration proposals that will result in a net revenue gain of \$270 million to the GF through greater compliance with existing tax law. Included in these proposals are the following:
 - Financial Institutions Records Match (FIRM). Approved TBL and \$1.3 million GF to start implementation of a FIRM system that would require financial institutions doing business in California to match Franchise Tax Board (FTB) information on delinquent tax and non-tax debtors against their customer records on a quarterly basis. The FTB estimates that this proposal will generate \$43 million in additional GF revenues in the budget year.
 - Voluntary Compliance Initiative 2011. Approved TBL and \$513,000 GF to implement a narrow amnesty for certain taxpayers that have abusive tax avoidance transactions that are currently under audit, in protest, or are currently unknown to the FTB. The amnesty would begin on August 1, 2011 and end on October 31, 2011. The FTB estimates that this proposal will generate \$220 million in additional revenues in the current and budget years.
 - Audit Workload. Approved \$3.2 million GF to augment the FTB's audit program. The FTB estimates that these additional auditors will generate \$13 million in additional revenues in 2012-13 and \$6.5 million in the budget year due to the time it takes to hire and train new auditors.
- Approved funding to replace the mainframe computer system at FTB over the next three years. This proposal will cost the state \$1.9 million in the budget year, which is \$2.8 million less than the Governor's budget which proposed to fund the entire mainframe system up front.
- Approved TBL to repeal the refundable portion of the child and dependent care credit. There are no changes to the non-refundable portion of the tax credit. This is expected to increase revenue by \$75 million starting in 2011-12.

REVENUES

FINAL REVENUE PACKAGE

Final Revenue Package. The final version of the budget does not include the Governor's proposal to maintain 2010 tax rates for five years to fund the Schools and Local Public Safety Protection Act. Therefore, as a result, taxes will be cut by \$9.4 billion in the budget year. Furthermore, the final budget package also does not include the Governor's proposal to reform enterprise zones and implement a mandatory single sales factor for apportioning corporate income to California, which would have resulted in \$1.5 billion in additional revenues in the current and budget years. Without these revenues, the Proposition 98 guarantee is reduced by \$1.6 billion.

Schools and Local Public Safety Protection Act. As described above, the final budget package does not include the tax extensions proposed by the Governor to fund the Schools and Public Safety Protection Act. However, this section describes the Act and the revenues proposed for extension.

The Governor's January budget proposal was to maintain 2010 tax rates for five years to fund the Schools and Local Public Safety Protection Act via a vote of the people. However, because an election could not be held before the start of the 2011-12 fiscal year, the Governor's proposal was modified to include a revenue "bridge" to maintain the taxes until an election could be held.

The Senate put forward a version of the Governor's bridge that extended the 2010 tax rates for one year. Consistent with the Governor's May Revision the Senate put forward a version of the "bridge" that did not propose to continue the personal income tax (PIT) surcharge (0.25 percent) in the 2011 tax year. The Senate version of the "bridge" financing would have extended the following taxes:

- Maintaining the current vehicle license fee (VLF) rate of 1.15 percent until July 1, 2012.
- Maintaining the current sales tax rate of 6 percent until July 1, 2012.
- Maintaining the 2010 PIT dependent credit (\$99) for the 2011 and 2012 tax years.
- Reestablishing the 2010 PIT Surcharge (0.25 percent) for the 2012 tax year.

Under the Senate proposal, the constitutional amendment, consistent with the Governor's proposal, would have triggered the further extension of the taxes after the bridge financing expired. The constitutional amendment would need to be placed before the voters sometime in the next fiscal year before the bridge financing expired. The constitutional amendment would have, as proposed, extend the taxes in the bridge for an additional four years. The VLF and the Sales and Use Tax would be in effect until July 1, 2016 and the PIT-related taxes would be effective through tax year 2015.

Also consistent with the Governor's proposal, the constitutional amendment would have constitutionally dedicated the 1 percent of the sales tax and 0.4 percent of the vehicle license fee to local governments for public safety realignment. The PIT revenues would have been dedicated to schools.

Economic Incentives. The Governor proposed, and the Senate Budget and Fiscal Review Committee adopted, several changes to tax policy to provide economic incentives for business to invest in the State and create jobs. However, some of these tax policy changes require a two-thirds vote, and none of them were ultimately included in the final budget package. The proposals made by the Governor to encourage job growth and economic development include the following:

- **Mandatory Single Sales Factor.** The Governor proposed to make the multi-state corporate income apportionment method mandatory instead of elective, including adopting a uniform definition of sales that includes the sale of intangibles. The revenue from this policy change in the budget year is \$1.4 billion, and approximately \$950 million ongoing. Current law gives tax advantages to companies that invest capital and workforce outside of California, thereby providing disincentive for investment in California.
- **Enterprise Zones.** The Governor withdrew his January proposal to eliminate all tax incentives for companies investing in designated enterprise zones in the May Revision. Even though there is limited evidence that enterprise zones result in overall economic growth to the State, these zones are perceived to provide benefits to certain economically depressed areas of the state.

Instead, the Governor's May Revision included several reforms to the enterprise zone program that sought to improve the overall effectiveness of the program in incenting new economic activity in economically depressed areas of the state. Specifically, the Senate version, consistent with the Governor's proposal, would have reformed enterprise zone hiring credits so that the credits were only available to firms that actually increased their level of employment and would have only been allowed if claimed on the taxpayer's original tax return. The Senate version also proposed to limit the use of new vouchers for tax years prior to 2011 and limit the carry-forward period for credits to five years.

- **Improve Existing Job Credit.** The Governor's May Revision also included reforms to the 2009 jobs credit for small business to stimulate job creation by small businesses during this early part of the State's economic recovery. The proposed reforms to this credit, which is capped at \$400 million, included providing a \$4,000 credit per job instead of a \$3,000 credit per job and to target the credit to small businesses with 50 or fewer employees instead of small businesses with 20 or fewer employees.
- **Sales and Use Tax Exemption.** The Governor's May Revision of the budget package also included a sales and use tax exemption for the purchases of manufacturing equipment. This exemption would have started in 2012-13 and would have been in effect during periods when the sales and use tax rate was at 6 percent. Under this proposal, manufacturing firms would have been eligible for a 1 percent exemption from the General Fund Sales and Use Tax and a start-up firm would have been eligible for a full 5 percent exemption.

CASH MANAGEMENT AND BORROWING

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

- Approved the Governor's funding level for 2011-12 bond debt-service costs. The GF costs total \$4.8 billion, with an additional \$792 million funded with special funds, and \$351 million funded with federal subsidies. Not included in these figures is about \$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

- Approved the Governor's funding level for cash-flow borrowing costs of \$250 million GF. This is composed of \$75 million for interest costs related to internal borrowing, and \$175 million for interest costs related to external borrowing.
- Approved \$57.7 million GF for interest costs related to budgetary borrowing, which are multi-year loans to the GF from special funds.
- Approved GF relief totaling about \$2.7 billion from 2010-11 and 2011-12 from loans, and loan repayment deferrals. A large portion of these loans and deferrals backfills for the Governor's decision to discontinue the sale-leaseback of State office buildings. The sale-leaseback was expected to generate \$1.2 billion in revenues.

Trailer Bill Language (SB 82 and SB 79)

1. Adopted trailer bill language to authorize deferrals of specified 2011-12 payments, as necessary to maintain adequate cash reserves. This is flexible authority and vests in the Treasurer, Controller, and Director of Finance, the discretion to cancel, or repay early, the deferrals if not needed for state cashflow. The deferrals include payments to K-12 and higher-education institutions, and cities and counties for administration.
2. Adopted trailer bill language to establish a new special fund account to receive voluntary deposits from the University of California, the California State University, and other state entities not required to deposit reserves in the Pooled Money Investment Fund. The deposits in the account would be eligible for General Fund cash-flow borrowing, and would reduce more-expensive external borrowing, such as Revenue Anticipation Notes (RANs).

SUBCOMMITTEE 5
ON
CORRECTIONS,
PUBLIC SAFETY, AND THE
JUDICIARY
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Loni Hancock, Chair
Joel Anderson
Lois Wolk

Consultants

Joe Stephenshaw – Public Safety
Kris Kuzmich – Labor and Public Employment

SUBCOMMITTEE No. 5

CORRECTIONS AND REHABILITATION, JUDICIARY, PUBLIC SAFETY, CRIMINAL JUSTICE, AND LABOR

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CORRECTIONS AND REHABILITATION

5225 DEPARTMENT OF CORRECTIONS AND REHABILITATION

Corrections Realignment

- Approved a shift of \$239.9 million in 2011-12 (growing to \$762.2 million in 2014-15) from the GF to the 2011 Local Revenue Fund as part of the 2011 Public Safety Realignment plan related to housing of non-serious, non-violent, and non-sex offender inmates, as well as short-term parole violators, in county jails rather than in state prisons. The enacting trailer bill included additional implementing language related to the expansion of existing authority for county sheriffs to use alternative custody, application of “good time” credits, and designation of the courts as responsible for conducting revocation proceedings (majority of courts activities begin in 2013-14). The state is projected to save \$376.2 million in 2011-12 (growing to \$1.3 billion in 2014-15) due to these shifts in responsibility. However, these savings estimates may be impacted by the recent U.S. Supreme Court decision on prison over-crowding.
- Approved a shift of \$127.1 million in 2011-12 (growing to \$187.7 million in 2014-15) from the GF to the 2011 Local Revenue Fund as part of the 2011 Public Safety Realignment plan related to shifting community supervision of offenders released from state prison for non-serious, non-violent crimes to the counties rather than state parole. Under this plan, the state would continue to supervise serious and violent parolees, as well as those who are on 3rd Striker and High Risk Sex Offender caseloads. The state is projected to save \$77 million in 2011-12 (growing to \$170.3 million in 2014-15) due to this shift in responsibility.
- Approved \$33.9 million GF to assist counties in covering the costs associated with implementing public safety realignment.
- Approved supplemental report language to ensure quarterly reporting on actions and savings related to realignment for the 2011-12 budget year.
- Please also see the 2011 Realignment section of this report for more details.

