



Final Action Report

A Summary of the 2012 Budget Act

Chapter 21, Statutes of 2012

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

October 11, 2012

FINAL ACTIONS

October 11, 2012

Assembly Bill 1464
2012-13 Budget Bill

Senate Committee on
Budget and Fiscal Review

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October 11, 2012

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2012-13 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 2012

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,

A handwritten signature in blue ink that reads "Mark Leno".

MARK LENO
Chair, Senate Budget and Fiscal Review

CONTENTS

Overview of the Budget Act

Introduction.....	Page 1
Reducing State Government	6
Trailer Bill List	8

Budget Detail by Subcommittee

Index, Departments by Subcommittee and Item Number.....	10
<i>Subcommittee No. 1: Education</i>	<i>1-1</i>
<i>Subcommittee No. 2: Resources, Environmental Protection, Energy and Utilities, Food and Agriculture, and Transportation.....</i>	<i>2-1</i>
<i>Subcommittee No. 3: Health and Human Services.....</i>	<i>3-1</i>
<i>Subcommittee No. 4: State Administration and General Government.....</i>	<i>4-1</i>
<i>Subcommittee No. 5: Corrections, Public Safety and the Judiciary.....</i>	<i>5-1</i>

Governor's Vetoes

Final Department of Finance Solutions List

INTRODUCTION

On June 15, 2012, the Legislature passed the 2012 Budget Act (Chapter 21, Statutes of 2012, [AB 1464]). In enacting this measure, the Legislature met its constitutional obligation to pass a balanced budget. The Legislature also approved subsequent budget bills amending the 2012 Budget Act, including: AB 1497 (Chapter 29, Statutes of 2012); AB 1477 (Chapter 630, Statutes of 2012); SB 1029 (Chapter 152, Statutes of 2012); and AB 1502 (Chapter 31, Statutes of 2012). Collectively, these bills as enacted reflect the 2012 Budget Act.

This document is the Senate Budget and Fiscal Review Committee's Final Action Report on the 2012 Budget Act. The report provides a detailed summary of the contents of the 2012 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee and final negotiations between the leadership of the Legislature and the Administration, along with gubernatorial vetoes.

In total, the final 2012-13 Budget assumes \$91.3 billion in General Fund (GF) expenditures. The overall budget including GF, special funds, and select bond funds is \$142.4 billion.

2012-13 Budget Process

In January, the estimated GF shortfall was \$10.3 billion – including a \$1.1 billion reserve. By May the budget deficit had increased by approximately \$6.4 billion. The deficit in May had increased to \$16.7 billion for the period ending June 30, 2013 due to a reduced revenue outlook, higher costs to fund schools, and decisions made by the federal government and courts to block previously-approved budget cuts.

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 primarily on expenditure reductions, as well as passage of a tax initiative on the November 2012 ballot, and additional "trigger" budget reductions if the tax initiative is not successful. This plan contained \$16.6 billion in total solutions for the period ending June 30, 2013, including \$8.1 billion in expenditure reductions, \$6.0 billion in additional revenues and \$2.5 billion in other solutions.

After the Legislature passed the 2012 Budget Act on June 15, 2012, the Governor and the legislative leadership continued to work on additional changes to the 2012-13 budget. These changes were made to meet the Governor's broad parameters with respect to budget priorities, reserves, levels of reductions, and policy objectives. The compromise package of bills that modified the 2012 Budget Act was passed by the Legislature on June 27, 2012. The 2012 Budget Act and other pieces of implementing legislation were also signed by the Governor on June 27, 2012. Additional budget-related legislation was approved in the August session.

The major budget solutions contained in the 2012 Budget Act passed by both houses and signed by the Governor are listed in the figure below.

2012-13 Budget Solutions (\$ millions)

<i>Expenditure Reductions</i>	
Health and Human Services	
MediCal	1,234.0
CalWORKS	469.0
Other Health and Human Services	143.4
Education	
Proposition 98	1,885.7
Other Education	463.5
Other Expenditure Reductions	
Redevelopment Assets	1,479.0
State Mandates	828.3
Judiciary	544.0
Employee Compensation	528.6
Other Reductions	513.5
Total Expenditure Reductions	8,089.1
<i>Revenues, Transfers and Loans</i>	
Additional Revenues	
Temporary Taxes	5,579.8
Other Revenues	453.5
Transfers and Loans	
Loan Repayment Extensions	1,158.3
Special Fund Transfers and Loans	612.2
Weight Fees	385.2
Other	362.1
Total Revenues, Transfers and Loans	8,551.1
Total Solutions	16,640.2

As a result of the solutions included in the 2012-13 Budget Act, the GF deficit was closed and just under a \$1 billion reserve was created. The final budget for the GF adopted by the Legislature and signed by the Governor is reflected in the table below:

2011-12 and 2012-13 General Fund Budget Summary (\$ millions)

<i>Category</i>	<i>2011-12</i>	<i>2012-13</i>
Prior Year Balance	-2,685	-2,882
Revenues and Transfers	86,830	95,887
Total Expenditures	<u>87,027</u>	<u>91,338</u>
Fund Balance	-2,882	1,667
Reserve for Liquidation of Encumbrances	719	719
Special Fund for Economic Uncertainties	-3,601	948

Budget Adopts Significant Reductions

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

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

The final budget compromise contains numerous difficult spending cuts and major program modifications. The major expenditure reductions and program modifications (not including vetoes) are listed below:

- ***Dual Demonstration Project and Long-Term Care Integration.*** The budget compromise contains \$612 million in savings from merging service delivery for those who are eligible for both Medi-Cal and Medicare and integrating In-Home Supportive Services into managed health care. This savings is achieved by a one-time deferral, but over time this proposal will reduce costs and improve coordination of services.
- ***Public and Private Hospitals.*** The budget compromise contains \$345 million in savings from various proposals that provide budgetary savings related to public and private hospitals.
- ***In-Home Supportive Services (IHSS) Program.*** The budget continues a 3.6 percent reduction in service hours to IHSS recipients. This action results in a savings of \$59 million in the budget year.
- ***CalWORKs.*** The budget compromise includes \$469 million in reductions to the state's welfare to work program (CalWORKs). This reduction is mainly achieved by a significant reduction to welfare-to-work services in the budget year. However, the compromise also makes significant ongoing changes to the program that cut in half the amount of time a welfare recipient can receive welfare-to-work services. This policy change would have the end result of significantly reducing aid to some families that were not able to get back to work in the two-year period.
- ***Proposition 98.*** The budget compromise results in a decrease of \$650 million by eliminating a hold harmless provision in the elimination of the sales tax on gasoline and the rebenching of various special education and child care programs. The agreement also adjusts certain current year appropriations such that they are funded out of the Proposition 98 guarantee for a savings of \$220 million, and achieves a one-time savings of \$450 million from the Quality Education Investment Act (QEIA) by funding it within the guarantee.

- ***Child Care.*** The budget proposal includes an 8.7 percent across-the-board reduction in child care slots to save \$80 million and an additional \$20 million savings from reductions in the voucher program. The compromise also includes part day-care in the Proposition 98 guarantee for savings of \$164 million and suspends the statutory cost-of-living allowance saving \$30 million in the budget year.
- ***Cal Grant Awards for Non-Public Institutions.*** The budget contains \$55 million in reductions to the Cal Grant program by restricting eligibility to those institutions that have less than a 30 percent graduation rate and a loan default rate of more than 15.5 percent. This action mainly impacts for-profit schools. The final proposal also includes grant reductions starting in 2013-14, including eliminating grants for renewing students choosing to remain enrolled at ineligible institutions and reducing initial awards at non-public institutions for additional out-year savings.
- ***Judicial Branch.*** The budget compromise contains \$544 million in reductions to the Judicial Branch. This includes a significant reduction to the trial courts, a delay in courthouse construction, and administrative savings at the Administrative Office of the Courts.
- ***State Prison System.*** The 2011 Public Safety Realignment results in a reduction to the state prison population. That reduction, along with a package of reforms included in the 2012-13 budget, will allow the state to save \$1 billion in the state prison system in 2012-13.
- ***Mandates for Local Government.*** The budget proposes to suspend certain mandates on local governments for savings of approximately \$729 million in the budget year. This savings continues for the next two years from a continual suspension of payments on these mandated activities.

Constitutional Amendment Would Increase Taxes

The budget compromise relies on the Department of Finance revenue estimates, and is predicated on the passage of the Governor's tax proposal before the voters in November. The Governor's tax proposal is a Constitutional amendment that would raise tax rates for the personal income tax and the sales and use tax on a temporary basis. Together, the proposed increase in the two taxes is expected to result in an additional \$8.5 billion through the budget year, with \$5.6 billion benefiting the General Fund and \$2.9 billion going to schools and community colleges. The specifics of the tax proposal are:

- **Personal Income Tax Rates on High Income Taxpayers**—The proposal would increase personal income taxes for seven years, beginning in tax year 2012. Under current law, the maximum marginal PIT rate is 9.3 percent, and it applies to taxable income in excess of \$48,209 for individuals; \$65,376 for heads of household; and \$96,058 for joint filers. This measure temporarily increases PIT rates for higher incomes by creating three additional tax brackets with rates above 9.3 percent. The measure imposes:

- A 10.3 percent tax rate on income between \$250,000 and \$300,000 for individuals; \$340,000 and \$408,000 for heads of household; and \$500,000 and \$600,000 for joint filers.
 - An 11.3 percent tax rate on income between \$300,000 and \$500,000 for individuals; \$408,000 and \$680,000 for heads of household; and \$600,000 and \$1 million for joint filers.
 - A 12.3 percent tax rate on income in excess of \$500,000 for individuals; \$680,000 for heads of household; and \$1 million for joint filers.
- **Sales and Use Tax Rate Increase**—The Governor's initiative would also raise the sales and use tax rate by 0.25 percent for four years. The tax increase would go into effect January 2013 and extend through December 2016.

In addition to the increase in tax revenues, the measure would permanently dedicate revenues to local governments to pay for public safety programs realigned in 2011. The existing state revenues proposed for permanent allocation to 2011 Realignment is as follows:

- Dedicating 1.06 percent of the existing state sales tax as local revenue and removing these revenues from Proposition 98 calculations.
- Redirecting vehicle license fee (VLF) revenues from various sources to support public safety programs.

Trigger Reductions Absent New Revenues

In the event that the voters do not approve the Governor's tax proposal in November, the Legislature's joint plan, like the Governor's, includes a series of trigger cuts. The trigger is contained in Control Section 3.62 of AB 1497 and the Education trailer bill, SB 1016. These cuts are detailed in the following table:

2012-13 Trigger Cuts (\$ millions)

<i>Program Area</i>	<i>Reduction Amount</i>
K-14 Education (Proposition 98)	\$ 5,353.8
University of California	250.0
California State University	250.0
Developmental Services	50.0
Local Public Safety Grants	20.0
Department of Forestry and Fire Protection	10.0
Local Water Safety Patrol	5.0
Flood Control	6.6
Public Safety-Fish & Game, Park Lifeguards and Rangers, Department of Justice	6.0
Total	\$ 5,951.4

Reducing State Government

The final legislative action achieved savings related to eliminating boards and commissions and various program reductions, totaling \$2.4 million GF. The budget also included policy changes to further consolidate state offices that, when fully implemented, may result in the further savings to the state. Additionally, the Legislature took action to eliminate a total of eight boards and commissions that were proposed for elimination in the Governor's May Revision and removed more than 200 reporting requirements for state agencies.

The Legislature also agreed to dispose of six state owned properties that were deemed to have little or no programmatic value to the state. The property was located in the Capital region and managed by the Capital Area Development Authority.

	ELIMINATIONS OF BOARDS/COMMISSIONS/TASK FORCES	ADOPTED THE GOVERNOR'S PROPOSAL?
1	Eliminate the 9-1-1 Advisory Board	No.
2	Eliminate the Technology Services Board	Yes.
3	Eliminate the Electronic Funds Transfer Task Force	Yes.
4	Eliminate the Office of Privacy Protection	No.
5	Eliminate the Fair Employment and Housing Commission and transfer its functions to the Department of Fair Employment and Housing	Yes, the Legislature modified the Governor's proposal to ensure the public hearing venue is maintained.
6	Eliminate the Colorado River Board	No.
7	Eliminate the State Geology and Mining Board	No.
8	Eliminate the Advisory Committee on Salmon and Steelhead Trout	No.
9	Eliminate the Commercial Salmon Review Board	No.
10	Eliminate the Salton Sea Restoration Council	Yes.
11	Reduce the number of Regional Water Boards	No.
12	Eliminate underutilized programs within the Department of Toxic Substances Control	Yes.
13	Eliminate the Department of Alcohol and Drug Programs	Yes, effective July 1, 2013.
14	Consolidate five specialty health functions into the Office of Health Equity (DPH)	Yes.
15	Eliminate the Managed Risk Medical Insurance Board (MRMIB) and transition remaining MRMIB functions to the Department of Health Care Services	No.

16	Eliminate the Department of Mental Health	Yes, functions transferred to Department of State Hospitals and Community-Based Mental Health entities.
17	Eliminate the Rehabilitation Appeals Board	Yes.
18	Eliminate the Division of Labor Statistics and Research and transfer its functions to the Division of Occupational Safety and Health	Yes.
19	Eliminate the Occupational Safety and Health Standards Board and transfer its functions into the Department of Industrial Relations	No.
20	Eliminate the Commission on the Status of Women	No.
21	Consolidate the Commission on Uniform State Laws within the Legislative Counsel Bureau	Yes.
	GOVERNOR'S MAY REVISION PROPOSALS	ADOPTED THE GOVERNOR'S PROPOSALS?
1	Accountancy Board Advisory Committee on Ethics Curriculum	Yes.
2	Advisory Committee on Automobile Insurance Fraud	Yes.
3	Advisory Committee of the Genetically Handicapped Persons Program	Yes.
4	Apiary Board	No.
5	California Fiscal Advisory Board	No.
6	California Small Business Board	No.
7	Committee on Executive Salaries	Yes.
8	Crime Lab Review Task Force	No.
9	Dungeness Crab Review Panel	No.
10	Environmental Laboratory Technical Advisory Committee	No.
11	Food Bank Advisory Committee	No.
12	Green Chemistry Initiative Science Advisory Panel	No.
13	Human Stem Cell Research Advisory Committee	No.
14	High Technology Crime Advisory Committee*	Yes.
15	Lead in Candy Interagency Collaborative	Yes.
16	Lyme Disease Advisory Committee	No.
17	Naturopathic Formulary Advisory Subcommittee	No.
18	Naturopathic Childbirth Attendance Advisory Subcommittee	Yes.
19	Noxious Weed Oversight Committee	No.
20	Orientation Center for the Blind Trust Fund Committee	No.
21	Radiologic Technology Certification Committee	No.
22	State Social Services Advisory Board Committee on Welfare and Social Services	Yes.

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
AB 1464	Ch 21	2012 Budget Bill (Blumenfield)	23-16	50-28
AB 1497	Ch 29	Budget Act of 2012 (Budget Bill, Jr.)	23-14	50-26
AB 1477	Ch 630	Budget Act of 2012 (Budget Bill, III)	23-11	48-26
AB 1465	Ch 22	Transportation (trailer bill)	25-14	51-27
AB 1467	Ch 23	Health (trailer bill)	25-14	51-27
AB 1470	Ch 24	Mental health: State Department of State Hospitals (trailer bill)	25-14	51-26
AB 1472	Ch 25	Developmental services (trailer bill)	24-15	51-26
AB 1484	Ch 26	Community redevelopment (trailer bill)	24-18	48-28
AB 1485	Ch 27	Budget Act of 2011: augmentation. (Supplemental Appropriations bill) (trailer bill)	25-14	51-26
AB 1494	Ch 28	Healthy Families Program: Medi-Cal: program transition: expansion (trailer bill)	21-14	47-29
AB 1499	Ch 30	Elections: ballot order for statewide measures (trailer bill)	24-15	50-24
AB 1502	Ch 31	Budget Act of 2012: Augmentation (trailer bill)	39-0	54-23
SB 1006	Ch 32	State government (trailer bill)	25-14	50-28
SB 1008	Ch 33	Public social services: Medi-Cal (Health: Coordinated Care Initiative) (trailer bill)	24-13	51-27
SB 1009	Ch 34	Health and Human Services (Mental Health Realignment (trailer bill)	26-13	51-27
SB 1013	Ch 35	Child welfare services: realignment (trailer bill)	27-11	51-26
SB 1014	Ch 36	Public social services: alcohol and drug programs (trailer bill)	25-14	51-27
SB 1015	Ch 37	Taxation: administration (trailer bill)	24-15	50-27
SB 1016	Ch 38	Education finance (trailer bill)	22-15	49-30
SB 1018	Ch 39	Public resources (trailer bill)	22-16	50-28
SB 1020	Ch 40	Public Safety Realignment (trailer bill)	25-14	50-27
SB 1021	Ch 41	Public safety (trailer bill)	24-15	50-27
SB 1022	Ch 42	Correctional facilities (Public safety: capital outlay) (trailer bill)	22-14	49-26
SB 1023	Ch 43	Public safety: realignment (trailer bill)	22-15	49-29
SB 1033	Ch 44	State and local government (Cash Management) (trailer bill)	25-14	51-27

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
SB 1036	Ch 45	Public social services: in-home supportive services (Human Services: Coordinated Care Initiative) (trailer bill)	24-13	51-26
SB 1038	Ch 46	State government (Boards and Commissions) (trailer bill)	25-12	51-26
SB 1041	Ch 47	Human services (trailer bill)	26-13	50-28
SB 1029	Ch 152	Vehicles: Registration fee (trailer bill)	21-16	52-28
AB 1492	Ch 289	Forest resource management (trailer bill)	27-9	54-20
AB 1487	Ch 343	State government: state funds (trailer bill)	27-11	52-24
AB 1468	Ch 438	Health (trailer bill)	22-12	49-26
AB 1471	Ch 439	Human services (trailer bill)	23-11	49-26
AB 1488	Ch 440	State Department of State Hospitals (trailer bill)	25-13	51-26
AB 1478	Ch 530	State Parks: finances (trailer bill)	25-12	55-20
SB 1028	Ch 575	Education finance (trailer bill)	24-10	50-27
AB 1489	Ch 631	Public health: Medi-Cal: nursing facilities (trailer bill)	31-1	65-7
AB 1496	Ch 717	Criminal justice realignment (trailer bill)	25-13	50-26
SB 1030	<i>Vetoed</i>	<i>Redevelopment Property Tax Trust Fund allocations: excess Educational Revenue Augmentation Fund moneys (trailer bill)</i>	27-11	50-26
<u>Other budget-related bills</u>				
SB 95	Ch 1	State cash resources	24-14	54-17
SB 81	Ch 2	Budget Act of 2011	26-8	60-8
SB 98	Ch 4	Nursing	28-5	55-13
AB 103	Ch 13	State cash resources	34-2	47-27
SB 71	Ch 728	State agencies: boards, commissions, and reports	38-0	78-0

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, and Transportation

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

Subcommittee No. 3 – Health and Human Services

0530	California Health and Human Services Agency	4300	Department of Developmental Services
0530	Office of Systems Integration	4440	Department of State Hospitals
0977	California Health Facilities Financing Authority	4560	Mental Health Services Oversight and Accountability Commission
4120	Emergency Medical Services Authority	4700	Department of Community Services and Development
4140	Office of Statewide Health Planning and Development	5160	Department of Rehabilitation
4150	Department of Managed Health Care	5170	State Independent Living Council
4170	Department of Aging	5175	Department of Child Support Services
4200	Department of Alcohol and Drug Programs	5180	Department of Social Services
4260	Department of Health Care Services		
4265	Department of Public Health		
4280	Managed Risk Medical Insurance Board		

Subcommittee No. 4 – State Administration and General Government

0502 California Technology Agency	8790 California Commission on Disability Access
0509 Governor’s Office of Business and Economic Development	8820 Commission on the Status of Women
0510 Secretary for State and Consumer Services	8830 California Law Revision Commission
0520 Secretary for Business, Trans, & Housing	8840 Commission on Uniform State Laws
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 (FISCAL)
0845 Department of Insurance	8885 Commission on State Mandates
0860 Board of Equalization	8910 Office of Administrative Law
0890 Secretary of State	8940 Military Department
0911 California Redistricting Commission	8955 Department of Veterans Affairs
0950 California State Treasurer’s Office	9100 Tax Relief
1100 California Science Center	9210 Local Government Financing
1110/1111 Department of Consumer Affairs – Board and Bureaus	9600 Debt Service for General Obligation Bonds
1700 Department of Fair Employment & Housing	9620 Payment of Interest on General Fund Loans
1705 Fair Employment and Housing Commission	
1730 Franchise Tax Board	Control Sections:
1760 Department of General Services	3.62 Contingency Trigger Reductions
2100 Alcoholic Beverage Control	
2120 Alcoholic Beverage Control Appeals Board	
2150 Department of Financial Institutions	
2180 Department of Corporations	
2240 Dept of Housing and Community Dvlpmnt	
2310 Office of Real Estate Appraisers	
2320 Department of Real Estate	
8260 California Arts Council	
8385 Citizens Compensation Commission	
8500 Board of Chiropractic Examiners	
8620 Fair Political Practices Commission	
8640 Political Reform Act of 1974	
8780 Milton Marks “Little Hoover” Commission	

Subcommittee No. 5 – Corrections, Public Safety, and the Judiciary

- 0250 Judicial Branch
- 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 and Government
 Claims Board
- 1880 State Personnel Board
- 1900 Public Employees' Retirement System
- 1920 State Teachers' Retirement System
- 5225 Department of Corrections & Rehabilitation
- 5227 Board of State and Community Corrections
- 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
- 8320 Public Employment Relations Board
- 8380 Department of Personnel Administration
- 8390 State Personnel Board
- 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
- 3.61 Contributions to Public Employee
 Retirement Benefits From CSU
- 3.90 Reduction for Employee Compensation
- 4.21 Health Care Premium Savings
- 31.10 Salary Savings

SUBCOMMITTEE 1
ON EDUCATION
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

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Roderick Wright

Consultant

Kim Connor
Kris Kuzmich
Keely Bosler

SUBCOMMITTEE No. 1

EDUCATION

K-12

Department of Education.....	1-1
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Higher Education

California State Library	1-14
California Postsecondary Education Commission	1-14
University of California.....	1-15
Hastings College of the Law	1-16
California State University	1-16
California Community Colleges.....	1-18
Student Aid Commission	1-21

K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

K-14 -- Proposition 98 Overall

- **Maintains Current Year Spending Levels.** Maintains the Governor's proposed current year level of spending for K-14 education at **\$47.8 billion**. This provides education with nearly \$900 million above the revised minimum guarantee of \$46.9 billion in 2011-12, which has fallen mostly due to declines in anticipated state revenues. The budget repurposes this over-appropriation to schools by simply reclassifying funds; however, these adjustments do not change the overall funding level for K-14 education in the current year.
- **Increased Funding in the Budget Year.** Provides a Proposition 98 minimum guarantee of approximately **\$53.5 billion** for 2012-13, which reflects an increase of **\$6.6 billion** above the revised 2011-12 funding level for K-14 education – assuming passage of the Governor's tax initiative. Although revenues have fallen below estimated levels, year-to-year changes in revenues have increased and this results in higher maintenance factor payments that in turn drive increases in Proposition 98 funding.
- **Reduction of Inter-Year Payment Deferrals.** Provides **\$2.2 billion** to reduce inter-year, payment deferrals for K-14 education beginning in 2012-13. This increase will provide roughly **\$2.1 billion** for K-12 schools and \$160 million for community colleges to reduce these deferrals.
- **K-14 Mandate Reform.** Provides an additional **\$110 million** – for a total of **\$200 million** – to implement a modified version of the Governor's May Revise mandate block grant funding proposal in 2012-13 for K-12 local education agencies (LEAs), including school districts, county offices of education and charter schools, and for community college districts. Makes the statutory changes necessary to implement a block grant funding mechanism for the majority of K-14 state mandates. The Budget Act of 2012 includes nearly \$200 million to fund this block grant, which provides \$167 million for K-12 LEAs and \$33 million for community college districts based on the amount of historical claims for each over the past five years. This education budget trailer bill specifies a per pupil funding amount as follows: (1) K-12 school districts, \$28 per pupil; (2) community college districts, \$28 per student; (3) charter schools, \$14 per pupil; and (4) county offices of education, \$28 plus \$1 “extra” per pupil residing in the county. Under the block grant, and per the provisions of this bill, a K-12 LEAs and community college districts will choose to either participate in the block grant or to pursue the state mandate claiming process for all mandates covered by the block grant. Block grant funding is subject to annual audits.

- **Repeal Gas Tax Rebenching.** Eliminates statute requiring the Proposition 98 guarantee to be held harmless from the effect of the gas tax swap previously adopted by the Legislature, which eliminated the sales tax on gasoline (previously included in the Proposition 98 calculation) and replaced it with an excise tax on gasoline (excluded from the Proposition 98 calculation). With the hold-harmless rebenching, the minimum guarantee was unaffected by the gas tax swap.
- **Repeals RDA Rebenching.** Repeals language from the 2011-12 budget that authorized rebenching of the Proposition 98 guarantee (to reflect receipt of funds that formerly flowed to redevelopment agencies) only in 2011-12, thus continuing the rebenching for roughly \$2.7 billion in General Fund savings.
- **Governor's Major Education Finance Reform Proposals Not Endorsed.** The Legislature did not adopt the Governor's larger education finance reforms, in the form of the K-12 Weighted Pupil Formula and increased program flexibility for the Community Colleges in 2012-13.

K-14 -- Proposition 98 Trigger Reductions. The budget includes nearly **\$5.4 billion** (rounded figure) in "trigger reductions" effective January 1, 2013, for K-14 education, if the Governor's November 2012 tax initiative is not passed by statewide voters. These trigger provisions include the following reductions to K-14 programs:

- Eliminates approximately **\$2.2 billion** in repayments of deferrals being made as part of the 2012-13 budget package, with about \$2.1 billion and \$160 million of that total attributed to K-12 schools and community colleges, respectively;
- Enacts programmatic reductions of approximately **\$3.1 billion** by paying general obligation debt service and the Early Start Program from the Proposition 98 guarantee, with approximately \$2.7 billion and \$389 million of that total attributed to K-12 schools and community colleges, respectively (under current law, both of these obligations are paid for with non-Proposition 98 General Fund);
- Authorizes K-12 schools to reduce the school year by **an additional 15 days** – beyond the five days currently authorized – in 2012-13 and 2013-14. This would allow schools to reduce the instructional year to **160 days** in each of these two years; and
- Authorizes the Chancellor of the California Community Colleges, as approved by the Department of Finance, to reduce community college district enrollment levels in proportion to the programmatic reduction. States legislative intent that districts, to the greatest extent possible, implement any necessary reductions in courses and programs outside of those needed for students to achieve their basic skills, workforce training, or transfer goals. Requires the Chancellor to report by October 15, 2013, on the implementation of this provision.

Proposition 98 -- K-12 Education

- **Suspends Cost-of-Living Adjustments (COLA) for K-12 Programs.** Establishes a zero percent COLA for K-12 programs – revenue limits and categorical programs – in 2012-13.
- **Revenue Limit Adjustments and Deficit Factors.** Establishes a county office of education revenue limit deficit factor of 22.549 percent and a school district deficit factor of 22.272 percent to reflect revenue limit adjustments in 2012-13. Revenue limit apportionments provide general purpose funding to school districts, county offices of education, and charter schools. Revenue limit deficit factors keep track of base reductions and foregone COLA increases in recent years, so they may be restored in future years when state funds are available.
- **Continues “Fair Share” Reductions for Basic Aid Districts.** Authorizes reductions to categorical funding for basic aid districts, proportional to the revenue limit reductions applied to non-basic-aid districts in 2012-13. Basic Aid districts are defined as districts that do not receive state funding for revenue limits.
- **Deferrals:**
 - **Inter-Year Deferral Payment Buydown.** Reduces ongoing, inter-year deferrals for K-12 school districts, county offices of education, and charter schools by approximately \$2.1 billion contingent on passage of the Schools and Local Public Safety Protection Act of 2012.
 - **Intra-Year Deferral Adjustments.** Continues intra-year deferrals in 2012-13 and specifies adjustments in the schedule of intra-year deferrals to reflect additional funding if the Schools and Local Public Safety Protection Act of 2012.
- **Transitional Kindergarten.** Rejects the Governor's proposal to eliminate funding for the Transitional Kindergarten program – created pursuant to Chapter 705, Statutes of 2010.
- **Special Education Mental Health Funding Backfill.** Provides an additional \$99 million in Proposition 98 funding to continue support for the shift of mental health related services from county mental health agencies back to K-12 school agencies. The Governor proposed these additional funds in 2012-13 to backfill the loss of \$99 million in one-time Proposition 63 funds appropriated as a part of the shift in 2011-12. All together, the 2012-13 budget provides \$420 million for mental health related services in 2012-13, including \$69 million in federal funds. All state funds are allocated on a per pupil basis, using average daily attendance (ADA).
- **Charter School Growth Funding.** Provides \$53.7 million in additional funding for the Charter Schools Categorical Block Grant to reflect high rates of charter school growth. Also provides additional funding for Supplemental Categorical Grants for New Schools in 2012-13. These supplemental funds give new schools – limited to new charter schools -- access to categorical

funds included in the categorical flexibility program. The budget bill provides an additional **\$5.6 million** for this purpose in 2012-13.

- **Charter School Program Reforms:** The budget includes several statutory changes to (1) streamline the deferral waiver process for charter schools; (2) improve access to external financing for charter schools, and (3) give charter schools priority for lease or purchase of surplus school property, as follows:
 - **California School Finance Authority (CSFA).** Conforms statute to current practice by authorizing the CSFA to refinance (not just finance) revenue bonds issued for school facilities working capital and capital improvements. Makes other technical/cleanup changes to related statute.
 - **Charter School Revolving Fund.** Authorizes the Department of Education, with Department of Finance approval, to transfer funds from the Charter School Security Fund to the Charter School Revolving Loan Fund to the extent necessary to replace funds lost due to loan defaults.
 - **Access to External Borrowing.** Authorizes -- but does not require -- county or city and county boards of supervisors and county superintendents of schools to make short-term loans to charter schools, as they currently can make to school districts. Authorizes county offices of education to borrow funds or issue Tax and Revenue Anticipation Notes (TRANS) for the purpose of providing temporary revenue-backed loans to charter schools.
 - **Deferral Waiver Process.** Authorizes charter schools to seek hardship deferral waivers from the Superintendent of Public Instruction and Department of Finance rather than their local authorizers.
 - **Lease or Purchase of Surplus School Property.** Requires school districts to offer surplus property for sale or lease to charter schools before selling or leasing surplus property to other parties in 2012-13.
- **Early Mental Health Initiative (EMHI).** Restores \$15 million in Proposition 98 funding to continue the EMHI program proposed for elimination by the Governor in 2012-13. The budget also provides \$85,000 in General Funds to the state Department of Education to administer EMHI. (The EMHI program was previously administered by the state Department of Mental Health, which was eliminated in 2012-13. Most of the programs previously administered by DMH were transferred to other state departments.) *The Governor vetoed \$15 million in Proposition 98 funds for the EMHI program in 2012-13, thereby eliminating this competitive grant program. The Governor's veto message states that "school districts are in the best position to determine whether this program should be funded at the local level." The*

Governor also vetoed \$85,000 in state General Funds and one position for the Department of Education added by the Legislature to administer the program.

- **Student Assessment Programs.** Appropriates an additional \$10.5 million in Proposition 98 funding for the state Student Assessment program in 2012-13. This funding was requested by the Governor to backfill a reduction in federal Title VI funding available for statewide student assessment programs in 2012-13.
- **Child Nutrition Growth.** Provides \$1.4 million for the purpose of providing a growth adjustment due to an increase in the projected number of meals served in 2012-13.
- **California School Information Services (CSIS) Administration.** Provided an \$886,000 augmentation in Proposition 98 funding for CSIS administration to support continued implementation of the California Longitudinal Pupil Achievement Data System (CALPADS) in 2012-13. *The Governor vetoed \$886,000 in Proposition 98 funding to reflect the “decrease in workload” at CSIS associated with completion of the CALPADS development phase. The Governor acknowledges “the continued workload associated with the CSIS’s support of the CALPADS maintenance phase” and therefore “continues to provide \$7.1 million to ensure that CSIS is successful in meeting this objective.”*
- **Statutory Appropriation for K-3 Class Size Reduction (CSR) Program.** Continues statutory authorization for an unspecified amount of funding for the K-3 CSR program in 2012-13, as determined by the Superintendent of Public Instruction. This statutory appropriation is provided in lieu of a budget act appropriation for this program in 2012-13.
- **Suspends Funding Emergency Repair Program.** Suspends funding for the Emergency Repair Program in 2012-13. This program was created as a result of a settlement agreement for the Williams v. California case in 2004.
- **Special Education Workability Program Eligibility.** Makes statutory changes to specify that state special schools, charter schools, and nonpublic, nonsectarian schools, as well as, school districts and county offices of education are eligible to apply for Workability Program grants to provide work transition services for students with disabilities.
- **Developer Fees.** Makes statutory changes to temporarily suspend Level III developer fees, which could soon be triggered if remaining school facility bond funds are exhausted.
- **Redevelopment Agency (RDA) Adjustments for K-12 in 2011-13 and 2012-13.** Appropriates \$19 million for special education in 2011-12, if needed, to backfill any loss of anticipated local property tax revenue that previously flowed to RDAs. Appropriates an unspecified amount for special education in 2012-13, as needed, for the same purpose.

- **Special Education Maintenance of Effort in 2011-12.** Scores \$12.133 million of 2011-12 special education funding toward satisfaction of the state's 2008-09 federal 'maintenance of effort' requirement.
- **Proposition 98 Savings for Selected Programs in 2011-12.** Reappropriates \$221 million in one-time Proposition 98 savings to offset K-12 special education program expenditures in 2011-12 and achieve General Fund savings of the same amount in 2011-12. This action simply changes the funding source for this program and has no effect on programmatic funding levels.

