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California State Senate

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ON
BUDGET AND FISCAL REVIEW

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Agenda
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HUMAN SERVICES AND CHILDCARE

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4200 Department of Alcohol & Drug Programs (ADP)

Governor's Proposal	2010-11 (\$ in thousands)	Comments
<p>Elimination of Drug Medi-Cal (DMC) Services, with the Exceptions of Perinatal and Minor Consent Programs</p> <p>The May Revision proposes, effective October 1, 2010, to eliminate DMC services for approximately 79 percent of individuals who would otherwise receive them.</p> <p>ADP estimates that the state will receive \$258.8 million (\$238.2 million for local assistance and \$18.6 million for state operations) in federal Substance Abuse and Prevention Treatment (SAPT) block grant funding in 2010-11. Correspondingly, the federal government requires the state to spend \$247.4 million to meet its Maintenance of Effort (MOE) requirement. The May Revision proposes \$149.2 million GF, which falls \$98.2 million short of the MOE. (Note: These figures could change if the enhanced Federal Medical Assistance Percentage [FMAP] available under ARRA is not extended through 2010-11.) ADP will request a waiver from the federal government for any enacted MOE shortfall. If no waiver is granted, the state may lose one dollar of federal funding for every state dollar below the MOE.</p>	<p>-53,400</p>	<p>Impacts. ADP estimates that the two DMC modalities proposed for elimination, the Narcotic Treatment Program (NTP) and the Outpatient Drug Free Program (ODF) would otherwise serve approximately 226,000 individuals in 2010-11.</p> <p>NTP generally uses methadone to stabilize and rehabilitate persons who are opiate-dependent. Services include intake, treatment planning, medical direction, body specimen screening, physician and nursing services related to substance abuse, medical psychotherapy, individual and/or group counseling, and physical examinations and laboratory tests. ODF offers many similar treatment and supportive services to persons with substance abuse diagnoses. Perinatal DMC services that would remain offer treatment prior to, and for only two to three months after, child birthing.</p> <p>This proposal would likely result in other significant state costs that the May Revision does not account for (e.g., in corrections and child welfare). Advocates and providers also indicate that it would cause major closures in the provider network, making it very difficult to reinstate services (including when federal health reforms begin to take effect).</p>

4200 Department of Alcohol & Drug Programs (ADP)

Governor's Proposal	2010-11 (\$ in thousands)	Comments
<p>Elimination of Funding for Offender Treatment Program (OTP)</p> <p>The Governor's budget proposes to eliminate all GF for OTP, effective July 1, 2010. Any resulting loss of federal funds is again tied to the state's overall SAPT MOE (see previous issue).</p> <p>The 2009-10 budget included \$18 million GF, plus \$45 million in one-time federal Edward Byrne Memorial Justice Assistance Grant (Byrne-JAG) funds for OTP. Counties have until April 2011 to expend those Byrne-JAG funds.</p>	<p>-18,000</p>	<p>Relationship to Proposition 36. In recent years prior to 2009-10, the state funded diversion programs for drug offenders through the Substance Abuse and Crime Prevention Act (SACPA or Proposition 36) and OTP. In 2009-10, funding for Proposition 36 was eliminated. The Governor's 2010-11 budget continues to provide no funding. The underlying laws sentencing certain offenders who use or possess drugs to treatment and community supervision rather than prison or jail are still in effect. According to a survey by the County Alcohol and Drug Program Administrators Association, far fewer individuals statewide are now receiving treatment than in previous years, individuals are receiving lower levels of care, and the wait to receive treatment is significantly longer.</p> <p>OTP was established in 2006 to serve the same individuals as Proposition 36; but to be eligible for OTP funding, counties have to provide \$1 for each \$9 of state funding received and meet requirements for dedicated court calendars and drug courts that accept felony defendants.</p> <p>Prior to elimination of SACPA funds, the University of California, Los Angeles conducted cost-benefit studies on the program. The most recent study concluded that \$1 of Proposition 36 spending resulted in net savings to state and local governments of \$2 to \$4. More than 30,000 offenders annually entered treatment under Proposition 36.</p>

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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Elimination of CalWORKs

The May Revision proposes to eliminate CalWORKs, effective October 1, 2010. If CalWORKs is eliminated, California would lose \$2.8 billion of its Temporary Assistance to Needy Families (TANF) block grant (growing to \$3.7 billion annually) and would be ineligible for approximately \$386.6 million (out of \$498.2 million total) in ARRA's Emergency Contingency Fund (ECF) that the state would otherwise receive for basic assistance costs.