Adult Population Highlights

- Approved the Governor’s proposal for \$359.5 million – almost all GF – to reflect the projected inmate, parole, and juvenile caseloads in 2011-12. \$200 million of this increase reflects the restoration of an unallocated reduction in the 2010-11 budget that the department was not able to achieve and for which no specific policy changes were enacted by the Legislature. Other adjustments were made for changes related to local assistance, the number of mentally ill inmates, and revised projections of the impacts of previously enacted policy changes, among other adjustments.

Juvenile Justice Highlights

- Approved a shift of \$97 million in 2011-12 (growing to \$103 million in 2014-15) from the GF to the 2011 Local Revenue Fund related to two existing juvenile justice grant programs (Youthful Offender Block Grant and Juvenile Reentry Fund). This is part of the 2011 Public Safety realignment plan.
- Approved the Governor's proposed technical clean-up trailer bill language to authorize the Division of Juvenile Justice to transfer wards under their jurisdiction to county probation departments, pursuant to Chapter 729, Statutes of 2010 (AB 1628), regardless of the committing court.

Health Care Highlights

- Approved \$163 million in unallocated reductions to the budget for inmate medical care.
- Approved Governor's request for \$1.2 million GF to provide court-ordered training sessions to custody and mental health staff at select institutions for the purpose of better collaboration.
- Approved the Governor's proposal of \$603,000 GF to extend the Enhanced Outpatient Program to seven days a week for condemned inmates at San Quentin State Prison.
- Approved the Governor's request for \$1 million GF in 2011-12 (growing to \$18.9 million in 2012-13) for activation of a 50-bed licensed Mental Health Crisis Bed unit at the California Men's Colony (San Luis Obispo) in compliance with a *Coleman* court order.
- Approved \$9.4 million of the Governor's proposal for \$10.1 million GF to activate a Correctional Treatment Center at the California Institution for Women (Frontera).
- Reduced by \$714,000 the Governor's request for \$2.0 million for the custody staff necessary to activate the Intermediate Care Facility at the California Medical Facility (Vacaville) which is otherwise operated by the Department of Mental Health. The Legislature approved the reduction to reflect offsetting custody savings in other parts of the system.
- Approved the Governor's proposal for \$948,000 in 2011-12 (growing to \$1.9 million in 2012-13) to provide resources for a core pre-activation team for the Correctional Health Care Facility (Stockton).
- Rejected the administration's request for \$5.1 million GF and 17 headquarters positions to support the activations of new healthcare and infill facilities funded through AB 900 (Chapter 7, Statutes of 2007 – Solorio).
- Approved the Governor's request for \$11.9 million GF and 211 Licensed Vocational Nurse (LVN) positions to perform medication management functions in outpatient clinics and adopted supplemental report language that requests that the Receiver report on the savings attributed to the LVN resources hired over the past two years.

- Approved the Governor's proposed trailer bill language (TBL) to authorize the Receiver, on behalf of CDCR, to process and pay for all medical claims for inmates placed on medical parole from funds available in the Medical Services Program.
- Approved the Governor's proposed TBL to allow the Receiver to recover overpayments made to medical providers and apply the recoveries to the fiscal year in which they were collected.
- Approved TBL to allow the Receiver's medical staff to sign on behalf of inmates to obtain Medi-Cal eligibility. This trailer bill language also makes technical changes to the law enacted last year related to obtaining Medi-Cal reimbursements for inmates in inpatient hospital care per subsequent changes in state law related to the Medi-Cal program.

Other Highlights

- Approved budget bill language requiring that CDCR submit three times each fiscal year a report to the Department of Finance and the Legislature detailing how each adult institution's expenditures are tracking compared to approved allotments. For any institutions with expenditures tracking higher than allotments, the language further requires that the department detail the reasons why, as well as list actions to bring expenditures back in line with allotments.
- Approved \$101 million of the Governor's proposal to reduce funding for prison and parole rehabilitation programs by \$150 million GF. Restored \$49 million to continue contracts for services in the community that were set to be canceled. Programs restored by this action include: Residential Multi-Service Center Contracts, Substance Abuse Services Coordination Agencies Contracts, Sober Living and Out-Patient Services, Parolee Service Network, Bay Area Services Network, and Other Remedial Sanction Contracts. ***The Governor vetoed budget bill language that limited reductions to rehabilitative programming to just these reductions for the budget year.***
- Approved budget bill language to require data collection and performance metrics be a part of renewed rehabilitation contracts and the department's efficacy review of these programming contracts to determine the most effective models for achieving parolee success should not be discontinued.
- Approved \$379.6 million GF to address ongoing structural imbalances within CDCR's budget driven by: correctional officer salary increases, medical guarding and transportation, swing space needs, security staff overtime, and legal settlements and outside counsel.
- Approved budget bill language requiring that all funds appropriated for inmate and parole rehabilitation programs only be used for those purposes, and any unexpended funds be reverted to the GF at the end of the year.
- Approved the Governor's proposal for \$279,000 GF for sign language interpreter contract services for hearing impaired inmates participating in education and substance abuse treatment programs.

- Approved the Governor's request for \$1 million (\$98,000 GF and \$925,000 Special Deposit Fund) and six three-year limited-term positions for CDCR to meet the provisions of Chelsea's Law, AB 1844 (Fletcher) (Chapter 219, Statutes of 2010). The funding will allow CDCR to develop standards for certification of sex offender management professionals, fingerprint treatment providers, train staff on the use of the sex offender assessment instrument, and contract for measuring program performance.
- Approved the Governor's request for \$85 million GF to be paid to counties for successful implementation of the California Community Corrections Performance Incentive Act of 2009 (SB 678, Leno). This funding reflects a share of the state savings achieved due to the reduction in felony probation failures sent to state prison. In addition, trailer bill changes were adopted that are designed to affect the program's funding formula.
- Denied the Governor's proposal for \$13 million GF to increase the number of correctional officer cadets and process applications to be hired as correctional officers. The administration stated its intent that this proposal would not be necessary if the 2011 Public Safety Realignment plan was approved.
- Approved the Governor's proposal for a net increase of \$97.2 million GF to reflect a recalculation of CDCR's workforce cap reduction target. The CDCR's new workforce cap target is based on 5 percent of its projected personal services costs after realignment is fully implemented, which decreases CDCR's workforce cap reduction target from \$292.4 million to \$194.5 million. Lastly, the workforce cap savings were moved from CDCR's budget to a new Control Section 3.93 in the budget.
- Approved supplemental report language to ensure quarterly reporting on actions and savings related to the workforce cap for 2011-12.
- Approved the Governor's proposal to realign existing budget authority among various CDCR budget programs to more closely align with operations. This action resulted in not net costs.
- Approved the Governor's proposal to add new items to the budget bill to reschedule contract bed funding and allow the Administration to clearly schedule savings resulting from realignment to the appropriate program area.
- Approved the Governor's proposal to abolish 1,019.7 unfunded positions. The unfunded positions are a result of various position reduction drills in which position authority was reduced but not taken from the CDCR in the formal budget process.
- Approved trailer bill language to establish a new Board of State and Community Corrections separate from CDCR that will help guide the state and local governments through realignment and provide ongoing leadership in the area of criminal justice policy. The creation of this new board will result in the termination of the Corrections Standards Authority currently within CDCR.

Infrastructure Highlights

- Reverted \$8 million from the balance of the GF appropriation for prison infrastructure projects authorized under Chapter 7, Statutes of 2007 (AB 900, Solorio). This action created \$8 million in GF savings.
- Approved the Governor's proposal to put the Northern California Reentry Facility on warm shutdown pending further analysis of prison capacity needs in light of the 2011 Realignment proposals. Reduced the requested funding level by \$1 million as a technical adjustment to reflect existing funding authority for the facility.
- Approved the Governor's proposal for \$2.7 million GF in 2011-12 (growing to \$42 million in 2012-13) to support the pre-activation, activation, and ongoing operation of the new Estrella Correctional Facility (Paso Robles).
- Approved the Governor's proposal for \$15.3 million from lease-revenue authority for completion of the central kitchen replacement project at the California Men's Colony (San Luis Obispo).
- Approved Governor's proposal for \$19.2 million GF to repay a loan provided to CDCR from the Pooled Money Investment Board, which funded the San Quentin Condemned Inmate Complex project. In addition, a \$1.3 million General Fund loan plus any accrued interest will be forgiven. These actions were necessary because the Administration has terminated the project.
- Approved Governor's proposal to reappropriate \$471,000 General Fund for two CDCR capital outlay projects, (1) California Men's Colony, San Luis Obispo: Central Kitchen Replacement (\$258,000), and (2) Correctional Training Facility, Soledad: Solid Cell Fronts (\$213,000).