K-12 Non-Proposition 98 (Non-98) General Funds

- **Child Nutrition.** Restores \$10.1 million in Non-98 General Funds to reflect the Governor's proposed elimination of supplemental reimbursement for free and reduced-price breakfast and lunch served at private schools and private child care centers in 2012-13. (The Governor did not propose to eliminate any Proposition 98 funding for child nutrition programs in 2012-13.) *The Governor vetoed the \$10.1 million Non-98 General Fund restoration stating that the augmentation "would provide a supplemental child nutrition reimbursement to private schools, private child care centers, and other meal sponsors that are not eligible for Proposition 98 funding". The Governor also stated that "the reduction is necessary to "bring ongoing expenditures in line with available General Fund resources."*
- **AVID Program.** Restores \$8.1 million in funding for the Advancement Via Individual Determination (AVID) program in 2012-13. The Governor proposed to eliminate all Non-98 General Funds for this program in 2012-13; however, the Legislature restored funding with one-time Proposition 98 savings. *The Governor vetoed the \$8.1 million in one-time Proposition 98 funding for AVID because it adds cost pressures within Proposition 98 and "school districts are in the best position to determine whether this program should be funded at the local level."*
- **State Special Schools.** Provides a decrease of \$1.8 million in Non-98 General Funds to reflect a reduction in general purpose funding for the California Schools for the Deaf in Fremont and Riverside and the School for the Blind in Fremont in 2012-13. This reduction is offset by an increase of \$1.8 million in federal special education funds for the state schools included in the 2012-13 budget.
- **Vocational Education Leadership.** Eliminates \$514,000 in Non-98 General Funds for the Vocational Education Supplemental Leadership programs. The 2012-13 budget continues over \$41.2 million in Proposition 98 funding for several other vocational education and apprenticeship programs in 2012-13.

- **Indian Education Centers.** Eliminates \$376,000 in Non-98 General Funds for Indian Education Centers in 2012-13. The budget provides \$3.9 million in Proposition 98 funding for Indian Education Centers in 2012-13. This amount continues 2011-12 funding and provides additional funding to backfill the loss of \$376,000 in Non-98 funds.

K-12 Federal Funds

- **Child Nutrition Program.** The Budget provides an increase of \$144.5 million for 2012-13 in federal local assistance funds to reflect growth of nutrition programs at schools and other participating agencies.
- **Fresh Fruit and Vegetable Program.** The Budget provides an increase of \$2 million for 2012-13 in federal local assistance funds for the Fresh Fruit and Vegetable Program, which provides an additional free fresh fruit or vegetable snack to students during the school day.
- **Migrant Education Audit.** Appropriated \$705,000 in one-time federal Title I, Part C funds to the California Department of Education (CDE) for purpose of contracting with the Bureau of State Audits (BSA) for an independent audit of state and local implementation of the federally funded Migrant Education Program. The report shall be submitted to CDE and the Legislature by March 1, 2013. *The Governor vetoed \$105,000 in federal funds for the Migrant Education audit in order to eliminate indirect funding for CDE associated with the BSA audits. Per the Governor, this amount duplicates funding already in the CDE budget and therefore is unnecessary. With this change, the budget provides a total of \$600,000 to fund the BSA audit.*
- **Allocation of Federal Special Education Mental Health Funding.** Allocates \$69 million in federal funds for mental health services in 2012-13, as follows: 75 percent based upon the 2011-12 formula utilizing specific service counts and 25 percent based upon average daily attendance (ADA). Budget bill language reflects an agreement to allocate all federal special education mental health funding on a per ADA basis in 2013-14, consistent with other state and federal special education allocations. The 2011-12 budget act stated legislative intent to shift all mental health funding to a per ADA funding allocation in 2012-13; however, the Legislature added one more year of transition to the ADA formula in the final 2012-13 budget.

Child Care & Preschool Programs

The 2012-13 budget provides an overall reduction of \$185 million (8 percent) for child care and preschool programs, including the Governor's vetoes. This reduction is associated with an estimated reduction of 35,657 child care slots and 31,385 preschool slots in 2012-13. These reductions, and other budget and policy adjustments related to the 2012-13 budget for child care and preschool programs, are summarized below.

- **Across-the-Board Reductions.** Implements across-the-board budget reductions of \$80 million for child care programs in 2012-13 by decreasing funding for the General Child Care Program, the Migrant Day Care Program, the Alternative Payment Program, the CalWORKs Stage 3 Program, and the Allowances for Handicapped Program by **8.7 percent**, effective July 1, 2012. *The Governor vetoed an additional \$20 million in Non-98 General Funds for the Alternative Payment Program to bring the reduction for that program to about 18 percent, which eliminates about 3,400 slots. The Governor also vetoed an additional \$30 million in Proposition 98 funding for the state preschool program in order to apply the 8.7 percent across-the-board reductions to this program as well, which eliminates an estimated 12,500 part-day preschool slots.*
- **Authorizes Family Fees for Part-Day State Preschool Program.** Requires fees to be assessed and collected for families with children in part-day, part-year preschools programs. Current law already allows family fees for families with children who need full day or “wraparound” care. *The budget passed by the Legislature assumed nearly \$20 million in new revenues from preschool family fees. The Governor’s preschool veto, as outlined above, applies an 8.7 percent reduction (\$30 million in Proposition 98 funds) to preschool programs, which has the effect of reducing slots for those families with the highest incomes. This in turn reduces estimated preschool family fee revenues by roughly \$17 million to \$3.4 million in 2012-13.*
- **Continuation of Existing Family Fee Schedule.** Effective for fiscal year 2012-13, the family fee schedule for child care and development services that was in effect for the 2011-12 fiscal year shall remain in effect, and continues existing policy that the family fees cannot exceed 10 percent of the family's total income.
- **Consolidates Funding for State Preschool Program.** Provides an additional \$113 million for the state preschool program for low-income children, which consolidates funding for the part-day, part-year preschool program within Proposition 98 in 2012-13. The Legislature originally approved \$164 million in additional Proposition 98 funding for the part-day preschool program in 2012-13. However, the Governor’s vetoes that apply across-the-board reductions (\$30 million) and an associated drop in family fees (\$20 million including other small technical adjustments), bring total Proposition 98 funding to \$481 million for the part-day preschool program in 2012-13.
- **Preschool Part-Day and Wraparound Services Defined.** Clarifies distinction between part-day preschool slots (funded with Proposition 98) and supplemental wraparound care for preschool-age children from families who need full-day care (funded with the General Fund-supported General Child Care program).
- **Alignment of Preschool Eligibility with New Kindergarten Start Dates.** Specifically, defines that state preschool programs are designed to facilitate the transition to kindergarten for 3- and 4-year old children who have their 3rd or 4th birthday, respectively, on or before

November of the 2012-13 fiscal year, October 1 of the 2013-14 fiscal year, and September 1 of the 2014-15 fiscal year and each fiscal year thereafter.

- **Consolidation of Pre-K Literacy Program into State Preschool.** Repeals specified components of the Pre-Kindergarten Family Literacy Program and consolidates these provisions into the state preschool program, for preschool classrooms that apply for and receive a family literacy supplemental grant.
- **Continuation of Existing State Median Income Levels.** Codifies in statute that the maximum allowable family income to receive subsidized child care and development services is 70 percent of the State Median Income.
- **Pilot Program Continued.** Extends authorization of a San Francisco child care pilot program by one year to allow the City and County of San Francisco to implement an individualized county child care subsidy plan until July 1, 2014. Requires the city and county to phase out the plan and implement the state's requirements for child care subsidies as of July 1, 2016. A final report shall be submitted by the city and county on or before June 30, 2014.
- **Multi-Year Suspension of Cost-of-Living Adjustments.** Suspends the cost of living adjustment for child care and development programs for fiscal years 2012-13, 2013-14, and 2014-15.
- **Administrative Authority Specified.** Allows the Department of Education to implement the changes to child care authorized in this bill through management bulletins and similar instructions. Specifies that the child care changes in this bill are not subject to appeal by the agencies holding child care contracts.

Education Budget Trailer Bills & Other Education Budget-Related Bills.

1. Education Budget. SB 1016 (Chapter 38; Statutes of 2012)
2. Education Budget. SB 1028 (Chapter 575; Statues of 2012)
3. Budget Bill Jr. AB 1497 (Chapter 29; Statutes of 2012)
4. Budget Bill Jr. AB 1477 (Chapter 630; Statutes of 2012)
5. Short-Term Cash Management. AB 103 (Chapter 13; Statutes of 2012.)

HIGHER EDUCATION

CROSSCUTTING ISSUE: LONG-TERM FUNDING PLAN FOR UC, HASTINGS, CSU, AND CCC

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

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

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

University of California – Components of Long-Term Funding Plan

- Rejected proposal to eliminate budget bill language earmarking funds for specific programs and purposes, such as the Charles R. Drew Medical Program, AIDS research, and the California State Summer School in Mathematics and Science (COSMOS) and reinstated the designated programs and funding levels. ***The Governor vetoed all of the provisional language reinstating the designated programs and funding levels, including for the following: Charles R. Drew Medical Program, COSMOS, Science and Math Teacher***

Initiative, Program in Medical Education, Nursing Enrollments, AIDS Research, and California Subject Matter Projects. In taking this action, the Governor indicated that it “will give the UC greater flexibility to manage the \$750 million permanent reduction in state funding enacted in fiscal year 2011-12.”

The Governor also vetoed the provisional language for UC Merced and California Institutes of Science and Innovation budget items. This action retains the budget item and funding level, but removes the provisional language which the Governor found “created unnecessary cost pressures and are unnecessarily restrictive. Eliminating these provisions will give the UC flexibility to manage the \$750 million permanent reduction in state funding enacted in 2011-12.”

- Rejected proposal to provide UC with no enrollment target in 2012-13; adopted provisional budget bill language instituting a state-supported enrollment target of 209,977 in 2012-13. *The Governor vetoed the provisional language instituting a state-supported enrollment target because it “creates unnecessary cost pressures on this item and is unnecessarily restrictive.”* In a subsequent budget action, the Legislature reinstated the enrollment target of 209,977 in an education budget trailer bill, including reporting requirement of May 1, 2013, the date by which UC must report whether it met the 2012-13 academic year enrollment goal.
- Rejected proposal to move General Obligation bond debt service costs into UC’s base budget. With regard to lease-revenue bond (LRB) debt service costs, rejected proposal to provide one last adjustment for increased LRB debt service costs and provide no further adjustments going forward. Approved an annual incremental adjustment of \$9.763 million for LRB debt service costs and provisional budget bill language stating legislative intent to provide future adjustments for that same purpose.
- Rejected proposal to provide one last adjustment for retired annuitant dental benefits and provide no further adjustments going forward. Approved a \$5.2 million increase for retired annuitant dental benefits, including provisional budget bill language stating legislative intent to provide future adjustments for that same purpose. *The Governor vetoed the provisional language to expend funds on retired annuitant health and dental benefits because it “creates unnecessary cost pressures and is unnecessarily restrictive.”*

California State University – Components of Long-Term Funding Plan

- Rejected proposal to eliminate budget bill language earmarking funds for specific programs and purposes, such as the Science and Math Teacher Initiative and nursing enrollments, and reinstated the designated programs and funding levels. *The Governor vetoed all of the provisional language reinstating the designated programs and funding levels, including for the following: Science and Math Teacher Initiative and Nursing Enrollments. In taking this action, the Governor indicated that it “will give the CSU greater flexibility to*

manage the \$750 million permanent reduction in state funding enacted in fiscal year 2011-12.”

- Rejected proposal to provide CSU with no enrollment target in 2012-13; adopted provisional budget bill language instituting a state-supported enrollment target of 331,716 in 2012-13. *The Governor vetoed the provisional language instituting a state-supported enrollment target because it “creates unnecessary cost pressures on this item and unnecessarily restrictive.”*
- Rejected proposal to move General Obligation bond debt service costs into CSU’s base budget. With regard to lease-revenue bond (LRB) debt service costs, rejected proposal to provide one last adjustment for increased LRB debt service costs and provide no further adjustments going forward. Approved an annual incremental adjustment of \$9.763 million for LRB debt service costs and provisional budget bill language stating legislative intent to provide future adjustments for that same purpose.
- Approved an increase in CSU’s employer contribution to CalPERS by \$52 million, the incremental year-over-year cost increase. Rejected proposals to move CSU’s employer contributions costs into a separate control section and only provide adjustments for the “unfunded liability” portion of CSU’s required employer contribution to CalPERS.
- Rejected proposal to provide one last adjustment for retired annuitant health and dental benefits and provide no further adjustments going forward. Approved a \$1.1 million increase for retired annuitant health and dental benefits, including provisional budget bill language stating legislative intent to provide future adjustments for that same purpose. *The Governor vetoed the provisional language to expend funds on retired annuitant dental benefits because it “creates unnecessary cost pressures and is unnecessarily restrictive.”*

Hastings College of the Law – Components of Long-Term Funding Plan

- Rejected proposal to move General Obligation bond debt service costs into Hastings’ base budget.
- Rejected proposal to provide one last adjustment for retired annuitant dental benefits and provide no further adjustments going forward. Approved a \$49,000 increase for retired annuitant dental benefits, including provisional budget bill language stating intent to provide future adjustments for that same purpose. *The Governor vetoed the provisional language because it “creates unnecessary cost pressures and is unnecessarily restrictive.”*

California Community Colleges – Components of Long-Term Funding Plan

- Rejected proposal to “flex” nearly all categorical programs and permit districts to use the “flexed” categorical funds for any general operating cost. Reinstated all categorical

programs and funded them at the 2011-12 level as appropriately adjusted by a \$14 million workload increase in 2012-13.

- Rejected proposal to repeal the current statutory funding model for apportionments which is based primarily on student enrollment. Reinstated provisional budget bill language to continue to allocate apportionment funding as currently done on student enrollment basis.

6120 CALIFORNIA STATE LIBRARY (CSL)

- Augmented the CSL budget by \$4.7 million GF to meet federal match requirements and ensure the state's ability to expend \$15.03 million in federal library funds available to the state. Absent this action, the state would only be able to spend \$5.37 million of the available federal funds. These actions are necessary due to the 2011 Budget Act triggers that zeroed out over \$12 million GF for a number of local assistance library programs, including three programs that enabled the state to meet federal match and maintenance of efforts requirements for expenditure of federal library funds. The \$4.7 million augmentation is split 60/40 between Literacy Services and Library Services, or \$2.82 million and \$1.88 million, respectively.
- Approved \$4.829 million GF in one-time and ongoing operations funding for year five of the project to renovate the historic Stanley Mosk Library and Courts Building, including \$929,000 to provide sufficient shelving for the project. The additional funding for shelving is due to design and construction changes made to the building that have further limited the amount of existing shelving that can be relocated and reused, thereby necessitating the purchase of additional compact shelving systems. This is the final year of the renovation project. Beginning in 2013-14, and ongoing, the CSL's operating costs are estimated to decrease by \$141,000 over current annual costs.
- Approved \$236,000 GF in 2012-13 and ongoing to support the operations of the Sutro Library Branch in the newly renovated San Francisco State J. Paul Leonard Library (JPLL). Legislation in 2002 and 2006 appropriated funding for the JPLL joint use library. The renovation of the JPLL began in 2007; the Sutro Library took occupancy of the fifth and sixth floors of the completed JPLL space during 2011-12. The resources in this request are a continuation of the resources provided in 2011-12 to relocate the Sutro Library and establish operations in the JPLL space.
- Approved a reduction of \$491,000 and 10 positions, four of which are to be directed from existing vacancies, in the CSL's state operations budget, reflective of reduced workload levels due to the 2011 Budget Act trigger cut that eliminated five local assistance library programs.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

- Approved technical adjustments to revise 2011-12 close-out costs for CPEC. The January budget estimated costs of \$850,000 GF; the May Revision increased that amount by \$51,000, for a total of \$901,000. Also approved provisional budget bill language related to the Department of Education serving as CPEC's fiduciary agent in 2011-12 and 2012-13, and provides authority to DOF to augment additional GF for any significant unforeseen claim.

6440 UNIVERSITY OF CALIFORNIA (UC)

- Approved an augmentation of \$89.135 million GF and provisional budget bill language: (1) tying the funds specifically to contributions to the University of California Retirement Plan for UC's state GF- and tuition-funded employees and (2) stating that this funding does not constitute a state obligation to provide funding in future years and that future funding, if any, will be determined by the Legislature.
- Approved an augmentation of \$125 million in 2013-14 contingent on both of the following conditions: (1) the passage of the Schools and Local Public Safety Protection Act of 2012 and (2) if UC maintains the 2011-12 mandatory systemwide tuition and fee level in the 2012-13 academic year.
- Approved a "trigger" reduction of \$250 million, effective January 1, 2013, if the Schools and Local Public Safety Protection Act of 2012 is rejected by the voters.
- Approved budget trailer bill language to authorize for five years the Public Works Board to provide repayment from state bond proceeds to UC for the interim financing costs of capital outlay projects that have been approved by the Legislature. With this change, UC would be able to provide interim financing from its commercial paper program for the list of projects that have been approved by the Legislature, but for which bonds have not been sold due to delays in state bond sales, thereby allowing these projects to move forward. These projects include: (1) Helios Energy East Research Facility, UC Berkeley; (2) Environmental Health and Safety Expansion, UC Riverside; (3) Davidson Library Addition and Renewal, UC Santa Barbara; and (4) Scripps Institution of Oceanography Research Support Facilities, UC San Diego.
- Approved provisional budget bill language to require UC to meet requirements similar to current law requirements for the state and community college districts when contracting for services. *The Governor vetoed the provisional language stating, "While I encourage the UC to review the overall cost effectiveness of its contracting out, this provision would unnecessarily limit the UC's ability to effectively manage its operations."*
- Approved supplemental report language requiring UC to provide follow-up information to the Legislature in response to State Audit Report 2010-105 which examined the UC's budget process.
- Approved an extension of the liquidation period for one project, a new phase for a continuing project, and ten project reappropriations for capital outlay projects at various UC campuses. All of the projects were approved by the Legislature in prior budget acts. Figure 1 on the next page details these projects.

- Appropriated \$4.75 million (2006 General Obligation bond funds) for the costs of preliminary plans and working drawings for a new Classroom and Academic Office Building at UC Merced.

Figure 1: 2012-13 University of California Capital Outlay, Continuing Projects

Campus	Project	Phase
Berkeley	Helios Energy Research Facility (Project Reappropriation)	C
Berkeley	Campbell Hall Seismic Replacement Building (Extension of Project Liquidation Period)	W
Los Angeles San Diego San Francisco	Telemedicine and PRIME Facilities, Phase 2 (Project Reappropriations)	E
Merced	Site Development and Infrastructure, Phase 4 (Project Reappropriation)	C
Riverside	East Campus Infrastructure and Improvements, Phase 2 (Project Reappropriation)	C
Riverside	Environmental Health and Safety Expansion (Project Reappropriation)	W, C
San Diego	Structural and Materials Engineering Building (Project Reappropriation)	E
San Diego	Scripps Institution of Oceanography Research Support Facilities (Project Reappropriation)	C
Santa Barbara	Davidson Library Addition and Renovation (Project Reappropriation)	W, C
Santa Cruz	Infrastructure Improvements, Phase 2 (Continuing Project Phase Appropriation)	C

W=working drawings; C=construction; and E=equipment

6600 HASTINGS COLLEGE OF THE LAW

- Approved an augmentation of \$865,000 GF and provisional budget bill language: (1) tying the funds specifically to contributions to the University of California Retirement Plan for Hastings' state GF- and tuition-funded employees and (2) stating that this funding does not constitute a state obligation to provide funding in future years and that future funding, if any, will be determined by the Legislature.

6610 CALIFORNIA STATE UNIVERSITY (CSU)

- Approved an augmentation of \$125 million in 2013-14 contingent on both of the following conditions: (1) the passage of the Schools and Local Public Safety Protection Act of 2012 and

(2) if CSU maintains the 2011-12 mandatory systemwide tuition and fee level in the 2012-13 academic year.

- Approved a “trigger” reduction of \$250 million, effective January 1, 2013, if the Schools and Local Public Safety Protection Act of 2012 is rejected by the voters. Also approved provisional budget bill language authorizing the CSU Chancellor to transfer balances from extension programs and other self-supporting instructional programs in order to mitigate impacts to state-supported instructional programs that would result from reductions in state GF or reduction in tuition fee revenues. CSU is required to report by June 30, 2013, on the impact of any transfer on self-supporting instructional programs and related fees and the use of any transferred funds. This provisional language also reinstated the 2012-13 academic year enrollment target of 331,716 state-supported full-time equivalent students (including reporting requirement of May 1, 2013, the date by which CSU must report whether it met the 2012-13 academic year enrollment goal).
- Approved a new budget item to display CSU’s retiree health care costs to increase overall budget transparency. This item is also discussed in the Public Employment and Retirement section of this report.
- Rejected budget trailer bill language to provide CSU with the authority and flexibility to negotiate or set the rates that current employees pay toward their health benefits similar to authority currently provided to the Department of Personnel Administration to negotiate and set these rates for other state employees.
- Approved new funding of \$10.995 million (GO bonds) and \$11.155 million (federal funds) to fund the preliminary plans, working drawings, and construction phases of five seismic upgrade projects on four CSU campuses consistent with the CSU’s State Funded Capital Outlay Program 2012-13 Priority List. The projects include: (1) Los Angeles, Administration building; (2) Humboldt, Van Duzer Theatre and Library buildings; (3) Bakersfield, Dore Theatre building; and (4) San Luis Obispo, Crandall Gymnasium building.
- Approved an extension of the liquidation period for one project, a new phase for two continuing projects, and nine project reappropriations for capital outlay projects approved by the Legislature in prior budget acts. Figure 2 on the next page details these projects.

Figure 2: 2012-13 California State University Capital Outlay, Continuing Projects

Campus	Project	Phase
Bakersfield	Art Center and Satellite Plant (Project Reappropriation)	W, C
Channel Islands	West Hall (Project Reappropriation)	W, C
Channel Islands	Classroom and Faculty Office Renovation/Addition (Continuing Project, Phase Appropriation)	E
Channel Islands	Infrastructure Improvements, Phase 1A and 1B (Extension of Liquidation Period)	C
Chico	Taylor II Replacement Building (Project Reappropriation)	W, C
East Bay	Warren Hall Replacement Building (Project Reappropriation)	P, W, C
Fresno	Faculty Office/Laboratory Building (Project Reappropriation)	W, C
Maritime Academy	Physical Education Replacement (Project Reappropriation)	P, W, C
Monterey Bay	Academic Building II (Project Reappropriation)	P, W, C
San Bernardino	Access Compliance Barrier Removal Project (Project Reappropriation)	W, C
San Diego	Storm/Nasatir Hall Renovation (Continuing Project, Phase Appropriation)	E
San Jose	Spartan Complex Renovation (Project Reappropriation)	W, C
Stanislaus	Science I Renovation (Continuing Project, Phase Appropriation)	E

P=preliminary plans; W=working drawings; C=construction; and E=equipment.

6870 CALIFORNIA COMMUNITY COLLEGES

- *Please see the K-12 Education Section of this report for information on the overall K-14 Proposition 98 budget.*
- Contingent on the passage of the Schools and Local Public Safety Protection Act of 2012, approved an increase of \$159.9 million in funding to pay down existing apportionment deferrals and \$50 million in growth funding to community college districts. Should this funding be provided, it would reduce the deferred payment amount total to \$801 million (from the current level of \$961 million).

- Approved trigger reductions of approximately \$550 million for the community colleges (out of a total of \$5.4 billion in Proposition 98 reductions) in the event that the Schools and Local Public Safety Protection Act of 2012 is not approved by voters. Of that total, \$209.9 million would be achieved by rescinding the community college deferral buy down and growth funding; the remaining \$340 million would come in the form of programmatic cuts to community college districts. Also approved budget trailer bill language that permits districts to reduce the number of students they serve in proportion to the programmatic reduction.
- Approved budget trailer bill language to ensure that the community college budget is held harmless and provided with a GF backfill should offsetting local property taxes available to community college districts due to the dissolution of Redevelopment Agencies (RDA) not materialize in both 2011-12 and 2012-13. The 2011-12 estimated revenues for community colleges due to the dissolution of RDAs were \$116.9 million. The 2012-13 estimate of these revenues is \$451.1 million, with \$211 million of that total attributable to the one-time recovery of “liquid assets” and \$237.9 million from local property taxes (i.e., increment).
- Approved a new mandate funding structure, including budget trailer bill language, by: (1) establishing a block grant for active community college mandates; (2) continuing to suspend in 2012-13 those mandates that are currently suspended; and (3) continuing the claiming process but requiring a community college district to choose between either claiming or utilizing the block grant. Community college districts will receive \$33 million for the new mandate block grant, resulting in a \$28 per student payment rate. As part of this action, rejected related budget trailer bill language that would have eliminated the Health Fees/Services mandate.
- Approved budget trailer bill language to increase student fees for qualifying neighboring state students that attend a CCC based on reciprocal state attendance agreements to an amount that is two times the California resident student fee effective in 2012-13. Effective July 1, 2013, and ongoing, instituted a fee level for qualifying neighboring state students that is three times the California resident student fee.
- Approved several technical budget adjustments related to federal funds, including for the Solar Training Collaborative Program, the State Trade and Export Promotion Project, the Personal Care Training and Certification Program, and the Transportation Technologies and Energy Program.
- Approved the reversion of \$39.692 million (GO bonds) in unencumbered construction or equipment balances for eleven projects in various districts, as listed immediately below (district/campus/project). The reverted balances are project savings and/or decisions by districts not to proceed with the project (the asterisks denote the projects which are solely decisions by districts not to proceed). These reversions resulted in sufficient bond authority to fund the construction and equipment phases of the Glendale CCD Laboratory and College Services

Building, for which the 2007 Budget Act provided \$2.769 million for preliminary plans and working drawings (this project is also noted in the next item).

1. San Luis Obispo CCD, North County Center, Technology and Trades Complex*
 2. Napa Valley CCD, Napa Valley College, Library/Learning Resource Center
 3. Grossmont-Cuyamaca CCD, Cuyamaca College, LRC Expansion/Remodel, Phase I
 4. Coast CCD, Orange Coast College, Consumer and Science Lab Building
 5. Ohlone CCD, Ohlone College, Fire Suppression*
 6. Sonoma CCD, Santa Rosa Jr. College, Public Safety Training Center Advanced Laboratory & Office Complex*
 7. Riverside CCD, Riverside City College, Nursing Science Building
 8. Santa Clarita CCD, College of the Canyons, Library Addition
 9. West Valley-Mission CCD, District wide, Fire Alarm System Replacement
 10. Monterey Peninsula CCD, Monterey Peninsula College, Humanities, Business, Student Services
 11. State Center CCD, Fresno City College, Old Administrative Building, North and East Wings, Phase III
- Approved a new phase for one continuing project and four project reappropriations for capital outlay projects approved by the Legislature in prior budget acts. Figure 3 below details these projects.

Figure 3: 2012-13 California Community Colleges Capital Outlay, Continuing Projects

District/Campus	Project	Phase
El Camino CCD, El Camino Compton Center	Allied Health Building (Project Reappropriation)	C
Gavilan CCD, Gavilan College	Replace Water Supply System (Project Reappropriation)	W, C
Glendale CCD, Glendale College	Laboratory and College Services Building (Continuing Project, Phase Appropriation)	C, E
Long Beach CCD, Pacific Coast Campus, Long Beach City College	Multi-Disciplinary Academic Building (Project Reappropriation)	E
Santa Clarita CCD, College of the Canyons	Administrative and Student Services Building (Project Reappropriation)	C, E

W=working drawings; C=construction; and E=equipment.

7980 CALIFORNIA STUDENT AID COMMISSION**Financial Aid Programs**

- Approved budget trailer bill language to: (1) tighten institutional eligibility criteria by requiring institutions to maintain a maximum cohort default rate (CDR) of 15.5 percent and a minimum graduation rate of 30 percent to participate in Cal Grant programs; and (2) require the Student Aid Commission to provide additional notification to students. Institutions with CDRs below 10 percent and graduation rates above 20 percent retain eligibility until the 2016-17 academic year. Maintained current law standard that institutions with fewer than 40 percent of undergraduates borrowing federal loans are not subject to the CDR and graduation rate tests. Under current law, a Cal Grant recipient already attending an ineligible institution may qualify for a renewal award reduced by 20 percent at that institution in 2012-13 only. Beginning in 2013-14, renewal awards will be eliminated at ineligible institutions. These actions are projected to reduce Cal Grant expenditures by \$55 million in 2012-13.
- Approved budget trailer bill language, effective in 2013-14, to reduce maximum new tuition awards from \$9,708 to \$9,084 at private nonprofit (independent) institutions. This award level also applies to private for-profit institutions that are accredited by the Western Association of Schools and Colleges (WASC) as of July 1, 2012. Maximum new tuition awards at all other private for-profit institutions will be reduced to \$4,000. Beginning in 2014-15, maximum new tuition awards at nonprofit institutions and WASC-accredited for-profit institutions will be reduced further, to \$8,056. (Maximum awards at all other for-profits will remain at \$4,000). These actions are projected to reduce Cal Grant expenditures by \$16 million in 2013-14. *The Governor vetoed new and renewing maximum grant awards levels in 2012-13, reducing them by five percent for additional savings of \$22.6 million, as follows: (1) the private for-profit institution award from \$9,708 to \$9,223; (2) the independent nonprofit institution award from \$9,708 to \$9,223; (3) the Cal Grant B access award from \$1,551 to \$1,473; (4) the Cal Grant C tuition and fee award from \$2,592 to \$2,462; (5) and the Cal Grant C book and supply award from \$576 to \$547. In taking this action, the Governor indicated it was “necessary to align ongoing program expenditures with existing resources and will not eliminate eligibility for any Cal Grant student.”*
- Approved budget trailer bill language to codify current practice limiting community college transfer entitlement awards to students who attended a California community college in the academic year before transferring to a four-year institution. This action avoids \$70 million in new Cal Grant program costs in 2012-13. The adopted trailer bill language also provides an additional year of eligibility for students who attended a community college in the 2011-12 academic year, because of the possibility that this group of students will have limited public four-year institution transfer options.
- Approved budget trailer bill language to clarify existing law, adopted as part of the 2011 Budget Act, that an institution that is ineligible to participate in the Cal Grant program shall regain its

eligibility for the academic year for which it satisfies the eligibility requirements. Under current law, federally reported CDR and graduation rate data is certified by CSAC in October of each year. That data becomes the basis for program eligibility in the following academic year. This language clarifies that an institution that is ineligible in the 2012-13 academic year shall regain its eligibility in the 2013-14 academic year if it satisfies the eligibility requirements for the 2013-14 academic year. The CSAC has interpreted current law to read as a two-year exclusion from the program.

- Approved budget trailer bill language to correct an unintended consequence of Chapter 7, Statutes of 2011 (SB 70), which established tighter eligibility criteria for Cal Grant renewals, by ensuring that co-eligible students can switch from Cal Grant B to Cal Grant A if they meet all eligibility requirements for Cal Grant A awards upon renewal.
- Rejected proposed budget trailer bill language to align the Cal Grant program award methodology with that of the Federal Pell Grant financial aid program.
- Rejected the phase out of existing loan assumption programs, including proposed budget trailer bill language. Approved new warrants for the education and nursing loan assumption programs in the budget act. *The Governor vetoed the provisional language that authorized 7,200 new education warrants and 100 new nursing warrants in 2012-13. This effectively begins the phase-out of the loan assumption programs in 2013-14. In taking this action, the Governor indicated that savings will accrue beginning in 2013-14 and “help align ongoing program expenditures with available resources into the future.”*
- Approved a technical adjustment to the Governor's January budget to increase Cal Grant program expenditures by \$26.52 million in 2012-13 to reflect increased costs resulting from the Governor's Budget proposal to allow students within the Cal Grant B program to switch to the Cal Grant A program when renewing their award. Also approved an increase of \$27.65 million in 2011-12, resulting from the Student Aid Commission's action to reinstate 3,490 students who were no longer deemed eligible to renew their Cal Grant B awards due to a change in their family income. These actions relate to the trailer bill language discussed above to address an unintended consequence of Chapter 7, Statutes of 2011 (SB 70).
- Approved a shift of \$803.754 million of Cal Grant Program costs from the GF to federal Temporary Assistance for Needy Families (TANF) Program funds available due to reductions in the CalWORKs program. Please see the Human Services section of this report for further information about the CalWORKs program reductions.
- Approved an offset of \$84.7 million GF due to surplus funds from the Student Loan Operating Fund (SLOF), which receives proceeds from the federal guaranteed student loan program.

- Approved a technical adjustment to reduce federal funds for the John R. Justice Grant Program, a loan repayment assistance program, due to reductions made on the federal level impacting this Program.

State Operations & Program Administration

- Approved increased expenditure authority of \$746,000 GF, of which \$262,000 is ongoing, and four positions, three of which are ongoing and one of which is one-year limited-term, to comply with the requirements of Chapter 604, Statutes of 2011 (AB 131), related to eligibility for the Cal Grant program. Existing law exempts specified California nonresidents from paying nonresident tuition at UC, CSU, and the CCC. Effective January 1, 2013, Chapter 604 enables these students to be eligible for all state-administered financial aid programs, including the Cal Grant program.
- Approved increased expenditure authority of \$46,000 GF and one half-time position on an ongoing basis to comply with the requirements of Chapter 627, Statutes of 2011 (SB 451), related to prioritization of awards in the Cal Grant C program. Chapter 627 established priority in selecting Cal Grant C recipients to eligible students pursuing occupational or technical training in areas with high employment and high growth potential.
- Approved a new budget control section to ensure an appropriate budgetary check and balance in Student Aid Commission administration of the Cal Grant program to ensure that the Legislature and Department of Finance are consulted prior to the Commission making any change in policy or practice that would have an annualized fiscal effect exceeding \$5 million. Under the control section language, the Department of Finance would have to approve any change as well as notify the Joint Legislative Budget Committee. The notification to the JLBC is required to explain the necessity and rationale for the change in policy or practice and identify the fiscal effect in the current fiscal year and subsequent fiscal years. Finally, in adopting the control section, a statement of legislative intent was included making clear that it is the intent of the Legislature not to affect the entitlement aspect of the Cal Grant program.