Estimated savings are net of \$306.6 million GF backfills for non-CalWORKs programs that currently benefit from TANF funding. Estimates also assume the extension of ECF through the state's 2010-11 fiscal year (which was included in President Obama's proposed budget). Without such an extension, savings would grow to \$1.6 billion. Finally, estimated savings are based on current law governing the CalWORKs programs (i.e., do not include other Governor's budget proposals).

-1,207,776

California has had some form of assistance for needy families with children since 1911. No other state has eliminated its TANF program.

Impacts on Families and the Economy. The proposal would eliminate benefits to 580,000 families (including more than one million children) who receive temporary cash aid, as well as education, training, child care, and employment assistance. Dramatic increases in poverty and homelessness and costs in other state and local services (e.g., child welfare, foster care, and education programs) would likely result. Counties have previously estimated potential overall costs of \$1.9 billion if all former CalWORKs recipients became eligible for local General Assistance programs (which generally have significantly lower grants and lack employment services).

Counties have estimated a loss of roughly 140,000 private and public sector jobs statewide if CalWORKs is eliminated. In addition, local economies would lose spending by low-income CalWORKs families (who expend a greater share of their earnings locally than do higher income residents), child care providers, and employment services workers.

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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CalWORKs Grant Reduction

The Governor's budget, as updated in the May Revise, proposes to reduce maximum CalWORKs grants by 15.7 percent, effective October 1, 2010.

Grants are funded with a combination of TANF (federal block grant)/state Maintenance of Effort (MOE) and County Funds (2.5 percent).

ARRA Impacts. GF savings in 2010-11 vary by whether the federal government extends ARRA's TANF Emergency Contingency Fund (ECF) past September 30, 2010. Under ECF, the state receives a 4:1 match.

If ECF is extended, this proposal results in \$81.5 million GF savings and the foregoing of \$324.7 million federal funds in 2010-11. If ECF is not extended, GF savings from this proposal increase to \$406.2 million in 2010-11 (with \$157.4 million in TANF transfers to offset GF in the Student Aid Commission and Department of Developmental Services (DDS)).

-81,500

Impacts. CalWORKs provides temporary cash assistance, education, training, and employment programs to families who are unable to meet basic needs (shelter, food, clothing) on their own. This proposal would impact 580,000 families (including more than one million children). In 8,400 cases, families would lose all CalWORKs assistance.

The average monthly grant for a family of three in high-cost counties would be reduced from \$694 to \$585. The monthly grant was also \$694 twenty years ago in 1989. After adjusting for housing costs, the current CalWORKs grant level is lower than grants in 20 other states.

Under this proposal, maximum CalWORKs and food stamp grants would equal 73 percent of the Federal Poverty Level (FPL) in high-cost and 71 percent in low-cost counties (compared to 78 percent and 77 percent currently).

Work Participation Rate (WPR). DSS estimates that this proposal will result in a 2.4 percent loss of our 2011 federal WPR. Our 2008 WPR was 25.1 percent (compared with the required 29.0 percent).

Governor's Proposal	2010-11 (\$ in thousands)	Comments
<p>Elimination of CalWORKs Recent Noncitizen Entrants Program (RNE)</p> <p>The Governor's budget, as updated in the May Revise, proposes to eliminate RNE, effective October 1, 2010.</p> <p>Funding for the RNE Program is countable toward the state's TANF MOE requirement.</p> <p>ARRA. GF savings in 2010-11 again vary by whether the federal government extends the ARRA Emergency Contingency Fund (ECF). If ECF is extended, this proposal would result in \$16.2 million GF savings, and a loss of \$24.5 million federal funds in 2010-11. If ECF is not extended, the proposal instead results in \$40.6 million GF savings in 2010-11.</p> <p>These savings estimates assume the impact of the proposed 15.7 percent grant cut.</p>	-16,200	<p>Eligibility for RNE. Since 1996, the federal government has excluded most legal immigrants entering the United States from receiving TANF benefits for their first five years in the country. Exemptions exist for certain immigrants, including refugees, veterans, and asylees.</p> <p>California has continued to aid noncitizens who became federally ineligible, including legal permanent residents, battered noncitizens, individuals permanently residing under color of law, conditional entrants, and immigration parolees (defined differently than in criminal justice contexts, this can mean a humanitarian visa, re-entering the US with permission, or release of an inmate).</p> <p>Impacts. Approximately 22,500 individuals would lose temporary cash assistance and education, training, and employment services. Some may apply for and receive a lower amount of assistance from county-funded General Assistance (GA). Counties also project that increased child welfare and foster care costs could result.</p>

6110 California Department of Education

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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5180-001-0001 Department of Social Services

6110-196-0001 California Department of Education

Eliminate General Fund for Child Care Programs and Shift CalWORKs Child Care to the Alternative Payment Program (Issue 326)

The Governor proposes to eliminate General Fund from all subsidized child care programs with the exception of the State Preschool Program, effective July 1, 2010.