0552 OFFICE OF THE INSPECTOR GENERAL

- Reduced by \$7.7 million GF based on the elimination of peace officer status OIG personnel and reducing the OIG's investigative workload. Converted 26 positions currently classified as peace officers to non-peace officer classifications and added budget bill language that allows the OIG to provide subsequent justification for continuing a limited number of peace officer positions at the department. Also approved TBL to narrow the duties of the OIG to: (1) the existing functions of the Bureau of Independent Review; (2) reviews requested by the Governor, Senate Rules Committee, or the Speaker of the Assembly; and (3) conducting medical inspections, consistent with the current medical inspection program conducted by the office. *The Governor vetoed the funding sustained in the budget by \$1.2 million related to special reviews, audits, and investigations. The Governor indicates these reviews could be handled internally at CDCR.*
- Please also see the Reducing State Government Section of this report for additional budgetary actions related to the OIG.

JUDICIARY

0250 JUDICIAL BRANCH

- Approved Governor's proposal to reduce the GF appropriation to the Judicial Branch by \$200 million ongoing. In order to offset the operational impact of this reduction to the trial courts in the budget year, the Legislature approved the following:
 - Allocated \$22.6 million of the reduction to state operations and local assistance.
 - Authorized a one-time transfer of \$130 million from two trial court construction fund balances – State Court Facilities Construction Fund (SCFCF) and Immediate and Critical Needs Account (ICNA) – with the specific amounts transferred from each fund to be determined by the Judicial Council.
 - Reduction of \$20 million from the program for facility modifications with \$10 million each from the SCFCF and ICNA.
 - Transferred \$20 million from the Judicial Administration Efficiency and Modernization Fund.
 - Redirected \$10 million from the Court Case Management System.
 - Adopted budget bill language specifying intent that these transfers and redirections, along with any other available court funding, including local reserves, be used to prevent court closures or reductions in court service hours. However, the additional reductions subsequently made may prevent this from occurring.
- Reduced trial court funding by \$150 million GF and provided budget bill language that allows the AOC to transfer funding from various other items within the judiciary's budget to offset the impact to trial courts.
- Approved Governor's proposal to reduce the Judicial Branch budget by \$17 million GF by not implementing the Conservatorship and Guardianship Act of 2006. Approved trailer bill language stating that provisions of the Act are not required to be implemented unless an appropriation is provided for that purpose.
- Approved all budget requests to provide funding for courthouse construction projects. These actions provided funding for projects needing approval of the next phase of design and construction to begin in the budget year. Specifically, this included courthouse projects in the following counties: Butte, Fresno, Imperial, Kern, Kings, Lake, Merced, Monterey, Riverside, Sacramento, San Diego, San Joaquin, Santa Clara, Shasta, Siskiyou, Sutter, Tehama, Tuolumne, and Yolo.

- Approved Governor's proposal to reappropriate lease revenue, Immediate and Critical Needs Account, and State Court Facilities Construction Fund funding for eight capital outlay projects; Madera, Stockton, Fairfield, Hollister, San Andreas, Riverside, San Bernardino, Porterville.
- Transferred \$310.3 million from the Immediate and Critical Needs Account to the GF.
- Approved Governor's proposed \$350 million loan from the SCFCF to the GF, to be repaid with interest within three years.
- Approved Governor's proposed \$90 million loan from the ICNA to the GF, to be repaid with interest.
- Approved trailer bill language extending the sunset on a previously enacted \$10 increase in the court security fee from 2011 to 2013. In addition, this fee was converted to a general court operations fee.
- Approved Governor's budget bill language to support the implementation of the Civil Representation Pilot Program, authorized under Chapter 457, Statutes of 2009 (AB 590, Feuer). The language further authorizes up to \$500,000 to be retained for administrative activities by the Administrative Office of the Courts.
- Approved Governor's proposal to adjust the Court Facilities Trust Fund by \$8.2 million (\$3.1 million reimbursement authority) to reflect the additional amount of funding coming from counties related to supporting the ongoing operations and maintenance of court facilities transferred to state responsibility.
- Denied the Governor's proposed budget bill language authorizing the Judicial Branch to submit a deficiency request to address a shortfall in the Courts of Appeal Court Appointed Counsel Program should a deficiency occur in 2011-12. The language would also have allowed the Branch to accrue current-year claims when the appropriated funding is insufficient.
- Approved trailer bill language requiring the Administrative Office of the Courts (AOC) to retain an independent consultant to complete an assessment of the Court Case Management System, an information technology project designed to provide a statewide consolidated information system for the courts. The trailer bill language also requires that the assessment be completed prior to acceptance of the product from the vendor and prior to its deployment to any courts. The language also requires the AOC to work with its vendor to ensure that any flaws or defects identified in the independent assessment are addressed during the products warranty period.
- Approved trailer bill language creating a new part of the Public Contract Code requiring the Judicial Branch to comply with provisions of the Public Contract Code that apply to state agencies and departments related to the procurement of goods and services, including information technology goods and services. The trailer bill exempts from this requirement procurements related to trial court construction. The trailer bill further exempts the Judicial Branch from state oversight by the Department of General Services or the State Technology Agency, except as otherwise required under state law, and it requires the Judicial Council to

adopt a Judicial Branch Contracting Manual. It also requires regular reporting by the Judicial Branch, regular auditing by the Bureau of State Audits, and an analysis by the Legislative Analyst's Office comparing Judicial Branch contracting practices, timeliness, and costs for construction projects with those managed by the Department of General Services.

- Approved the Governor's proposal to reduce the administrative costs associated with the Community Corrections Performance Incentive Program to reflect actual expenditures. This reduced funding for the courts by \$1.2 million GF.
- Approved a shift of \$496.4 million from the GF to the 2011 Local Revenue Fund as part of the 2011 Public Safety Realignment plan related to realigning funding for trial court security. See the Realignment section of this update for mandates.
- Provided \$41.8 million GF to support the revocation workload that the courts will be assuming as part of the 2011 Public Safety Realignment. *The Governor vetoed \$22.9 million because the courts' assumption of revocation hearing responsibilities have been delayed. Additionally, the Governor vetoed budget bill language (BBL) that would require the Judicial Branch to provide a report to the Legislature related to the 2011 Public Safety Realignment because there would not be sufficient data due to the delay and vetoed BBL requiring any unspent resources for this purpose revert to the GF, because it is unnecessary.*

0280 COMMISSION ON JUDICIAL PERFORMANCE

- Approved as budgeted.

0390 CONTRIBUTIONS TO THE JUDGES' RETIREMENT SYSTEM

- Approved as budgeted.

OTHER PUBLIC SAFETY

0820 DEPARTMENT OF JUSTICE

- Approved a reduction of \$35 million GF (\$71.5 million ongoing) to support for the DOJ's Law Enforcement Division. This reduction leaves the Division with \$10 million GF for forensic labs, \$4.9 million GF for the armed prohibited persons program, and \$2 million GF for special investigations to assist the legal services division. In addition, the Division has roughly \$167 million in funding from a variety of other sources (DNA ID fund, Gambling Control Fund, Dealer's Record of Sale Account, Gambling Control Fund, Federal Trust).
- Approved Governor's proposal to shift GF departments to a system where they are billed for legal services provided by DOJ. Currently, DOJ provides these services to GF client departments utilizing a direct GF appropriation. The budget reduced DOJ's GF appropriation by \$50.1 million, allocated that funding to other state departments, and increased DOJ's Legal Services Revolving Fund appropriation by \$53.7 million in order to effectuate this change.
- Approved Governor's proposal to loan a total of \$47.1 million to the GF from special funds administered by DOJ - the Fingerprint Fees Account (\$24 million), Dealers' Record of Sale Special Account (\$11.5 million), Firearms Safety and Enforcement Special Fund (\$4.9 million), Missing Person DNA Data Base Fund (\$4 million), and Registry of Charitable Trusts Fund (\$2.7 million).
- Approved the Governor's proposal for \$14.1 million GF to support DOJ forensic crime laboratories by: 1) transferring \$10 million (ongoing) to the DNA Identification Fund and, 2) providing \$4.1 million to support lease-related costs currently funded from the DNA Identification Fund. In addition, approved trailer bill language to increase the priority with which the penalty assessment revenue deposited in the DNA Identification Fund is collected. Also approved budget bill language authorizing the Department of Finance to reduce the amount of the General Fund transferred based on revenues and to require the DOJ to conduct a zero based analysis of program costs and report those findings to the Administration and the Legislature.
- Approved budget bill language to facilitate the transfer of \$20 million from the False Claims Act Fund to the GF.
- technology upgrades necessary to process delinquency fees for late renewals of gambling licenses based on authority provided in AB 2596 (Portantino, Chapter 553, Statutes of 2010). The administration requested to withdraw the proposal, citing the ability of the department to absorb this workload with existing resources.

- Rejected the Governor's proposal for one position and \$104,000 from the California Bingo Fund to address workload associated with the California Remote Caller Bingo Act.
- Approve the Governor's proposal to loan \$19 million from the Gambling Control Fund to the GF.
- Approved trailer bill language providing an extension for counties to submit reports related to the use of Indian Gaming Special Distribution Fund grants provided for mitigation purposes.

1870 CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

- Approved Governor's proposal to reduce Restitution Fund expenditures by \$5.8 million and increase Federal Fund authority by \$500,000 in order to bring the Restitution Fund into solvency in 2011-12. Changes to achieve solvency include reducing operating expenditures, limiting the growth in claim payments by reducing the rate of reimbursement for mental health interns, shifting some claim payment expenditures to federal funds, reducing claims processing and restitution specialist contracts, and reducing the baseline budget for the county rebate program to more closely align with actual expenditures.

8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

- Approved as budgeted.

8140 STATE PUBLIC DEFENDER

- Approved as budgeted.

LOCAL PUBLIC SAFETY GRANT PROGRAMS

- Approved Governor's proposal to shift a total of \$490 million in local public safety grant programs to the 2011 Local Revenue Fund as part of the 2011 Public Safety Realignment plan. There are a total of 15 programs funded through this realignment, including the Citizens Options for Public Safety (COPS) program, the Juvenile Justice Crime Prevention Act (JJCPA) program, the Juvenile Camps and Probation Funding programs, and booking fees.