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

Senate Budget and Fiscal Review Committee

Members

S. Joseph Simitian, Chair
Jean Fuller
Lois Wolk

Consultants

Catherine Freeman - Resources
Mark Ibele - Transportation

SUBCOMMITTEE No. 2

NATURAL RESOURCES, ENVIRONMENTAL PROTECTION, and TRANSPORTATION

Natural Resources

Secretary for Natural Resources	2-1
Special Resources Programs.....	2-1
California Tahoe Conservancy	2-1
California Conservation Corps	2-2
Colorado River Board of California	2-2
Department of Conservation.....	2-2
Department of Resources Recycling and Recovery	2-3
Department of Forestry and Fire Protection	2-4
State Lands Commission	2-5
Department of Fish and Game.....	2-5
Wildlife Conservation Board.....	2-6
Department of Boating and Waterways.....	2-7
California Coastal Commission.....	2-7
State Coastal Conservancy	2-7
Native American Heritage Commission.....	2-8
Department of Parks and Recreation	2-8
Santa Monica Mountains Conservancy	2-10
San Francisco Bay Conservation and Development Commission	2-10
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	2-10
San Joaquin River Conservancy	2-10
Baldwin Hills Conservancy	2-10
Delta Protection Commission.....	2-10
San Diego River Conservancy.....	2-11
Coachella Valley Mountains Conservancy.....	2-11
Sierra Nevada Conservancy.....	2-11
Sacramento-San Joaquin Delta Conservancy	2-11
Department of Water Resources.....	2-11
Delta Stewardship Council	2-12

SUBCOMMITTEE No. 2

(CONTINUED)

Environmental Protection

Secretary for Environmental Protection	2-13
Air Resources Board.....	2-13
Department of Pesticide Regulation.....	2-14
State Water Resources Control Board.....	2-14
Department of Toxic Substances Control	2-16
Office of Environmental Health Hazard Assessment.....	2-17

Energy and Utilities

California Energy Commission	2-18
Department of Water Resources (California Energy Resources Scheduling Division).....	2-19
California Public Utilities Commission	2-19

Food and Agriculture

Agricultural Labor Relations Board	2-21
Department of Food and Agriculture.....	2-21

Transportation

California Transportation Commission	2-22
State Transit Assistance.....	2-22
Department of Transportation	2-22
High-Speed Rail Authority.....	2-25
Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun	2-26
Office of Traffic Safety	2-26
California Highway Patrol.....	2-26
Department of Motor Vehicles.....	2-26
Shared Revenue	2-27

NATURAL RESOURCES

0540 Secretary for Natural Resources

- Approved budget bill language requiring the Secretary for Natural Resources to explore a land exchange within the Tahoe Basin to align state land ownership within the Natural Resources Agency boards and departments.
- Approved budget bill language requiring the Attorney General to determine whether the Tahoe Regional Plan Update is consistent with the Tahoe bi-state compact.
- Approved a reappropriation of funds (Proposition 84) for Strategic Growth Council Modeling Incentives Program data gathering and model projects in compliance with Chapter 728, Statutes of 2008 (SB 375).
- Approved reappropriation of funds for the River Parkways grant program to allow remaining funds to be awarded in the final round of program funding

3110 Special Resources Program

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

3125 California Tahoe Conservancy

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

3340 California Conservation Corps

- Approved \$2.0 million one-time (Collins-Dugan Reimbursement Account) to fund replacement of crew-carrying vehicles and vans in order to meet health and safety requirements.
- Approved \$475,000 (Proposition 84) of one-time augmentations for programs to align the balance of the funds with authorized expenditures.
- Approved an increase of \$354,000 (Collins-Dugan Reimbursement Account) to support proposed contracts for the elimination of noxious weeds in agriculture and grazing lands and for the Backcountry Trails Program.
- Approved two reappropriations for an ongoing capital project (Delta Service Center) for acquisition and construction.
- Approved reappropriation of funds for an ongoing project, the Tahoe Base Center Relocation, for construction phase minor redesign. This will permit the remainder of the project through final construction.

3460 Colorado River Board of California

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

3480 Department of Conservation

- Approved a request for 18 permanent positions and a baseline appropriation of \$2.5 million (\$2.3 million ongoing) from the Oil, Gas, and Geothermal Administrative Fund to enhance onshore and offshore regulatory programs by improving its construction site review, environmental compliance, and underground injection control programs.
- Rejected a proposal to eliminate the State Mining and Geology Board.
- Approved three baseline funding adjustments to shift funding sources, but still allow for continued program administration as follows:
 1. Shifted \$937,000 from the Bosco-Keene Renewable Resources Investment Fund (RRIF) and made an accompanying baseline reduction of \$937,000 to the Soil Conservation Fund (SCF).
 2. Approved a one-year appropriation of \$134,000 from the California Farmland Conservancy Program Fund to support the program due to decreased revenues into the Soil Conservation Fund.
 3. Re-appropriated \$1.1 million in Proposition 50 bond funds to continue implementation of the department's Statewide Watershed Program.

- Approved \$1 million per year from the Oil, Gas, and Geothermal Administrative Fund to plug orphan wells. The program sunsets in three years.
- Approved \$132,000 from various special funds for maintenance of the DOC information technology infrastructure.
- Approved \$500,000 (baseline Federal Trust Fund) in order to receive grants related to the Federal Emergency Management Agency (FEMA).

3500 Department of Resources Recycling and Recovery

- Approved a request for a transfer of \$558,000 in expenditure authority and five positions from the Electronic Waste Recovery and Recycling Account from the Department of Toxic Substances Control to the Department of Resources Recycling and Recovery.
- Approved a request to amend Section 14574 of the Public Resources Code to require beverage container distributors to submit redemption payments by the last day of the first month following the sale to better align revenue cash flow with expenditure cash flow.
- Approved 2.75 positions and \$205,000 to implement the carpet stewardship law pursuant to Chapter 681, Statutes of 2010 (AB 2398, Perez).
- Approved 2.75 positions and \$205,000 to cover the full costs of administering and enforcing the Architectural Paint Recovery Program as established by Chapter 420, Statutes of 2010.
- Approved an annual redirection of \$1.4 million of existing authority to fund an Interagency Agreement with the California Department of Food and Agriculture (CDFA) border protection stations to combat Beverage Container Recycling Program fraud associated with illegal CRV redemption of beverage containers imported to California from out-of-state.
- Approved a proposal to abolish two CEA positions for a total reduction of \$236,000 spread over multiple funds.
- Rejected a proposal to delay repayment of \$89.4 million in loans to the General Fund from the Beverage Container Recycling Fund.
- Approved a proposal to clarify that mandatory commercial or multi-family recycling program implementation applies to those who generate “four or more” cubic yards of waste per week.
- Shifted the Education and the Environment Initiative from the Secretary for Cal-EPA to the department for program maintenance.

3540 Department of Forestry and Fire Protection (CalFIRE)

- Approved a one percent assessment on timber products, as well as reforms to the timber harvest plan review process and timber fire immunity. The assessment will primarily pay for regulatory activities related to timber harvest plan review and forest restoration activities.
- Approved a proposal for \$8.3 million to implement the State Responsibility Area fee. Denied a proposal to add fire suppression to the eligible uses of the State Responsibility Area fee.
- Rejected a proposal requesting \$5.3 million GF for increased costs associated with unemployment insurance for seasonal firefighters.
- Approved two proposals and \$2.1 million GF as part of a settlement with the Firefighter's Bargaining Unit 1 to increase compensation related to separation costs and ongoing compensation.
- Approved \$15.7 million GF to cover retroactive extended duty week compensation lump-sum buyout costs associated with the separation of the Firefighter's Bargaining Unit 8. This item was funded in the current year deficiencies item.
- Approved \$5.6 million in 2012-13 and a total of \$8.7 million over five years from the State Emergency Telephone Number Account to provide a one-time hardware life cycle replacement for Computer Aided Dispatch. Funds will also be used for ongoing system maintenance and support over a five year period.
- Denied redirection of \$230,000 GF in 2012-13 and \$472,000 thereafter, and a total of 11.5 permanent positions to provide oversight of the CalFIRE Emergency Medical Services Program.
- Approved budget bill language to allow the department to use funding within its support budget to acquire conservation easements pursuant to the California Forest Legacy Program Act in order to comply with state administrative procedure for this 10-year old program.
- Approved \$6.8 million (multiple special funds) for a planned telecommunications infrastructure replacement project. This funding is part of a multi-year proposal as part of the California Technology Agency's Public Safety Office conversion to digital technology.
- Approved an increase of \$3 million in 2012-13 and \$2.0 million GF ongoing to augment its Statewide Legal Services budget to fund the Department of Justice (DOJ) legal services related to the Civil Cost Recovery Program.
- Approved \$290,000 from the Air Pollution Control Fund to enable CalFIRE to conduct research studies and technical analyses to ensure that its rules and regulations that govern timber harvesting consider the capacity of forests to sequester carbon in an effort to meet greenhouse gas emission targets outlined in Chapter 488, Statutes of 2006 (AB 32).
- Approved various reappropriations to provide ongoing funding for capital projects, including acquisition, working drawings, and construction. Projects include the Ventura Youth

Conservation Camp, Bautista Conservation Camp, North Regional Fire Stations, South Operations Area Headquarters, among others.

3560 State Lands Commission

- Approved an increase of \$686,000 (School Land Bank fund) and six positions to execute land exchanges for renewable energy-related projects per Chapter 485, Statutes of 2011 (AB 982, Skinner).
- Approved \$300,000 (Oil Spill Prevention and Administration Fund) for contracting services with the Department of Finance to perform audits on the fund.
- Approved an increase of \$395,000 (reimbursement authority) and three positions for increased workload caused by alternative energy projects on lands within the jurisdiction of the Commission.
- Approved \$1 million (\$470,000 Royalty Recovery and Revenue Assurance and \$555,000 Lease Compliance and Revenue Enhancement) and 9 positions for the Commission to increase financial audit activities related to management of oil, gas, and other mineral resources owned by the state and to increase return on investment.
- Approved supplemental reporting language to require the Commission to report on the effectiveness of the limited-term positions for auditing and revenue enhancement in two years' time and make recommendations for permanent staffing levels.

3600 Department of Fish and Game (DFG)

- Approved the elimination of the Salton Sea Restoration Council. Rejected a proposal to fund ongoing work at the Salton Sea (Department of Water Resources budget item) but approved \$2.0 million from bond funds to produce a report detailing a cost-implementation plan for Salton Sea restoration efforts. *The funding was vetoed by the Governor.*
- Approved the addition of 16 permanent positions in 2012-13 and funding of \$2.9 million in the budget year (\$2.0 million ongoing) from the Oil Spill Prevention and Administrative Fund (OSPAF).
- Approved budget bill language requiring the DFG on or before January 10, 2012, to present the Legislature with a plan to redirect Fish and Game Preservation Funds to other priorities while backfilling any renewable energy activities with Cap and Trade Funding. *The language was vetoed by the Governor.*
- Approved \$1.5 million (Environmental License Plate Fund) to adhere to Federal Communications Commission requirements to migrate to Narrowband Radio by January 2013.

- Approved \$500,000 from the Fish and Game Preservation Fund (Non-Dedicated) to conduct a one-time assessment to ascertain the number and types of measurement devices that would be needed to comply with the water diversion measurements mandated by Chapter 2, Statutes of 2009 (SBx7 8).
- Approved an ongoing augmentation of \$6.7 million from the Federal Trust Fund for the Fisheries Restoration Grant and Law Enforcement Hunter Education programs consistent with the federal funding authority.
- Approved an ongoing augmentation of \$702,000 and one position from the Dungeness Crab Account to implement Chapter 335, Statutes of 2011 (SB 369, Evans).
- Rejected a proposal to eliminate various advisory groups including the Commercial Salmon Review Board, State Interagency Oil Spill Committee, State Interagency Oil Spill Review Subcommittee, and Abalone Advisory Committee.
- Approved four positions to complete a land transaction for advanced mitigation in support of renewable energy development in the Interim Mitigation Strategy (IMS) program associated with the Desert Conservation Renewable Energy Program.
- Approved supplemental reporting language to require a memorandum of understanding between Natural Resource Agencies working on Ocean Data Projects to ensure statewide conformity.
- Approved a realignment of bond funds to align expenditure authority with anticipated expenditures and available resources including the Delta Ecosystem Restoration Program and Natural Community Conservation Plan.
- Approved trailer bill language to clarify that the department shall produce an environmental review per statute prior to the use of any vacuum or suction dredge equipment in any river, stream, or lake in the state that is certified by the director of DFG to the Secretary of State under Section 5653.1 of the Fish and Game Code.

3640 Wildlife Conservation Board

- Approved baseline program funding and budget bill language including:
 1. Minor Capital Outlay (\$1.0 million, Wildlife Restoration Fund).
 2. Wildlife Protection Act of 1990 (\$21 million, Habitat Conservation Fund).
 3. Reappropriation, Wildlife Protection Act of 1990 (\$5 million, Habitat Conservation Fund).
 4. Proposition 12 support baseline funding removal (fund shift from Proposition 12 funds to Wildlife Restoration Fund due to fully expended bond funds).
- Approved the remainder as budgeted.

3680 Department of Boating and Waterways

- Took no action on the proposal to eliminate the Department of Boating and Waterways. Instead this proposal was shifted to the Governor's Reorganization Plan and reviewed by the Little Hoover Commission.
- Approved a shift of \$10 million annually from Harbors and Watercraft Revolving Fund to the State Water Project for boating-related fish and wildlife and recreation enhancement.
- Approved \$8 million from the Harbors and Watercraft Revolving Loan Fund (HWRF) for public small craft harbor loans.
- Approved \$9.9 million (HWRF) for public boat launching facility grants.
- Approved \$857,000 (Federal Trust Fund) for sewage pump-out facilities statewide from the Federal Clean Vessel Act Grants budget authority.
- Approved a \$1.1 million reappropriation from the Federal Trust Fund for removal of abandoned watercraft throughout the state that create public safety and environmental hazards.
- Approved \$2.5 million (HWRF) reappropriations for approved public loan and grant funding.
- Approved \$5 million (HWRF) for loans to privately-owned recreational marinas.
- Approved \$250,000 (Sport Fishing Restoration Account) for the federal cost-share for the County of San Mateo, Oyster Point Visitor Dock Project.

3720 California Coastal Commission

- Approved a one-time augmentation of \$798,000 (California Beach and Coastal Enhancement Account) for the Coastal and Marine Education Whale Tail License Plate Program local assistance.

3760 State Coastal Conservancy

- Approved as budgeted a series of reversion and reappropriations from Propositions 12, 40, 50, and 84 to align capital and administrative programs with a planned reduction in the availability of bond funds.
- Approved \$950,000 (\$500,000 from the Coastal Access Account and \$450,000 from the California Beach and Coastal Enhancement Account) to continue implementation of the Coastal Conservancy's public access and education programs.
- Approved supplemental reporting language to require the Coastal Conservancy to report on its efforts to enter into a memorandum of understanding with other Natural Resources Agency departments to avoid duplication of efforts on ocean data projects.

3780 Native American Heritage Commission

- Approved as budgeted.

3790 Department of Parks and Recreation (DPR)

- Approved a one-time allocation of \$21 million (State Parks and Recreation Fund) to provide matching funding to state parks that were slated for closure in the 2012 budget. Established a two-year moratorium on park closures and increased the role of the Park and Recreation Commission in overseeing the department's activities and budget.
- Approved a series of actions to provide funding and flexibility to DPR to alleviate park closures and to improve collaborations with locals and nonprofits who take over parks.
 - Approved the administration's two-year pilot proposal (a total of \$15.3 million from State Parks and Recreation Fund) for continuous appropriation authority including trailer bill language with the intent to allow the DPR to become more entrepreneurial.
 - Approved intent language to allow for position classification changes that would allow non-peace officers to administer a greater proportion of non-law enforcement tasks.
 - Approved supplemental reporting language to explore opt-in fees for annual passes and other non-traditional revenue sources.
 - Approved trailer bill language to allow for a specialty license plate to support state parks.
 - Approved up to \$10 million in loans to be made available from the Clean Water Revolving Loan Fund for water and wastewater system repairs. **Funding vetoed by the Governor.**
 - Approved up to \$21 million to be made available from the Motor Vehicle Fuel Account for park operations, park maintenance, and capital projects including Off-Highway Vehicle Programs. Approved a reduction of \$10 million to the Off-Highway Vehicle Local Assistance Program. Prioritized remaining local assistance grants (\$11 million) for local law enforcement programs. **The Governor reduced this amount to \$7 million thereby vetoing \$14 million.**
 - Approved \$10 million from the Alternative and Renewable Fuel Vehicle Technology Fund provided from the Motor Vehicle Fuel Account, to be used for roads, road maintenance, and law enforcement activities at state parks. **The Governor reduced this amount to \$3 million, thereby vetoing \$7 million.**
 - Approved \$13 million from reappropriations to be directed to an Enterprise Fund for capital in nature projects that improve the DPR's revenue generating capabilities.

- Approved \$177,000 (Off Highway Vehicle Trust Fund [OVHVF]) to fund mandatory cleaning and inspection for a 500,000 gallon steel water tank at Prairie City State Vehicular Recreation Area (SVRA).
- Approved an extension of liquidation for the City of Encinitas, Moonlight State Beach project.
- Approved \$881,000 (Proposition 84) to continue work on a long-lived interpretive and educational exhibit, and for new museum buildings at Donner Memorial State Park.
- Approved 4.8 million from the Off Highway Vehicle Trust Fund to provide funding to implement dust management plans at various state vehicular recreation areas for compliance with fugitive dust emission regulations.
- Approved \$1 million from the Off Highway Vehicle Trust Fund to implement a storm water management plan and complete a meta assessment plan at Carnegie State Vehicular Recreation Area for compliance with water quality standards.
- Approved \$2.6 million from Proposition 84 to provide funding for projects as required by the Americans with Disabilities Act per a consent decree.
- Approved a technical adjustment to bond-funded Program delivery including a decrease in funding from various bond funds to align Proposition 12 and Proposition 40 expenditures with reduced program delivery activities.
- Approved two proposals to re-appropriate \$50.8 million Proposition 84 bond funds until June 30, 2014, and to appropriate for \$1.8 million in funding to complete construction of the People Coordinated Services' Youth and Family Center.
- Extended the encumbrance and liquidation periods under the Nature Education Facilities Grant Projects program.
- Approved concession and operating agreements for Old Town San Diego Historic Park and Morrow Bay Historic Park.
- Approved \$5.9 million (Off Highway Vehicle Trust Fund) for Hollister Hills SVRA infrastructure and rehabilitation.
- Approved a \$16.9 million reappropriation of funds for ongoing capital projects within the State Parks system working drawings and construction.
- Approved a \$15.2 million reappropriation of funds including for the following specific State Vehicular Area projects: Prairie City State Vehicular Recreation Area (SVRA), Oceano Dunes SVRA, Carnegie SVRA, and Hollister Hills SVRA.

3810 Santa Monica Mountains Conservancy

- Approved a baseline funding shift (\$65,000) from Proposition 13 to Proposition 84, and a corresponding reversion from these funds to align program expenditures with available funding.
- Approved a request for \$1 million (Santa Monica Mountains Conservancy Fund) for continuing capital programs.
- Reverted \$4.7 million (Proposition 12) and \$1.4 million (Proposition 50) bond funds to align program expenditures with existing projects. Aligned these funding sources, including an extension of liquidation of funds, with existing planned capital outlay expenditures.

3820 San Francisco Bay Conservation and Development Commission

- Approved an increase in reimbursements (federal funds) by \$242,000 to provide funding for the Coastal Impact Assistance Program.

3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy

- Approved a request for reversion of \$222,000 from Proposition 40, an increase of \$468,000 from Proposition 50, and a reappropriation of Proposition 40 and 84 bond funds to align baseline capital outlay expenditures.
- Approved trailer bill language to allow the Senate to select an alternative appointee should the Conservancy fail to submit more than one candidate for director as required by law.

3830 San Joaquin River Conservancy

- Approved as budgeted.

3835 Baldwin Hills Conservancy

- Approved an amendment to an existing Proposition 84 bond appropriation to extend a limited-term position until June 20, 2015, to align the position with existing approved bond expenditures.

3840 Delta Protection Commission

- Approved as budgeted.

3845 San Diego River Conservancy

- Approved as budgeted.

3850 Coachella Valley Mountains Conservancy

- Approved two reversions totaling \$239,000 from two years to align fund balances and allow oversight on Capital Outlay projects for Proposition 84 bond funds that are consistent with the Natural Communities Conservation Plan (NCCP) lands in Coachella Valley through 2015-16.

3855 Sierra Nevada Conservancy

- Approved an alignment of unencumbered Proposition 84 bond funds from 2009 to be used for ongoing grant awards and cooperative agreements.

3875 Sacramento-San Joaquin Delta Conservancy

- Approved as budgeted.

3860 Department of Water Resources (DWR)

- Approved \$15 million continued funding from Proposition 1E and Proposition 84 for the seven functional areas identified in the FloodSAFE proposal. The majority of funding continues work on flood risk reduction projects.
- Reverted \$45 million and appropriated \$102 million from Proposition 1E Stormwater flood management local assistance funds to continue a second round of grants and to finalize the first round of local grants.
- Denied \$1.05 million from Proposition 1E bond funds and the State Water Project funds as well as six positions to implement projects within the areas of the state affected by the Delta Stewardship Council's Delta Plan.
- Approved various technical changes to continue previously approved projects including the Yuba Feather Flood Protection Program, the Stockton Deep Water Ship Channel, Water Use Efficiency Grant Program, and various water management programs.
- Approved minor changes to provisional language to allow the department to move forward with projects when federal cost-sharing is not possible.

- Approved \$169 million continued funding (various bond funds) for capital projects including one technical change to allow for dollars inadvertently identified as support to be used for capital projects as anticipated.
- Approved 37 permanent positions and 38 two-year limited-term positions from State Water Project funds for the Delta Habitat Conservation and Conveyance Program (DHCCP). Rejected 60 remaining positions and approved budget bill language directing the DWR to move forward with preliminary design and construction work associated with DHCCP only after certain reporting and public notice criteria are met.
- Approved a shift of \$10 million from the Harbors and Watercraft Revolving Loan Fund to the DWR to fund boating-related fish and wildlife enhancement and recreation to satisfy the funding requirements of the Davis-Dolwig Act.
- Approved 10 permanent positions (State Water Project funds) to implement habitat restoration required by state and federal agency biological opinions.
- Approved remainder as budgeted.

3885 Delta Stewardship Council

- Approved an extension of six existing limited-term positions until June 30, 2014, to align the positions with statutory deadlines. No funding proposal was required.

Resources Budget Trailer Bills

1. Public Resources, SB 1018 (Chapter 39, Statutes of 2012).
2. Forest Resource Management, AB 1492 (Chapter 289, Statutes of 2012).
3. State Parks: finances, AB 1478 (Chapter 530, Statutes of 2012).

ENVIRONMENTAL PROTECTION

0555 Secretary for Environmental Protection

- Approved \$5.7 million in Unified Program Account authority from existing funds (fees) and already collected to continue statutory program requirements for the Unified Program electronic reporting implementation.
- Approved a proposal to increase federal reimbursement authority from the National Oceanic and Atmospheric Administration by \$388,000 to support the Education and the Environment Initiative Curriculum through a federal competitively awarded grant.
- Shifted the Education and the Environment Initiative from the Office of the Secretary to the Department of Resources Recycling and Recovery.

3900 Air Resources Board (ARB)

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

- Shifted \$86.4 million dollars (Air Pollution Control Fund) in incentive based funding from State Operations to Local Assistance for the Carl Moyer Incentive Program.
- Approved \$939,000 (Air Pollution Control Fund) to support planned workload to effectively track, record, and reconcile air quality and greenhouse gas reduction program expenditures.
- Approved a proposal to extend the liquidation of Lower Emission School Bus program funding to 2016.

3930 Department of Pesticide Regulation

- Approved a request for two permanent positions and \$713,000 (\$711,000 ongoing) from the Department of Pesticide Regulation Fund to expand the existing pest management grant program to fund research projects that develop effective alternatives to fumigants and other pesticides.

3940 State Water Resources Control Board

- Approved trailer bill language to allow for the reorganization of the regional water quality control boards including reducing the number of board members, eliminating categorical board member associations, and updating conflict of interest rules.
- Rejected proposals to consolidate regional boards and to allow the Governor to appoint the regional board chair.
- Approved budget bill language requiring the board to report to the Legislature by January 2013 with alternative options for regional board consolidation that are cost-efficient. *The budget bill language was vetoed by the Governor.*
- Approved \$1.5 million (various special funds) to allow the San Diego Regional Water Quality Control board to move its headquarters due to persistent toxicity in the current headquarters building.
- Approved budget bill language to direct up to \$700,000 from existing fees per Chapter 700, Statutes of 2010 (SB 918, Pavley) from the Waste Discharge Permit Fund for the adoption and development of uniform health standards for recycled drinking water.
- Approved a shift of \$1 million from General Fund to special funds (mainly the Waste Discharge Permit Fund) to complete a billable legal services conversion initiated in the 2011 Budget Act.

- Shifted \$233,000 and 1.5 positions in 2012-13 and \$400,000 annually thereafter from Proposition 50 bond funds to the Waste Discharge Permit Fund for the Groundwater Ambient Monitoring and Assessment (GAMA) Program.
- Eliminated two positions and \$212,000 from the State Revolving Fund Subaccount to align positions with resources.
- Eliminated the Watershed Management Initiative Program resulting in a reduction of 6.8 positions and \$1.3 million from the Public Resources Account.
- Increased \$2.8 million in State Operations authority for the State Water Pollution Control Revolving Administration Fund and approved a corresponding decrease of \$2.8 million Federal Funds to align funding with programs.
- Approved \$11 million in local assistance authority from the State Water Pollution Control Revolving Fund Small Community Grant Fund for fiscal year 2012-13 to provide grants to help small disadvantaged communities achieve compliance with water quality regulations, protect surface and groundwater quality, and to help eliminate threats to public health.
- Approved a one-time reappropriation of \$2.3 million local assistance authority from the Underground Storage Tank Petroleum Contamination Orphan Site Cleanup fund reflecting unspent funds from the current year.
- Approved \$1.0 million (Waste Discharge Permit Fund) for local assistance to support best management practices and to determine beach monitoring protocols among other requirements per Chapter 592, Statutes of 2011 (SB 482, Kehoe).
- Denied a request for position authority shift to process statements related to the Water Rights division.
- Approved a proposal to extend the sunset date for the Underground Storage Tank Cleanup Fund School District Account.
- Approved supplemental reporting language requiring the board to develop and report on near shore water quality objectives and a comprehensive implementation strategy related to total maximum daily loads in the Tahoe Basin.
- Approved budget bill and trailer bill language to allow the State Parks and Recreation Department to access up to \$10 million per year from the Clean Water Revolving Loan Fund for water and wastewater repairs in State Parks. *The budget bill language was vetoed by the Governor.*

3960 Department of Toxic Substances Control (DTSC)

- Approved a request for \$558,000 in expenditure authority and five positions to be transferred from the DTSC to the Department of Resources Recycling and Recovery for Electronic Waste Recycling Fraud case development and prosecution.
- Approved trailer bill language to eliminate un-utilized and under-utilized programs within the DTSC.
- Approved trailer bill language to align Toxic Substances Control Account funds with current programs and to eliminate unnecessary statutory references and to reduce the structural deficit in the fund.
- Approved a proposal to fund Green Chemistry regulatory programs by redirecting 39.0 positions and \$4.8 million from eliminated or under-utilized programs to this purpose.
- Approved \$7.8 million (General Fund) to reflect the final design estimate for the construction phase of the Stringfellow New Pre-Treatment Plant project.
- Approved a proposal to align funding in the Toxic Substances Control Account (TSCA) to reduce the structural deficit in the fund including the following:
 1. Shifted \$2.3 million and 18 positions to the Federal Trust Fund to support federal grants funded by the Department of Defense and the US Environmental Protection Agency;
 2. Shifted \$780,000 and 6 positions to reimbursements;
 3. Shifted \$3 million and 28.3 positions to the Hazardous Waste Control Account;
 4. Reduced \$167,000 (TSCA) and substituted funding to support the California Environmental Contaminant Bio-monitoring Program to the Childhood Lead Poisoning Prevention Fund (\$45,000), Birth Defects Monitoring Program Fund (\$45,000), Department of Pesticide Regulation Fund (\$39,000), and Air Pollution Control Fund (\$38,000);
 5. Decreased \$2.9 million and 24 positions in 2012-13; and
 6. Decreased an additional \$3.5 million and 36 positions in 2013-14.
 7. Shifted \$735,000 and 6 positions to the Federal Trust Fund to support federal grants funded by the Department of Energy and National Aeronautics.

3980 Office of Environmental Health Hazard Assessment (OEHHA)

- Approved one position and \$131,000 from the Air Resources Board to develop methods to assess the cumulative impacts of multiple environmental contaminants in communities across the state.
- Approved a shift from Toxic Substances Control Account to other special funds to support the California Biomonitoring Program including an augmentation of \$125,000 from the Childhood Lead Poisoning Prevention fund; \$106,000 from the Department of Pesticide Regulation Fund; \$105,000 from the Air Pollution Control Fund; and \$125,000 from the Birth Defects Monitoring Program Fund.
- Approved one position and funding from the Public Utilities Commission Utilities Reimbursement Account (PURA) to fund bio-methane research.

Environmental Protection Budget Trailer Bills

1. Public Resources, SB 1018 (Chapter 39, Statutes of 2012).

ENERGY AND UTILITIES

3360 California Energy Commission (CEC)

- Approved \$1 million from the Electricity Procurement Investment Charge and 4.5 positions to complete an investment plan for the future appropriations from this charge established by the California Public Utilities Commission.
- Approved a request to continue one existing limited-term position for two additional years to continue to support the CEC's technical analysis and standards coordination needed to implement Chapter 327, Statutes of 2009 (SB 17, Padilla).
- Redirected one existing Energy Resources Programs Account (ERPA) funded permanent position from the Siting, Transmission and Environmental Protection Division (Siting Division) to the Information Technology Services Branch (ITSB) to develop technical expertise in a civil service employee and address critical support needs to build energy-related information systems.
- Redirected three existing permanent positions funded from the Siting Division (ERPA) to establish an audit and investigation unit. This unit will provide audit oversight to ensure federal and state funds across all programs are spent in accordance with applicable federal and state requirements and guidelines to prevent fraud, waste, and abuse.
- Approved two limited-term positions for one year to develop and administer \$7 million in planning grants mandated by Chapter 10, Statutes of 2011 (ABx1 13, Perez) within the Desert Renewable Energy Conservation Plan.
- Extended the Alternative and Renewable Fuel and Vehicle Technology Fund loan repayment from June 30, 2012 to fiscal year 2014-15.

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

Approved as budgeted.

8660 California Public Utilities Commission (CPUC)

- Approved trailer bill language to direct the rebate of auction revenues from the Air Resources Board Cap and Trade program to ratepayers. Up to 15 percent of this could be used for programs that reduce greenhouse gas emissions at the Commission.
- Approved 19 positions for gas and rail safety activities at the CPUC. Rejected 22 positions and \$300,000 for consulting services for a broader safety program at the CPUC. Approved reporting language requiring the CPUC to demonstrate the use of the approved positions to determine if safety metrics such as miles of gas and rail lines inspected and corrective actions were increased with these positions.
- Approved \$960,000 in federal funds to strengthen safety oversight and enforcement of gas, electric, communications, and rail public utilities.
- Approved funding to support three legislative proposals to increase rail and natural gas pipeline safety. These include:
 - Chapter 520, Statutes of 2011 (SB 44, Corbett): Gas Pipeline Emergency Response Standards (\$217,000, two positions).
 - Chapter 522, Statutes of 2011 (SB 705, Leno): Natural Gas Service and Safety (\$102,000 and one position).
 - Chapter 519, Statutes of 2011 (AB 56, Hill and SB 216, Yee): Gas Corporations Rate Recovery-Pipeline Safety Expenditures (\$322,000 and two positions).
- Approved continuation of four limited-term positions and \$372,000 from the Federal Trust Fund for the State Electricity Regulators Assistance Project through December 31, 2014, to address various electricity regulatory issues.
- Approved an increase of 4.5 two-year limited-term positions and \$6.2 million from the Deaf and Disabled Telecommunications Program Administration Fund to implement Chapter 404, Statutes of 2011 (AB 136, Beall) which requires the CPUC to expand the program to include speech generating devices for eligible telecommunications subscribers by January 1, 2014.
- Approved an increase of 4.0 two-year limited-term positions and \$421,000 from the CPUC Utilities Reimbursement Account to implement Chapter 599, Statutes of 2011 (SB 790, Leno) which directs the Commission to institute a rulemaking proceeding for the purpose of adoption of rules for electrical corporations relative to community choice aggregation.

- Approved a one-year extension of the liquidation period for continued assistance by outside counsel and economic consultants as expert witnesses in litigation by the CPUC before the Federal Energy Regulatory Commission, which seeks refunds for overcharges during the 2000-01 energy crisis for California Consumers in excess of \$1 billion.
- Approved continuation of four limited-term positions and \$314,000 from the Federal Trust Fund through September 2014 for continued work on a federal grant under the National Telecommunications and Information Administration's State Broadband Data and Development Program.