Stage 1 would be eliminated on October 1, 2010.

The Governor proposes to shift funding for CalWORKs child care into the Alternative Payment (AP) Program. The shift would include the federal funds in CalWORKs child care, including \$414.3 million from Stage 2 and \$272.3 million from Stage 3.

Approximately \$594 million in federal funds would remain available for slots for the neediest families, after the Governor's other child care proposals are taken into account.

-\$1,193,656 in Prop 98 for Stage 2 and 3

-\$492,700 in for Stage 1

\$414,270 from Stage 2 to AP in federal funds

\$272,309 from Stage 3 to AP in federal funds

Total number of children losing child care under the Governor's proposal is about 225,000, compared to 2009-10.

- Stage 1: 51,236
- Stage 2: 61,342
- Stage 3: 38,165
- General Child Care: 72,481

Only 77,550 child care slots would remain, all AP (not including preschool, which has 117,000 slots).

The \$492.7 million for Stage 1 child care includes GF and federal funds that are considered GF-fungible because of the block grant and Maintenance of Effort funding structure of the CalWORKs program. This total also includes the impact of a temporary \$215.3 million reduction (the majority of a \$376.8 million cut to the counties' single allocation for CalWORKs child care and employment services) enacted as part of the 2009-10 budget.

Governor’s Proposal	2010-11 (\$ in thousands)	Comments
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Regional Market Rate (RMR) Reduction.

The Governor’s budget proposes to reduce, effective July 1, 2010, the level at which the state reimburses child care providers.

The trailer bill would reduce the regional market rate ceiling from 85 percent to 75 percent of the 2005 RMR survey for voucher-based programs. As a result, licensed providers would be reimbursed at no more than the 75th percentile of the 2005 RMR, instead of the current ceiling of the 85th percentile.

The trailer bill would also reduce the reimbursement rate for license-exempt providers from 90 percent of the ceilings for licensed providers to 70 percent.

The \$77.1 million General Fund savings is comprised of: \$12 million from Alternative Payment programs, \$37 million from CalWORKs Stage 2, and \$28.1 million from CalWORKs Stage 3.

Since the RMR reduction was not adopted during the Special Session, there has been an erosion of savings of \$36 million (\$13 million from Stage 1).

-\$41,110
from
Stage 1

-\$54,725 in
Prop 98
General
Fund from
Stage 2 &
3, and AP

Total:

-\$95,835

\$36,078
added back
in due to
erosion

California offers subsidized child care to parents participating in CalWORKs (Stage 1); families transitioning off of aid (Stages 2 and 3); and others with exceptional need. DSS administers Stage 1; CDE administers Stages 2 and 3.

Context. The Governor insists that no children would lose child care services as a result of this proposal. However, child care providers can only shrink their income so much before the payments are not covering their costs. There are over 64,000 child care providers who provide care for Stage 2 and Stage 3 children.

Impact. Specific rate reductions would vary by provider and region. As an example, maximum rates for a preschool-age child in Los Angeles County would drop from \$744 to \$660 (or 11 percent) monthly for a child care center and \$615 to \$445 for a license-exempt provider.

Stakeholders have historically testified that rate reductions would make it very difficult for providers to stay in business or continue to accept clients receiving subsidies, and thus for parents to access child care.

6110 California Department of Education

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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6110-196-0001 California Department of Education

Reduce Income Eligibility (Issue 323)

The Governor proposes to reduce the statutory income eligibility limit from 75 percent of the state median family income (SMI) to 60 percent for all subsidized child care programs except for the State Preschool Program.