OTHER

0855 GAMBLING CONTROL COMMISSION

Rejected Governor's request for \$45,000 from the Gambling Control Fund for information.

1690 ALFRED E. ALQUIST SEISMIC SAFETY COMMISSION

- Approved as budgeted.

8550 CALIFORNIA HORSE RACING BOARD

- Approved as budgeted.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Approved as budgeted.
- *Please also see the Reducing State Government section of this report for additional budgetary actions related to the Labor and Workforce Development Agency.*

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved an increase of \$319.5 million GF to make the first interest payment due to the federal government for the quarterly loans the EDD has been obtaining from the federal government since January 2009 to cover the Unemployment Insurance (UI) fund deficit. To offset this GF expenditure, also approved a transfer from the Disability Insurance (DI) Fund to the GF, resulting in no net GF cost in 2011-12. Finally, approved budget provisional language requiring that the loan from the DI Fund to the GF be repaid by the GF with interest over the next four years.
- With regard to the Workforce Investment Act (WIA) Program (Federal Funds):
 - Approved and accepted several adjustments to the WIA Program, including a decrease of \$625,000 in Special Grants and \$847,000 in WIA Administration and Program Services; and
 - Approved budget provisional language to authorize 2011-12 expenditures on federally mandated WIA activities only, and postpone further expenditure of WIA Discretionary Funds until the Administration submits a detailed expenditure plan of available federal funds to the Joint Legislative Budget Committee on or about September 1, 2011. This action was taken due to the current financial uncertainties regarding the amount of federal WIA funding available in 2011-12.
- Approved \$21.9 million (\$19.5 million GF and various special funds) and 49.3 positions to fund year six of the Automated Collection Enhancement System (ACES), an information technology project intended to improve EDD's ability to track, collect, and audit the payment of employer payroll taxes, including UI and personal income taxes. This request also includes a reduction of 18 baseline positions for support of the Tax Accounting System (TAS) that will no longer be needed post implementation of ACES. ACES went "live" as planned on January 18, 2011.
- Approved a one-time augmentation of \$38.9 million (Disability Insurance Fund) to fund 16.1 new positions and 47 existing positions for the DIA Project. The resources will be used to continue the design, development, and implementation phase of the DIA project. Initially funded in the 2006 Budget, the DIA project 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.

- Approved the resources necessary to provide continued support for the final year of development of the Single Client Database (SCDB) and Alternate Base Period (ABP) Unemployment Insurance (UI) modernization projects. In addition, approved proposed trailer bill language to extend the implementation date for the ABP from September 3, 2011, to April 2, 2012. The chart below details the approved resources for these two projects:

FL #	Title/Description	Positions	Fund Detail
FL 1	Single Client Database (SCD)	22 existing positions	\$10.7 million total [<i>\$7.1 million Unemployment Fund and redirection of \$3.6 million Disability Insurance Fund</i>]
FL 2	Alternate Base Period (ABP)	26 existing positions	\$9.1 million total [<i>\$8.5 million Unemployment Fund and redirection of \$0.6 million Unemployment Administration Fund</i>]

- Approved the following for the ABP program which, when implemented in April 2012, will provide an alternate base period for individuals who do not monetarily qualify for an Unemployment Insurance (UI) claim using the current base period year by allowing workers to qualify for a UI claim by using an alternate base period based on the most recent four completed calendar quarters at the time of filing a claim:
 - For 2011-12 support costs of the ABP program approved a redirection of \$5.3 million (Unemployment Administration Fund). These resources include the programmatic costs related to implementing the APB in addition to one quarter (April 2012-June 2012) of ongoing programming costs for processing workload associated with ABP claims.
 - For 2012-13 and ongoing, approved funding of \$16.0 million (Unemployment Fund) and 165 new positions to support the ongoing administrative costs for processing the ABP workload. For 2012-13 through 2014-15, these costs will be covered by \$48 million in federal ARRA incentive funds which were set aside as part of an amendment to the 2010-11 budget, adopted in a budget trailer bill in June 2011.
- *Please also see the Reducing State Government section of this report for budgetary actions related to the Economic Strategy Panel and Governor's Commission on Employment of People with Disabilities, both of which are funded through this budget item.*

Trailer Bill Language

1. Approved trailer bill language that adopts in state statute the federal option of a three-year look-back related to determination of state eligibility for federal extended unemployment benefits (FedEd), a federally-funded emergency benefits program for states experiencing high unemployment such as California. In providing the three-year look-back option to states, the federal government acknowledged that while many states' unemployment rates are no longer increasing, their unemployment rates are also not decreasing markedly. Prior to December 2010, the look-back compared current unemployment rates to rates in the previous two years. However, in December 2010, Congress adopted legislation that, through the end of 2011, allows states to make determinations of whether there is a FedEd "on" or "off" indicator by comparing current unemployment rates to the rates for the corresponding period in the three preceding years. This modification will enable many states experiencing sustained levels of high unemployment, including California, to remain on FedEd longer thereby providing an additional cushion for UI claimants. Unless the three-year look-back modification is authorized, it is estimated that California will trigger "off" FedEd in spring 2011. The impact of such an action on UI claimants would be significant; the EDD estimates that between 263,000 and 500,000 claimants would potentially be impacted with a loss of their FedEd benefits. This figure does not include the claimants currently collecting regular California UI benefits who could be potentially eligible to file a FedEd extension if California's trigger remained "on" through the end of 2011. A rough estimate of the benefit to unemployed Californians of adopting the three-year look-back totals between \$1.0 billion to \$2.6 billion. The range is large because UI claimants could be anywhere within the benefit tiers and therefore does not clearly equate to 20 additional weeks of benefits.
2. Approved trailer bill language to reestablish the Consolidated Work Program Fund in statute. The Consolidated Work Program Fund was inadvertently eliminated in 2006 with the enactment of Chapter 630, Statutes of 2006. The Fund is necessary to administer the federal Workforce Investment Act funds the state annually receives.

7120 CALIFORNIA WORKFORCE INVESTMENT BOARD

- Approved as budgeted.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Approved the extension of one limited-term position through June 30, 2013, utilizing existing reimbursement authority to fund the \$75,000 cost of the position, for the State Mediation and Conciliation Service (SMCS). Extending the term of one position for another two years will allow the Department time to evaluate the demand for service and sustainability of the revenue stream.

PUBLIC EMPLOYMENT

9650 SUPPORT TO HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved funding of \$1.5 billion GF (\$38 million other funds) for the 2011-12 cost of health and dental benefits provided to annuitants.
- Adopted modified budget bill language in Control Section 3.90, Reduction for Employee Compensation, to allow DOF to adjust this item and Item 9800 for final 2011-12 health care rates as adopted by the CalPERS Board.
- *Please also see Control Section 4.21, Health Care Premium Savings, as that section will reduce the budgeted amount in this item by up to \$80 million GF (\$35.7 million other funds).*

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved an estimated increase in employee compensation and benefit costs of \$96.4 million GF (\$23.1 million other funds) resulting from the ratification of the final six Memoranda of Understanding (MOU) [Chapter 25, Statutes of 2011 (SB 151)]. These totals represent the incremental increase over the 2010-11 budgeted amount; the total estimated budgeted amount for active employee health and dental benefit costs in 2011-12 is \$1.1 billion GF (\$1.2 billion other funds). The incremental cost increases are predominantly the result of increased employer health care costs associated with the ratified MOUs; secondarily, the total includes comparatively minor costs related to an updated salary survey affecting the California Association of Highway Patrolmen (Bargaining Unit 5) and Judges.
- Adopted modified budget bill language in Control Section 3.90, Reduction for Employee Compensation, to allow DOF to adjust this item and Item 9650 for final 2011-12 health care rates as adopted by the CalPERS Board.
- *Please also see Control Section 4.21, Health Care Premium Savings, as that section will reduce the budgeted amount in this item by up to \$80 million GF (\$35.7 million other funds).*

CONTROL SECTIONS

3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- Approved an estimated \$2.1 billion GF (\$3.6 billion all funds) state contribution to the California Public Employees Retirement System (CalPERS), a reduction of \$51.1 million GF (\$117.3 million other funds) over the estimated 2010-11 contribution. The net changes in 2011-12 are a result of various factors that include increased employee contributions per the collective bargaining agreements ratified in 2010 and 2011, employee retirement rates below the level estimated in the Governor's January budget, and the CalPERS Board action to retain the investment rate at 7.75 percent (the Governor's January Budget assumed the rate would decrease to 7.50 percent).
- Adopted modified budget bill language to allow DOF to adjust the percentage level of the employer contribution rates to be consistent with any actions taken by the CalPERS Board after the adoption of the 2011-12 budget. These adjustments would apply to separate employer contribution rates for the California State University as well as new employer contribution rates for the remaining state member categories.
- Rejected a request to reduce the amount allocated for the 2011-12 GF expenses under this Control Section by up to \$69.2 million to recapture what the DOF identified as an over-allocation of funds to the California State University (CSU) system in 2009-10. Instead, adopted new language to express legislative intent that an improved process be developed for CSU to more accurately adjust the CSU's appropriation amounts for employer pension contributions beginning in the 2011-12 fiscal year. The language requires DOF to submit a brief description of the revised process to the Chairperson of the Joint Legislative Budget Committee and the Chancellor of the CSU on or before January 10, 2012.