FOOD AND AGRICULTURE

7300 Agricultural Labor Relations Board

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

8570 Department of Food and Agriculture (CDFA)

- Approved an unallocated reduction of \$2.5 million to the CDFA's General Fund programs.
- Approved trailer bill language to expand permitting and inspection fee requirements and a revised assessment of fees related to production, licensing, and inspection of milk and dairy products.
- Approved a request for reimbursement authority of \$1.4 million from the Department of Resources Recycling and Recovery to allow CDFA to participate in a cooperative agreement to detect and identify shipments of used beverage containers imported into California and illegally recycled for the California Refund Value (CRV).
- Approved a reappropriation of funds (Public Building Construction Fund) for the Tulare/Fresno animal health and food safety laboratory for the working drawings phase of the project.
- Approved a 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 2012-13 funding of approximately \$3.0 million for administration of the California Transportation Commission, largely from the State Highway Account and the Public Transportation Account. Also approved \$25 million in Clean Air and Transportation Improvement bond funds.
- Rejected budget bill language regarding \$400,000 from the State Highway Account for consulting services related to the evaluation of any Public Private Partnerships that the Department of Transportation or local agencies may propose.

2640 STATE TRANSIT ASSISTANCE

- Approved 2012-13 funding of \$420.4 million for State Transit Assistance from the Public Transportation Account of the State Transportation Fund.
- Approved expenditures of \$829.9 million from the Proposition 1B Public Transportation Modernization, Improvement and Service Enhancement Account for public transportation projects.

2660 DEPARTMENT OF TRANSPORTATION

Transportation General

- Approved expenditures of \$13.2 billion for the California Department of Transportation (Caltrans), almost all of which consists of special funds, bond funds, federal funds or reimbursements.
- Approved budget bill language and the extension of various loan repayments that are due in 2012 and 2013 from the State Highway Account, Bicycle Transportation Account, Motor Vehicle Fuel Account, Environmental Enhancement Account, Historic Property Maintenance Fund and Pedestrian Safety Account, totaling \$307 million.
- Continued funding 84 limited-term positions set to expire in 2011-12 for an additional two years, and budget bill language regarding reporting. The activities supported by the positions include bond fund oversight, federal funds oversight and contracting funds for ADA compliance.

Transportation Finance

- Approved a total of \$3.1 billion in Proposition 1B appropriations across multiple departments. Approved carryover of prior year Prop 1B bond funding of \$1.8 billion and \$1.3 billion in new appropriations for the following:
 - \$992 million for Corridor Mobility Improvement Account.
 - \$774 million for Trade Corridors Improvement Fund.
 - \$569 million for State Local Partnership.
 - \$351 million for State Route 99.
 - \$16 million for Local Bridge Seismic Retrofit.
 - \$81 million for State Transportation Improvement Program.
 - \$137 million for State Highway Operations.
 - \$44 million for Grade Separations.
 - \$121 million for Intercity Rail.
- Approved other Proposition 1B bond appropriations outside of Caltrans and in the budgets of other state agencies and included projects for: Local Streets and Roads, Transit, Transit Security, School Bus Retrofit, Trade Infrastructure Air Quality, and Port Security.
- Reduced capital outlay support by 330 staff positions and \$14.6 million to account for expiration of American Recovery and Reinvestment Act (ARRA) funds and the associated decline in workload.

Highway Transportation and Transit

- Rejected the Administration's proposal to reduce research expenditures by \$7 million and instead reduced expenditures by \$4.1 million and retained research on seismic safety and university research center funding.
- Approved the shift of \$12.4 million in costs associated with pavement and bridge inspection from the State Highway Account to federal funds, thus improving the cash position of the State Highway Account.

- Adopted the request for nine positions and an increase of \$1.3 million in federal funds to oversee federally-funded project workload delivered by local agencies.
- Approved an increase of \$3.1 million in bond funds for legal work associated with high speed rail project in the Central Valley. The proposal would fund the positions having to do with rights-of-way for a two year period.
- Reduced by 58 positions and \$5 million in special funds support for the Mass Transportation Program. These positions have been zero-based and reductions were needed to account for changes in workload.
- Allowed for extension of the liquidation period for the Project Resource and Scheduling Management (PRSM) System. This action allows the unliquidated amount of \$8.3 million to be available for cash expenditure through 2013-14.
- Approved budget savings of \$700,000 resulting from advertising on the internet, and discontinuing publishing project and bid information through trade or other publications.
- Approve the request for budget corrections to allow for an increase in support for tort funding from \$38.6 million to \$68.6 million. The reduction was inadvertently captured pursuant to prior trailer bill language reducing tort awards.
- Rejected the Administration's proposal to fund an increase of \$2.2 million for Project Initiation Documents (PIDs) using local reimbursements and instead provided for funding and staffing from the State Highway Account. ***The Governor vetoed the proposal to fund this activity using State Highway Account resources.*** In a compromise funding of PIDs for locally-sponsored highway capital projects on the state highway system, provided additional support of \$7.7 million through expenditure adjustments to the State Highway Account and additional local reimbursements for the funding of PIDs and related budget bill language.
- Rejected proposal for increased reimbursement authority of \$2.6 million for Public Private Partnerships (P3) for locally sponsored parts of the state highway system.
- Approved budget bill language that would allow the transfer of savings associated the Public Transportation Account to fund unanticipated increases in fuel costs for Amtrak.
- Adopted Budget Bill Language that maintains the current proportion of state employees to contract employees for capital support. ***The Governor vetoed this budget bill language, thus maintaining current departmental flexibility.***
- Approved in SB 1029 (Chapter 152, Statutes of 2012), the High Speed Rail Budget Bill, the appropriation of \$819.3 million in bond funds for intercity and commuter rail lines that provide direct connectivity with the high speed rail project (See also Item 2665).

Trailer Bill Language

1. Approved in AB 1465 (Chapter 22, Statutes of 2012) the shift of truck weight fees to the General Fund to pay for future year debt service on eligible general obligation bonds and generate a General Fund solution of \$385 million.
2. Approved in AB 1465 (Chapter 22, Statutes of 2012) the redirection of excise tax revenues from the sale of gasoline for certain uses to the General Fund for three years resulting in additional revenues of \$184 million in 2011-12 and \$128 million in 2012-13. Approved through the adoption of SB 1006 (Chapter 32, Statutes of 2012) such transfers for an indefinite period of time.
3. Approved SB 95 (Chapter 1, Statutes of 2012) that addresses cash flow requirements within the budget year by increasing the amount of borrowable resources from transportation funds. The bill includes various provisions that further transportation goals and facilitate the completion of projects by retaining sufficient cash balances in these funds to ensure that interim financing is available for transportation projects.

2665 HIGH-SPEED RAIL AUTHORITY

- Approved general support for the High Speed Rail Authority of \$24.6 million in state Bond Fund and Federal Trust Funds.
- Approved in SB 1029 (Chapter 152, Statutes of 2012), the High Speed Rail Budget Bill, \$2.6 billion in bond funds and \$3.3 billion in federal trust funds to finance the initial major construction segment of high speed rail in the Central Valley.
- Approved \$1.1 billion in bond funds for investment in the ‘bookends’ of the high speed rail project, involving cooperative agreements with transit authorities in the Bay Area and Los Angeles basin.
- Provided for \$252 million in regular, on-going, non-acquisition environmental and design work associated with identified rights-of-way options for the high speed rail project segments.
- Approved extensive budget bill language involving performance and status checks. These generally require approval of the Secretary of Business, Transportation and Housing and the provision of the reports to various legislative offices.

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

- Approved \$2.2 million in special funds for baseline operations of the Board.

2700 OFFICE OF TRAFFIC SAFETY

- Approved \$97.3 million in federal funds for baseline operations of the Office of Traffic Safety.

2720 CALIFORNIA HIGHWAY PATROL

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

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved total expenditures for the Department of Motor Vehicles (DMV) of \$950 million in special funds.
- Approved one-time funding of \$3.4 million to consolidate, relocate or replace several facilities in Palmdale, Lancaster, San Francisco, Escondido and the Newhall, Reedley and Santa Maria field offices.
- Approved funding of \$250,000 in the budget year and an additional \$11.1 million over the next three years to support replacement of the existing customer traffic management system with a new centralized web-based management system.
- Approved \$4.1 million in federal grant spending for automated driver licensing examinations at some DMV field offices.
- Made capital outlay adjustments of \$2.9 million to reappropriated amounts required for the Redding Field Office reconfiguration.

Trailer Bill Language

1. Approved in AB 1465 (Chapter 22, Statutes of 2012) a loan from the Motor Vehicle Account to the GF of \$300 million. These funds provide GF relief and would be repaid with interest no later than June 30, 2016. (The trailer bill authorizes a loan of \$432.2 million, \$132.2 million of which was immediately repaid.)

9350 SHARED REVENUE

- Approved allocation according to statutory formulas, \$1.7 billion to local governments largely for transportation projects. These funds are largely (96 percent) from the Highway Users Tax Account of the Transportation Tax Fund.

TRANSPORTATION BUDGET TRAILER BILLS AND BUDGET-RELATED BILLS

1. Debt Service, Loans and Fund Shifts. AB 1465 (Chapter 22, Statutes of 2012)
2. Fund Shifts. SB 1006 (Chapter 32, Statutes of 2012)
3. Internal Borrowing. SB 95 (Chapter 1, Statutes of 2012)
4. Budget Bill Jr. AB 1497 (Chapter 29, Statutes of 2012)
5. Budget Bill Jr. AB 1477 (Chapter 630, Statutes of 2012)
6. High Speed Rail Budget. SB 1029 (Chapter 152, Statutes of 2012)

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
Michelle Baass – Health

SUBCOMMITTEE No. 3

HEALTH and HUMAN SERVICES

Health

California Health and Human Services Agency.....	3-1
California Health Facilities Financing Authority	3-1
Emergency Medical Services Authority	3-1
Office of Statewide Health Planning and Development.....	3-1
Department of Managed Health Care.....	3-2
Department of Alcohol and Drug Programs.....	3-2
Department of Health Care Services	3-3
Department of Public Health.....	3-13
Managed Risk Medical Insurance Board.....	3-16
Department of State Hospitals.....	3-19
Mental Health Services Oversight and Accountability Commission	3-22

Human Services

Office of Systems Integration.....	3-24
Department of Aging	3-25
Department of Developmental Services	3-25
Department of Community Services and Development	3-27
Department of Rehabilitation	3-27
State Independent Living Council	3-27
Department of Child Support Services.....	3-27
Department of Social Services	3-28

HEALTH

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

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

0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

- Competitive Grant for Health Care Delivery. Created a competitive grant program using up to \$6.5 million from the California Health Facilities Financial Authority Fund reserve to fund innovative and cost-effective ways of delivering high quality care to vulnerable populations.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Approved as budgeted.

4140 OFFICE OF STATEWIDE HEALTH PLANNING & DEVELOPMENT (OHSPD)

- Mental Health Workforce and Training Program. Adopted the Governor's proposal to transfer the Mental Health Services Act (Proposition 63) Workforce Education and Training program to OSHPD from the Department of Mental Health (DMH), as DMH is eliminated in the budget. Approved \$15 million Mental Health Services Fund for this program.
- Retention and Evaluation Activities (REA) Initiative. Approved the Administration's request for additional federal fund expenditure authority of \$162,000 for the REA Initiative. The REA Initiative is a federally funded program that allows states to perform activities to retain clinicians in underserved communities and analyze the impact of such activities.
- Song-Brown Health Care Workforce Training Program. Adopted the Governor's proposal for a \$5 million GF reduction for the Song-Brown Health Care Workforce Training Program to reflect permanent funding from the California Health Data and Planning Fund.
- Mental Health Loan Assumption Program (MHLAP). Approved the Governor's request for an increase of \$5.1 million Mental Health Services Act Fund for loan assumption awards and two new permanent positions to manage the increased workload associated with the doubling of awards. The increased funding allows the Health Professions Education Foundation's Mental

Health Loan Assumption Program to double the annual number of awards from 600 to 1,200 and expand the eligibility criteria to better meet the workforce needs of each county's public mental health system.

4150 DEPARTMENT OF MANAGED HEALTH CARE (DMHC)

- Transfer of DMHC to Health and Human Services Agency. Adopted the Governor's proposal to implement AB 922 (Monning, Statutes of 2011) to transfer DMHC to the California Health and Human Services Agency (CHHSA) and to separate the Office of Patient Advocate from DMHC to become an office within CHHSA.
- Oversight of Medi-Cal Dental Managed Care. Approved the Administration's proposal for three positions to expand DMHC oversight of licensed dental managed care plans participating in the Medi-Cal Dental Managed Care program.
- Oversight of Duals Demonstration Pilot Project/Coordinated Care Initiative. Approved the Administration's proposal for 13 positions and \$1.1 million Managed Care Fund, including \$77,500 for consultant services, to address the new workload attributable to the evaluation of plan readiness and oversight of health plans for the Duals Demonstration Pilot Project/Coordinated Care Initiative.
- Premium Rate Review Cycle II Federal Grant. Adopted the Governor's request for 2 two-year limited-term positions and an increase of federal expenditure authority of \$755,000 (federal funds) for 2012-13, \$691,000 for 2013-14, and \$72,000 for 2014-15 to administer the Health Insurance Premium Rate Review Cycle II Federal Grant.
- Oversight of Healthy Families Program Transition to Medi-Cal. Augmented DMHC's budget by \$400,000 from the Managed Care Fund to provide consumer assistance during the transition of children from Healthy Families Program to Medi-Cal.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS (DADP)

- Transfer of DADP Functions. Adopted trailer bill language to transfer the administrative and programmatic functions of DADP to other departments within the Health and Human Services Agency, effective July 1, 2013. Requires that, in consultation with stakeholders and affected departments, the Health and Human Services Agency prepare a detailed plan for the reorganization of DADP's functions to be submitted to the Legislature as part of the 2013-14 Governor's Budget.
- Alcohol and Drug Program Realignment. Adopted trailer bill language necessary to implement the 2011 Public Safety Realignment. Specifically, requires the DADP and the Department of Health Care Services (DHCS) to annually report a summary of outcome and expenditure data that allows for

monitoring of changes over time and indicates the degree to which programs are meeting state and county-defined outcome measures.

- Drug Medi-Cal. Adopted trailer bill language making programmatic changes necessary to implement the realignment of funding for the Drug Medi-Cal program and the transfer of remaining state responsibility for the program to the DHCS.
- Women and Children's Residential Treatment Services (WCRTS). Adopted trailer bill language declaring the state's interest in the WCRTS program, recognizing the eight current programs, and allowing for the establishment of additional programs for the purpose of pursuing four primary goals: 1) demonstrating that alcohol and other drug abuse treatment services delivered in a residential setting and coupled with primary health, mental health, and social services for women and children, can improve overall treatment outcomes for women, children, and the family unit as a whole; 2) demonstrating the effectiveness of six-month or 12-month stays in a comprehensive residential treatment program; 3) developing models of effective comprehensive services delivery for women and their children that can be replicated in similar communities; and 4) providing services to promote safe and healthy pregnancies and perinatal outcomes.

4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

Key Issues for the Medi-Cal Program

The budget reduced Medi-Cal expenditures by approximately \$2.4 billion total funds (over \$1.2 billion GF) in 2012-13. These savings include:

- Duals Demonstration Pilot Project/Coordinated Care Initiative. Modified the Administration's Duals Demonstration Pilot Project/Coordinated Care Initiative proposal for a savings of \$611.5 million GF in 2012-13 and by over \$880 million GF savings annually thereafter. These savings in 2012-13 include \$12.3 million GF from shared savings with the Medicare program and \$710.7 million GF through deferring Medi-Cal payments.

This project would enable dual beneficiaries, those eligible for both Medicare and Medi-Cal services, to receive a continuum of health care and long-term supports and services through Medi-Cal managed care plans to maximize the coordination of benefits between Medicare and Medi-Cal. The Legislature:

- Provided authority to expand this pilot project from four to up to eight counties (Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara).
- Provided that the implementation of the demonstration project may begin no sooner than March 1, 2013 and require DHCS to consult with the Legislature, federal government, and stakeholders on determining the implementation date.

- Specified requirements, to the extent allowed under the demonstration project, for rates to non-contracted hospitals, non-contracting physician services, and skilled-nursing facilities.
- Defined DHCS and health plan readiness prior to implementation of the demonstration project to, among other things, ensure network adequacy, adequate grievance and appeals processes, and ability to measure and monitor performance.
- Increased Legislative oversight by requiring transition plans, participation in stakeholder processes, and reporting on managed care plan readiness.
- Specified additional consumer protections and notifications to ensure timely and appropriate communications to enrollees, care coordination and care management activities, and stakeholder participation in the planning and development of this demonstration project.
- Defined the long-term supports and services that would be integrated into Medi-Cal managed care to include In-Home Supportive Services, Community-Based Adult Services, Multipurpose Senior Services, and skilled-nursing facility services.
- Required DHCS to enter into an interagency agreement with the Department of Managed Health Care to perform some or all of the department's oversight and readiness review activities, including providing consumer assistance to beneficiaries and conducting financial audits, medical surveys, and a review of the adequacy of provider networks of the managed care plans participating in the demonstration.
- Required that in the event DHCS has not received, by February 1, 2013, federal approval, or notification indicating pending approval, of a mutual rate setting process, shared federal savings as defined, and a six-month enrollment period in the dual demonstration project, then effective March 1, 2013, the provisions of the dual demonstration project, enrollment of dual beneficiaries into Medi-Cal managed care, and LTSS integration become inoperative.
- Stated the Legislature's intent that the demonstration project expand statewide within three years, but requires that the expansion beyond the initial eight counties be contingent on statutory authorization and subsequent budget appropriation.
- Unexpended Public Hospital Waiver Funds. Approved the Administration's proposal to allow the state to retain 50 percent of the unexpended federal waiver funds designated for Public Hospitals to offset \$100 million GF expenditures in Medi-Cal.
- Non-Designated Public Hospital Payment Methodology Change. Approved the Governor's proposal to require Non-Designated Public Hospitals (NDPHs) to use their expenditures to draw down federal funds instead of being reimbursed with 50 percent GF and 50 federal funds for \$94.4 million GF savings. Made this change contingent on the ability of NDPHs to access additional federal waiver funds (upon approval of the federal CMS).

- Redirect Hospital Quality Assurance Fee Revenue. Approved the Administration's proposal to redirect hospital quality assurance fee revenue that was intended to fund supplemental payments to private hospitals to offset \$150 million GF expenditures for Medi-Cal.
- Redirect Unallocated Hospital Stabilization Funding. Approved the Administration's proposal to redirect unallocated hospital stabilization funding from 2005-06 through 2009-10 to offset \$42.8 million GF expenditures for Medi-Cal.
- Extend Hospital Quality Assurance Fee Positions. Approved the Administration's request to extend until December 31, 2015 9.5 positions that were set to expire in June 2012 for a cost of \$1 million (\$471,000 from the Hospital Quality Assurance Revenue Fund and \$562,000 in federal funds) and \$100,000 in contract funds to calculate and validate capitation rates (costs for these contracts are split equally between the Hospital Quality Assurance Revenue Fund and federal funds).
- Extend Seismic Retrofitting Notification Date. Provided for a six month extension (from March 2012 to September 2012) by which hospitals are required to notify the state on seismic retrofitting to reflect agreements associated with the hospital quality assurance fee.
- California Medical Assistance Commission (CMAC) Staff Transition. Adopted the Governor's proposal to create a transition plan for the staff of CMAC and redirects the twelve non-commissioner positions, in their exempt status, to DHCS on July 1, 2012. These positions are funded with \$658,000 GF and \$657,000 federal funds.
- Public Hospitals and Low Income Health Programs. Preserved the state's option under the existing federal 1115 Medi-Cal Waiver to utilize a capitation rate for payment to public hospitals under the Low Income Health Program.
- Abolish Outdated Supplemental Hospital Payment Funds. Adopted the Administration's proposal to sunset four outdated supplemental hospital payment funds (Emergency Services and Supplemental Payments Fund, Medi-Cal Medical Education Supplemental Payment Fund, Large Teaching Emphasis Hospital and Children's Hospital Medi-Cal Medical Education Supplemental Payment Fund, and Small and Rural Hospital Supplemental Payments Fund).
- Sunset Date for Nursing Home Quality Assurance Fee. Rejected the Administration's proposal to eliminate the sunset date for the nursing home quality assurance fee. Instead extended the sunset date by two years until July 31, 2015.
- Nursing Home Rate Adjustments. Adopted a compromise to achieve \$87.8 million GF savings for 2012-13. This compromise rescinds the 2 percent rate increase for 2012-13, defers payment of the Quality and Accountability Supplemental Payment System, and provides for a 3 percent increase in the weighted average Medi-Cal reimbursement rate in 2013-14 and 2014-15.
- Report on Referrals to Community Based Services by Nursing Homes. Required DHCS in collaboration with the Department of Public Health (DPH) to submit a report to the Legislature

by April 1, 2013 with an analysis of skilled-nursing facility referrals to community based services (Section Q of the Minimum Data Set survey).

- Stakeholder Participation in Skilled Nursing Facility Quality Improvement Program. Required DHCS and DPH to meet at least quarterly with representatives from the long-term care industry, organized labor, consumers, and consumer advocates to receive input on the planning for, implementation of, and progress of the skilled nursing facility quality improvement program.
- Money Follows the Person. Approved the Administration's proposal to (1) extend three existing limited-term positions (set to expire June 30, 2012) and (2) establish five new limited-term positions to maintain the current Money Follows the Person (MFP) program, meet program benchmarks, expand MFP into additional counties, and implement Minimum Data Set (MDS) Section Q (a new federal code requirement that addresses discharge planning for nursing home residents). The term of the new positions is from July 1, 2012 to March 31, 2016, to coincide with the federal grant. The cost to extend the existing positions and establish the new positions is \$892,000 in federal funds.
- Expand Medi-Cal Managed Care to Rural Counties. Modified the Administration's proposal to expand Medi-Cal managed care into the 28 rural counties that are now Fee-For-Service for a \$2.7 million GF savings by adopting trailer bill language to require DHCS to give special consideration to health plans that meet certain criteria (e.g., having demonstrated experience effectively partnering with safety net health care providers and having demonstrated experience working with local stakeholders including consumers and advocates).
- Default Managed Care Plan Assignment. Modified the Governor's proposal to consider health plan cost in addition to quality of care and safety net population factors as part of the default algorithm that is used when an enrollee does not select a health plan by adopting trailer bill language requiring DHCS to consult with stakeholders on cost factor disregards related to safety net providers. This results in \$2.4 million GF savings.
- Align Managed Care Policies for Retroactive Medi-Cal. Adopted the Administration's proposal to shift a County Organized Health System health plan's responsibility for the retroactive period of Medi-Cal to the fee-for-service system. This proposal results in a one-time savings of \$48.2 million GF in 2012-13 and annual ongoing savings thereafter of \$7.6 million GF.
- Lock-In at Annual Open Enrollment. Rejected the Administration's proposal to establish an annual enrollment period for Medi-Cal; whereby, an enrollee could only change plans once a year.
- Non-Emergency Emergency Room Copay. Modified the Administration's proposal to implement a \$15 copayment for non-emergency use of the emergency room for \$7.1 million GF savings by making the definition of emergency and nonemergency services for purposes of copays consistent in law. Pending approval from the federal CMS, this copayment would be implemented in the managed care setting and would not apply to those who are in the Family Planning, Access, Care, and Treatment (FPACT) program. The hospital would collect the \$15

copayment from enrollees at the time of service, and the hospital would be reimbursed the appropriate Medi-Cal reimbursement rate minus the \$15 copayment.

- Prescription Drug Copay. Approved the Administration's proposal to implement a \$3.10 copay for non-preferred drugs for a \$13.1 million GF savings. Pending approval from the federal CMS, this copayment would be implemented in the managed care setting and would not apply to those who are in FPACT.
- First 5 California Funding Shift. Approved the Governor's proposal to shift \$40 million in First 5 California funding to Medi-Cal for children (aged five and under) to offset GF support in the program for 2012-13.
- Interest Rates on Medi-Cal Overpayments. Approved the Administration's proposal to assess interest against Medi-Cal provider overpayments at the Surplus Money Investment Fund (SMIF) rate or seven percent per year (annum), whichever is higher. This results in \$750,000 GF savings in 2012-13.
- Value Based Purchasing. Rejected the Administration's proposal to establish a process for value based purchasing. Instead approved savings of \$30 million GF related to Medi-Cal no longer paying for services directly related to potentially preventable hospital admissions and \$10 million GF related to operational efficiencies that can be achieved without statutory changes.
- Laboratory Rate Reduction. Modified the Governor's proposal to reduce rates for laboratory services by exempting FPACT from the 10 percent reduction and making other clarifications requested by provider organizations. This 10 percent rate reduction is effective until a new reimbursement methodology is established and approved by the federal CMS. This reduction results in \$7.7 million GF savings.
- Radiology Rate Reduction. Directed DHCS to begin implementation of the mandate that rates for radiology services may not exceed 80 percent of Medicare rates in July 2012 (rather than September 2012) for \$3.3 million GF savings. (This requirement is effective October 1, 2010.)
- Medi-Cal Provider Payment Reductions. Approved the Administration's proposal to increase GF expenditures by \$174 million to reflect a change in the implementation date from March 1, 2012 to October 1, 2012, of the 10 percent provider payment reduction required by AB 97 (Committee on Budget, Statutes of 2011) due to current court injunctions barring implementation of rate reductions.
- Sunset Date for Specialty Provider Contracting. Rejected the Administration's proposal to eliminate the sunset date (July 1, 2013) for the authority of DHCS to enter into contracts with providers who distribute and provide care for specialty drugs and services and to restrict payment for specialty drugs and services to a limited number of providers.
- Payment Reform for Clinics and Community Health Centers. Rejected the Administration's proposal to integrate all Federally Qualified Health Center (FQHC) and Rural Health Clinic

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

- FQHCs and RHCs – Audit Staff. Redirected existing staff to perform audit activities for FQHCs and RHCs to ensure that these providers are paid an amount equal to their prospective payment system rate. This achieves \$3.1 million GF savings.
- County Administration Suspension of Cost-of-Doing Business. Adopted Administration's proposal to achieve \$13.1 million GF savings by eliminating the cost-of-doing business for Medi-Cal eligibility administration conducted by the counties.
- Community-Based Adult Services (CBAS) Program. Approved the Administration's request for an additional \$71.7 million GF for the CBAS program. This request is due to a revised estimate (from 50 percent to 80 percent) of the number of former Adult Day Health Care (ADHC) enrollees eligible for CBAS. Additionally, approved the request to redirect five existing limited term Adult Day Health Care (ADHC) positions (that expire on December 31, 2012) to implement and operate CBAS. The limited-term positions would begin January 1, 2013 and expire August 31, 2014 (the expiration of these positions corresponds to the time period of the CBAS Settlement Agreement).
- Affordable Care Act – Primary Care Provider Payments. Conformed to the Affordable Care Act (federal health care reform) by increasing certain physician primary care service rates for services provided to individuals eligible for Medi-Cal or FFACT to no less than 100 percent of the Medicare rate for specific services beginning January 1, 2013 to December 31, 2014. Since the state must restore these rates to the level of payment in effect on July 1, 2009, \$38.7 million GF is budgeted to restore this payment rate level.
- Cash Flow Loan for the County Medical Services Program (CMSP). Approved the Administration's proposal to permit the Director of Finance to approve no more than \$100 million GF in cash flow loans in fiscal years 2012-13 and 2013-14 for the CMSP Governing Board expenditures associated with a Low Income Health Program (LIHP) operated by the CMSP Governing Board. Any cash flow loans made are considered short term and do not constitute GF expenditures. The loans and their repayment do not affect the GF reserve. Interest on this loan is charged at the Pooled Money Investment Account rate.
- Medi-Cal Dental Geographic Managed Care. As directed by Senator Steinberg, provided the authority to establish a beneficiary dental exception process in which Medi-Cal beneficiaries mandatorily enrolled in dental health plans in Sacramento County can move to fee-for-service Denti-Cal and established a stakeholder advisory committee to provide input on the delivery of oral health and dental care services in Sacramento County. Defined a list of performance measures (e.g., provider network adequacy, use of preventative dental services, and survey of member satisfaction with plans and providers) to ensure that dental health plans meet quality criteria. Required DHCS to annually report to the Legislature on dental managed care in Sacramento and Los Angeles counties.

- CalHEERS Integration with Medi-Cal. Modified the Governor's proposal for 12 positions and \$1.4 million GF to implement changes to the MEDS system and for Medi-Cal's share of the CalHEERS costs by including budget bill language requiring the Administration to provide to the Legislature a plan detailing the needed system changes prior to expenditure of these funds.
- Medi-Cal Coverage of Juvenile Inmate Inpatient Costs. Approved the Administration's request for one permanent position (an associate governmental program analyst) to assist in the development of a process to allow counties and the California Department of Corrections and Rehabilitation to receive available federal funds for inpatient hospital services and inpatient psychiatric services provided to Medi-Cal eligible juvenile inmates off the grounds of a correctional facility. The cost of this position is \$99,000 (\$49,500 reimbursement from counties and \$49,500 federal funds).
- Medi-Cal Juvenile State Inmate Program. Rejected the Administration's proposed changes to AB 396 (Mitchell, Statutes of 2011), which required that Medi-Cal eligibility not be denied to a county juvenile inmate who is an inpatient in a medical institution because of their status as an inmate of a public institution.
- Medi-Cal Ground Emergency Medical Transportation. Approved the Governor's request for one and a half (1.5) positions and reimbursement authority for internal accounting and legal services efforts to initiate the Medi-Cal Ground Emergency Medical Transportation (GEMT) Services Program. The annual cost for this proposal is \$238,000 (\$119,000 reimbursements and \$119,000 federal funds).
- Extend Rogers Amendment Sunset Date. Adopted the Administration's proposal to extend the sunset date of January 1, 2013, to July 1, 2013, for capitation rates (known as Rogers Rates) paid to non-contract hospitals for emergency inpatient and post-stabilization services provided to Medi-Cal managed care plan enrollees. It requires hospitals to accept, as payment in full, no more than the amounts that it could collect under fee-for-service Medi-Cal. This proposal achieves about \$6.4 million GF savings.
- Medi-Cal Targeted Case Management. Approved the Administration's request to change eight limited-term positions to permanent positions to support the federal oversight and corrective action for the Targeted Case Management Program. These positions are funded at a cost of \$445,000 reimbursement from counties and \$445,000 in federal funds.
- Local Educational Agency (LEA) Medi-Cal Billing Option – Staff. Approved the Governor's request to change 14 limited-term positions to permanent positions to perform financial oversight requirements of the "Local Educational Agency" (LEA) billing option provided under the Medi-Cal Program. The positions are funded \$820,000 from federal funds and \$820,000 from LEAs; it does not require any GF.
- Sunset Date for LEA Medi-Cal Billing Option. Rejected the Administration's proposal to (1) delete the current program sunset date of January 1, 2013, for the Local Educational Agency (LEA) Medi-Cal Billing Option (LBO) program, (2) eliminate requirements that a baseline LBO funding amount must be met prior to funding LBO contractor costs, and (3) remove the

maximum annual funding amount of \$1.5 million for contractor costs and makes the annual funding an amount agreed upon between DHCS and the LEA Ad Hoc Workgroup Advisory Committee.

- Access Monitoring Program. Approved the Administration's request for two permanent positions to comply with new federal requirements to establish a system for continuously monitoring Medi-Cal beneficiaries' access to health care services. These positions are in addition to the one permanent position to be redirected within DHCS to this program. Additionally, approved \$334,000 in contract dollars to hire consultants to assist with stakeholder meetings and monitoring methodology. The cost of the positions and contract are \$564,000 (\$282,000 GF and \$282,000 Federal Funds).
- Privacy and Security of Medi-Cal Information. Approved the Administration's request to extend ten limited-term positions that are scheduled to expire on June 30, 2012. This staff continues to perform the ongoing workload of managing, protecting, and securing confidential Medi-Cal eligibility information, ensuring compliance with the requirements of the federal Social Security Administration, and monitoring access to the Medi-Cal Eligibility Data System (MEDS). The total cost of these resources is \$1.4 million (\$585,000 GF).
- Health Insurance Portability and Accountability Act (HIPAA) Positions. Approved the Administration's request to change 14 limited-term positions to permanent to address new Health Insurance Portability and Accountability Act of 1996 (HIPAA) rules and maintain adherence to state and federal privacy requirements. The requested positions cost \$1.9 million (\$723,000 GF).
- Medi-Cal Electronic Health Records (EHR). Provided \$190,000 GF support for administration of the Medi-Cal EHR Incentive Payment Program in order to obtain hundreds of millions of dollars in federal funding.

Community-Based Mental Health

- Realignment of Medi-Cal Specialty Mental Health and EPSDT. Modified the Governor's proposal to realign the EPSDT Program and Medi-Cal Specialty Mental Health Managed Care. Required the establishment of guidelines that govern the provision of Medi-Cal Specialty Mental Health services at the local level and required the development of a performance outcome system for EPSDT that would improve outcomes at the individual and systems levels to inform fiscal decision-making related to the purchase of services. Required that DHCS, the California Health and Human Services Agency, and the Mental Health Services Oversight and Accountability Commission create a plan for a performance outcomes system for EPSDT by October 1, 2013 and to convene a stakeholder advisory committee by no later than September 1, 2012 to assist in the development of this plan.
- New Deputy Director of Mental Health and Substance Use Disorder. Created a new Deputy Director of Mental Health and Substance Use Disorder position at DHCS. The merger of

community-based mental health services, including Medi-Cal Specialty Mental Health Managed Care, the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, and Mental Health Services Act (Proposition 63) services is a substantial undertaking. This position is subject to Senate Rules confirmation to ensure accountability to the Legislature and the public.