-\$54,373
General
Fund

Reducing income eligibility would make about 14,855 children currently receiving services ineligible.
60 percent of SMI is \$2,902/month for a family of three.
75 percent of SMI is \$3,628/month for a family of three.
(Using 2009-10 SMI of \$4,837/month)

6110 California Department of Education

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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6110-196-0001 California Department of Education

<p>CalWORKS Stage 3 Reduction (Issue 323)</p> <p>The Governor's Special Session proposal was to reduce CalWORKs Stage 3 caseload by 18,000 children, for a savings of \$123 million.</p>	<p>-\$123,000</p> <p>\$31,998</p>	<p>The revised Stage 3 targeted reduction would push out 12,583 children currently receiving services.</p>
<p>The Governor's May Revise proposes to backfill that reduction by \$31.9 million, for a restoration of 5,417 children.</p>	<p>Total: -\$91,002 from Prop 98 funds</p>	

6110 California Department of Education

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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6110-196-0001 California Department of Education

Adjust CalWORKs Child Care Caseload Funding (Issue 325)

The Governor's Budget reduced CalWORKs Stage 2 and Stage 3 by \$13.8 million due to decreased case load.

The Governor's May Revise proposes to further lower funding for CalWORKs Stage 2 and Stage 3 due to decreased case load.

-\$13,800
from Prop
98 funds

-\$35,356
from Prop
98 funds

Total:
-\$49,156

The Jan 10 funding reduction breaks down as follows:

- Stage 2: -\$12.6 million
- Stage 3: -\$1.2 million

The MR funding reduction breaks down as follows:

- Stage 2: -\$17.7 million
- Stage 3: -\$17.65 million

6110 California Department of Education

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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6110-196-0001 California Department of Education

Negative COLA

The Governor's January Budget proposed a -0.38 percent COLA for child care providers.

The May Revise amends the COLA to -0.39 percent.

-\$5,900
from Prop
98 funds

Child care providers have not received a positive COLA in the last two years.

6110 California Department of Education

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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6110-196-0001 California Department of Education

Proposed Plan to Recover Improper Payments from Child Care Programs (Issue 329)

Trailer Bill Language

The Governor assumes no savings for the budget from this proposal.

The Governor proposes trailer bill language that would provide for contractual expectations for APs to prevent and correct errors in child care payments, and to collect overpayments from families that benefit from the errors.

\$0 The families receiving child care would have to pay for the overpayments resulting from errors “regardless of whether the overpayments are due to provider or recipient error or whether the error is intentional or inadvertent in nature.”

The Department of Education would have to report by March 1, 2011, on the implementation of the overpayment recovery plan.

Governor’s Proposal	2010-11 (\$ in thousands)	Comments
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IHSS “Cost Containment”

The May Revise proposes a \$637.1 million GF reduction (growing to \$750 million annually in 2011-12) to the IHSS program.

Absent this reduction, the total proposed budget for IHSS would be \$5.6 billion (\$1.4 billion GF). The proposal would result in an approximately 45 percent reduction in state IHSS costs and the foregoing of roughly \$1.1 billion in federal matching funds. The Administration intends to develop as yet unspecified plans for this “cost containment” in consultation with stakeholders and in time for a July 1, 2010 enactment.

This proposal replaces proposals in the Governor’s budget to eliminate IHSS services for approximately 87 percent of recipients and reduce the state’s participation in IHSS providers’ wages to the minimum wage of \$8.00 per hour, plus \$.60 per hour for benefits.

-637,100

Impacts. About 385,000 IHSS providers provide in-home care services (e.g., bathing, grooming, paramedical services) to about 466,000 qualified individuals who are blind, aged (over 65), or who have disabilities. IHSS recipients usually have incomes at or below the SSI/SSP grant level (\$845 per month for an individual as of October 2009) and assets, except homes or cars, worth less than \$2,000. County social workers determine eligibility after conducting in-home assessments. No details regarding the impacts of the proposed reductions on recipients, providers, county and state staff, or other areas of the budget are available.

2009-10 Reductions. The 2009-10 budget made major program integrity-related changes to IHSS, which DSS anticipates will result in \$130 million GF savings in 2010-11. In addition, the 2009-10 budget: 1) reduced the ceiling for state participation in IHSS providers’ wages from \$12.10 per hour to a total of \$10.10 per hour, 2) eliminated eligibility for specified domestic and related services to about 85,000 individuals, and 3) eliminated eligibility for all services to about 39,000 individuals. The Administration is appealing federal court injunctions against these reductions to the 9th Circuit.