3.90 REDUCTION FOR EMPLOYEE COMPENSATION

- Reduced each item of appropriation in the 2010-11 budget, except those items for CSU, UC, Hastings College of the Law, the Legislature, and the Judicial Branch, as appropriate, to reflect reductions in employee compensation achieved through collective bargaining agreements ratified in 2010 and 2011, which includes the 12-month, one-day-per-month, unpaid personal leave program, and a reduction for nonrepresented employees (utilizing existing authority of the administration to adjust compensation for nonrepresented employees) in total amounts of \$288.3 million GF (\$192.5 million other funds). DOF is required to make the necessary reductions to achieve the identified savings. Included in this total is:

- An increase of \$9.7 million GF to authorize a reduction of department budgets as a result of the elimination of the Peace Officers' and Firefighters' Defined Contribution Plan (PO/FF II) retirement benefit for excluded employees, including supervisors and managers, affiliated with Bargaining Unit 6 (California Correctional Peace Officers Association - CCPOA). Chapter 25, Statutes of 2011 (SB 151), ratified the new contract between the CCPOA and the state which, among others, eliminated the PO/FF II benefit. Consistent with Chapter 25, this action makes the necessary technical adjustments to reduce department budgets to account for excluded employees affiliated with CCPOA no longer receiving the PO/FF II retirement benefit.
- Adopted modified budget bill language to allow DOF to adjust Items 9650 and 9800 pursuant to the health rates adopted by the CalPERS Board of Administration for 2011-12 fiscal year and Control Section 4.21, as appropriate.

4.21 HEALTH CARE PREMIUM SAVINGS

- Approved a new budget control section requiring the CalPERS to: (1) achieve savings totaling \$80 million GF and \$35.7 million other funds in the 2011-12 Health Benefits Program and, (2) beginning in 2012-13, achieve an equivalent amount of ongoing savings in the Health Benefits Program based on the core health care option and/or other cost saving measures. Under the control section, CalPERS is required to notify the Joint Legislative Budget Committee and DOF before October 10, 2011, that the savings have been achieved as well as their source. These savings will be apportioned between Items 9650 and 9800 (both discussed further above).

Trailer Bill Language:

1. Approved trailer bill language to require CalPERS to negotiate with health benefit plans to add a core health care plan option to the existing portfolio of health plans and/or implement other measures to achieve ongoing savings in the Health Benefit Program beginning in 2012-13. A "core health" plan is defined as: (a) a plan that provides coverage for essential benefits at lower premiums, for both the state and the employee, than existing benefit plan options; and (b) that may include fewer benefits and higher employee cost sharing than those provided in existing health benefit plan options.

GOVERNOR'S VETOES

SB 87, CHAPTER 33
VETOES

State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 87.

Item 0250-101-0932—For local assistance, Judicial Branch, payable from the Trial Court Trust Fund. I reduce this item from \$2,915,501,000 to \$2,892,629,000 by reducing:

- (1) 45.10-Support for Operation of Trial Courts from \$1,991,184,000 to \$1,969,663,000, and
- (2) 45.15-Trial Court Security from \$497,780,000 to \$496,429,000.

I am reducing this item to conform to the action I have taken in Item 0250-111-0001.

Item 0250-111-0001—For transfer by the Controller to the Trial Court Trust Fund. I reduce this item from \$1,316,997,000 to \$1,294,125,000 and delete Provisions 1 and 2.

I am reducing this item by \$22,872,000 because the trial courts' assumption of revocation-hearing responsibilities under AB 109 (Chapter 15, Statutes of 2011) is being delayed.

I am deleting Provision 1, which would require the Judicial Branch to provide a report to the Legislature related to the AB 109. There would not be sufficient data for the Judicial Branch to include in this report because the trial courts' assumption of responsibilities is being delayed. However, because the Judicial Branch will need to track this information to determine the appropriate geographical allocation for these resources, I am requesting that the Judicial Branch provide as much information as possible. I am deleting Provision 2, which would require any unspent resources for this purpose to revert to the General Fund, because it is unnecessary.

Item 0510-001-0001—For support of Secretary of State and Consumer Services. I reduce this item from \$1,038,000 to \$793,000 by reducing:

- (1) Support from \$2,466,000 to \$2,036,000, and
- (3) Amount payable from the Central Services Cost Recovery Fund (Item 0510-001-9740) from -\$786,000 to -\$601,000.

I am reducing this item by \$245,000. This reduction to the Office of Privacy Protection is necessary to bring ongoing expenditures in line with available 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 reduce this item from \$786,000 to \$601,000.

I am reducing this item by \$185,000 to be consistent with the action I have taken in Item 0510-001-0001.

Item 0552-001-0001—For support of the Office of the Inspector General. I reduce this item from \$21,769,000 to \$20,619,000 by reducing:

- (1) 10-Office of the Inspector General from \$21,769,000 to \$20,619,000.

I am reducing this appropriation by \$1,150,000 to reflect a reduction to the Office of the Inspector General's (OIG) special reviews, audits, and investigations. This action will provide the minimum amount of resources necessary to meet the OIG's statutory requirements. The California Department of Corrections and Rehabilitation's Office of Audits and Compliance will continue to conduct internal audits and investigations to ensure compliance with state and federal guidelines, departmental policies, and court mandates. Continuing to fund the OIG for these functions already being performed by the Department would be an unnecessary use of scarce General Fund resources.

Additionally, this action will allow the Inspector General to continue to conduct warden vettings, medical inspections, and use of force reviews at existing levels.

Item 1100-001-0001—For support of California Science Center. I revise this item by deleting Provision 3.

I am deleting Provision 3 because it eliminates funding for positions within the Office of Exposition Park Management, including the Exposition Park Manager required by Section 4108 of the Food and Agricultural Code and necessary security positions.

Item 1730-004-0001—For support of Franchise Tax Board. I delete this item and Provision 1.

I am deleting this item, which confers authority to enter into a contract for the development of a transfer pricing audit program, because this authority is unnecessary. The Internal Revenue Service has undertaken a significant amount of work of this nature and a separate state effort would likely be duplicative.

Item 2240-001-0001—For support of Department of Housing and Community Development. I delete Provision 1.

I am deleting Provision 1, which directs the Department to use \$158,000 for redevelopment agency oversight and housing preservation technical assistance. The \$158,000 referenced in this provision is no longer accurate. As part of the reductions to achieve administrative efficiencies pursuant to Control Section 3.91, \$123,000 for redevelopment oversight will be reduced, which will leave \$35,000 for the housing preservation activities. Additionally, I am deleting Provision 1 because it is unnecessary to direct the Department to expend funds for an ongoing program.

Item 2240-001-0648—For support of Department of Housing and Community Development. I revise this item by reducing:

- (3) 30-Housing Policy Development Program from \$3,711,000 to \$2,711,000,
- (20) Amount payable from the Building Equity and Growth in Neighborhoods Fund (Item 2240-001-6038) from -\$1,295,000 to -\$295,000,

and delete Provision 3.

I am reducing this appropriation because bond funding is not an appropriate or legal funding source to support on an ongoing basis the Regional Housing Needs Assessment process and housing element review.

Item 2240-001-6038—For support of the Department of Housing and Community Development. I reduce this item from \$1,295,000 to \$295,000.

I am reducing this item by \$1,000,000 to conform to the action I have taken in Item 2240-001-0648.

Item 2660-001-0042—For support of Department of Transportation, payable from the State Highway Account, State Transportation Fund. I reduce this item from \$2,722,594,000 to \$2,716,186,000 by reducing:

(9) 40-Transportation Planning from \$114,454,000 to \$108,046,000.

I am reducing this item by \$6,408,000 to reduce personnel years by 47.5. State funds should be reserved to fund state projects and not to subsidize locally funded projects on the state highway system.

Item 2660-104-6043—For local assistance, Department of Transportation. I reduce this item from \$154,261,000 to \$7,000,000 by reducing:

(1) 30.10-Mass Transportation from \$154,261,000 to \$7,000,000.

While I am sustaining \$7,000,000 to fund positive train control safety projects in various local rail corridors, I am reducing this item by \$147,261,000. These funds are available from Proposition 1A bond proceeds to enhance local transit lines as feeder routes to the high-speed rail system. The High-Speed Rail Authority (Authority), the Department of Transportation (Caltrans), and local jurisdictions should work together to develop a comprehensive statewide rail plan. The projects identified for funding by Caltrans and the California Transportation Commission appear unrelated to the high-speed rail project or an integrated rail plan. As plans for the high speed route are further developed, the Authority should work with local agencies to build mutually beneficial projects.

Item 2660-304-6043—For capital outlay, Department of Transportation. I reduce this item from \$108,110,000 to \$20,810,000 by reducing:

(1) 30.10-Mass Transportation from \$108,110,000 to \$20,810,000.

While I am sustaining \$20,810,000 to fund positive train control safety projects on various state intercity rail corridors, I am reducing this item by \$87,300,000, consistent with the action taken in Item 2660-104-6043.

Item 2665-004-6043—For support of High-Speed Rail Authority. I reduce this item from \$17,682,000 to \$16,582,000 by reducing:

(4) 40-Fiscal and Other External Contracts from \$3,100,000 to \$2,000,000.

I am reducing this item by \$1,100,000 which would provide funding for the High-Speed Rail Authority's Memorandum of Understanding with the Peninsula Corridors Joint Powers Board (Caltrain). Workload associated with Caltrain should be charged to Schedule (1) of Items 2665-305-6043 and 2665-305-0890. These items have a combined appropriation of \$48,710,000 (\$8,308,000 for the San Francisco-San Jose segment) and an anticipated carryover of approximately \$36.8 million (\$4.4 million for the San Francisco-San Jose segment) from 2010-11 for design. If necessary, the High-Speed Rail Authority can seek an augmentation from the Public Works Board for additional capital outlay funding.