- Oversight of Mental Health Services Act (Proposition 63). Modified the Governor's proposal to shift responsibility for certain Mental Health Services Act (MHSA) (Proposition 63) functions to DHCS. These changes include:
 - Required county mental health program and expenditure plans to be adopted by the county board of supervisors and submitted to the Mental Health Services Oversight and Accountability Commission (MHS OAC).
 - Required county plans to be certified by the county mental health director and the county auditor controller as complying with the MHSA.
 - Authorized the OAC, in collaboration with DHCS and in consultation with specified entities, to work in designing a comprehensive joint plan for a coordinated evaluation of client outcomes in the community-based mental health system, and require the California Health and Human Services Agency to lead this comprehensive joint plan effort.
 - Permitted prevention and early intervention (PEI) funds to be used to broaden the provision of community-based mental health services, and codified Innovation Program project requirements. The intent of these changes is to strengthen and acknowledge the partnership of the DHCS, counties and MHS OAC in overseeing and administering these important PEI programs.
 - Provided for the design of a comprehensive joint plan for coordinated evaluation of client outcomes in the community-based mental health system including the need for ongoing evaluation of MHSA (Proposition 63) funded programs. The California Health and Human Services (CHHS) Agency shall lead this comprehensive joint plan effort, and MHS OAC, DHCS, and the California Mental Health Planning Council shall all collaboratively engage in this joint plan effort. The California Mental Health Directors Association is also to be consulted in the design of this joint plan.
 - Clarified the ongoing role of the MHS OAC by acknowledging the need for MHS OAC to continue to provide technical assistance regarding the MHSA (Proposition 63), highlighting the need to obtain data from DHCS and OSHPD as these departments are to perform new functions in the MHSA (Proposition 63), and clarifying that performance outcomes are to be established jointly by the DHCS and MHS OAC in collaboration with the California Mental Health Directors Association. Previously, the DMH had this sole responsibility.

- Approved 13 positions to oversee MHSA revenues and allocations to counties to ensure that these funds are expended for purposes of the MHSA.
- Caregiver Resource Centers. Rejected the Administration's proposal to eliminate \$2.9 million GF for Caregiver Resource Centers (CRCs). Instead transferred the CRC program to DHCS.
- Community Treatment Facilities. Rejected Governor's proposal to eliminate \$750,000 GF for community treatment facilities (CTFs). Restored \$500,000 GF for the state's share of the supplemental rate paid to the two remaining CTFs in Los Angeles County.
- Patients' Rights Office. Modified the Administration's proposal regarding the Patients' Rights Office to provide DHCS and the Department of State Hospitals the ability to jointly contract with a nonprofit entity, rather than requiring both state departments to enter into a contract.

Other Key Issues

- California Children's Services Medical Therapy Program. Rejected the Administration's proposal to implement a financial means test for children in the California Children's Services (CCS) Medical Therapy Program (MTP) and maintained existing operations.
- Eliminate Advisory Committee on Genetically Handicapped Persons. Modified the Administration's proposal to eliminate the Advisory Committee on Genetically Handicapped Persons by providing the DHCS Director the authority to expand the list of conditions covered by the program without the guidance of the advisory committee. This advisory committee was established in 1974 when the Genetically Handicapped Persons Program (GHPP) was created and has never convened.
- Maternal, Child, and Adolescent Health Reductions. Approved the Administration's proposal to reduce federal expenditure authority by \$1.2 million (\$755,000 in state operations and \$405,000 in local assistance) and eliminate 4 positions related to its work on maternal, child and adolescent issues. Of this reduction, \$605,000 is from the Children's Medical Services program, \$373,000 is come from the Primary and Rural Health Division, and \$182,000 is come from audits and investigations.
- Breast and Cervical Cancer Treatment Program. Adopted the Governor's proposal for an increase of \$537,000 (\$269,000 GF) to continue six limited-term positions until December 31, 2013 to conduct eligibility processing for the Breast and Cervical Cancer Treatment Program (BCCTP).
- Transition of Persons with HIV to Low Income Health Program (LIHP). Redirected an existing vacant position to oversee the HIV Transition Incentive Program, a component of the 1115 Medi-Cal waiver, to ensure that continuity of care and care transition for persons with HIV moving into LIHP.

4265 DEPARTMENT OF PUBLIC HEALTH (DPH)

- AIDS Drug Assistance Program (ADAP). Appropriated a total of \$439.8 million (\$15.9 million GF, \$293 million ADAP Drug Rebate Fund, \$17.2 million reimbursement, and \$113.6 million federal funds). Rejected the Governor's proposal to implement significant premiums in ADAP. Directed the Office of AIDS to work with stakeholders on the transition of ADAP clients to the Low Income Health Program. Approved trailer bill language directing DPH to report to the Legislature on whether any of the projections used to develop the ADAP estimated budget for 2012-13 may result in an inability of ADAP to provide services to eligible ADAP clients.
- Transfer of Direct Health Care Programs to DHCS. Approved the Administration's proposal to transfer the Every Woman Counts Program, the Prostate Cancer Treatment Program, and the Family Planning Access Care and Treatment (FPACT) Program to DHCS.
- Office of Health Equity. Modified the Administration's proposal to create a new Office of Health Equity (OHE). The OHE is a consolidation of functions of the Office of Women's Health at the Department of Health Care Services (DHCS), the Office of Multicultural Services at the Department of Mental Health, the Office of Multicultural Health at DPH, the Health in All Policies Task Force at DPH, and the Healthy Places Team at DPH. The deputy director overseeing this new office is subject to Senate confirmation.
- California Reducing Disparities Project. Modified the Administration's proposal to shift administration of the California Reducing Disparities Project from the Department of Mental Health (DMH) to DPH by clarifying in the budget act that \$60 million from the Mental Health Services Fund would be available over a four year period for this project. Provided for \$15 million from the Mental Health Services Fund (from the state administrative cap) in 2012-13 for this project.
- Licensing and Certification State Laws. Rejected the Administration's proposal to eliminate current State mandates regarding health facility inspections and complaint investigations.
- State Water Device Certification. Rejected the Administration's proposal to eliminate state certification of water devices.
- Kids' Plate – Childhood Injury Prevention. Directed DPH to create a regional grant program for childhood injury prevention and provided for state administration of this program.
- Childhood Lead Poisoning Prevention Branch – Conversion to State Staff. Approved DPH's request to retain 22 positions from the Workforce Cap Plan in lieu of contracts of \$2.8 million to support the childhood lead poisoning prevention program for a savings of \$381,000 from the Childhood Lead Poisoning Prevention Fund.
- Early Case Capture of Pediatric Cancers. Approved DPH's request for an additional \$342,000 in federal fund expenditure authority annually for three years to support grants received by the Centers for Disease Control and Prevention to enhance the California Cancer Registry infrastructure to facilitate more rapid reporting of pediatric cancer cases and to increase availability of these data for surveillance activities at the local, state, and national level.

- Reduction of Domestic Violence Training and Education Fund. Approved the requested reduction in ongoing spending authority for the Domestic Violence Fund by \$280,000 due to a decrease in anticipated revenues. Revenue generated from fines levied against convicted batterers and deposited into the Domestic Violence Fund has declined for a variety of reasons, including a reduction or waiver of fines by local courts, or inability of batterers to pay fines due to poor economic circumstances.
- Radiation Safety Program. Approved DPH's request to establish as permanent 5 limited-term Health Physicist positions that expire on June 30, 2012; these positions are funded from the Radiation Control Fund (\$672,000). This provides resources for DPH to address the mandated inspected and enforcement activities within the radiation machine and radioactive materials programs and reduces the health risk to the people of California by limiting their exposure to unsafe radiation sources.
- Environmental Laboratory Accreditation Program. Adopted DPH's request for a decrease in budget authority of \$450,000 for the Environmental Laboratory Improvement Fund. The fees from the implementation of the Environmental Laboratory Accreditation Program are deposited into this fund. These accreditation fees have decreased in recent years and the department requested to align its expenditure authority with revenues.
- Safe Drinking Water State Revolving Fund. Approved DPH's requests to make 23 limited-term positions permanent to address increased workload associated with the Safe Drinking Water State Revolving Fund (SDWSRF) program. By making these staff permanent, DPH could issue 60 SDWSRF funding agreements annually.
- Renewal of Proposition 50 Limited-Term Positions. Renewed 12 limited-term positions due to expire on June 30, 2012. These positions support the \$485 million in funding allocated to DPH from the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50). These positions are renewed for two more years (through June 30, 2014) to the end of the projected spending plan for Proposition 50.
- Small Water System Program. Approved DPH's request for two positions for the Drinking Water Program to carry out small water system regulatory programs in Marin, San Mateo, and Tuolumne counties in response to the decisions of these counties to return primacy to DPH. These positions are funded from the Safe Drinking Water Account Fund (\$183,000). The revenue generated from fees from small public water systems in these counties supports these positions.
- California Home Visiting Program. Approved DPH's request for an increase of \$20.43 million in federal expenditure authority (\$650,000 in state operations and \$19.78 million in local assistance) to continue and expand statewide operations of the California Home Visiting Program (CHVP). This program identifies and implements evidence-based home-visiting programs to improve outcomes for low income families who reside in at-risk communities.
- Maternal, Child and Adolescent Health – Reduction in Federal Funds. Adopted DPH's request to reduce federal expenditure authority by \$6.8 million (\$2.2 million in state operations and \$4.6

million in local assistance) and eliminate 6 positions in the Maternal, Child and Adolescent Health (MCAH) division. This reduction is a result of several factors, including a net reduction in the federal Title V Block Grant funding and the redirection of Title V Block Grants funds to programs that were previously funded with GF.

- Women, Infant, Children's (WIC) Supplemental Food Program. Approved a total of \$1.489 billion (\$1.2 billion federal funds and \$253 million in WIC Manufacturer Rebate Fund) for local assistance and \$53.6 million federal funds for state operations.
- California's Newborn Screening Program Expansion. Approved DPH's request for 10 permanent positions and the associated \$5.3 million in state operations expenditure authority (from the Genetic Disease Testing Fund) to implement Assembly Bill 395 (Statutes of 2011) which requires DPH to add Severe Combined Immunodeficiency (SCID) to the panel of disorders screened for by the Genetic Disease Screening Program Newborn Screening Program. The screening for SCID began on January 1, 2012.
- Federal Special Projects – Position Conversion. Approved DPH's request to convert 348 positions in the temporary help blanket to permanent positions. This aligns the approved position authority for DPH with the approved federal and reimbursement expenditures.
- Healthcare Acquired Infections – Public Reporting. Approved DPH's request for an increase of \$493,000 Licensing and Certification Fund for four positions (that will be redirected from within DPH) for the statutorily required public reporting of health care associated infections (HAIs) by hospitals. These positions are funded through an increase in licensing fees paid by General Acute Care Hospitals (GACHs).
- Reduction of Preventable Medical Errors and Medication Errors Contract. Approved DPH's proposal to fund a contract with the University of California to support efforts to reduce preventable medical errors and associated health care costs in licensed health care facilities. The quality improvement activities focus on medication errors and aim to identify solutions to medication safety system vulnerabilities. The contract is for a total of \$1 million spread equally over three fiscal years. The funding for this is from the Internal Departmental Quality Improvement Account (IDQIA).
- Public Health Laboratory Training Program. Modified the Administration's proposal to eliminate the Public Health Laboratory Training Program to save \$2.2 million GF, by approving \$500,000 GF to support the completion of the program for existing participants and encouraging local health jurisdictions to financially contribute to this program. ***The Governor vetoed the \$500,000 approved by the Legislature for this program.***
- Closure of Southern California Public Health Laboratory. Approved the Administration's request to close its Southern California Laboratory (Temple Street building) due to health and safety concerns related to the building's code and seismic deficiencies. The closure of the Temple Street building generates savings of \$180,000 (\$57,000 GF) in 2012-13 and \$360,000 (\$114,000 GF) in future years from various funds. DPH programs transition out of the building on July 1, 2012.

- Biomonitoring Fund Shifts. Approved the Administration's proposal to shift support for the California Environmental Contaminant Biomonitoring Program (CECBP). The approved funding includes the Toxic Substances Control Account (\$242,000), Birth Defects Monitoring Program Fund (\$240,000), Childhood Lead Poisoning Prevention Fund (\$240,000), Department of Pesticide Regulation Fund (\$205,000), and Air Pollution Control Fund (\$204,000). Previous to this shift, the Toxic Substances Control Account (TSCA) funded this program. This request was made as TSCA (a Department of Toxic Substances Control account) does not have sufficient revenues to support the fund's projected expenditure authority.
- Proposition 99 – Research Account Adjustment. Adopted a \$1.049 million reduction in Proposition 99 Research Account funding (\$936,000 for support of the California Cancer Registry and \$113,000 for community outreach efforts for the California Cancer Registry) to align Proposition 99 revenues with expenditures.
- Special Fund Efficiencies. Approved DPH's proposals regarding the following special funds:
 - *Health Statistics Special Fund*. Reduced expenditures of the Health Statistics Special Fund by \$534,000 in order keep expenditures in line with revenue.
 - *Registered Environmental Health Specialist Fund*. Reduced expenditures of the Registered Environmental Health Specialist Fund by \$68,673 to reflect the reduced workload associated with a reduction in the number of applications to process.
 - *Retail Food Safety and Defense Fund*. Eliminated the existing Retail Food Safety and Defense Special Fund and redirected the deposits of user fees (about \$21,000) for retail food related activities collected by DPH to the existing Food Safety Special Fund.
 - *Recreational Health Fund Program*. Eliminated the Recreational Health Fund and Program (\$237,000) which was to sunset in 2014.
 - *California Prostate Cancer Research Fund*. Eliminated the California Prostate Cancer Research Fund. This fund was created to deposit voluntary contributions made by taxpayers in excess of their tax liability.
 - *Sexual Violence Victim Services Fund*. Eliminated the California Sexual Violence Victim Services Fund. This fund was created to deposit voluntary contributions made by taxpayers in excess of their tax liability.

4280 MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)

- Healthy Families Program Shift to Medi-Cal. Modified the Administration's proposal to shift all children in the Healthy Families Program (HFP) to Medi-Cal starting no sooner than January

1, 2013. This transition results in \$13.1 million GF savings in 2012-13, \$58.4 million in 2013-14, and \$72.9 million annually thereafter. AIM-linked infants with incomes above 250 percent of the federal poverty level are exempt from this transition.

To provide for continuity of care and to assist in this transition, the Legislature specified the following:

- *Transition Plan.* The California Health and Human Services Agency shall work with the Managed Risk Medical Insurance Board, the Department of Health Care Services (DHCS), and the Department of Managed Health Care to develop a transition plan for this transition of children from HFP to Medi-Cal no later than October 1, 2012. This plan shall include at least the following information:
 - State, county, and local administrative activities that will facilitate a successful transition.
 - Methods and processes for stakeholder engagement to assist in the transition.
 - State monitoring of managed care health plans' performance and accountability for provision of services
- *Transition Phases.* The transition shall occur in four phases.
 - Phase 1 - Begins no sooner than January 1, 2013 and includes about 415,000 children in HFP health plan that matches a Medi-Cal health plan.
 - Phase 2 - Begins no sooner than April 1, 2013 and includes about 249,000 children in a HFP health plan that is a subcontractor of a Medi-Cal health plan.
 - Phase 3 - Begins no sooner than August 1, 2013 and transitions about 173,000 children enrolled in a HFP plan that is not a Medi-Cal health plan and does not contract or subcontract with a Medi-Cal health plan into a Medi-Cal health plan in that county.
 - Phase 4 - Begins no earlier than September 1, 2013 and transitions about 43,000 children in HFP residing in a county that is not Medi-Cal managed care into the Medi-Cal fee-for-service delivery system.
- *Implementation Plans.* DHCS shall submit an implementation plan for each phase prior to transitioning children to Medi-Cal to ensure continuity of care with the goal of ensuring there is no interruption in services and there is continued access to coverage for transitioning individuals. Requires department to consult with stakeholders on the development of the implementation plans.
- *Monitoring of Transition.* Monthly status reports on the transition shall be submitted to the Legislature. These reports must include information on health plan grievances related to access to care, continuity of care requests and outcomes, changes to provider networks (including provider enrollment and disenrollment).

- *Dental Coverage.* For Sacramento and Los Angeles counties, dental coverage for individuals transferring should continue to be provided by their current dental managed care plan if the HFP dental plan is a Medi-Cal dental managed care plan. For Sacramento County, if their plan is not a Medi-Cal dental managed care plan, the individual shall be assigned to a plan with preference to a plan with which their current provider is a contracted provider. For Los Angeles County, if their plan is not a Medi-Cal dental managed care plan, the individual may select a Medi-Cal dental managed care plan or choose to move into Medi-Cal fee-for-service dental coverage. For all other counties, dental coverage for these children transitions to Medi-Cal fee-for-service dental coverage.
- *Department of Managed Health Care – Consumer Assistance.* Additional funding (\$400,000 Managed Care Fund) shall be appropriated to the Department of Managed Health Care for administration of the call center to assist individuals with the Healthy Families transition, and health plan readiness and coordination functions with DHCS.
- *Contract Exemptions for Initial Transition Activities.* Provides DHCS with exemptions from contracting competitive bidding rules for purposes of Accelerated Enrollment application processing by Single Point of Entry, non-eligibility-related case maintenance and premium collection, maintenance of the Health-E-App web portal, call center staffing and operations, Certified Application Assistant services, and reporting capabilities. Also permits DHCS to enter into a contract with the Health Care Options Broker of the department for purposes of managed care enrollment activities. These specified contracts may be initially completed on a noncompetitive bid basis and are exempt from the Public Contract Code. Subsequent contracts for these purposes shall use a competitive bid basis and shall be subject to the Public Contract Code.

If at any point during the transition, the Administration determines that this transition violates federal requirements or jeopardizes federal funding, the children shall be enrolled back into HFP.

- Healthy Families Rate Reduction. Rejected the Administration’s proposal to require MRMIB to negotiate HFP rates to be less than or equal to the statewide average capitation rate established by the Department of Health Care Services for health benefits for children up to age 19 in the Medi-Cal program.
- Elimination of MRMIB. Rejected Administration’s proposal to eliminate MRMIB and transfer its programs to DHCS.

4440 DEPARTMENT OF STATE HOSPITALS (DSH)

- Eliminate Department of Mental Health. Approved the Administration's proposal to eliminate the Department of Mental Health (DMH) and create a Department of State Hospitals. Also approved the transfer of DMH's community-based mental health programs to other departments:
 - *Department of Health Care Services (DHCS).* DHCS assumes responsibility for the administrative functions for Medi-Cal Specialty Mental Health managed care plan services and Early Periodic Screening, Diagnosis, & Treatment (EPSDT); certification of mental health treatment programs at Skilled Nursing Facilities with Special Treatment Programs, Community Residential Treatment Systems, and Community Treatment Facilities; and oversight of certain Mental Health Services Act (Proposition 63) components.
 - *Department of Public Health (DPH).* DPH assumes responsibility for the functions of the Office of Multicultural Services in the new Office of Health Equity; administration of the California Reducing Disparities Project; and disaster services related to mental health.
 - *Department of Social Services (DSS).* DSS assumes responsibility for the licensing and quality improvement efforts for mental health rehabilitation centers and psychiatric health facilities.
 - *Office of Statewide Health Planning and Development (OSHPD).* OSHPD becomes responsible for the Mental Health Services Act (Proposition 63) Workforce Education and Training component.
- Establish the Department of State Hospitals (DSH). Adopted the Governor's proposal to establish the DSH, which will have the singular focus of providing oversight, safety, and accountability at the state's five mental health hospitals and other state psychiatric facilities.
- DSH Savings Proposals. Adopted various DSH savings that result in savings of \$122.6 million GF in 2011-12 and \$193.1 million GF 2012-13 and the elimination of 619 positions, of which 230 are filled and 370 vacant.
- Increases County Bed Rate. Adopted the Governor's proposal to allow DSH to recover, from counties, a greater share of the cost of housing civil commitments, resulting in GF savings of \$20 million in 2012-13.
- Expands the Incompetent to Stand Trial (IST) Jail Program. Adopted the Governor's proposal to provide for expanded authority to treat IST patients in county jails rather than in state hospitals. In 2007, a pilot program to test a more efficient and less costly process to restore competency for IST defendants by providing services in county jails, in lieu of providing them

within state hospitals, was established in San Bernardino County. Expanding this program will save \$3 million GF in 2012-13.

- Personal Duress Alarm Systems (PDAS). Approved the Governor's PDAS proposal for state hospitals, which includes the following:
 - *Napa State Hospital (NSH)* - \$446,000 GF ongoing, and 2.5 positions for maintenance of the PDAS pilot that is being installed at NSH. NSH is serving as the pilot program for the upgraded PDAS. \$4 million was approved in the 2011-12 budget, which did not include resources for maintenance and operation for the wireless network infrastructure, management of the wireless intrusion detection and prevention system, management of the alarm system, around-the-clock monitoring of the PDAS, or the annual license renewal, all of which are covered by this request.
 - *Metropolitan State Hospital (MSH) & Patton State Hospital (PSH)* - \$22.76 million GF (\$22.2 million one-time and \$566,000 on going) and 5 permanent positions to install and support PDAS at MSH and PSH.
 - *Atascadero State Hospital (ASH) & Coaling State Hospital (CSH)* – Out-year cost of \$22.4 million GF (\$20.6 million one-time and \$1.8 million on-going) and 4 permanent positions to install and support PDAS at ASH and CSH in 2013-14.
- Coleman Waitlist. Adopted the Governor's proposal for \$13.9 million GF and 139.7 positions in 2011-12 and \$27.3 million and 289.2 positions in 2012-13 to reduce the Coleman waitlist by 1) moving patients who have been stabilized to ASH; 2) moving other patients who are deemed very stable to CSH; and, 3) converting the "L Wing" of the California Medical Facility to an Intermediate Care Facility level of care to accommodate over 100 temporary patients.
- 64-Bed Expansion. Adopted the Governor's proposal for \$2.5 million GF and 23.7 positions for the last phase of staffing for the court ordered 64-bed high custody Intermediate Care Facility at the Vacaville Psychiatric Program. This policy was initially approved as part of the 2011 Budget Act.
- Stockton Psychiatric Program. Adopted the Governor's proposal for \$7.99 million GF and 75.9 positions to phase in the remainder of staff for activation of the Stockton Psychiatric Program from January 1 through June 1, 2013. This is a partial year request for 2012-13 and grows to \$90.6 million and 783 positions in 2013-14.
- Division of Juvenile Justice (DJJ) Closure. Approved a reduction of \$2.7 million GF in reimbursements and 37.4 positions in 2011-12 and \$3.6 million and 49.9 positions in 2012-13 and ongoing, due to the closing of the DJJ's Southern Reception Center and clinic.
- Network Capacity Augmentation. Approved the Governor's proposal for a one-time augmentation in 2012-13 of \$10,500 GF and \$422,244 GF ongoing to increase network capacity in order to protect patient data.

- HIPAA Compliance. Approved the Governor's proposal to establish 3 positions to achieve compliance with HIPAA requirements. The DSH established the 3 permanent positions in 2011-12, administratively, using existing HIPAA funds (unspent HIPAA funding from prior years) with a total Budget Year cost of \$332,000.
- Staff Counsel Positions – IST Involuntary Medication. Approved the Governor's proposal for a one-time GF augmentation of \$1.2 million for 2 Staff Counsel I positions (1.9 PY) to represent the DSH in administrative hearings involving the state hospitals for involuntary medication of individuals who are Incompetent to Stand Trial (IST) as mandated by AB 366 (Chapter 654, Statutes of 2011). The DSH anticipates that this proposal may generate savings that could be used to fund costs in the future.
- Staff Counsel Positions – Court Hearings. Approved the Governor's proposal for \$604,000 GF and 6.0 positions (4.0 Staff Counsel 1 and 2 Legal Secretary) to represent the DSH in Sexually Violent Predator (SVP) court matters, IST hearings, involuntary treatment hearings, and hearings related to subpoenas.
- Staff Counsel Positions – Personnel Actions. Approved the Governor's proposal for \$251,000 GF and 2 Staff Counsel I positions to represent the Department in personnel actions involving DSH employees who are represented currently by the Department of Personnel Administration. This proposal is estimated to result in average annual savings of \$649,000; the amount the DMH historically has paid the DPA for representation in these matters.
- Mentally Disordered Offender (MDO) Program. Approved the Governor's proposal for position authority for 2 positions (1.9 PYs) for the MDO Program evaluation services. Funding for these positions will be redirected from approved external contract funds (by reducing the number of contracted positions).
- SVP Evaluator Services. Approved the Governor's proposal for authority for 16 positions in 2012-13 and an additional 20 positions in 2013-14 to support SVP evaluator services. Funding of \$3.4 million in 2012-13 and \$8.4 million in 2013-14 is to be redirected from external contract funds (by reducing the number of contract positions).
- Job Analysis Unit. Approved the Governor's proposal for \$375,000 GF and 4 positions to establish a Job Analysis unit to meet the ongoing testing and hiring needs of the State Hospitals.
- Napa State Hospital Fire Alarm. Approved the Governor's proposal for \$15.6 million GF to replace the fire alarm systems in several buildings at Napa that do not meet NFPA codes, UL standards or the State Fire Marshall requirements.
- Napa and Metropolitan SNF Fire Sprinklers. Approved the Governor's proposal for \$14.1 million GF to install fire sprinklers in Skilled Nursing Facility buildings at Metropolitan and Napa state hospitals.

- Napa and Patton New Main Kitchen. Approved the Governor's proposal to reappropriate \$62.1 million in bond funds to build and fully equip new main kitchens at Napa and Patton to accommodate modern cook/chill food preparation systems and all dietary support facilities.
- Metropolitan New Main Kitchen. Approved a Spring Finance Letter to reappropriate \$7.5 million in bond authority to complete the New Main Kitchen project at Metropolitan State Hospital.

Trailer Bill Language

1. Specified that changes in staffing ratios at the state's mental hospitals address adequate staff and patient safety standards and may vary based on patient acuity.
2. Specified that adult education in the state hospitals is not to be eliminated or substantially reduced.

Budget Bill Language

1. Required that the Office of State Audits and Evaluations determine which prior audit recommendation for DSH have been not implemented and assist DSH to prioritize outstanding audit findings.
2. Specified that up to \$3.6 million is available for the Adult Education Program. *The Governor vetoed this language stating that the requirement creates unnecessary cost pressures and restricts the Department's efforts to achieve planned General Fund cost savings.*
3. Required DSH to submit three reports to the Legislature comparing each hospital's expenditures to its approved allotments and outlining each hospital's operating budget.

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION (MHS OAC)

- Clarified Technical Assistance Role. Clarified the ongoing role of the MHS OAC by acknowledging the need for MHS OAC to continue to provide technical assistance regarding the Mental Health Services Act (MHSA) (Proposition 63).
- Data Oversight. Provided MHS OAC the authority to obtain data from the Department of Health Care Services (DHCS) and Office of Statewide Health Planning and Development as these departments are to perform new functions in the MHSA (Proposition 63).
- Partner in Setting Performance Outcomes. Authorized that the development of performance outcomes for the community-based mental health system are to be established jointly by the DHCS and MHS OAC in collaboration with the California Mental Health Directors Association. Previously, the Department of Mental Health had this sole responsibility.

- Client Outcomes Evaluation Plan. Provided that the MHS OAC be actively involved (along with DHCS and the California Mental Health Planning Council, in consultation with the California Mental Health Directors) in designing a joint plan for evaluation of client outcomes in the community-based mental health system.
- California Youth Empowerment Network (CAYEN). Augmented MHS OAC's budget by \$300,000 Mental Health Services Fund to reinstate the CAYEN contract, which supports advocacy efforts for transition-age-youth (age 15-26) regarding the mental health system.

Health Budget & Other Related Budget Trailer Bills

1. Health Omnibus – AB 1467 (Chapter 23, Statutes of 2012)
2. Department of State Hospitals Omnibus – AB 1470 (Chapter 24, Statutes of 2012)
3. Healthy Families Transition to Medi-Cal – AB 1494 (Chapter 28, Statutes of 2012)
4. Duals Demonstration Project – Health – SB 1008 (Chapter 33, Statutes of 2012)
5. Mental Health Omnibus – SB 1009 (Chapter 34, Statutes of 2012)
6. Realignment Superstructure – SB 1020 (Chapter 40, Statutes of 2012)
7. Health Omnibus – AB 1468 (Chapter 438, Statutes of 2012)
8. Department of State Hospitals Omnibus – AB 1488 (Chapter 440, Statutes of 2012)
9. Nursing Home Quality Assurance Fee & Rate Adjustments – AB 1489 (Chapter 631, Statutes of 2012)
10. Department of Alcohol and Drug Programs Realignment – SB 1014 (Chapter 36, Statutes of 2012)

HUMAN SERVICES

0530 Office of Systems Integration (OSI)

- Approved modified trailer bill language to give OSI authority to provide project management for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) project, and approved 16 positions for this function. Adopted related, modified budget bill language to allow expenditures of funds upon notification to the Legislature and submittal of plan identifying necessary system changes. Further, adopted budget bill language to allow the Director of Finance to augment the Department of Social Services' budget by up to \$18 million, after providing notification to the Legislature, to address information technology changes needed to implement the Affordable Care Act (federal health care reform).
- Approved an unallocated reduction of \$5 million GF to the Statewide Automated Welfare System (SAWS), but as a one-year extension of the reduction from 2011-12 through 2012-13, rather than a permanent change as proposed by the Governor.
- Approved approximately \$23.5 million GF and corresponding federal funds for 2012-13 development work related to the LEADER Replacement System (LRS) within SAWS. This was \$4.7 million GF less than the Governor proposed because of an anticipated delay in project work at the beginning of the fiscal year. Additionally, adopted a requirement for a cost-reasonableness assessment to be conducted with respect to costs proposed by the vendor for migrating the existing C-IV consortia system into the new LRS system. Further, adopted supplemental reporting language directing the Administration to conduct regularly scheduled briefings with legislative staff, and to offer updates during budget Subcommittee hearings, as these efforts continue. Finally, repealed outdated trailer bill language regarding eligibility system streamlining from 2009 (in Chapter 7 of that year's statutes).
- Approved \$2.5 million (\$1.2 million GF) in 2012-13 funding for replacement of the existing Child Welfare Services/Case Management System (CWS/CMS) system. Further, adopted trailer bill language to specify that this funding shall be used to implement the recommendation of the Child Welfare Automation Study Team to proceed toward procuring a new system with a buy/build strategy, as described in the team's report to the Legislature.
- Adopted supplemental reporting language requiring OSI to report to the budget committees of the Legislature by February 1, 2013 regarding specified information related to delays in development of the Case Management, Information & Payrolling System (CMIPS) II during the 2011-12 budget year.

4170 California Department of Aging (CDA)

Approved as budgeted, including approval of:

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

4300 Department of Developmental Services (DDS)

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

- **Maximized Federal Funds** through aggressive enrollment in the state's 1915(c) Medicaid Home and Community Based Services waiver (\$61 million GF savings) and amendments to the state's plan under the Section 1915(k) Community First Choice Option waiver (\$7 million GF savings).
- **Recognized Savings from Implementation of SB 946** (Chapter 650, Statutes of 2011), including: 1) \$69.4 million GF savings from requiring health care insurers to provide coverage for behavioral health treatment for individuals with pervasive developmental disorder or autism, and 2) \$10.4 million GF savings from applying the same requirement to Healthy Families & CalPERS insurance plans.
- **Redesigned Services for Individuals with Challenging Needs** by significantly restricting the statutory criteria for admissions to developmental centers (DCs), limiting the use of locked mental health facilities and out-of-state placements, and strengthening the capacity of the community to serve individuals with challenging needs (including expanded availability of Adult Residential Facilities for Individuals with Special Health Care Needs and the creation of a statewide Specialized Resource Service) (\$20 million GF savings).
- **Redesigned Supported Living Assessments** by repealing an existing requirement for independent assessment under specified circumstances and replacing it with a standardized assessment questionnaire to be completed at specified times in the Individual Program Plan (IPP) process (\$4.2 million GF savings).

- **Reduced Regional Center & Provider Rates by 1.25 Percent for one year** (\$30.7 million GF savings). This is a lower degree of rate reduction than the 4.25 percent reduction that was in place last year. The Governor's proposal would have made this 1.25 percent reduction permanent.
- **Recognized Additional Cost Savings and Efficiencies** from funds that had been earmarked for other purposes, including downsizing of Community Care Facilities and filling the gap in federal funding authority when facilities transfer ownership, as well as new uses of technology (\$4.3 million GF).

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

Capital Outlay: Approved the reappropriation of \$25.4 million for construction of a new main kitchen at the Porterville Developmental Center, as well as \$11.4 million GF for construction costs associated with installation of automatic fire sprinkler systems in buildings at the Fairview, Porterville, and Sonoma Developmental Centers.

Other Actions:

- Adopted trailer bill language to require annual compiling and publishing of existing purchase of service utilization and expenditure data by regional center with respect to the race and ethnicity, age, and disability of consumers.
- Approved assumed receipt of \$40 million in funding for Early Start services from the California Children and Families (First 5) Commission for GF savings.
- Consistent with new federal regulations, adopted trailer bill language to ensure that the use of private health insurance or health care service plans to pay for early intervention services does not count against or result in a loss of benefits or serve as the basis for increased premiums.
- Approved budget bill language to increase authority for DDS's cash flow borrowing--from a limit of \$160 million to a limit of \$210 million annually.
- To meet federal regulations, approved a proposed increase from \$1.8 million (\$881,000 GF) in 2011-12 to \$10.7 million (\$5.4 million GF) in 2012-13 funding for financial management services related to participant-directed services.

- Approved a request for \$2.9 million (\$1.6 million GF) to support retention of 28 authorized staff positions and five temporary help positions at the Lanterman Developmental Center that would otherwise be eliminated under budgeting formulas that factor the resident population into the number of authorized positions. DDS indicated that this enhanced staffing was needed to support the process of closing the facility. Further, directed the Administration to identify general timeframes anticipated for the closure process.
- Approved requested funding of \$409,000 (\$217,000 GF) and position authority to make permanent five limited-term positions related to the receipt of federal funding.

4700 Department of Community Services & Development (CSD)

Approved as budgeted.

5160 Department of Rehabilitation (DOR)

Approved as budgeted, except as follows:

- Modified the proposed trailer bill language that effectuated a change in appeals processes from hearings by the Rehabilitation Appeals Board to hearings by independent hearing officers in order to establish additional safeguards of the due process rights and needs of appellants (including unrepresented parties).
- Rejected the proposed elimination of the Orientation Center for the Blind Trust Fund Committee.

5170 State Independent Living Council

Approved as budgeted.

5175 Department of Child Support Services

Approved as budgeted, except as follows:

- The entire non-federal portion of child support collections will instead provide a \$31.9 million benefit, on a one-time basis, to the General Fund. Also, adopted trailer bill language to provide authority for temporary suspension of specified collections.
- Reduced funding for Local Child Support Agencies by \$14.7 million (\$5.0 million General Fund) and incorporated Budget Bill Language to ensure that, to the extent practicable, the reduction in local child support agencies will not result in a reduction to casework staffing

levels. Denied Governor's request to modify state hearing requirements for the Department of Child Support Services.

- Adopted trailer bill language to allow for the continued suspension of payments related to health insurance and performance incentives to Local Child Support Agencies. This continues the policy followed over past budget year.
- Adopted trailer bill language to provide the Department of Child Support Services with the authority to invest non-negotiated funds in an investment account. The department holds funds for the child support payments it has disbursed to the participants of the child support program until such time as they are negotiated. The non-negotiated child support payments are held in an Investment Sweep Account (ISA) outside the state treasury.

5180 Department of Social Services

California Work Opportunity and Responsibility to Kids (CalWORKs) Program

Adopted the following changes to the CalWORKs program, which in combination with an additional reduction to the single allocation for administration, employment services, and child care costs, are anticipated to result in \$469.1 million GF savings in 2012-13:

- **Time Limits and Work Participation Requirements:**
 - A.** Modified the number of required welfare-to-work hours to conform to federal requirements.
 - B.** Effective January 1, 2013, prospectively created a new 24-month time limit on welfare-to-work services. Once applicable, applicants and recipients who are not otherwise exempt would receive 24 months of welfare-to-work services and activities under current state rules, but would be required to meet federal participation requirements in order to access any additional months of eligibility toward a 48-month lifetime time limit. Under specified circumstances, including when participants are meeting federal requirements, months of assistance will not count toward the 24-month time limit.
 - C.** Authorized counties to extend assistance for no more than 20 percent of recipients who would otherwise lose services due to application of the 24-month time limit (and who still have time remaining under the 48-month limit). Under specified circumstances, counties are required to grant those extensions, subject to the 20 percent limitation. In other circumstances, counties may grant them.
 - D.** Established noticing, due process, and other requirements related to the above changes, and required consultation between the Department and stakeholders with respect to their implementation. Additionally, established the Legislature's intent for the state to work with

counties and stakeholders to ensure that the extension process in particular will be implemented with minimal disruption to recipients' impending completion of welfare-to-work plans.

- **Exemptions from Work Participation Requirements:**

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

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

- **Phase-in of Cal-Learn Program:** Rejected the Governor's proposal to eliminate intensive case management services provided through the Cal-Learn program within CalWORKs. State funding for these services was suspended during the 2011-12 fiscal year. From July 1, 2012 to March 31, 2013, inclusive, authorized counties to provide full or partial year funding, depending on the pace of their progression to full implementation, which must occur by April 1, 2013.

- **Other:**

- A.** Required DSS to convene a workgroup to identify best practices and strategies to improve early engagement and remove recipients' barriers to working and to report back to the Legislature. Also, required DSS to update the Legislature regarding the changes made to CalWORKs, and to contract with an independent, research-based institution for an evaluation and written report regarding the impacts of those changes.

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

- C.** Effective October 1, 2013, restored the earned income disregard policy to that which existed prior to enactment of the 2011-12 Budget Act, allowing a participant to retain a greater amount of monthly earnings (\$225 and \$.50 of each dollar thereafter up until the recipient has enough income to lose eligibility for the program).

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

In-Home Supportive Services (IHSS) Program

- **Coordinated Care Initiative:** As part of a demonstration project, approved the integration of IHSS into Medi-Cal managed care (described in greater detail under the Health section of this report). Further, established, as specified, a Statewide Authority for purposes of collective bargaining with respect to the wages and benefits for IHSS providers.
- **3.6 Percent Reduction in Authorized IHSS Hours:** Extended, for the 2012-13 fiscal year, an existing reduction in authorized IHSS hours of 3.6 percent (anticipated to save approximately \$58.9 million GF). The reduction would otherwise have sunset on July 1, 2013. Rejected the Governor's proposals to increase the reduction to 7 percent and to make the policy permanent.
- **Domestic & Related Services:** Rejected the Governor's proposals to eliminate domestic and related services (e.g., heavy cleaning, meal preparation, and clean-up) for IHSS recipients who reside in shared living arrangements.
- **Medication Dispensing Pilot:** Repealed a pilot project that would have required the Department of Health Care Services to identify individuals who receive Medi-Cal benefits on a fee-for-service basis who are at high risk of not taking their prescribed medications. The Department would then have procured automated medication dispensing machines to be installed in participants' homes. Concurrently, repealed a trigger mechanism for alternative reductions.
- **Sales Tax on Supportive Services:** Adopted trailer bill language to change the effective date of a sales tax on supportive services and supplemental provider payments from no earlier than July 1, 2010 to no earlier than January 1, 2012.
- **Public Authorities:** Adopted trailer bill language extending the timeframe specified in statute for use of a newly developed rate-setting methodology for Public Authority funding--to begin with the 2013-14 fiscal year, rather than 2012-13. Further, adopted a technical change to ensure that Public Authorities can share criminal offender record information with the Department when necessary for the Department to respond to requests for exceptions to existing provider exclusion policies.
- **Other:** Revised estimates of the fiscal impacts of previously adopted budget solutions and rejected proposal to provide additional detail to statutes that establish a 20 percent reduction in authorized hours of IHSS services, subject to specified exemptions and exceptions. Further, restored \$4.7 million GF in resources for counties' administration of the IHSS program; *however, this \$4.7 million appropriation was vetoed by the Governor.*

Children and Family Services Programs

- **Programmatic Trailer Bill Language Related to Realignment:** The 2011-12 budget realigned \$1.6 billion in state funding for the CWS, foster care, and adoptions programs, to the counties. Among other provisions, the 2012-13 budget included the following related programmatic changes, which largely impact uses of 2011 realignment funding (as well as federal and county funds), and not the state General Fund:
 - A. Flexibility for Counties:** Revised or created more flexibility within the requirements of specified programs that had already offered some degree of county option.
 - B. Accountability and Oversight Provisions:** Required reporting related to the 2011 realignment of CWS programs, including an annual report that summarizes outcome and expenditure data to allow for tracking of program changes and performance on defined outcome measures over time. Further, required the Department and counties to develop agreed upon performance targets for improvements and clarified that the existing California Child & Family Services Review workgroup can reconvene as needed. Additionally, required a transparent, local, public process before a county can significantly change expenditures for specified optional programs.
 - C. Continuum of Care and Needs Assessment-Related Reforms:** Required DSS to establish workgroups, as specified, to develop and submit recommended revisions to the foster care rate-setting system, as well as performance standards and outcome measures for providers of out-of-home care. Additionally, revised selection criteria for foster care placements and increased, on an interim basis, the monthly rates paid for Intensive Treatment Foster Care (ITFC), which is intended to offer lower-cost, family based care to children and youth who would otherwise be served in more expensive and restrictive settings.
 - D. Other Changes:** Improved transitional services for 18 through 20-year olds exiting the foster care system by allowing specified non-minor dependents to receive assistance during a window of time in which they might otherwise have a gap in eligibility and by ensuring continued support of non-minor dependents who are 20-years-old, effective January 1, 2014. Further, revised licensing or certification standards for transitional housing and increased basic care and supervision rates paid to foster families certified by foster family agencies.
- **Moratorium on Group Home Rate-Setting:** Permanently extended a moratorium on licensure of new group homes or approvals of specified changes to existing providers' licenses, with some exceptions. New provisions further limit, for one year, exceptions for any programs with rate classification levels below 10 to those associated with a program change.
- **Cost-of-Living Adjustment for Dual Agency Rates:** Required annual adjustment of rates payable for care and supervision of children who are dually eligible for the Child Welfare

Services and Developmental Services systems. This change is consistent with changes made last year to foster family home and related rates in response to litigation.

- **DSS Staffing:** Reduced authorized staffing in the Child and Family Services Division of DSS by 42 positions in light of the transition from state to county-based administration of the Agency Adoptions program in a number of counties. Retained and repurposed an additional 11.5 positions to conduct specified oversight and monitoring, including oversight related to realignment, as well as policy and program development, including changes to the continuum of care and assessment of children's needs.

CalFresh (formerly known as Food Stamps) Program

- **Program Administration:**

A. Adopted a one-time reduction of \$45 million GF in funding for program administration, with as much of the reduction to be achieved through reversions of unexpended funding from prior years as possible. To the extent that there is a reduction in 2012-13 funding, required the Department to consult with counties and report back to the Legislature regarding its allocation and impacts. Further, extended for one year a "match-waiver" that allows counties to access a portion of General Fund and federal fund support for program administration without fully matching those funds under standard sharing ratios. ***The Governor vetoed an additional \$54 million (\$23 million GF) in resources for program administration and automation projects.***

B. Approved changes to modernize and streamline administrative practices and remove barriers to accessing the program. These changes include waiver of a face-to-face interview at recertification for households comprised of individuals who are aged or who have a disability and who do not have earnings, uses of automation (e.g., emailing certain notifications to recipients), and other changes.

Community Care Licensing

- Approved a proposal to continue to lift a statutory prohibition on charging a fingerprint licensing fee to applicants for a license to operate a small community care facility (other than a foster family home) or a family day care facility. This action resulted in avoidance of \$1.4 million GF costs.
- Approved the Governor's proposal to redirect \$501,000 in Child Health & Safety Fund resources as additional support for day care licensing activities. Correspondingly, approved technical changes to proposed trailer bill language to clarify the intended impact of this action.

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

- Approved proposed changes in SSI/SSP grant levels, which included increases related to federal Cost of Living Adjustments (COLAs) and to corresponding changes in grants under the Cash Assistance Program for Immigrants (CAPI).

Human Services Budget & Other Related Budget Trailer Bills

1. Omnibus – SB 1041 (Chapter 47, Statutes of 2012)
2. Omnibus – AB 1471 (Chapter 439, Statutes of 2012)
3. Department of Developmental Services Omnibus – AB 1472 (Chapter 25, Statutes of 2012)
4. Coordinated Care Initiative – Human Services– SB 1036 (Chapter 45, Statutes of 2012)
5. Realignment Superstructure – SB 1020 (Chapter 40, Statutes of 2012)
6. Child Welfare Services Realignment – SB 1013 (Chapter 35, Statutes of 2012)

SUBCOMMITTEE 4
ON
STATE ADMINISTRATION
AND
GENERAL GOVERNMENT
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Gloria Negrete McLeod, Chair
Doug La Malfa
Noreen Evans

Consultants

Mark Ibele
Keely Martin Bosler
Brady Van Engelen

SUBCOMMITTEE No. 4

STATE ADMINISTRATION and GENERAL GOVERNMENT

State Administration

California Technology Agency	4-1
Governor's Office of Business and Economic Development.....	4-2
Secretary for State and Consumer Services.....	4-3
Secretary for Business, Transportation, and Housing	4-3
Governor's Office of Planning and Research.....	4-3
California Emergency Management Agency.....	4-3
State Controller	4-4
Department of Insurance	4-5
Secretary of State.....	4-5
California Redistricting Commission.....	4-6
State Treasurer's Office and Related Boards and Commissions.....	4-7
California Science Center.....	4-7
Department of Consumer Affairs	4-7
Department of Fair Employment and Housing	4-8
Fair Employment and Housing Commission	4-8
Department of General Services.....	4-8
Alcoholic Beverage Control.....	4-10
Alcoholic Beverage Control Appeals Board	4-10
Department of Financial Institutions.....	4-10
Department of Corporations.....	4-10
Department of Housing and Community Development.....	4-10
Office of Real Estate Appraisers	4-11
Department of Real Estate.....	4-11
California Arts Council	4-11
Citizens Compensation Commission	4-11
Board of Chiropractic Examiners.....	4-11
Fair Political Practices Commission	4-11
Political Reform Act of 1974	4-12
Milton Marks "Little Hoover" Commission	4-12
California Commission on Disability Access	4-12
Commission on the Status of Women.....	4-12
Department of Finance	4-12
Commission on State Mandates	4-12
California Law Revision Commission	4-13
Commission on Uniform State Laws	4-13
Bureau of State Audits	4-13
Financial Information System for California (FI\$Cal).....	4-13
Office of Administrative Law	4-13

SUBCOMMITTEE No. 4

(CONTINUED)

State Administration (continued)

Military Department	4-13
Tax Relief	4-14
Local Government Financing	4-14
Redevelopment.....	4-14
Statewide	4-15

Control Sections:

Contingency Trigger Reductions.....	4-15
-------------------------------------	------

Veterans Affairs

Department of Veterans Affairs and Veterans Homes of California	4-16
---	------

Tax Administration

State Board of Equalization.....	4-18
Franchise Tax Board	4-19

Cash Management

Debt Service for General Obligation Bonds.....	4-20
Cash Management and Budgetary Loans	4-20

STATE ADMINISTRATION

0502 CALIFORNIA TECHNOLOGY AGENCY

- Approved increased expenditure authority of \$34.09 million (Technology Services Revolving Fund). The additional expenditures reflect the projected utilization of the state information technology infrastructure for the budget year. The items funded are illustrated in the chart below:

	2012-13 Funding Level	Description
Mainframe CPU Processing	\$6.33 million	1.927 million of Instructions Per Second (MIP)
Midrange Server	\$15.29 million	Represents the anticipated amount state agencies will request for replacement and expansion of hardware, software, and disaster recovery for servers that run databases and email systems
Data Storage Capacity	\$5.53 million	Replacement and expansion of data storage needs
Network Capacity	\$5.09 million	Upgrades, replacement and expansion of network capacity
Data Center Management and Operations	\$1.90 million	Represents the required amount to maintain and/or replace cooling and power equipment at data centers

- Approved Governor's proposal to eliminate the Technology Service Board. The Board is responsible for the oversight and approval of the Office of Technology Services budget and rates, both of which are functions of the Department of Finance.
- Approved Governor's proposal to eliminate the Electronic Funds Task Force, a task force established to develop and implement a new payment dispersal system using electronic funds transfer technology. AB 1585 (Chapter 7, Statutes of 2010) defined the report as obsolete, making the need for a task force unnecessary.

- Approved Governor's proposal to increase the contract oversight capabilities of the Agency by increasing expenditure authority by \$670,000 (\$218,000 General Fund) and 5.0 positions. This proposal is designed to reduce the reliance on contractors on technology projects
- Approved \$2.508 million and 6.0 positions to support the modernization efforts of the electronic services at the Employment Development Department (EDD). The expanded services are designed to improve customer support in a variety of areas that support EDD's mission.
- Denied the Governor's proposal to eliminate the 9-1-1 Advisory Board, which advises the Telecommunications Division of the Agency on the policies, practices and procedures for the California 911 Emergency Communications Office. Public input provided to the Subcommittee expressed concern that the 9-1-1 Advisory board was the only publically accessible venue to deliberate issues related to the next generation of 911.

Trailer Bill Language

1. Adopted trailer bill language designed to enhance the procurement mechanisms of the Agency.
2. Adopted trailer bill language designed to enhance the oversight capabilities of the Agency. The requested language will put in place a requirement that the Agency approve oversight contracts by state agencies.
3. Approved Governor's proposal to eliminate the Technology Service Board. The Board is responsible for the oversight and approval of the Office of Technology Services budget and rates, both of which are functions of the Department of Finance.
4. Approved Governor's proposal to eliminate the Electronic Funds Task Force, a task force established to develop and implement a new payment dispersal system using electronic funds transfer technology. AB 1585 (Chapter 7, Statutes of 2010) defined the report as obsolete, making the need for a task force unnecessary.

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

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

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

- Denied Governor's proposed elimination of the Office of Privacy Protection due to the unique set of tasks assigned to the Office of Privacy Protection in assisting consumers in understanding and addressing identity theft. Restored funding for the Office of Privacy Protection which totaled \$246,000 GF and \$190,000 Special Fund

0520 SECRETARY FOR BUSINESS, TRANSPORTATION AND HOUSING

- Approved as budgeted. Staffing at 62 positions with \$15.6 million in General Fund and various special funds.

0650 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

- Approved as budgeted.

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

- Approved Governor's proposal for \$300,000 in federal fund authority in 2012-13 and 3.0 temporary positions to continue to administer federal stimulus funds provided by the Byrne-JAG program.
- Approved Governor's request to extend the liquidation period of \$5.7 million in Mass Transit and Waterborne bond funds that were required to be encumbered by June 30, 2012. The new liquidation period will end June 30, 2013.
- Rejected Governor's proposal to eliminate the California Specialized Training Institute. The Administration assumed \$187,000 in General Fund cost savings attributed to the relocation in 2012-13. Concerns related to the costs associated with dismantling the facility eventually outweighed any cost savings that might be achieved from relocation and the plan was rejected. Approved subsequent proposal to withdraw original proposal to relocate the California Specialized Training Institute and reduce General Fund contribution to the Agency by \$225,000.
- Approved Governor's proposal for \$1.8 million from the Victim-Witness Assistance Fund for the California Emergency Management Agency to manage the Victim Identification and Notification Everyday Network.

Trailer Bill Language

- Adopted trailer bill language designed to enhance the oversight and distribution of Proposition 1B Transit and Waterborne Grants.

0840 STATE CONTROLLER

- Approved \$2.09 million (reimbursements) in 2012-13 to fund 12.6 existing positions and 7.4 new positions, and \$1.8 million to fund 8.0 one-year limited-term positions and 7.4 five-year limited term positions in 2012-13, to provide auditing services to the California Department of Public Health Women, Infants, and Children program, the Disproportionate Share Hospital Program and the California Department of Transportation. These audits are federally funded and required, and are provided by the Controller's Office on an interagency contract.
- Approved \$750,000 (GF) and 7.0 two-year limited-term positions to ensure proper data entry in the MyCalPERS system. MyCalPERS was intended to integrate a large number of electronic systems located at CalPERS. MyCalPERS has recorded a large number of data that has not been transferred properly from the State Controller's data on hand. The State Controller requested additional funding to support the correction of the data when entered into the new MyCalPERS system. It is expected that the data transfer issues will be corrected when the 21st Century Project is fully implemented.
- Approved \$201,000 (\$47,000 GF, \$97,000 reimbursements and \$57,000 special funds) to support the continued operation of the Computer Associates Integrated Data Management Systems (IDMS) technology services.
- Approved \$76.9 million (\$45.3 million GF, \$1.0 million reimbursements, and \$33.4 million special funds) to fund the 21st Century Project in 2012-13. The 21st Century Project will result in an integrated human resource management system that will replace the existing payroll, employment history, position management, and leave accounting systems.
- Approved \$2.28 million (Unclaimed Property Fund) and 17.9 two-year limited term positions to establish a unit within the Unclaimed Property Division that will detect and prevent fraudulent unclaimed property from being paid.
- Approved \$200,000 (GF) and 2.1 two-year limited term positions to enable the Division of Accounting and Reporting (DAR) to effectively address statewide cash management related issues. Also approved \$107,000 (Reimbursement Authority) and 1.1 positions to support the federally mandated county cost allocation plans.

- Approved \$1.30 million (Unclaimed Property Fund) and 13.7 positions in 2012-13, and \$1.12 million (Unclaimed Property Fund) and 11.6 positions in 2013-14 to address workloads resulting from holders (businesses) failing to meet requirements necessary to provide the rightful owners the opportunity to be reunited with their property.
- Approved \$3.01 million in reimbursement authority (\$640,000 for 2011-12 through Section 28.00 request) to provide 27.0 three-year limited term positions to address workload requirements related to the dissolution of redevelopment agencies that stemmed from the passage of ABX1 26 (Chapter 5, Statutes of 2011) as modified by the California Supreme Court decision.

Trailer Bill Language

- Adopted trailer bill language that would relieve the State Controller's Office of independently reviewing and reporting to the Legislature, audits required to be conducted by airports with respect to the collection of fees to fund consolidated rental car and other transportation facilities.

0845 DEPARTMENT OF INSURANCE

- Approved increased expenditure authority of \$302,000 (Insurance Fund) in 2012-13, with \$202,000 of that amount ongoing, and the conversion of two limited-term positions to permanent status, to provide ongoing maintenance of the Paperless Workflow System Project, which is intended to replace the current paper process with an electronic-based system. Of the 2012-13 resources, \$100,000 is designated to fund one-time post-implementation consulting services.
- Rejected a May Revision request related to the implementation of AB 992 (Chapter 552, Statutes of 2011) which transferred the Office of the Patient Advocate (OPA) from the Department of Managed Health Care and established it as an independent entity within the Health and Human Services Agency. The rejected request had two parts: (1) delay the transfer from the Insurance Fund in support of the OPA until fiscal year 2013-14 and (2) \$709,000 (Insurance Fund) and three positions, including \$506,000 in 2012-13 for an information technology project, related to the implementation of Chapter 552.

0890 SECRETARY OF STATE

- Approved \$4.4 million (federal funds) in 2012-13 to continue implementation of the statewide mandates of the federal Help America Vote Act of 2002 (HAVA). Activities in 2012-13 include voting system testing and approval, voter education programs and post-election auditing.

- Approved \$14.4 million (federal funds) in 2012-13 to continue implementation of VoteCal, the federal Help America Vote Act (HAVA)-required and funded uniform, centralized, interactive computerized voter registration database that is defined, maintained, and administered at the state level.
- Approved two-year limited term \$1.1 million augmentation of the Business Fees Fund to address the backlog of business formation filings. Subsequently approved two-year limited term augmentation of \$947,000 to address backlogs associated with annual statement of interest business filings.
- Approved \$2.4 million (Reimbursement Authority) to continue the development of the California Business Connect Project, which will automate the filing and retrieval of business documents. Activities for 2012-13 include developing a request for proposal (RFP) to select a vendor and to continue contracting for other Business Connect related services, including a Procurement Support Consultant and Project Manager. The project is expected to be complete by June 2016.
- Approved \$1.1 million (\$817,000 General Fund, \$259,000 Business Fees Fund) to pay for increased printing costs related to the Voter Information Guide and other documents published by the Secretary of State. The increased printing costs reflect a 20 percent increase in printing rates implemented by the Department of General Service's Office of State Publishing.
- Approved \$470,000 (\$272,000 General Fund) request to augment Secretary of State's budget to address failing operating systems that support the Cal-Access and Cal-Voter databases. The funding will be utilized to purchase servers, software licenses, and to contract for services to address the failing operating systems.

Trailer Bill Language

Adopted trailer bill language that places a higher priority to bond measures and constitutional amendment and appropriated the necessary funds to the Secretary of State to ensure that the counties have clear direction regarding the preparation of ballots that is consistent with the changes made to the Elections Code.

0911 CALIFORNIA REDISTRICTING COMMISSION

- Approved \$69,000 and one half Staff Services Manager I position and provisional budget bill language that identifies the specific contingencies and a process whereby the Department of Finance can authorize a GF augmentation for the associated expenses of the Commission's

meeting should it be determined as necessary in 2012-13. The California Redistricting Commission has certified final district maps and was not funded in the Governor's January 2012-13 Budget. However, there exists a finite set of contingencies, due to current statutory and constitutional provisions, that may necessitate Commission activity and related expenditures in 2012-13.

0950 STATE TREASURER'S OFFICE AND RELATED BOARDS AND COMMISSIONS

- For the California Alternative Energy and Advanced Transportation Financing Authority, approved a request to allow payment deferral of \$2.4 million from the Renewable Resource Trust Fund. The loan would be repaid by June 30, 2014 instead of June 30, 2012.
- Approved the early reversion of resources from the Golden State Scholarshare Trust to the General Fund of \$63.1 million for additional General Fund solution. The program—originally funded with General Fund moneys—has not been fully subscribed, allowing for additional resources to revert to the General Fund.

Trailer Bill Language

- For the State Treasurer's Office, approved trailer bill language that would delete the sunset date for the 2 percent cap on letter of credit fees. This would allow the state to pay up to 3 percent of the letter of credit guarantee amount indefinitely.
- Adopted trailer bill language that appropriates, under certain conditions, \$5 million of funds in the Golden State Scholarshare Trust to establish and maintain the California Open Education Resources Council and the California Digital Open Sources Library. One of specified conditions is that moneys appropriated would be required to be matched 100 percent by private funds prior to being encumbered.

1100 CALIFORNIA SCIENCE CENTER

- Approved as budgeted.

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

- Approved request to redirect \$219,000 in 2012-13 and ongoing from existing operating expenses to establish 1.0 licensing position and support the fingerprint requirements identified in SB 543 (Chapter 448, Statutes of 2011)

- Approved request to remove the authority to transfer the remaining balance of the Hearing Aid Dispensers Account of the Speech Language Pathology and Audiology Fund to the Speech Language Pathology and Audiology and Hearing Aid Dispensers Fund.
- BreEZe: Approved \$8.37 million request to support the continued migration to an integrated licensing and enforcement system. The BreEZe project includes the purchase and implementation of a commercially integrated enterprise enforcement case management and licensing system that can be fitted specifically for the Department of Consumer Affairs' needs.
- Medical Board of California: Approved request to establish 6.0 positions within the Medical Board of California to support Operation Safe Medicine. The positions will be funded by an internal redirection within the Medical Board of California. Operation Safe Medicine's primary purpose is to investigate complaints related to unlicensed activity that are received from healthcare consumers.
- Bureau of Automotive Repair: Approved request for \$36.35 million and 12.0 two-year limited term positions to support the Enhanced Fleet Modernization Program. The Enhanced Fleet Modernization Program is designed to provide subsidies to qualified consumers to receive either repair assistance or retire their older vehicle in place of a newer, cleaner vehicle.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

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

1705 FAIR EMPLOYMENT AND HOUSING COMMISSION

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

1760 DEPARTMENT OF GENERAL SERVICES

- Approved request to augment the Department of General Services budget by \$250,000 to support the Board of State and Community Corrections. The Board of State and Community Corrections was created as part of the public safety realignment of 2011 and will be an independent entity beginning on July 1, 2012. The Board of State and Community Corrections felt it to be more cost effective to utilize the Department of General Services' Contracted Fiscal Services rather than hiring support staff to manage the budgeting and accounting operations of the Board.

- Approved extending the liquidation period of Department of General Services' minor construction projects until June 30, 2013.
- Reduced excess authority by \$75 million from the Department of General Services Natural Gas Services Program. This reduction was necessary to realign the Natural Gas Services Program with actual operating level expenses.
- Reduced Department of General Services overall spending by \$33.39 million and 45.5 positions. The reductions include the following:
 - \$15.4 million and 7 positions from the Office of State Publishing. Utilization of increased technology and automation will allow the Office of State Publishing to offset some of the reductions.
 - \$6.7 million and 28.5 positions in various Real Estate Services Division programs by reprioritizing workload, reducing travel by increasing use of videoconference capabilities, and other operational measures will be utilized to offset these reductions.
 - \$6.3 million and 3.0 positions in various building regulations programs. Reductions will be achieved by greater use of operational efficiencies and reductions in consulting and contracting costs.
 - \$5 million and 7.0 positions within administrative support will be achieved by streamlining processes, and enhancing operational efficiencies.
- Provided department with greater authority to further consolidate statewide office space.
- Increased Office of Administrative Hearings reimbursement authority by \$961,000 in order to implement AB 366 (Chapter 654, Statutes of 2011) which revised the procedures governing the involuntary administration of antipsychotic medication to state hospital patients.

Trailer Bill Language

- Adopted trailer bill language approving the Administration's request to dispose of seven state-owned Capital Area Development Authority managed properties that have no state programmatic use.

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved \$1.91 million request to upgrade Alcohol and Beverage Control radio communication equipment through the purchase, programming and installation of modern, industry-standard vehicle mounted and hand-held radios.

2120 ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

- Approved as budgeted.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Approved request to convert 5.0 limited term bank examiner positions to permanent status. These positions were originally approved on a limited term basis. However, due to State Personnel Board regulations the individuals in the Bank Examiner positions cannot be extended on another limited term basis.
- Approved request to convert 3.0 limited term Credit Union examiner positions to permanent status. These positions were originally approved on a limited term basis. However, due to State Personnel Board regulations the individuals in the Credit Union examiner positions cannot be extended on another limited term basis.

2180 DEPARTMENT OF CORPORATIONS

- Approved reappropriation of \$6.1 million and 7.0 positions to support the replacement and integration of technology platforms that currently exist within the Department of Corporations. DoCQNET, the integrated technology platform, is intended to replace a number of outdated software platforms being utilized by the Department of Corporations.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Reduced expenditure authority by \$32.4 million to reflect reductions to the Community Development Block Program.
- Reduced Housing Assistance Program expenditure authority by \$6.9 million and 4.0 positions to reflect the transfer of the Housing Assistance Program to local authorities.

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

2310 OFFICE OF REAL ESTATE APPRAISERS

- Approved extension of \$11.6 million loan from the Real Estate Appraisers Fund until 2013-14.

2320 DEPARTMENT OF REAL ESTATE

- Approved as budgeted.

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted.

8385 CITIZENS COMPENSATION COMMISSION

- Approved as budgeted.

8500 BOARD OF CHIROPRACTIC EXAMINERS

- Approved as budgeted.

8620 FAIR POLITICAL PRACTICES COMMISSION (FPPC)

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

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 Governor’s proposal to eliminate the Commission on the Status of Women.
- Adopted trailer bill language that revises the mission of the Commission on the Status of Women and Girls and seeks to find a better long-term funding solution.
- Adopted appropriation of \$270,000 (General Fund) for the Commission on the Status of Women.

8860 DEPARTMENT OF FINANCE

- Rejected a one-time augmentation of \$1.5 million to hire legal and actuarial consultants to assist with the design and implementation of a hybrid retirement structure for public employees in state and local government entities as outlined in the Governor’s 12-Point Pension Reform Plan. In rejecting this augmentation, it was stated that the request was more appropriately handled by the Conference Committee on Public Employee Pensions.

8885 COMMISSION ON STATE MANDATES

- Approved Commission on State Mandates adjustments to baseline budget and May Revision request for unanticipated costs.
- Approved funding for certain property tax related and public safety mandates for 2012-13 for a total cost of \$48.7 million. ***Also approved funding of \$1.8 million for Crime Statistics Reports for the Department of Justice mandate, which was vetoed by the Governor.***

- Approved the suspension of most non-education local mandates in 2012-13 for GF savings of about \$375.58 million. Most of these mandates were also suspended in 2011-12, but some additional mandate suspensions were added due to the fiscal condition of the state – among these were various mandates related to elections. Suspending a mandate means the local government is not required to comply nor is the state required to fund.
- Approved the continued suspension of the mandates suspended in 2012-13, for the fiscal year 2013-14 and 2014-15.

8830 CALIFORNIA LAW REVISION COMMISSION

- Approved as budgeted.

8840 COMMISSION ON UNIFORM STATE LAWS

- Approved Governor's request to consolidate the California Commission on Uniform State Laws within the Legislative Counsel Bureau.

8855 BUREAU OF STATE AUDITS

- Approved as budgeted.

8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA (FISCAL)

- Approved as budgeted, based on the Governor's proposal presented in a Finance Letter for \$89 million, but eliminates all General Fund for the project and instead shifts \$53.5 million to various special and nongovernmental cost funds.

Trailer Bill Language

- Approved trailer bill language to require ongoing annual reporting to the Legislature on the status of the project, including modifications made to the project plan and change in management activities.

8910 OFFICE OF ADMINISTRATIVE LAW

- Approved as budgeted.

8940 MILITARY DEPARTMENT

- Approved 3.0 new positions to be located at the 144th Fighter Wing in Fresno. The positions are

federally funded and support the 144th California Air National Guard Fire Protection.

- Reduced reimbursement authority by \$11.2 million in order to realign the Military Department's budget to more accurately reflect spending authority with actual expenditures. The reduction stems from grants that are no longer being funded and a reduction in reimbursements to the Military Support to Civil Authority and Youth Programs.
- Approved request of 10.0 new positions to support the expansion of the STARBASE program. The program is designed to target minority and/or low socio-economic students and utilizes instruction platforms that conform to federal Department of Defense standards.
- Approved \$1.2 million (\$495,000 General Fund) augmentation to support state active duty personnel cost increases that stem from cost increases approved at the federal level.
- Approved increased expenditure authority of \$350,000 (reimbursements) in support of the Military Department's Employment Assistance Program. Funding was provided to the California Military Department to better match the skills of unemployed and underemployed members of National Guard members with the hiring needs of employers.
- Approved \$1.2 million (\$900,000 Federal Trust Fund Authority, \$300,000 reimbursements) and 10.0 new positions to support the expansion of the California Military Department's Youth Challenge program.

9100 TAX RELIEF

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

9210 LOCAL GOVERNMENT FINANCING

- Approved funding for Amador County to compensate for loss of funds that would have been received in the absences of the tax swap and the triple flip. The revenue loss is the result of schools in the counties all becoming basic aid. The Department of Finance and Legislative Analyst's Office were directed to develop a methodology for future aid.

REDEVELOPMENT

Trailer Bill Language

- Adopted trailer bill language to address issues associated with the dissolution of redevelopment agencies (RDAs). The bill allows entities who remit property taxes and

assets according to law, the ability to retain assets, be repaid loans made, and use bond proceeds. The bill also contains measures that facilitate compliance with the law. The measure will allow for additional budget solution of \$3.2 billion and provided an appropriation of \$25 million to address RDA wind-down costs.