Item 3500-001-0133—For support of Department of Resources Recycling and Recovery. I revise this item by deleting Provision 2.

I am deleting Provision 2, which would require the Department of Resources Recycling and Recovery to conduct monthly work group meetings with legislative staff and the Legislative Analyst's Office. The list of issues the Legislature has identified for discussion relates to administrative and operating issues. This provision is unnecessarily burdensome.

Item 3540-001-0001—For support of Department of Forestry and Fire Protection. I revise this item by deleting Provision 6.

I am deleting Provision 6, which would require the Department of Forestry and Fire Protection (CAL FIRE) to contract for an independent analysis of wildland firefighting costs as compared to other western states. While this analysis could provide useful information to the wildland firefighting working group, the provisional language would impose an additional unfunded cost to CAL FIRE without regard to the availability of funds. In an effort to minimize state costs, I am asking CAL FIRE to gather as much useful information as possible within existing resources.

Item 3600-001-0001—For support of Department of Fish and Game. I revise this item by reducing:

- (3) 30-Management of Department Lands and Facilities from \$64,948,000 to \$64,448,000,
- (21) Amount payable from the Hatchery and Inland Fisheries Fund (Item 3600-001-3103) from -\$24,718,000 to -\$24,218,000,

and by deleting Provision 3.

I am revising this item to conform to the action I have taken in Item 3600-001-3103.

I am deleting Provision 3, which would prohibit the Department of Fish and Game from using funds appropriated in this item for suction-dredge regulation, permitting, or other activities, except enforcement and litigation costs. This provision would prohibit the Department from completing a court-ordered Environmental Impact Report regarding the impacts of suction dredge mining on Coho salmon and other threatened or endangered species. While I am vetoing this language to ensure the Department is not in violation of the court order, I direct the Secretary of Resources to examine the program and associated policies before restarting the permit process.

Item 3600-001-3103—For support of Department of Fish and Game. I reduce this item from \$24,718,000 to \$24,218,000 for the Heritage and Wild Trout Program and delete Provisions 1 through 3.

I am reducing this item by \$500,000 because these funds are unnecessary. The Department of Fish and Game already dedicates \$2 million annually to the Heritage and Wild Trout Program as specified by Chapter 689, Statutes of 2005 (AB 7).

I am also deleting Provisions 1 through 3, which directs funding from the Hatchery and Inland Fisheries Fund for timber harvest plan review, state forestry nurseries, and the Heritage and Wild Trout Program. Federal law prohibits hunting and fishing license revenue from being diverted for other purposes. Consequently, these provisions could put federal funds at risk, potentially resulting in a loss of approximately \$30 million.

Item 3790-001-0392—For support of Department of Parks and Recreation. I revise this item by deleting Provision 7.

I am vetoing Provision 7 because it would prohibit the Department of Parks and Recreation from entering into a new concession agreement prior to legislative approval. Existing law authorizes the Department to enter into a new concession agreement through a competitive bid process. Therefore, I believe this Provision interferes with the existing state competitive bidding process.

Item 3860-001-0001—For support of Department of Water Resources. I revise this item by deleting Provision 4.

I am deleting Provision 4, which would prohibit new positions, dedicated for implementation of Biological Opinions, from participating in any study or analysis supporting legal challenges to the U.S. Fish and Wildlife Service and the National Marine Fisheries Service. This provisional language is ill advised because it would effectively preclude any revisions to existing Biological Opinions based on additional scientific information gathered from subsequent environmental studies.

Item 3960-001-0001—For support of Department of Toxic Substances Control. I revise this item by deleting subsection (b) of Provision 1. These changes are technical in nature in order to conform to Item 3960-001-0014.

“1. The Director of Toxic Substances Control may expend from this item: ~~(a)~~ \$12,052,000 for the following activities at the federal Stringfellow Superfund site: (1) operation and maintenance of pretreatment plants to treat contaminated groundwater extracted from the site, (2) site maintenance and groundwater monitoring, and (3) implementation of work to stabilize the site; and ~~(b)~~ \$802,000 for the operation of the Illegal Drug Laboratory Removal Program.”

Item 4260-101-0001—For local assistance, Department of Health Care Services. I delete Provision 13.

I am sustaining the \$60 million General Fund augmentation to be used by the Department of Health Care Services to transition current beneficiaries of the Adult Day Health Care program to other appropriate services. As part of the transition, the Department of Health Care Services will work with the Legislature to assess the needs of the population to determine to what extent additional services are needed during and after the transition. This may include seeking federal waiver services and developing alternative funding arrangements to preserve services at existing centers. The provision of any additional ongoing services after the transition must consider other existing home and community based services; ensuring that the services provided complement those of other programs; that no duplication of services occurs; and, that

the state is taking a coordinated and integrated approach to providing services that reduce Medi-Cal beneficiaries' risk of institutionalization. While I am sustaining the funding, I am deleting Provision 13 because it requires a specified spending level for the program that does not consider other services available to these individuals that preserve their ability to remain in the community.

Item 5225-001-0001—For support of Department of Corrections and Rehabilitation. I revise this Item by deleting Provision 9.

I am deleting Provision 9, which would restrict the California Department of Corrections and Rehabilitation (CDCR) from implementing further reductions to its rehabilitative programs than those already included in this budget for fiscal year 2011-12. Although I support efforts to rehabilitate inmates and parolees, and sustained a \$49,000,000 augmentation in funding for these services, I am deleting this language as it could restrict CDCR's efforts to achieve sufficient savings related to the realignment of lower level adult offenders to local jurisdictions.

Item 5225-002-0001—For support of the Department of Corrections and Rehabilitation. I reduce this item from \$2,359,379,000 to \$2,358,776,000 by reducing:

- (2) 25-Adult Corrections and Rehabilitation Operations—General Security from \$282,266,000 to \$282,086,000, and
- (5) 50.30-Mental Health Services—Adult from \$385,157,000 to \$384,734,000.

This technical veto reduces this item by \$603,000 to conform with the Legislature's intent.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$34,779,000 to \$34,456,000 by reducing:

- (2) 20-Instructional Support from \$138,943,000 to \$136,496,000, and
- (9) Amount payable from Federal Trust Fund (6110-001-0890) from -\$151,689,000 to -\$149,565,000.

I am reducing the legislative augmentation of \$734,000 General Fund for workload in the Charter Schools Division by \$323,000 General Fund. With this reduction, \$411,000 in augmented funding remains to provide additional support for 1.0 Staff Counsel, 1.5 Education Fiscal Consultants, and 1.0 Education Program Consultant to be redirected from within the Department of Education to the Charter Schools Division. This level of support will ensure that core functions of the division are accomplished and will encourage the Department to identify efficiencies and streamline processes.

I am also revising this item to conform to the actions taken in the 6110-001-0890.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$151,689,000 to \$149,565,000.

I am reducing this item by \$2,124,000 federal Title II and federal Institute of Education Sciences grant funds, and 3.0 limited-term positions to eliminate funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). These reductions are necessary to avoid the development of a costly technology program that is not critical.

I am deleting Provision 29 to conform to this action.

Item 6360-001-0408—For support of Commission on Teacher Credentialing. I reduce this item from \$4,779,000 to \$4,695,000 by reducing:

(1) 10-Standards for Preparation and Licensing of Teachers from \$4,929,000 to \$4,695,000, and by deleting

(2) Reimbursements (-\$150,000)

and by deleting Provisions 5 and 6.

I am reducing this item by \$84,000 Test Development and Administration Account, Teacher Credentialing Fund, \$150,000 Reimbursements, and 2.5 limited-term positions to eliminate funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). These reductions are necessary to avoid the development of a costly technology program that is not critical.

I am deleting Provisions 5 and 6 to conform to this action.

Item 6420-001-0001—For support of California Postsecondary Education Commission. I reduce this item from \$1,927,000 to \$0 by reducing:

(1) 100000-Personal Services from \$1,893,000 to \$194,000,

(2) 300000-Operating Expenses and Equipment from \$482,000 to \$253,000;

and by deleting:

(3) Reimbursements (\$-1,000)

and by deleting Provision 1.

I am vetoing the California Postsecondary Education Commission's (CPEC) \$1.9 million General Fund appropriation, and 19.1 positions. While I appreciate the importance of coordinating and guiding state higher education policy, I believe CPEC has been ineffective. I am requesting that the state's three public higher education segments, along with other higher education stakeholders, explore alternative ways to more effectively improve coordination and development of higher education policy. CPEC would continue to administer a component of the federal Improving Teacher Quality Grants Program in 2011-12. This action is consistent with my actions to reduce the cost of state operations and the size of state government through eliminations, consolidations, reductions, and efficiencies.

I am deleting Provision 1 to conform to this action.

Item 8660-001-0462—For support of California Public Utilities Commission. I delete Provision 2.

I am deleting Provision 2 prohibiting the California Public Utilities Commission (PUC) from using any funds for regulatory, statutory, or rulemaking processes related to distributed generation. This provision would prevent the Commission from implementing existing authorized renewable distributed generation programs and would preclude the PUC from working on a host of initiatives directly related to my Clean Energy Plan.

Item 8820-001-0001—For support of Commission on the Status of Women. I reduce this item from \$465,000 to \$265,000 by reducing:

(1) 10-Administration, Legislation, Research and Information from \$467,000 to \$267,000.