- Adopted trailer bill language SB 1030 that redirects additional excess educational resources augmentation fund (ERAF) revenues generated by the dissolution of RDAs to the cities, counties and special districts. *This trailer bill was vetoed by the Governor who indicated that the fiscal implications of the legislation were unclear.*

STATEWIDE

Trailer Bill Language

- Adopted trailer bill language that clarifies and expands the requirements for financial reporting regarding state funds and requires certain financial control actions by the State Controller' Office (SCO) and the Department of Finance (DOF).

CONTROL SECTIONS

3.62 CONTINGENCY TRIGGER REDUCTIONS

- Adopted overall budget architecture for the 2012-13 fiscal year that relies on state revenues generated only if approved by voters in November 2012. The California Constitution requires that the annual state budget be balanced, and this uncertainty requires that the Legislature adopt contingency plans for addressing the \$8.5 billion in revenue that would not be raised if the revenues are not approved by the voters. Thus, "trigger reductions" effective January 1, 2013 would be the contingency plan if the ballot measure is not approved. See additional discussion in the *Overview* section.

State Administration Trailer Bills & Other State Administration Budget-Related Bills.

1. State Government. SB 1006 (Chapter 32; Statutes of 2012)
2. Community Redevelopment. AB 1484 (Chapter 26; Statutes of 2012)
3. State Government: state funds AB 1487 (Chapter 343; Statutes of 2012)
4. Elections: ballot order for statewide measures AB 1499 (Chapter 30; Statutes of 2012)
5. Redevelopment Property Tax Trust Fund Allocations SB 1030 (Vetoed).

VETERANS AFFAIRS

8955 DEPARTMENT OF VETERANS AFFAIRS (DVA)

- Approved an augmentation of \$4.3 million (General Fund) phase-in staffing and residents in the existing and new veterans' homes in Redding and Fresno.
- Approved \$2.41 million (federal funds) for the construction phase of the Yountville Veterans Home cemetery restoration project. General obligation bonds have previously been approved in the amount of \$436,000 for the preliminary plans and working drawing phases of the project. The objectives of this restoration project are to bring the cemetery into compliance with the National Cemetery Administration standards and enable the state to maintain the cemetery grounds according to those standards in future years.
- Sustained the historical funding level of \$2.6 million GF for County Veterans Service Offices (CVSOs), local agencies that assist veterans in receiving federal benefits for which they are eligible. This funding level has been in place since 2004.
- Approved the Governor's proposal for greater position authority for the DVA. The Administration requested 22.0 additional positions within the Greater Los Angeles and Ventura County Veterans Homes. The Greater Los Angeles and Ventura County Veterans Homes entered into a sharing agreement with the U.S. Department of Veterans Affairs that included pharmaceutical, medical supply, and medical services. The U.S. Department of Veterans Affairs began cancelling the sharing agreements in 2010 due to the lack of a cohesive budget timeline. Funds that were encumbered for the sharing agreement will now be utilized for the civil service positions and will not impact GF expenditures.
- Approved additional state operations reductions of \$3 million in 2012-13, a result of a slip in the skilled nursing facility activation schedule for the Greater Los Angeles and Ventura County – West Los Angeles veterans home, which resulted in a \$3.0 million net reduction in GF contribution. The schedule slip stems from a food sharing agreement with the U.S. Department of Veterans Affairs that was cancelled. The DVA will now have to seek an outside vendor for food services which will slightly delay the opening of the Skilled Nursing Facility at the West Los Angeles Veterans Home.
- Adopted trailer bill language that revises the current fund distribution formula utilized by the DVA to ensure that a more qualitative, rather than quantitative, measure is utilized to disburse funds to support CVSO related operations.

Veterans Budget-Related Bills.

1. State Government. SB 1006 (Chapter 32; Statutes of 2012)

TAX ADMINISTRATION

0860 STATE BOARD OF EQUALIZATION

- Approved special funds resources of \$250,000 for compliance measures associated with the Board of Equalization's (BOE's) Natural Gas Public Purpose Programs surcharge on natural gas. The efforts focus on unregistered companies and consumers.
- Approved \$1.9 million (GF, special funds and reimbursements) and positions for BOE's Tax Gap II efforts related to the audit program, bankruptcy collections program, and internal education and outreach effort. Rejected \$2.5 million request for an outside media campaign.
- Provided funding of \$3.2 million (GF, special funds and reimbursements) and positions (some limited-term) to implement the requirements of the use tax nexus ("Amazon Tax") statute that was adopted as part of the 2011-12 budget. This policy, which requires certain out-of-state sellers with nexus in California to collect use taxes, is estimated to generate \$107 million in annual revenues.
- Provided additional resources from the GF, special funds and reimbursements of \$6.2 million to account for increased rental expenses for the headquarters building resulting from its refinancing. Also approved supplemental reporting language for the headquarters building plans.
- Approved \$6.4 million in resources from reimbursements and 57 positions to implement the State Responsibility Area (SRA) fire prevention fee. This SRA fee adds over 800,000 fee payers to BOE's existing base of tax and fee payers and requires substantial implementation expenses.
- Granted additional funding (GF and reimbursements) to pay for the processing of refund claims from purchasers of Dell Computers who were charged a sales tax by the company erroneously. State costs associated with processing the refunds are approximately \$3.1 million and requires 14.5 limited-term positions.
- Approved a significant new data technology program for BOE that will result in vastly improve tax collection, data maintenance and information sharing. In addition, the Centralized Revenue Opportunity System (CROS) will be benefits-funded. In the initial year, costs will be \$23.8 million (GF, special funds and reimbursements) while generating \$38.8 million in revenues.

Trailer Bill Language

1. Approved in SB 1015 (Chapter 37, Statutes of 2012) expansion of the Financial Institutions Records Match (FIRM) to BOE and provided \$523,000 in resources from GF, special funds and reimbursements. The program matches tax debts with debtor resources at financial institutions and has proved to be successful with other tax collection agencies. The program is coordinated through the Franchise Tax Board and will generate \$11 million in additional collections in the budget year.

1730 FRANCHISE TAX BOARD

- Approved additional GF support of \$775,000 and positions for the Franchise Tax Board (FTB) to expand the listing of top tax debtors from 250 to 500, and to update that list biannually.
- Approved funding of \$95.6 million GF for the continuing development of the department's major database management and retrieval system. The project is benefits funded based on additional revenues generated and is expected to greatly enhance tax compliance and enforcement.
- Provided GF resources to work-down the department's existing inventory of accounts receivable. The funding of \$8.5 million and 111 positions will generate \$120 million in revenue. Approved continuation of limited-term positions for the luxury vehicle tax audit program.

Trailer Bill Language

1. Approved in SB 1015 (Chapter 37, Statutes of 2012) additional tax collection methods to apply to earnings withholding, generating \$27 million in additional collections in the budget year. The measure would allow the FTB to withhold amounts for tax debts beyond a 10-year period without necessitating recording a lien.
2. Adopted language in SB 1015 (Chapter 37, Statutes of 2012) that confirmed existing law that any election under the corporation franchise tax must be made on an original return, unless otherwise provided.

TAX AND REVENUE BUDGET TRAILER BILLS

1. Tax Administration. SB 1015 (Chapter 37, Statutes of 2012)

CASH MANAGEMENT AND BORROWING

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

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

9620 CASH MANAGEMENT AND BUDGETARY LOANS

- Assumed the issuance of a \$10 billion Revenue Anticipation Notes (RANs) to be repaid within the 2012-13 fiscal year to cover the state's cash flow requirements.
- Approved \$18 million in GF for interest costs related to budgetary borrowing, which are multi-year loans to the General Fund from special funds. The costs in the 2011-12 fiscal year also declined for a two-year reduction of \$48 million.
- Adopted loans and fund shifts from transportation special funds for budget solutions during 2012-13. These measures were accomplished through AB 1465 (Chapter 22, Statutes of 2012), SB 1006 (Chapter 32, Statutes of 2012) and SB 95 (Chapter 1, Statutes of 2012) and are described in the Transportation Section under "*Trailer Bill Language.*"

Trailer Bill Language

1. Established in SB 1033 (Chapter 44, Statutes of 2012) a voluntary deposit program for local governments to facilitate state cash flow management. The fund would accept deposits from local government to provide an additional cash cushion for the state and augment its existing external and internal cash flow borrowing. The local governments would benefit from a slightly higher interest rate than they would otherwise obtain from alternative investments.
2. Provided in AB 103 (Chapter 13, Statutes of 2012) the necessary statutory changes in the area of cash management by allowing cash deferrals for income assistance programs to individuals and families, education, and local governments in order to ensure sufficient cash reserves during the 2012-13 fiscal year.

CASH AND BORROWING BUDGET TRAILER AND RELATED BILLS

1. Cash Resources. SB 95 (Chapter 1, Statutes of 2012)
2. Cash Resources. AB 103 (Chapter 13, Statutes of 2012)
3. Cash Management. SB 1033 (Chapter 44, Statutes of 2012)

SUBCOMMITTEE 5
ON
CORRECTIONS,
PUBLIC SAFETY, AND THE
JUDICIARY

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Loni Hancock, Chair
Joel Anderson
Alan Lowenthal

Consultants

Joe Stephenshaw – Public Safety
Kris Kuzmich – Labor and Public Employment
Brady Van Engelen – Dept. of Justice

SUBCOMMITTEE No. 5

CORRECTIONS, PUBLIC SAFETY, AND THE JUDICIARY

Corrections and Rehabilitation

Department of Corrections and Rehabilitation.....	5-1
Office of the Inspector General	5-6

Judiciary

Judicial Branch	5-7
Commission on Judicial Performance	5-8
Contributions to the Judges' Retirement System	5-9

Other Public Safety

Board of State and Community Corrections.....	5-10
Department of Justice	5-11
California Victim Compensation and Government Claims Board.....	5-12
Commission on Peace Officer Standards and Training.....	5-12
State Public Defender	5-12
Local Public Safety.....	5-12
Gambling Control Commission.....	5-13
Alfred E. Alquist Seismic Safety Commission	5-13
California Horse Racing Board	5-13

Labor

Labor and Workforce Development Agency.....	5-14
Employment Development Department	5-14
California Workforce Investment Board	5-16
Department of Industrial Relations	5-16

Public Employment

State Personnel Board.....	5-19
Public Employees' Retirement System	5-19
State Teachers' Retirement System	5-19
Public Employment Relations Board	5-20
Department of Human Resources.....	5-20
Health and Dental Benefits for Annuitants	5-21
Augmentation for Employee Compensation	5-21

Control Sections:

Contributions to Public Employee Retirement Benefits	5-21
Contributions to Public Employee Retirement Benefits from CSU.....	5-21
Reduction for Employee Compensation.....	5-22
Health Care Premium Savings.....	5-22
Salary Savings	5-22

CORRECTIONS AND REHABILITATION

5225 DEPARTMENT OF CORRECTIONS AND REHABILITATION

California Department of Corrections and Rehabilitation (CDCR) *Blueprint, The Future of California Corrections.* Approved the Governor's comprehensive plan for CDCR, *The Future of California Corrections (Blueprint)*, in order to achieve \$1 billion in savings in 2012-13 (growing to \$1.5 billion by 2015-16) related to the reduction in CDCR's population driven by realignment, advance efforts to end various class-action lawsuits, and maintain an effective and efficient prison system. The *Blueprint*, included the following components that were approved by the subcommittee:

1. A net reduction of \$1.9 million GF from.
2. Added a budget item (5225-007-0001) in the amount of \$13.8 million to reflect continuation of the Community Correctional Program.
3. \$810 million in lease revenue bond authority to construct three level II dorm facilities.
4. \$700 million in AB 900 (Solorio 2007) lease revenue authority for court-ordered medical upgrades.
5. \$167 million in AB 900 lease revenue authority for the conversion of the Dewitt juvenile facility (1,133 beds, including 953 health care beds).
6. Reappropriated funding necessary to ensure completion of health care projects required to comply with court orders as well as maintain the safe and efficient operation of existing prison facilities.
7. Added provisional language specifying \$2.8 million is available for expenditure on capital improvement projects at the Folsom Transitional Treatment Facility.
8. Eliminated duplicative provisional reporting language that will now be provided for in statute.
9. Amended provisional language to adjust contract dollars and average daily population figures for out-of-state facilities.

Blueprint Trailer Bill Language

1. **Civil Addicts Program Sunset Date** – Ceases commitments of civil addicts to CDCR beginning January 1, 2013.
2. **Accountability Language** – Requires CDCR to establish appropriate oversight, evaluation, and accountability measures as part of the *Blueprint*.
3. **Reporting Language** – Requires CDCR to submit estimated expenditures, as specified, to the Department of Finance for inclusion in the annual Governor's Budget and May Revision.
4. **AB 900** – Amends various code sections related to AB 900 as follows:

- a. Eliminates approximately \$4.1 billion in lease revenue bond authority that is no longer needed for implementation of CDCR's facilities plan.
- b. Deletes various sections of the Penal Code related to construction of reentry facilities and the benchmarks associated with phase two of infill, reentry, and health care facilities.
- c. Allows for use of specific AB 900 funds for medication distribution facilities improvement projects.
- d. Revises reporting requirements so that the remaining projects are subject to an approval process that is the same as other state capital outlay projects.
- e. Various clean-up amendments consistent with the changes outlined above.

In addition to the above components that were proposed by the Administration, the Legislature adopted the following revisions to the Blueprint:

1. Transferred \$645,000 to the Office of the Inspector General (OIG) to support 5 positions and adopted trailer bill language specifying the OIG's responsibility for oversight and review of various staffing and program aspects of the *Blueprint*. (Also see 0552, *Office of the Inspector General*)
 2. Removed funding for inmate rehabilitative programs from CDCR's main item of appropriation and created a separate item of appropriation for inmate rehabilitative programs, including a provision specifying that any funds not spent for the appropriated purpose shall revert to the General Fund.
 3. Revised the proposed trailer bill language for the Medical Upgrade Program, Dewitt conversion, and the Infill Projects to specify that authorized funding shall only be expended on these projects and that detail scope and cost information for the Medical Upgrade Program and the Infill Projects shall be provided to the Joint Legislative Budget Committee in conjunction with submittal to the Public Works Board.
 4. Added trailer bill language that specifies the intent of the Infill Projects to provide a flexible design to satisfy the needs of housing subpopulations of inmates, such as those with disabilities or mental health needs, that the department has not had sufficient capacity for, as various court orders have identified.
 5. Adopted Trailer Bill Language that mandates that the California Rehabilitation Center (Norco) shall close upon completion of the Infill Projects.
- Federated Data Center. Approved as budgeted the permanent transfer of 10 positions (authority only) from CDCR and California Correctional Health Care Services (CCHCS) to the California Technology Agency, Office of Technology Services (OTech). The 10 positions will be used to support the Federated Data Center (FDC), which is located on OTech's raised floor. The FDC is a shared data center providing server hosting, network, and four data storage services to CDCR, CCHCS and other State departments. There is no net increase in cost to the State as a result of this proposed change.
 - Workforce Cap Plan. Approved as budgeted the elimination of 1,877.6 positions in 2012-13

and ongoing to remove the position authority associated with CDCR's Workforce Cap (WFC) reduction of \$195.2 million. In addition, this proposal schedules CDCR's WFC reduction, which was included in Control Section 3.93 of the 2011 Budget, to the correct programs.

- CA Institute for Women, Intermediate Care Facility. Rejected \$1.3 million GF in 2012-13 and ongoing to establish 12.8 positions to provide the appropriate custodial and perimeter tower staffing required for the California Institution for Women 45-bed inpatient facility. These positions were accounted for in CDCR's Blueprint.
- Public Safety Realignment HR Positions. Approved \$1.98 million GF and 20 two-year limited-term positions in 2012-13 (\$1.92 million GF in 2013-14) for implementation of the layoff and transfer process pursuant to AB 109 (Public Safety Realignment).
- Technical Adjustment. Approved as budgeted the permanent realignment of resources for a number of programs and divisions in 2012-13 and ongoing. These realignments result in a net reduction of 2.0 positions and will allow CDCR to properly align its budget authority with its existing expenditures by program. Due to changes in business practices over the years and/or errors in requesting budget authority by program, CDCR has identified various programs and divisions which require realignment to accurately align their authority with their expenditures.
- Transfer of Funding Between Programs. Approved a Spring Finance Letter to realign resources for a number of programs and divisions in 2012-13 and ongoing. This proposal has a net zero fiscal effect. These adjustments allow CDCR to properly align its budget authority with its existing expenditures by program.
- Integrated Services for Mentally Ill Parolees. Adopted trailer bill language for the Integrated Services for Mentally Ill Parolees Program, a supportive housing program that provides wraparound services to mentally ill parolees who are at risk of homelessness, to improve the program by strengthening the housing component and prioritizing contracts with providers that can help provide a continuum of care after the offender is off of parole. This program was previously required as a condition of AB 900 (Solorio).
- Female Offender Alternative Custody Program. Approved trailer bill language that provides for the expansion of the Alternative Custody Program for Women to include women who have a prior serious or violent conviction and specify that, when available and appropriate, evidence based practices shall be prioritized in setting individual treatment and rehabilitation plans for female inmates placed in the alternative custody program.
- Community Prisoner Mother Program. Approved trailer bill language to allow the Secretary of the CDCR to consider certain female inmates for placement into the program on a case-by-case basis, including those convicted of certain violent offenses, controlled substance offenses, and inmates with an Immigration and Customs Enforcement hold.
- CDCR Reporting Requirement. Adopted trailer bill language that requires the department to submit estimated expenditures for each state or contracted facility housing offenders and for the

cost of supervising offenders on parole by region, for inclusion in the annual Governor's Budget and the May Revision. Also, require the department's estimates, assumptions, and other supporting data to be forwarded annually to the Joint Legislative Budget Committee and the public safety policy committees and fiscal committees of the Legislature.

- CDCR Organizational Structure. Approved trailer bill language making various technical changes to statute, primarily to ensure that the correct titles of CDCR's officers are reflected in code. These changes also remove an outdated statutory compensation reference for certain CDCR employees and make the Executive Director of the Board of State and Community Corrections (BSCC) a confirmable position.
- Expenditure Authority for Unpaid Leave Settlement Agreement. Approved a Spring Finance Letter adding trailer bill language that authorizes the expenditure of any funding received from the settlement of the CCPOA unpaid leave lawsuit. Authorizes the CDCR to credit money recovered from employee leave settlement to year in which the expenditure was drawn and expend the amount recovered in the year received, upon approval of the Department of Finance.
- Clark Compliance. Approved as budgeted \$3 million GF and 12 permanent positions to comply with a recent federal court order related to the 1996 class-action lawsuit *Clark v. California (Clark)* and to remedy current and ongoing violations of the *Clark* Remedial Plan (CRP). The resources are for compliance monitoring and training activities related to the *Clark* case. Of the funding, \$1.8 million will be used to hire 12 additional headquarters staff to conduct reviews of each of the state's prisons and assess whether inmates with developmental disabilities are being provided appropriate accommodations in accordance with the remedial plan. The remaining \$1.3 million will be used to provide overtime coverage to backfill behind staff who leave their posts in order to provide annual training to other CDCR staff on how to accommodate the needs of developmentally disabled inmates.
- Sunset of the Civil Addicts Program. Approved trailer bill language that provides that, commencing July 1, 2012, no new commitments may be made to the Civil Addicts Program and that the provisions become inoperative as of April 1, 2014 and are repealed as of January 1, 2015. The civil narcotics program allows a judge to, in lieu of incarceration locally, send a person guilty of misdemeanor crimes, who is addicted to, or is in imminent danger of becoming addicted to, narcotics, to the narcotic detention, treatment and rehabilitation facility within the CDCR. Due to the 2011 Public Safety realignment, this program is deemed no longer appropriate for state-level administration.
- Community Corrections Performance Incentive Grants. Adopted trailer bill language to amend the Community Corrections Performance Incentive Act (CCPIA) statute to account for certain changes due to public safety realignment. Specifically, the language requires certain reporting to delineate between felony probation failures to prison and county jail. The amendments also raise the minimum grant from \$100,000 to \$200,000 and specify that the amount provided to the courts for administrative costs may also be used for implementing and administering the 2011 Public Safety Realignment. SB 678 of 2009 (Leno) established the CCPIA. The program

measures the reduction in prison population resulting from improved probation success and shares the state savings with probation.

Capital Outlay

- Estrella Cancellation. Approved as budgeted a reduction of \$1.9 million GF, \$6,000 Inmate Welfare Fund and 16.4 positions in 2011-12 and \$44.5 million GF, \$120,000 Inmate Welfare Fund , and 405.5 positions in 2012-13 and ongoing to reflect the cancellation of the activation of the Estrella Correctional Facility. Due to the impacts of realignment, there is no longer a need for this project. Additionally, approved \$775,000 and 4 positions remain in 2011-12 and ongoing to place the facility in a warm shutdown until a new plan is developed.
- Statewide Budget Packages and Advanced Planning. Approved a Spring Finance Letter proposal for \$503,000 from the cash balance of the 1988 Prison Construction Fund for advance planning and preparation of budget packages for capital outlay projects. Also eliminated \$503,000 in authority from the 1986 Prison Construction Fund that was contained in the Governor's Budget.
- Tehachapi, Security Housing Unit, Small Management Yards. Approved a Spring Finance Letter reducing \$60,000 to reflect the cancelation of the Tehachapi, Security Housing Unit (SHU), Small Management Yard (SMY) project. The Tehachapi, SHU, SMY project was included in the Governor's Budget. However, the project was withdrawn due to recent guideline changes that may impact the number of inmates housed in SHUs and reduce the total number of SMYs needed.
- Capital Outlay Reappropriations and Extension. Approved a Spring Finance Letter for the following capital outlay reappropriations and extension:
 - California Men's Colony, Central Kitchen Replacement (working drawings and construction), \$258,000 GF and \$15.3 million lease revenue bond reappropriation.
 - Deuel Vocational Institution, Groundwater Treatment and Non-Portable Water Distribution System, \$27.1 million GF reappropriation.
 - California Men's Colony, Portable Water Distribution System Upgrade, \$33.6 million GF liquidation extension.

Division of Juvenile Justice (DJJ)

- DJJ Jurisdiction and Fees. Adopted the Governor's proposals to make the following changes related to the state's jurisdiction of juvenile offenders, which result in a decrease of \$9.1 million (\$8.8 million GF): 1) lower the maximum age of jurisdiction for youths committed to the DJJ in the CDCR, or on parole from one of those facilities from 25 to 23 years of age, 2) terminates juvenile parole as of January 1, 2013, 3) impose a \$24,000 per-year fee, on counties, for any

offender committed to the DJJ on or after July 1, 2012.

- DJJ Time-Adds. Eliminated the authority for DJJ staff to extend the date in which a juvenile offender appears before the Juvenile Parole Board for consideration of parole.
- Transfer DJJ Parole to Division of Adult Parole Operations (DAPO). Approved a Spring Finance Letter to transfer DJJ parole operations to DAPO. This proposal has a net zero fiscal effect and allows for a more efficient ramping down of DJJ parole.
- Authorize Sale of the Southern Youth Correctional Reception Center and Clinic. Approved May Revise proposal for trailer bill language that declares the Southern Youth Correctional Reception Center and Clinic surplus property and authorize the Department of General Services to sell it to Los Angeles County at market value.

California Correctional Health Care Services (court Appointed Receiver)

- Receiver Baseline Adjustment. Approved the Governor's proposal to restore \$124.5 million GF in previous unallocated reductions to the prison medical Receiver's budget.
- California Health Care Facility. Approved as budgeted, 75.4 positions and \$10.9 million in 2012-13 to support the pre-activation activities and a total of 1,139.4 positions and \$108.7 million in 2013-14 and ongoing to support the new California Health Care Facility (CHCF) in Stockton. The funding will provide pre-activation and activation resources that will be distributed on a phased schedule beginning in 2012-13, with a completion date of December 31, 2013.
- Pharmacy Augmentation. Approved \$59.9 million in 2012-13 and \$51.2 million in 2013-14 and ongoing for pharmaceutical funding. This augmentation restores and sets the baseline for the pharmaceutical budget based on recent annual expenditures. Additionally, revised proposal to 1) approve on a two-year limited-term basis, 2) add trailer bill language specifying the use of generics, and 3) add budget bill language that requires the Receiver's office to report on the feasibility of implementing inmate copayments.
- Medical Parole and Medi-Cal Reimbursements. Approved a Spring Finance Letter that included trailer bill language to codify the existing Medi-Cal reimbursement process related to the medical parole program.

0552 OFFICE OF THE INSPECTOR GENERAL

- CDCR Blueprint Oversight. Approved \$645,000 to support 5 positions and adopted trailer bill language specifying the OIG's responsibility for oversight and review of various staffing and program aspects CDCR's *Blueprint*.

JUDICIARY

0250 JUDICIAL BRANCH

- Trial Court Reserves. Approved the Governor's proposal to reduce funding for trial courts in the amount of \$300 million. However, rather than reducing allocations to trial courts based on each court's proportionate share of statewide local reserves, as proposed by the Governor, the Legislature allocated the reduction as follows: 1) \$235 million from local reserves 2) \$50 million based on the courts' historic allocation methodology, and 3) \$15 million from the Administrative Office of the Courts (ongoing reduction \$10 million).
- Trial Court Construction Redirection. Adopted the Governor's proposal to redirect \$240 million from the Immediate and Critical Needs Account to support trial court operations and reduce GF support for trial court operations by the same amount. This action results in the potential delay of up to 38 trial court construction projects.
- Court Fees. Adopted trailer bill language to extend or eliminate statutory sunsets on court fee increases imposed in 2010 (SB 857) which results in continued revenue of approximately \$110 million per year for trial courts. These include the surcharge on first paper filing fees, the summary judgment motion fee, the pro hac vice fee, the court operations assessment (previously the security fee), and the telephone appearance fee.

In addition, the trailer bill increases various court user fees resulting in approximately \$57 million of additional revenue for the Judicial Branch as follows: 1) the complex case fee increases from \$550 to \$1000 (\$7.1 million), 2) the motion fee increases from \$40 to \$60 (\$8.3 million), 3) the first paper filing fee increases from \$395 to \$435 (\$21.1 million), 4) the jury deposit is made nonrefundable and moves up payment timeline, (\$11.7 million), 5) a new will deposit fee of \$50 (\$2.2 million), 6) a new court reporter fee of \$30 for services under an hour (\$5.5 million), and 7) a 20 percent increase (\$120 first filing, \$65 response) in the appellate court filing fees (\$1 million).

- Court Funding and Operations. Adopted trailer bill language making the following changes relative to trial court funding and operations: 1) restricts spending, from the Trial Court Trust Fund, on the Court Case Management System, 2) requires negotiation prior to changing court transcription fees, 3) specifies that, prior to June 30, 2014, a trial court may carry over all unexpended funds from the courts' operating budget from the prior fiscal year, 4) specifies that, commencing June 30, 2014, a trial court may carry over unexpended funds in an amount not to exceed one percent of the courts' operating budget from the prior year, 5) establishes a statewide reserve of two percent of trial court funding to be distributed to courts throughout the year, as specified, and 6) establishes the State Trial Court Improvement and Modernization Fund as the

successor fund of the Trial Court Improvement Fund and the Judicial Administration Efficiency and Modernization Fund.

- Trial Court Security. Approved trailer bill language that makes necessary modifications to reflect the new realignment funding structure of trial court security. In addition, recasts existing law with the addition of a dispute resolution process when the Presiding Judge of a county and a Sheriff cannot agree on a security plan.
- Allocation of Previous Reduction. Approved a May Revise proposal to schedule the \$350 million unallocated reduction to trial court funding contained in the Governor's Budget. The 2011 Budget Act included an ongoing \$350 million unallocated reduction to the Judicial Branch. The 2012-13 Governor's Budget only scheduled the reduction for 2011-12, as approved by the Judicial Council. This adjustment schedules the unallocated reduction in 2012-13, consistent with 2011-12.
- Employee Retirement Contribution. Adopted \$4 million in savings proposed from increasing the employee retirement contribution for employees of the Judicial Council, Administrative Office of the Courts, Supreme Court, Court of Appeals, and Habeas Corpus Resource Center. However, the subcommittee 1) rejected the trailer bill language specifying the employee retirement contribution level and, instead, 2) adopt budget bill language that requires the Judicial Council to report to the Legislature, by September 30, 2012, on how these savings will be achieved on an ongoing basis.
- Courthouse Project Reappropriations. Adopted May Revise proposal to reappropriate \$144.4 million, previously authorized in 2009, from the Immediate and Critical Needs Account for the acquisition phase of 19 courthouse projects.
- Courthouse Project Construction. Adopted May Revise proposal for \$364.8 million in lease-revenue bond authority for the construction phase of four courthouse projects, and budget bill language specifying that funds shall not be expended until the Judicial Council has reconfirmed both the detail cost and scope of the projects, as approved by the Department of Finance.
- Court Appointed Counsel Program. Adopted May Revise proposal for \$4.7 million GF for the Court Appointed Counsel Program within the Court of Appeals. In addition, adopted budget bill language reverting any unspent funding to the GF. California has a constitutional mandate to provide adequate legal services to indigents in criminal and juvenile matters before the Courts of Appeal. Private attorneys are appointed by the Courts of Appeal to provide representation to these appellants.

0280 COMMISSION ON JUDICIAL PERFORMANCE

- Approved as budgeted.

0390 CONTRIBUTIONS TO THE JUDGES' RETIREMENT SYSTEM

- Approved as budgeted.

OTHER PUBLIC SAFETY

5227 Board of State and Community Corrections (BSCC)

- Approved First Year Funding for of the BSCC. Approved the Governor's Budget proposal for \$109.2 million (\$16.9 million General Fund and \$92.2 million other funds) for the state operations and local assistance programs included under the BSCC. The funding is comprised of resources transferred from the Corrections Standards Authority and CalEMA and will allow the Board to operate as an independent entity. In addition, adopted budget bill language requiring the Board to report quarterly on progress of the transition, including; workload analysis, backlogs and/or gaps, and staff vacancies.
- BSCC Workload. Approved a May Revise proposal for \$750,000 GF for the BSCC to provide additional administrative support necessary to assist local governments with the implementation of public safety realignment.
- County and Court Data. Adopted trailer bill language requiring the BSCC, in consultation with the Administrative Office of the Courts (AOC), the California State Association of Counties, the California State Sheriffs Association, and the Chief Probation Officers of California to develop and implement a first phase baseline data collection instrument to reflect the impact of 2011 Public Safety Realignment. Also requires the AOC to collect relevant data from the courts.
- Local Jail Funding. Adopted Governor's proposal to provide \$500 million in lease revenue bond authority to fund the construction of local jail facilities. The BSCC will administer the program with consideration given to counties that are seeking to replace existing compacted, outdated, or unsafe housing capacity or seeking to renovate existing or build new facilities that provide adequate space for the provision of treatment and rehabilitation services, including mental health treatment. In addition, a participating county may only add capacity using this authority if it clearly documents an existing housing capacity deficiency and does not lease housing capacity to any other public or private entity for 10 years. Local agencies would be required to provide a 10 percent match to any award they received.
- AB 900 Jail Funding. Approved trailer bill language to shift \$171.3 million lease revenue bond authority relinquished in Phase I of the Local Jail Construction Financing Program to Phase II. Phase II of the Jail Financing Program, AB 900 (Solorio 2007), was amended by 2011 trailer bill that allow counties that received awards in Phase I and had not yet encumbered state financing to relinquish their award and re-compete in Phase II. Three counties chose to relinquish their Phase I award: Kern (\$100 million), Santa Barbara (\$56.3 million), and San

Benito (\$15 million). The proposed trailer bill language would move the relinquished financing authority to Phase II, where it would be awarded back to these counties.

- **BSCC Implementation.** Approved trailer bill language that makes clarifying changes to implementing language for the BSCC, which goes into effect July 1, 2012, by specifying that the Governor may appoint the executive director who is the head of the board, abolishes the Office of Gang and Youth Violence Policy in the California Emergency Management Agency, and transfers the responsibility to the BSCC.
- **BSCC Jail Standards.** Approved trailer bill language to remove the requirement that the BSCC establish standards for state correctional facilities. The effect is that the BSCC will have jurisdiction over local correctional facilities only.

0820 DEPARTMENT OF JUSTICE

- Approved the reauthorization of \$11.8 million (\$2.9 million GF and \$8.9 million Legal Services Revolving Fund) and 51 positions to continue core statewide safety programs in the Department of Justice's Division of Law Enforcement (DLE).
- Approved Governor's proposal to augment spending authority of the Department's Bureau of Firearms to address enforcement activities associated with the Armed Prohibited Persons System (APPS). The \$1.6 million augmentation begins in 2012-13 and provides the Department with eight personnel that will serve on a three-year limited term basis.
- Approved Governor's request to utilize \$486,000 of Dealer Record of Sales (DROS) authority in Fiscal Year 2012-13 and one time authority of \$18,000 in Fiscal Year 2013-14 to support the software development and enhancements required to meet the mandates set forth in Chapter 745, Statutes of 2011 (AB 809).
- Approved Governor's proposal to augment DOJ's budget by \$600,000 from the Indian Gaming Special Distribution Fund and denied request of \$1.9 million dollar GF appropriation to Department of Justice for legal services.
- Approved Governor's request to transfer \$7.7 million from the False Claims Act fund to the General Fund. The \$7.7 million transfer was a result of a settlement with Abbott Laboratories. In the complaint, it was noted that Abbott Laboratories had engaged in unfair and deceptive practices when it marketed one of its products, Depakote, for off-label uses. The drug Depakote is approved for treatment of seizure disorders, bipolar disorder and prophylaxis of migraines, but the attorneys general alleged Abbott Laboratories marketed the drug for treating unapproved uses, including schizophrenia, agitated dementia and autism.
- Appropriated \$392.0 million of National Mortgage Settlement proceeds to support the General Fund.

- Appropriated \$18.0 million of National Mortgage Settlement proceeds to support the Attorney General's efforts to oversee and enforce components of the settlement terms as agreed to by the state.
- Approved trailer bill language in order to establish an account for the receipt of the \$410.0 million in discretionary funds that were awarded in the National Mortgage Settlement.

1870 CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

- Approved as budgeted.

8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

- Approved as budgeted.

8140 STATE PUBLIC DEFENDER

- Approved as budgeted.

LOCAL PUBLIC SAFETY

- County to County Inmate Transfer. Approved trailer bill language that expands county authority to transfer inmates between counties, allowing them to enter into an agreement with any county or multiple counties for the purpose of housing any adult offender serving a term in a county jail. The expanded authority sunsets on July 1, 2015.
- Public Safety Realignment. Approved trailer bill language that 1) makes changes necessary to reflect the realignment of various local law enforcement programs, including funding that supports small and rural sheriffs, juvenile probation programs, front-line law enforcement grants, and multi-jurisdictional efforts, 2) revises various sentencing provisions consistent with 2011 public safety realignment, and 3) standardizes the revocation process for the courts, who, effective July 1, 2013, will be responsible for conducting revocation proceedings for four distinct categories of supervision.
- Retired Annuitant Usage Clarification. Approved trailer bill language specifying that a retired annuitant working for a public safety or other local entity may not be paid more than the monthly maximum paid to other staff doing similar work and restricts the hours a retired annuitant can work yearly to 960 regardless of the number of employers.

0855 GAMBLING CONTROL COMMISSION

Approved as budgeted.

1690 ALFRED E. ALQUIST SEISMIC SAFETY COMMISSION

- Adopted budget bill language augmenting the Commission's budget by \$923,000 GF to cover any shortfalls that may occur in the even fee revenue is no longer available to cover the costs to support the commission.

8550 CALIFORNIA HORSE RACING BOARD

- Approved as budgeted.

Public Safety Related Budget Trailer Bills

1. Public Safety Realignment (Financing Structure) – SB 1020 (Chapter 40, Statutes of 2012)
2. Public Safety Omnibus – SB 1021 (Chapter 41, Statutes of 2012)
3. Correctional Facilities – SB 1022 (Chapter 42, Statutes of 2012)
4. Public Safety Realignment (Implementation) – SB 1023 (Chapter 43, Statutes of 2012)
5. Public Safety Omnibus – AB 1481 (Chapter 342, Statutes of 2012)
6. Public Safety Realignment (Technical Corrections) – SB 1496 (Chapter 717, Statutes of 2012)

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Approved as budgeted.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Rejected the Governor's proposal to eliminate, effective January 1, 2013, the California Unemployment Insurance Appeals Board (CUIAB) and restructure the second level appeals process for full-year savings of \$1.2 million in 2013-14 and on-going. Approved a refined Legislative Analyst's Office alternative that retained the Board level review of the appeals caseload, eliminated vacant positions, reduced the size of the CUIAB by two members, and increased the qualifications of the CUIAB, for savings of \$1.2 million in 2013-14 and on-going. Please see below for a description of the budget trailer bill language related to this item. Also approved an on-going adjustment to reflect cost savings from shifting the administrative functions of the CUIAB to the EDD, thereby reducing staffing by 18 positions and costs by \$2 million (\$9,000 GF and various special funds).
- Approved the expansion of the Financial Institution Records Match (FIRM), an enforcement tool used to collect delinquent taxes and non-tax debts of individuals and business entities, to the EDD, effective January 2013. Under this proposal, EDD would provide reimbursements to the Franchise Tax Board of approximately \$296,000 in 2012-13, \$236,000 in 2013-14, and \$150,000 on-going. The costs in the first two years are slightly higher due to one-time costs related to initial set-up, including licenses, hardware, and software, and to implement the FIRM process into the EDD's Automated Collection Enhancement System. Please see below for a description of the budget trailer bill language related to this item.
- Approved a loan of \$312.6 million from the Unemployment Compensation Disability Fund to the GF to pay the September 2012 unemployment insurance loan interest payment due to the federal government for the quarterly loans that the EDD has been obtaining from the federal government since January 2009 to cover the UI Fund deficit (estimated at \$9.8 billion at the end of 2011). Rejected the other aspects of the Governor's proposal, including proposed budget trailer bill language, pertaining to: (1) the Employment Training Fund surcharge and (2) income eligibility for unemployment insurance benefits.
- Approved a request for a one-time augmentation of \$33.8 million (Disability Insurance Fund) to fund a net of 68 positions to support the fourth year of development, testing, and implementation of the Disability Insurance Automation (DIA) project. The DIA project was initially funded in the 2006 Budget Act. It will provide greater access to services for claimants,

medical providers, and employers by allowing these individuals to use the Internet to submit claims data using a direct electronic interface or through web-based intelligent forms. This will simplify and automate the numerous manual work processes involved when a disability insurance (DI) claim is filed with EDD. The DIA project is scheduled to “Go Live” in summer 2013.

- Approved a one-time augmentation of \$8.8 million (special funds) and 41 positions for year seven of the Automated Collection Enhancement System (ACES) project, an information technology project intended to improve EDD’s ability to track, collect, and audit the payment of employer payroll taxes, including unemployment insurance and personal income taxes. Additionally, beginning in 2013-14 and on-going, approved \$5.7 million (special funds) and 22 positions for on-going support of ACES. Please see described below budget trailer bill language related to this information technology project.
- Approved a one-time budget augmentation of \$16.9 million (including \$11.6 million EDD Contingent Fund and \$5.3 million Unemployment Fund) and a redirection of \$6.3 million Unemployment Administration Fund for the Unemployment Insurance Modernization (UIMOD) Continued Claims Redesign (CCR) Project. The increase will fund 47 existing positions, hardware purchases, project management and other consultant costs, Independent Verification and Validation services, Independent Project Office Coordinator services, and an increase to the prime vendor services contract. First authorized in the 2003 Budget Act, the Call Center Network Platform and Application Upgrade (CCNPAU) and CCR subprojects are intended to modernize unemployment insurance (UI) services. The CCR project is scheduled to “Go Live” in March 2013.
- Approved the addition of budget bill provisional language to authorize DOF to increase the appropriations in the Unemployment Administration Fund and the Unemployment Compensation Disability Insurance Fund, up to a cumulative total of \$2 million, should the efforts to reduce anticipated costs associated with the DB2 environment within the Single Client Database (SCDB) prove not to be entirely successful.
- Approved adjusted funding for the new estimates of claims and payments for the Unemployment Insurance Program, the Disability Insurance Program, and the School Employees Fund, per the Governor’s May Revision proposal.
- Approved a decrease of \$55.3 million in federal Workforce Investment Act (WIA) discretionary funding. The decrease reflects changes in federal funding that have reduced state-level discretionary WIA funds from 15 percent of total statewide WIA funding to 5 percent. To reflect an increase in the level of local assistance funds available to states from 85 percent to 95 percent, approved an increase in WIA local assistance funding of \$5 million in 2012-13 and \$5.3 million in the 2011-12. Also approved amendments to existing budget bill provisional language to incorporate any carryover of prior-year savings into the October Revise, which is an annual update to the WIA program that is submitted to the Joint Legislative Budget Committee.

This will ensure legislative consultation before these discretionary dollars are allocated for expenditure.

Trailer bill language:

1. Approved statutory changes to reduce the size of the California Unemployment Insurance Appeals Board by two members (from a total of seven to five) and increase the qualifications of the Board members to require that they, at a minimum, be an attorney and have one year of experience in conducting judicial hearings or five years of experience in the practice of law. (SB 1038; Chapter 46, Statutes of 2012)
2. Approved statutory changes to authorize the expansion of the Financial Institution Records Match program to the Employment Development Department. (SB 1015; Chapter 37, Statutes of 2012)
3. Approved statutory “clean-up” changes, to remove from statute the Franchise Tax Board’s authority to collect delinquent accounts for the Department of Industrial Relations (DIR). This statutory authority is no longer needed; as of January 31, 2012, the Automated Collection Enhancement System is collecting all delinquent accounts for DIR. (SB 1006; Chapter 32, Statutes of 2012)

7120 CALIFORNIA WORKFORCE INVESTMENT BOARD

- Approved as budgeted.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Approved the elimination of the Division of Labor Statistics and Research, transferring all responsibilities and workload to the Division of Occupational Health and Safety and the Division of Labor Standards Enforcement, and otherwise reorganize the DIR. This consolidation will result in the reduction of one position and on-going savings of \$231,000 GF. Please see below for a description of the budget trailer bill language related to this item.
- On a three-year limited-term basis, approved increased expenditure authority of \$765,000 (Labor and Workforce Development Fund) and four positions in 2012-13, and \$639,000 on-going, to comply with the requirements of Chapter 677, Statutes of 2011 (AB 551), related to prevailing wage violations. Of the requested resources in 2012-13, \$100,000 is for one-time costs to redesign and/or upgrade the existing database system.
- On a three-year limited-term basis, approved increased expenditure authority of \$1.7 million (Labor and Workforce Development Fund) and 13 positions in 2012-13, and \$1.65 million on-going, to comply with the requirements of Chapter 706, Statutes of 2011 (SB 459, Corbett),

related to willful misclassification of independent contractors. Also approved Supplemental Report Language requiring a report to the Legislature on the implementation of Chapter 706 and related outcomes by January 1, 2015.

- On a two-year limited-term basis, approved increased expenditure authority of \$583,000 (Entertainment Work Permit Fund) and four positions in 2012-13, and \$307,000 on-going, to comply with the requirements of Chapter 557, Statutes of 2011 (AB 1401), related to minors' temporary entertainment work permit program. Of the resources requested in 2012-13, \$250,000 is one-time to create an on-line application and payment system.
- On a three-year limited-term basis, approved increased expenditure authority of \$2.3 million in 2012-13, and \$1.6 million in 2013-14 and 2014-15, from the Labor and Workforce Development Fund and four redirected positions, for an education and outreach program to increase the overall efficacy of statewide enforcement of labor laws. Also approved Supplemental Report Language requiring a report to the Legislature on the status of implementation of the outreach and education program by March 10, 2013.
- Rejected the proposal to eliminate the Occupational Safety and Health Standards Board.
- Adopted provisional budget bill language to reinstate a biennial legislative reporting requirement for the Labor Enforcement Task Force (formerly the Economic and Employment Enforcement Coalition), which is a federal-state multi-agency partnership formed to combat the worst violators of federal and state labor, licensing, and tax laws operating in the underground economy. The first report is due March 1, 2013.
- Approved the transfer of the State Mediation and Conciliation Service program, currently housed within the DIR, to the Public Employment Relations Board. This request has a net-zero budget impact between the two budget items and a reduction of one limited-term position. Please see below for a description of the budget trailer bill language related to this item.
- Approved budget provisional budget language, as modified, to allow the State Public Works Enforcement Fund (SPWEF) to borrow from the Uninsured Employers Benefits Trust Fund (UEBTF), Labor Enforcement and Compliance Fund (LECF), and/or the Construction Industry Enforcement Fund for cash flow purposes. The legislative modifications were to ensure that in borrowing from the UEBTF and LECF, the annual assessments that support those funds are not increased as a result of any loan to the SPWEF.

Trailer bill language:

1. Approved statutory changes necessary to eliminate the Division of Labor Statistics and Research and establish consolidated public works enforcement within the Division of Labor Standards Enforcement within the Department of Industrial Relations. (SB 1038; Chapter 46, Statutes of 2012)

2. Approved the necessary conforming, technical changes to statute to effectuate the transfer of State Mediation and Conciliation Service from the Department of Industrial Relations to the Public Employment Relations Board. (SB 1038; Chapter 46, Statutes of 2012)

PUBLIC EMPLOYMENT AND RETIREMENT

1880 STATE PERSONNEL BOARD

- Approved as budgeted.

1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

- Approved various adjustments to the CalPERS Board of Administration Budget to reflect the request by the CalPERS Board to incorporate its approved 2012-13 budget into the Budget Act of 2012.
- Approved the elimination of provisional budget bill language requiring CalPERS to: (1) annually report on the estimated and final expenditures for external investment advisors and (2) to report on an estimated and quarterly basis the Board of Administration's budgetary expenditures. Retained the final report on Board of Administration budgetary expenditures. The external investment advisors report is included in the CalPERS Comprehensive Annual Financial Report.

1920 STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)

- Approved an increase of \$1.377 billion GF, over the Governor's January budget level, due to an increase in the creditable compensation reported by the California State Teachers' Retirement System (CalSTRS) for fiscal year 2010-11, which increases the GF retirement contribution for fiscal year 2012-13. The 2012-13 GF contribution to the CalSTRS system is \$1.35 billion.
- Approved the elimination of budget provisional language requiring CalSTRS to annually report on estimated and final expenditures for external investment advisors. The external investment advisors report is included in the Comprehensive Annual Financial Report.
- Adopted the CalSTRS Board approved budget, including the following augmentations from the Teachers' Retirement Fund:
 - \$746,000 and seven positions ongoing to create a special unit specifically to identify and prevent pension spiking.
 - \$2.5 million ongoing for the acquisition of system production support services for the Corporate Accounting and Resource Management and Penalties and Interest systems.

- \$304,000 and six positions ongoing to address critical backlogs resulting from years of absorbing new application support responsibilities and competing priorities. This action included a permanent redirection of \$324,000 from existing consultant and professional service dollars, resulting in an overall reduction of cost and retention of CalSTRS' knowledge.
- \$1.812 million ongoing to meet the projected deficit in technology maintenance and licensing costs resulting from increased growth and utilization of CalSTRS' core systems as well as cost sharing charges from the Office of Technology Services.
- \$1.813 million, of which \$1.424 million in one-time and \$389,000 is ongoing, and seven permanent, full-time positions to support the establishment of a CalSTRS-operated Member Service Center in the Bay Area of California.
- Establishment of a new budget item for information technology project funding which was previously allocated annually from the CalSTRS main support budget item. This new budget item will improve transparency of information technology project funding.

8320 PUBLIC EMPLOYMENT RELATIONS BOARD

- Approved the transfer of the State Mediation and Conciliation Service program, currently housed within the Department of Industrial Relations, to the Public Employment Relations Board. This request has a net-zero budget impact between the two budget items and a reduction of one limited-term position. Please see below for a description of the budget trailer bill language related to this transfer.

8380 DEPARTMENT OF HUMAN RESOURCES

- Consistent with the Governor's Reorganization Plan Number 1 of 2011, which was approved by the Legislature in 2011, approved the transfer of budget authority from the Department of Personnel Administration and State Personnel Board to the new Department of Human Resources (CalHR), effective July 1, 2012. Over the next two fiscal years, CalHR will reduce staff levels by 15 percent (a total of 60 positions eliminated) and achieve savings of \$8.6 million (\$3.7 million GF).
- Approved an increase of \$100,000 (Indian Gaming Special Distribution Fund) to provide funding for disbursement to the Tribal Labor Panel to support arbitration duties and other responsibilities pursuant to Government Code Section 12012.85(e). In taking this action, it was noted that the Indian Gaming Special Distribution Fund could face solvency issues in 2013-14 which may limit any further appropriations for these purposes.

6645 and 9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved \$1.598 billion (\$1.555 billion GF) for the costs associated with providing health and dental benefits for retirees. Of that total, \$247.3 million (\$240.3 million GF) is attributable to new budget item 6645 and the California State University. This new budget item is discussed further in the Higher Education section of this report. The overall amount was offset by savings of \$124 million (\$122.4 million GF) from a CalPERS Board action to convert the CalPERS HMO and PPO Supplemental Medicare plans from the Medicare Retiree Part D Retiree Drug Subsidy program to Employer Group Waiver Plans. With the passage of federal health care reform, the Employer Group Waiver Plans option now provides greater cost savings for the state. This conversion to the Employer Group Waiver Plans also provided savings of \$24.3 million GF in 2011-12.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

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

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

- Approved a \$2.2 billion GF (\$3.9 billion all funds) state contribution to the California Public Employees Retirement System (CalPERS). The net increase of \$225 million GF (\$397 million all funds) over 2011-12 is a result of various factors including higher than expected retirement rates and the CalPERS Board decision to decrease the assumed rate of investment return to 7.5 percent from 7.75 percent.

CS 3.61 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS FROM CALIFORNIA STATE UNIVERSITY

- Rejected the Governor's proposal to place the contributions to public employee retirement benefits for CSU employees into a separate control section. Instead, the CSU employer

contribution to CalPERS will continue to be included in Control Section 3.60. This item is discussed further in the Higher Education section of this report.

CS 3.90 REDUCTION FOR EMPLOYEE COMPENSATION

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

CS 4.21 HEALTH CARE PREMIUM SAVINGS

- Approved an increase of \$45.4 million GF and \$22.5 million other funds to reflect the elimination of Control Section 4.21, related to health care premium savings. CalPERS did not achieve the expected level of health care savings identified in CS 4.21 due to the significant year-over-year increase in anticipated health premium rates for 2013. The 2011 Budget Act established CS 4.21 and required CalPERS to achieve one-time savings of \$80 million GF and \$35.7 million other funds in the 2011-12 Health Benefits Program, and an equivalent amount of on-going savings beginning in 2012-13. CalPERS reported that it achieved savings of \$46.7 million GF and \$23.2 million other funds in 2011-12. These savings resulted from a number of one-time and on-going strategies adopted by the CalPERS Board, such as Value Based Purchasing and High Performance Provider Networks, to reduce premium costs. CalPERS also reported that it achieved additional savings through the adoption of cost avoidance measures not accounted for in the above totals, totaling \$15.9 million GF and \$4.0 million other funds. These cost avoidance savings were a result of such activities as Pharmacy Benefit Changes, Integrated Healthcare Model, and Service Area Expansion.

CS 31.10 SALARY SAVINGS

- Approved various modifications to adjust budget displays to reflect actual expenditures and eliminate the salary savings budget line item per Budget Letter 12-03. A department-by-department review of historic vacancies identified a total of 11,709 positions that will be permanently eliminated. This cost-neutral adjustment will accurately reflect department staffing levels and actual spending on personal services and operational expenses. Also approved

conforming changes to existing Control Section CS 29.00, Personnel-Year Estimates of Governor's Budget, May Revision, and Final Change Book.

Trailer bill language:

1. Approved the necessary conforming technical statutory changes to effectuate the transfer of State Mediation and Conciliation Service from the Department of Industrial Relations to the Public Employment Relations Board. (SB 1038; Chapter 46, Statutes of 2012)
2. In support of Control Section 3.90, approved statutory changes to implement the policies necessary to achieve the identified savings from represented and other employees not participating in the Personal Leave Program 2012. (SB 1006; Chapter 32, Statutes of 2012)

GOVERNOR'S VETOES

Vetoes to AB 1464 - 2012 Budget Act

(Dollars in Thousands)

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

Vetoes to AB 1497 - 2012 Budget Act

(Dollars in Thousands)

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

FINAL
DEPARTMENT OF FINANCE
SOLUTIONS LIST

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

Org	Description	Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total	
Expenditure Reductions								
1	0250	Reduction to Trial Courts	M	ER	0.0	285.0	P	285.0
2	0250	Reduction for Administrative Office of the Courts (State-Level Courts)	M	ER	0.0	19.0	P	19.0
3	0250	Reduce General Fund expenditures using court construction funds	M	ER	0.0	240.0	P	240.0
4	0509	Governor's Office of Business and Economic Development	L	ER	0.0	0.3	P	0.3
5	0510	Restore the Office of Privacy Protection	L	ER	0.0	-0.2	P	-0.2
6	0820	Eliminate General Fund support of Armed Prohibited Persons Program and replace with DROS	J	ER	0.0	4.9	P	4.9

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

	Org	Description	Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
7	0820	Shift Funding for DLE Special Investigations Unit from GF to SF	L	ER	0.0	2.0	P	2.0
8	0820	Shift Funding for Legal Services Small Client Pot from GF to SF	L	ER	0.0	1.9	O	1.9
9	0840	CalPERS Pension System Resumption Workload	L	ER	0.0	0.7	M	0.7
10	0860	Tax Gap Reduction	L	ER	0.0	1.6	O	1.6
11	0860	CROS Reduction	L	ER	0.0	3.7	O	3.7
12	0911	Restore Citizens Redistricting Commission	L	ER	0.0	-0.1	P	-0.1
13	1760	Delay State Capitol Repairs	J	ER	0.0	2.7	O	2.7
14	2240/9901	National Mortgage Settlement Proceeds	M	ER	171.1	221.1	M	392.2
15	3540 (plus others)	Timber Harvest Plan Reform	M	ER	0.0	7.8	P	7.8
16	3540	Firefighter Lump Sum Pay Out	L	ER	0.0	15.7	O	15.7

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

			Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
17	3540	Delete Unemployment Insurance Funding	L	ER	0.0	5.3	O	5.3
18	3640/ 3760/3860	Habitat Conservation Fund Transfer: Shift to Proposition 1E (Capital Outlay)	J	ER	0.0	18.5	O	18.5
19	4140	Shift Song-Brown Program to CA Health Data and Planning Fund	J	ER	0.0	5.0	P	5.0
20	4260	Use \$40 million in CA First Five Commission Prop 10 reserves for Medi-Cal Local Assistance	M	ER	0.0	40.0	O	40.0
21	4300	Use \$40 million in CA First Five Commission Prop 10 reserves for DDS Local Assistance	M	ER	0.0	40.0	O	40.0
22	4260	Medi-Cal: Integrate Care for Dual Eligible Beneficiaries	J	ER	0.0	659.7	P	659.7
23	4260/4280	Transition of Healthy Families to Medi-Cal	J	ER	0.0	13.1	P	13.1
24	4260	Medi-Cal: Value Based Purchasing						
24A	4260	Potentially Preventable Admission	J	ER	0.0	30.0	P	30.0

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

	Org	Description	Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
24B	4260	Operational Efficiency	J	ER	0.0	10.0	P	10.0
24C	4260	Reduce Lab Rates	J	ER	0.0	7.7	P	7.7
25	4260	Medi-Cal: Other Reduction Options						
25A	4260	Hospital Stabilization Funding	J	ER	0.0	42.9	O	42.9
25B	4260	Managed Care Default Assignment	J	ER	0.0	2.4	P	2.4
25C	4260	Managed Care in Rural Counties	J	ER	0.0	2.7	P	2.7
26	4260	Medi-Cal: Reduce Nursing Home Costs	M	ER	0.0	87.9	O	87.9
27	4260	Medi-Cal: Change Payment Methodology for District Hospitals	M	ER	0.0	75.0	P	75.0
28	4260	Medi-Cal: Increase District Hospital Savings	L	ER	0.0	19.5	P	19.5
29	4260	Medi-Cal: Increase Waiver Savings	M	ER	0.0	100.0	M	100.0
30	4260	Medi-Cal: Increase State Share of Hospital Fees	M	ER	0.0	150.0	P	150.0
31	4260	Medi-Cal FQHC Audit Staffing	L	ER	0.0	3.0	P	3.0

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

			Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
32	4260	Medi-Cal: Dental Managed Care Positions	L	ER	0.0	-0.1	P	-0.1
33	4260	Medi-Cal: Radiology Rates Increase	L	ER	0.0	3.3	O	3.3
34	4265	Public Health Laboratory Training	M	ER	0.0	1.7	P	1.7
35	4280	Children's Health and Human Services Fund (MCO) GF Offset	J	ER	12.7	-12.7	O	0.0
36	4440	Incompetent to Stand Trial (IST) Treatment	J	ER	0.0	3.0	P	3.0
37	4260/4440	Caregiver Resource Center Rejection	L	ER	0.0	-2.9	P	-2.9
38	4260/4440	Community Treatment Facilities Rejection	L	ER	0.0	-0.5	P	-0.5
39	5175	Department of Child Support Services: Reduce Funding for the California Child Support Automation System (CCSAS)	M	ER	5.5	1.0	P	6.5
40	5175	Department of Child Support Services: Reduce Funding for Local Child Support Agencies	M	ER	0.0	5.0	O	5.0
41	5180/7980	CalWORKs Restructuring/Reform	J	ER	0.0	469.1	P	469.1

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

	Org	Description	Point In Time ^{1/}	Category	2011-12 or prior	2012-13	OMP	2-year total
42	5180	Unallocated SAWS Reduction	J	ER	0.0	5.0	O	5.0
43	5180	LEADER Replacement: Federal Approval Delay	L	ER	0.0	4.7	O	4.7
44	5180	IHSS--Court Cases--Pending	L	ER	0.0	0.0	P	0.0
45	5180	3.6 percent Across-the-Board Reduction in IHSS Hours	L	ER	0.0	52.2	O	52.2
46	5180	Increase Funding for IHSS Administration	L	ER	0.0	-4.7	O	-4.7
47	5180	DSS Workload Adjustment	M	ER	0.0	-13.0	P	-13.0
48	5225	Division of Juvenile Justice Reductions	M	ER	0.0	4.8	P	4.8
49	5225	Mental Health Population Adjustment	L	ER	13.0	0.0	O	13.0
50	5225	Receiver Supplemental Appropriation Adjustment	L	ER	4.6	0.0	O	4.6
51	5225	CDCR Related Reversions	L	ER	5.0	0.0	O	5.0
52	5225	California Institute for Women Staff Adjustment	L	ER	0.0	1.3	P	1.3

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

			Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
53	6110/6870	Proposition 98	J	ER	117.7	920.3	P	1,038.0
54	6110/6870	Proposition 98 - Consistent Rebenching at Current Value	L	ER	0.0	120.7	P	120.7
55	6110/6870	Proposition 98 - Eliminate Reappropriation of Prior/Current Year Savings	L	ER	220.1	0.0	O	220.1
56	6110/6870	Proposition 98 - Shift QEIA into the Prop 98 Guarantee for 2012-13	M	ER	450.0	0.0	O	450.0
57	6110/6870	Proposition 98--QEIA--Adjust Outyear Payment Schedule	M	ER	0.0	0.0	O	0.0
58	6110/6870	Proposition 98--QEIA--Prepay in 2011-12 and Shift into the Prop 98 Guarantee in 2013-14	L	ER	0.0	0.0	O	0.0
59	6110	AVID Program	J	ER	0.0	8.1	P	8.1
60	6110	Non-P98 State Special Schools	J	ER	0.0	1.8	P	1.8
61	6110	Child Care Across-the-Board Reduction	L	ER	0.0	80.0	P	80.0
62	6110	Funding for State Preschool	L	ER	0.0	163.9	P	163.9
63	6110	Suspend Child Care COLA	L	ER	0.0	30.4	M	30.4

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

			Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
64	6110	Proposition 98--RDA Asset Revenues	M	ER	0.0	1,479.0	M	1,479.0
65	6110	Proposition 98--RDA Receipt Timing Adjustment	L	ER	-685.0	685.0	O	0.0
66	6110	Proposition 98--Do Not Provide ABx1 26 Shared Benefit Payments for K-14	M	ER	0.0	11.0	P	11.0
67	6120	State Library	J	ER	0.0	0.5	P	0.5
68	6120	State Library - Partial Restoration of Local Assistance Funding	L	ER	0.0	-4.7	P	-4.7
69	6440/6610	No Tuition Increases for 2012-13	M	ER	0.0	0.0	P	0.0
70	6440	Remove 4% Multi-Year Funding Agreement Growth for the University of California	L	ER	0.0	0.0	M	0.0
71	6440	Legislative Changes for Retirement and Annuitant Benefit Adjustments	L	ER	0.0	0.9	P	0.9

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

			Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
72	6600	Remove 4% Multi-Year Funding Agreement Growth for the Hastings College of the Law	L	ER	0.0	0.0	M	0.0
73	6600	Legislative Changes for Retirement and Annuitant Benefit Adjustments	L	ER	0.0	-0.9	P	-0.9
74	6610	Remove 4% Multi-Year Funding Agreement Growth for the California State University	L	ER	0.0	0.0	M	0.0
75	6610	Legislative Changes for Retirement and Annuitant Benefit Adjustments	L	ER	0.0	0.0	P	0.0
76	6645	CSU Retiree Health Care Savings (2013-14+ Out-Year Savings in Item 9650)	M	ER	0.0	19.9	O	19.9
77	7980	Increase SLOF Transfer	J	ER	0.0	24.7	O	24.7
78	7980	Cal Grant Awards: Eliminate Cal Grant Institutions for Loan Default Rates Greater Than 15% and Six-Year Graduation Rates Less Than 30%	M	ER	0.0	55.0	P	55.0

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

	Org	Description	Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
79	7980	Cal Grant Awards: Eliminate Renewal Awards for For-Profits that Miss Loan Default Rates/Graduation Rates Beginning in 13-14	L	ER	0.0	0.0	P	0.0
80	7980	Cal Grant Awards: Reduce New Awards for For-Profits to \$4,000 Beginning in 13-14	L	ER	0.0	0.0	P	0.0
81	7980	Cal Grant Awards: Reduce by 6% New Awards for Not-For Profits Beginning in 13-14	L	ER	0.0	0.0	P	0.0
82	7980	Cal Grant Awards: Reduce by 11% New Awards for Not-For Profits Beginning in 14-15	L	ER	0.0	0.0	P	0.0
83	7980	Cal Grant Awards: Maintain CSU Systemwide Tuition and Fees at 2011-12 Levels	L	ER	0.0	31.2	P	31.2
84	8570	Unallocated Reduction to the Department of Food and Agriculture	M	ER	0.0	2.5	P	2.5
85	8820	Restore Commission on the Status of Women	L	ER	0.0	-0.3	P	-0.3
86	8860	Hybrid Retirement Structure Development and Implementation	L	ER	0.0	1.5	O	1.5
87	8885	Defer Pre-2004 Mandate Obligations	J	ER	0.0	99.5	M	99.5
88	8885	Repeal/Reform/Suspend State Mandates	J	ER	0.0	728.8	P	728.8

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

			Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
89	8885	Restore Crime Statistics Mandate	L	ER	0.0	-1.8	P	-1.8
90	8955	Activate Redding and Fresno Veterans Homes	L	ER	0.0	-4.2	P	-4.2
91	9650	Retiree Health Care Savings (2013-14+ include CSU - 6645 Out-Year Savings)	M	ER	24.3	100.9	P	125.2
92	9800	Active Health Care Savings	M	ER	0.0	1.7	P	1.7
93	9801	Employee Compensation Savings	M	ER	0.0	401.7	O	401.7
94	9901	Savings for Data Center Rate Reduction	L	ER	3.4	0.0	O	3.4
95		Miscellaneous Roundings	L	ER	0.0	24.7	O	24.7
Expenditure Reductions, Subtotal					342.4	7,617.8		7,960.2
Other								

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

	Org	Description	Point In Time ^{1/}	Category	2011-12	2012-13	OMP	2-year total
					or prior			
96	0820	Elimination of DNA ID Fund Transfer Item	M	O	0.0	10.0	P	10.0
97	0820	False Claims Act Fund Transfer to the General Fund	M	O	0.0	7.7	O	7.7
98	2660	Transfer from the Motor Vehicle Fuel Account	M	O	184.0	128.2	P	312.2
99	2660	Transfer of additional weight fee revenues to the General Fund	J	O	10.8	374.4	M	385.2
100	2740	Motor Vehicle Account Loan to the General Fund	M	O	0.0	300.0	O	300.0
101	3500	Require Monthly Redemption Payments to the Beverage Container Recycling Fund	M	O	0.0	161.7	O	161.7
102	5175	Suspend County Share of Child Support Collections	J	O	0.0	31.9	O	31.9
103	6110	Funding for Early Mental Health Services Workload	L	O	0.0	-0.1	P	-0.1
104	7100	Unemployment Insurance Interest Payment	J	O	0.0	312.6	O	312.6

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

			Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
105	9620	Interest Savings from Loan Extensions from Special Funds	M	O	17.1	21.0	O	38.1
106	Various	Loan Extensions from Special Funds	M	O	199.8	758.7	O	958.5
Other, Subtotal					411.7	2,106.1		2,517.8
Revenues								
General Fund Revenues								
107	0840	Unclaimed Property from Insurance Companies	J	R	21.0	48.7	M	69.7
108	0840	Unclaimed Property Fraudulent Claims Prevention and Detection Program	J	R	0.0	7.9	P	7.9
109	Various	Pending Settlements	L	R	21.0	100.0	O	121.0
110	3560	State Lands Lease Compliance and Royalty Recovery						

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

Org	Description	Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
	Revenue	J	R	0.0	6.6	P	6.6
	Expenditure	J	R	0.0	-1.0	P	-1.0
111	4260		R	0.0	0.0	M	0.0
112	5175		R	0.0	-1.2	P	-1.2
113	5225		R	0.0	19.9	P	19.9
114	Majors, 0860,6110 6870		R	0.0	19.9	P	19.9
	Extend Financial Institutions Data Match to BOE and EDD, related State Ops Costs, and Allocate FIRM Increases to Schools and Community Colleges						
	Revenues	J	R	4.0	10.6	P	14.6
	P98 Impact	J	R	0.0	-9.0	M	-9.0
	Net			(4.0)	(1.6)		(5.6)
115	Majors, 0860,6110 6870		R	0.0	19.9	P	19.9
	New PIT and SUT Rate Increases: Funds for Use by Local School Districts and Community Colleges						

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

Org	Description	Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
	Revenues	J	R	3,139.0	5,340.0	M	8,479.0
	P98 Impact	J	R	0.0	-2,899.2	M	-2,899.2
	Net	J		(3,139.0)	(2,440.8)		(5,579.8)
116	Majors Change Rules Under which FTB can Issue Wage Garnishment	M	R	11.0	27.0	P	38.0
117	Majors Penalty for Erroneous Claim for Refund	M	R	1.0	3.0	P	4.0
Special Fund Revenues							
118	4260/4280 Medi-Cal: Extend the Gross Premiums Insurance Tax on Medi-Cal Managed Care Plans	J	SFR	0.0	183.0	M	183.0
Revenues, Subtotal				3,197.0	2,836.3		6,033.3
Total Solutions				\$3,951.1	\$12,560.2		\$16,511.3

^{1/} Point in Time

Approved Solutions in 2012-13 Budget Package

(Dollars in Millions, Impact on Reserve)

Org	Description	Point In Time ^{1/}	Category	2011-12 or prior	2012-13	O M P	2-year total
J=	January 10 Solution. Includes changes to Jan 10 solutions						
M=	May Revision Proposals						
L=	Issues added by the Legislature						