I am reducing this item by \$200,000 to help bring ongoing expenditures in line with existing resources. Given our constrained state resources, this reduction reflects the need for government to focus on its core functions. While the statutory goals of the Commission are worthy, I continue to believe there are other formal and informal venues for policy development and advocacy that do not require General Fund expenditures.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 87.

EDMUND G. BROWN JR.

FINAL
DEPARTMENT OF FINANCE
SOLUTIONS LIST

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total
Expenditure Reductions				
1	0250 Repeal Court Conservatorship Program	0.0	17.4	17.4
2	0250 Retirement and Health Benefit Cost for Court Employees	24.9	0.0	24.9
3	0250 Unallocated Reduction to the Courts	0.0	200.0	200.0
4	0250 Reduce Courts Funding	0.0	150.0	150.0
5	0250 Pause Court Construction Projects	0.0	310.3	310.3
6	0250 Excess Property Taxes at County Offices of Education	0.0	41.0	41.0
7	0500 25 Percent Reduction to Governor's Office	0.0	3.7	3.7
8	0520 Eliminate General Fund for Small Business Loan Programs	20.0	0.9	20.9
9	0552 OIG -- Eliminate Peace Officer Status for Specified Positions	0.0	3.4	3.4
10	0690 Reductions to Cal EMA	0.0	2.5	2.5
11	0690 Reduction to California Disaster Assistance Act Payments	0.0	20.0	20.0
12	0690 Eliminate Funding for Public Safety operations at Cal EMA and DOJ	0.0	2.0	2.0
13	0730 Reduction to Transition Budget for Governor Elect	0.7	0.0	0.7
14	0820 Eliminate General Fund Support for the Department of Justice Law Enforcement Program -- Preserve forensic and DNA lab funds, BII Legal Services Investigators, and the Armed and Prohibited Persons System.	0.0	35.6	35.6
15	0840 SCO's Local Gov't Oversight Initiative May Revision Finance Letter	0.0	1.4	1.4
16	1100 Unallocated Reduction to the California Science Center	0.0	1.7	1.7
17	1920 STRS -- Reduced Contribution Requirement	0.0	35.5	35.5
18	2740 Redirect MVLF for Administration	0.0	(300)	(300)
19	2740 Redirect MVLF for Cities	0.0	(105.6)	(105.6)
20	2740 Redirect MVLF for Orange County	0.0	(47.8)	(47.8)
21	2830 Use Transportation Weight Fees to Pay Debt Service	352.7	777.5	1,130.2

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total
22	3540 Eliminate Funding for CAL FIRE's 4th Firefighter	3.6	30.7	34.3
23	3540 Risk-Based Reduction to CAL FIRE's Fire Protection Program	0.0	12.8	12.8
24	3790 Reduction to State Parks	0.0	11.0	11.0
25	3860 Shift DWR Delta Levee, Maintenance, and Floodplain Mapping Programs to Proposition 1E	0.0	16.0	16.0
26	3940 Water Quality Fees: Total Maximum Daily Load	0.0	11.5	11.5
27	3940 Water Board Fee Fund Shifts	0.0	12.8	12.8
28	3960 Clandestine Drug Labs Fund Shift	0.0	0.8	0.8
29	4140 Shift Funding for Song-Brown Primary Care Practitioner Training	0.0	5.0	5.0
30	4170 Reduce the Multipurpose Senior Service Program Optional Benefit in Aging	0.0	2.5	2.5
31	4260 Medi-Cal Managed Care Tax	89.9	0.0	89.9
32	4260 Medi-Cal -- Eliminate Over-the-Counter cough and cold medicines as a Medi-Cal benefit (Adults).	0.0	2.1	2.1
33	4260 Medi-Cal -- Limit Nutritional Supplements (Adults).	0.0	13.8	13.8
34	4260 Medi-Cal -- Hard Cap on Hearing Aids at 90th Percentile (Adults).	0.0	0.3	0.3
35	4260 Medi-Cal -- Hard Cap on Physician and Clinic Visits at 10/year. Conference adopted a soft cap at 7 visits/year.	0.0	41.0	41.0
36	4260 Medi-Cal -- \$5 Copayment for Physician and Clinic Visits.	0.0	129.4	129.4
37	4260 Medi-Cal -- \$5 Copayment for Dental Office Visits.	2.3	27.9	30.2
38	4260 Medi-Cal -- Pharmacy Copayments (\$3/\$5)	0.0	128.4	128.4
39	4260 Medi-Cal -- \$50 Copayment for Nonemergency ER Visits.	0.0	63.5	63.5
40	4260 Medi-Cal -- \$50 Copayment for Emergency ER Visits.	0.0	33.3	33.3
41	4260 Medi-Cal -- \$100 Copayment per Hospital Inpatient Day/Max \$200 per Admissions.	0.0	128.7	128.7

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total
42	4260 Medi-Cal -- Eliminate optional Adult Day Health Care services.	0.0	169.6	169.6
43	4260 Medi-Cal -- Extend the 10-Percent Payment Reductions to All Long-Term Care Facilities.	0.0	179.2	179.2
44	4260 Medi-Cal -- Reinstate previously enacted 10-percent provider payment reductions.	0.0	407.6	407.6
45	4260 Medi-Cal -- Clarified Nursing home 10% savings	0.0	36.6	36.6
46	4260 Medi-Cal -- Managed care pharmacy rates	0.0	64.0	64.0
47	4260 Medi-Cal -- Redirect Proposition 99 funds to offset General Fund in Medi-Cal	0.0	1.2	1.2
48	4260 Medi-Cal Waiver	95.2	0.0	95.2
49	4260 State Share of Inter-Governmental Transfers	0.0	34.2	34.2
50	4260 Transition Assistance for Medi-Cal Beneficiaries due to the elimination of ADHC services	0.0	-60.0	-60.0
51	4260 HIPAA Privacy Operations	0.0	-0.2	-0.2
52	4260 Shift Healthy Family Program to Medi-Cal-- Medi-Cal Unallocated Adjustment	0.0	25.0	25.0
53	4260 Medi-Cal -- Unallocated Reduction	0.0	320.0	320.0
54	4265 Reduce General Fund for Various DPH Programs	0.0	8.9	8.9
55	4280 Increase Premiums and Co-Payments and Eliminate the Vision Benefit for Healthy Families	0.0	31.0	31.0
56	4280 Medi-Cal -- Unallocated Reduction	0.0	103.3	103.3
57	4300 Developmental Services -- Developmental and Regional Center Savings Proposals (exclude DWOPs)	0.0	389.3	389.3
58	4300 Developmental Services -- Developmental and Regional Center Savings Proposals (exclude DWOPs)	0.0	177.9	177.9
59	4440 Shift Proposition 63 Funds from Community Mental Health Services to Other Mental Health Programs	0.0	861.2	861.2
60	4440 Mental Health -- Sex Offender Commitment Program (exclude DWOP)	0.0	3.8	3.8
61	4440 64-Bed Expansion at Vacaville Psychiatric Program	0.0	1.8	1.8

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total
62	4440 Unencumbered Balance of 20/20 Training Program	2.0	0.0	2.0
63	4440 DMH Legal Services	0.0	2.2	2.2
64	5175 California Child Support Automation System - Sweep reappropriation balances. (Sale leaseback replacement.)	6.3	0.0	6.3
65	5175 Delay Technology Refresh for State and Counties (Sale leaseback replacement.)	0.0	1.3	1.3
66	5180 IHSS -- Eliminate IHSS Services for Recipients without Physician Certification	0.0	67.4	67.4
67	5180 IHSS -- Community First Choice Option	0.0	128.0	128.0
68	5180 IHSS -- Medication Dispensing Proposal with Trigger	0.0	140.0	140.0
69	5180 IHSS -- Eliminate State Funding for IHSS Advisory Committees	0.0	1.5	1.5
70	5180 CalWORKs -- Reduce Mental Health/Substance Abuse and SAWS Funding	0.0	10.0	10.0
71	5180 CalWORKs -- eliminate community challenge grants	0.0	20.0	20.0
72	5180 IHSS -- Caseload Adjustment	29.5	53.7	83.2
73	5180 Denial of DWOP Restoration	0.0	1.9	1.9
74	5180 Foster Family Home (FFH) and Related Rates Increase	-0.9	-6.7	-7.5
75	5180 IHSS Federally Ineligible Providers	0.4	-0.4	0.0
76	5180 Increased Funding for IHSS Public Authority and County Administration	0.0	-7.1	-7.1
77	5180 CalWORKs -- Reduce Earned Income Disregard	0.0	83.3	83.3
78	5180 CalWORKs -- Maintain the 2010-11 County Single Allocation Reduction	0.0	412.6	412.6
79	5180 CalWORKs -- Reduce Cal Learn	0.0	43.6	43.6
80	5180 CalWORKs -- Incremental post-60-month reductions to safety net, child-only, and sanction cases	-1.6	86.3	84.8
81	5180/4300 Reduce Supplemental Security Income/State Supplementary Payment Grants for Individuals to the Federal Minimum	0.0	178.4	178.4

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total
82	5180/ 6110 CalWORKs -- Stage 1 Impact of Eliminating Child Care Services for 11- and 12-year-olds	0.0	17.3	17.3
83	5180/ 6110 CalWORKs -- Stage 1 Impact of 60% Reduction to Exempt Care	0.0	30.6	30.6
84	5180/ 7980 CalWORKs Incremental Grant Reduction (IGR)	0.0	-86.3	-86.3
85	5180/ 7980 CalWORKs Single Allocation Partial Restoration	0.0	-43.2	-43.2
86	5180/ 7980 CalWORKs Stage 1 Impact of Rescinding Previously Enacted Child Care Solutions	0.0	-17.3	-17.3
87	5180/ 7980 Suspend CWS/Web and LEADER Replacement Information Technology Projects	14.1	33.5	47.6
88	5180/ 7980 CalWORKs -- Reduce CalWORKs Grants	0.0	314.3	314.3
89	5180/ 7980 CalWORKs -- Establish Time Limit of 48 Months [Savings are net against \$135 million in costs from deleting 2009 changes]	-0.6	-32.1	-32.7
90	5180/ 7980 CalWORKs --TANF Impact of Current Year Changes	22.7	-22.7	0.0
91	5196 Realignment Program Savings	0.0	487.7	487.7
92	5225 Revision to Billable Legal Services Amount for CDCR (workload)	0.0	5.5	5.5
93	5225 CDCR Various BCP Reductions	0.0	6.9	6.9
94	5225 Adult Rehabilitation Program Cuts	0.0	150.0	150.0
95	5225 Reduction to the CDCR Receiver's Medical Services Budget	82.6	163.2	245.8
96	5225 Wasco State Prison - Eliminate funding for minor capital outlay project.	0.0	0.4	0.4
97	5225 Eliminate Funding for Ironwood State Prison: Heating, Ventilation, and Air Conditioning System, Working Drawings.	0.0	6.1	6.1
98	5225 GF in Lieu of Local Public Safety Funds -- Corrections Standards Authority State Operations	0.0	-0.3	-0.3
99	5225 Restore Rehabilitative Program Funding	0.0	-49.0	-49.0
100	5225 Coleman v. Schwarzenegger - Mental Health Treatment for Condemned Inmates	0.0	0.2	0.2

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total
101	5225 California Institution for Women Mental Health Crisis Beds	0.5	0.5	1.0
102	5225 Mental Health Treatment for Condemned Inmates	0.0	-0.6	-0.6
103	6100 Proposition 98--related to realignment	0.0	2,095.5	2,095.5
104	6100 Proposition 98--related to Child Care and Other Changes (net with N98 increase for child care)	0.0	299.8	299.8
105	6110 P98 Settle-up Set-Aside for Child Care	52.7	0.0	52.7
106	6110 Redevelopment Agencies	0.0	1,730.4	1,730.4
107	6120 Reduce General Fund Assistance to Local Libraries	0.0	15.2	15.2
108	6440 University of California Targeted Reductions	0.0	500.0	500.0
109	6440 Reduce GF Support for UC	0.0	150.0	150.0
110	6600 Hastings College of the Law Targeted Reductions	0.0	1.5	1.5
111	6610 California State University Targeted Reductions	0.0	500.0	500.0
112	6610 California State University Enrollment Current-Year Savings	75.0		75.0
113	6610 Reduce GF Support for CSU	0.0	150.0	150.0
114	7980 Establish a Student Default Risk Index for Cal Grant Program Participation	0.0	10.7	10.7
115	7980 Require Income & Need Verification for Cal Grant Renewal Awards	0.0	100.0	100.0
116	7980 Offset Cal Grant Cost with Student Loan Operating Fund Revenue	0.0	42.3	42.3
117	8570 Eliminate General Fund Support for the Network of California Fairs	0.0	32.0	32.0
118	8570 Further Reduce GF Support for the California Department of Food and Agriculture	0.0	4.0	4.0
119	8660 Public Utilities Commission--Reduction to the energy efficiency programs funded by Gas Consumption Surcharge	0.0	155.0	155.0
120	8830 Shift Funding to Reimbursements	0.0	0.3	0.3
121	8840 Shift Funding to Reimbursements	0.0	0.7	0.7

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total	
122	8885	Suspension of IHSS II Mandate	0.0	0.5	0.5
123	8885	Suspend/Repeal State Mandates	0.0	233.0	233.0
124	8885	Defer Pre-2004 Mandate Obligations	0.0	94.0	94.0
125	8940	Military Department Retirement Savings True Up	0.0	1.2	1.2
126	8950	Reduce General Fund support for County Veterans Services Offices and associated FL	5.0	12.9	17.9
127	8950	Department of Veterans Affairs - SNF Delay at GLAVC Due to IT System Delay	0.0	7.4	7.4
128	8950	Delay Opening of Redding and Fresno Veterans Homes	0.0	12.1	12.1
129	8955	Delay Opening of Redding and Fresno Veterans Homes	0.0	8.1	8.1
130	9100	Eliminate Williamson Act Funding	10.0	10.0	20.0
131	9620	Interest Cost Related to New Loans and Loan Extensions (Sale leaseback replacement)	0.0	4.3	4.3
132	9801	Reduced Employee Compensation Costs	0.0	110.8	110.8
133	9801	Core Health Care Option -- Modified and adopted by Legislature.	0.0	80.0	80.0
134	9801	Eliminate the PO/FF II Program for Supervisors and Managers Affiliated with Bargaining Unit 6	1.6	9.7	11.3
135	9860	Eliminate Statewide Budget Packages and Advanced Planning Funding.	0.0	0.5	0.5
136	9897/ 9935	PERS Retirement Contributions		0.4	0.4
137	9901	Efficiencies in State Operations	0.0	250.0	250.0
138	9901	Efficiencies and Reorganization Issues under Control Section 3.91	0.0	-6.0	-6.0
139	9901	Additional unallocated reduction to state ops under CS 3.91	0.0	25.0	25.0
140	9901	Reduce General Fund Support for the California Department of Food and Agriculture	0.0	15.0	15.0
141	9901	Assembly Offsets General Fund Costs in Various State Agencies (via Control Section 28.5 changes)	0.0	5.0	5.0

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total
142	AB 900 Reduce amount budgeted in 2010-11 and 2011-12 by \$25m and \$75m -- (Sale leaseback replacement, plus leg action to revert additional AB 900 GF)	25.6	76.8	102.4
143	CS 4.65 Sale Leaseback: remove increased leasing costs	20.0	40.0	60.0
144	various Various One-Time Savings	53.5	43.1	96.6
Expenditure Reductions, Subtotal		\$987.7	\$14,030.8	\$15,018.6
Other				
145	0855 Transfer Tribal Gaming Transportation Payments to the General Fund	0.0	100.8	100.8
146	1900 Pension Reform Consulting Resources	0.0	1.5	1.5
147	2660 Use Weight Fees for Additional GF Borrowing	103.4	43.7	147.1
148	2660 Delay Loan Repayments to Various Transportation Funds	0.0	0.0	0.0
149	3790 Transfer of Motor Vehicle Fuel Account funds to the GF	0.0	10.0	10.0
150	4260 Medi-Cal -- Transfer available hospital special fund revenues to the General Fund.	0.0	77.9	77.9
151	4265 Childhood Lead Poisoning Prevention Fund Transfer to the General Fund--Transfers funds to repay the General Fund for support provided to the Childhood Lead Poisoning Prevention Program in fiscal year 1996-97.	0.0	9.1	9.1
152	5175 Suspend County Share of Child Support Collections	0.0	24.4	24.4
153	6100 Department of Education Charter School Division Workload	0.0	-0.7	-0.7
154	7100 Offset Unemployment Interest Payment	0.0	319.5	319.5
155	7980 Offset Cal Grant Program General Fund Costs with Student Loan Operating Fund	0.0	20.0	20.0
156	8860 Office of Inspector General Medical Inspections	0.0	1.7	1.7
157	8860 Budget Adjustment	0.0	-2.8	-2.8
158	9300 Local Homicide Trial Costs	0.0	-0.7	-0.7
159	Various Loans and Transfers from Special Funds, including Loan Repayment Deferrals (Governor's Budget)	415.6	890.9	1,306.5
160	Various Additional Loans, Transfers, and Loan Repayment Extensions--Includes \$5.1m transfers. (Sale leaseback replacement)	441.2	464.3	905.5

Total Solutions included in the 2011 Budget

(Dollars in Millions)

Org	Description	2010-11 or prior	2011-12	2 year total
	Other, Subtotal	\$960.2	\$1,959.6	\$2,919.8
161	Revenues			
162	0001 Financial Institutions Records Match	0.0	40.0	40.0
163	0001 Tax Shelter Amnesty	270.0	-50.0	220.0
164	0001 Adopt Use Tax (Amazon) Legislation	0.0	200.0	200.0
165	0001 Accrual Adjustment	1,560.0	-1,400.0	160.0
166	1730 Use Tax Look-up Table—Adds trailer bill to authorize a table for PIT tax payers to use to estimate use tax liability based on income.	0.0	6.5	6.5
167	1730 Refundable Child and Dependent Care Credit	0.0	75.0	75.0
168	1730 Financial Institutions Records Match Costs	0.0	-1.3	-1.3
169	1730 Tax Shelter Amnesty Costs	0.0	-0.5	-0.5
170	5225 Local Jurisdiction for Remaining Juvenile Offenders--Removal of Sliding Scale Revenues	-3.4	-3.2	-6.6
171	8950 Loss of Revenue for Federal Per Diem and Member Fees Associated with the Delay of SNF at GLAVC	0.0	-1.3	-1.3
172	9100 Tax Relief - Senior Citizens Property Tax Postponement	0.0	0.0	0.0
	Revenues, Subtotal	\$1,826.6	-\$1,134.8	\$691.8
	Special Fund Revenues			
173	3540 State Responsibility Area Fee for CAL FIRE	0.0	50.0	50.0
174	3860 Watermaster Fees	0.0	1.2	1.2
175	4260 Medi-Cal -- Extend the Existing Hospital Fee	210.0	-12.0	198.0
	Special Fund Revenue, Subtotal	\$210.0	\$39.2	\$249.2
	Total Solutions	3,984.5	14,894.8	18,879.3