Governor's Proposal	2010-11 (\$ in thousands)	Comments
<p>SSI/SSP Grant Reduction</p> <p>The Governor's budget, as updated in the May Revise, proposes to reduce, effective October 1, 2010, Supplemental Security Income/State Supplementary Payment (SSI/SSP) grants to individual recipients. The proposed SSP grant would be set at the federally required Maintenance of Effort (MOE) level of the 1983 payment standard.</p> <p>Savings include those resulting from grant reductions in the Cash Assistance Program for Immigrants and California Veterans Cash Benefit, as these grant levels tie to those for SSI/SSP.</p> <p>Approximately 109,000 Non-medical Out-of-Home Care, Restaurant Meal Allowance, and Title XIX Medical Facilities recipients are excluded from this reduction, as is traditional practice.</p>	-132,830	<p>The federal MOE limits reductions states can make to SSP benefit levels. If a state reduces SSP benefits below its MOE, it loses all federal Medicaid funding.</p> <p>Impact. Maximum grants for around one million aged, blind or disabled individual SSI/SSP recipients would be reduced from \$845 to \$830 monthly (92 percent of Federal Poverty Level (FPL)). 8,449 recipients would become ineligible, some of whom may seek services from DDS.</p> <p>Recent changes. In the February 2009 special session, a 2009 federal cost-of-living adjustment was rescinded effective May 1, 2009, and grants were reduced 2.3 percent (approximately \$20 for individuals and \$35 for couples) effective July 1, 2009. Grants were further reduced, effective October 1, 2009, by around \$5 for individuals and \$82 for couples. Couples' maximum grants of \$1,407 per month are now at the MOE floor (around 116 percent of FPL).</p> <p>Cost-of-Living Adjustments (COLAs). The SSI portion of grants will not receive a 2010 federal COLA. An estimated 2 percent federal COLA will, however, take effect in January, 2011.</p>

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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Elimination of CFAP and CAPI

The Governor's budget, as updated in the May Revise, proposes to eliminate the California Food Assistance Program (CFAP) and Cash Assistance Program for Immigrants (CAPI), effective October 1, 2010.

CFAP
-42,800

CAPI
-73,640

CFAP and CAPI are state-funded programs that provide benefits to legal immigrants who do not qualify for federal food stamps and SSI/SSP funding, respectively. California created CFAP and CAPI in 1997 and 1998 after federal law began excluding these individuals. Since that time, federal law has changed to re-include some, but not all, individuals originally covered under the state programs (e.g., non-citizens with disabilities for CFAP).

CFAP Impact. CFAP provides food benefits to legal non-citizens over 18 and under 65 years of age. DSS estimates the average monthly number of 2009-10 recipients as 32,900 (12,800 households). The average monthly benefit is \$113 per person.

CAPI Impact. CAPI benefits are the equivalent of SSI/SSP program benefits, less \$10 per individual and \$20 per couple. The average monthly number of CAPI recipients in 2009-10 is 9,029. Some CAPI recipients may become eligible for GA.

Governor’s Proposal	2010-11 (\$ in thousands)	Comments
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Redirection of County Savings

The Governor’s budget, as updated in the May Revise, proposes, effective October 1, 2010, to redirect county savings (i.e. funds the counties would no longer be obligated to spend for the specified purposes) from the above described IHSS and CalWORKs reductions, as well as the presumed extension of federal financial participation in social services programs under ARRA, to support a higher county share of costs for Foster Care, Foster Care Administration, and the Adoption Assistance Program (AAP). GF savings are from a resulting reduction in the state’s share of costs in those programs.

-359,500

Comparison of sharing ratios. Nonfederal costs would become:

- Foster Care – 20/80 state/county (*instead of 40/60*)
- Foster Care Administration – 48/52 state/county (*instead of 70/30*)
- AAP – 20/80 state/county (*instead of 75/25*)

Interaction with Prior Realignment. In 1991, the state realigned control and funding of several social services programs to local governments. Revenue from sales taxes and vehicle license fees was dedicated to the programs. This base funding has not, however, kept pace with costs. The 1991 statutes include a “poison pill” that makes realignment inoperative if it results in a reimbursable mandate of more than \$1 million.

Mandate Questions. Mandate laws include an exception for when local costs are fully offset by other savings. However, according to the LAO, it is very infrequently used and not well-established.

The LAO also states that it is difficult to determine whether the Governor’s proposal would create a new reimbursable state mandate on counties. The caseload for each affected program varies significantly by county, so individual county’s savings and costs may not balance out. In addition, the amounts would vary each year.

5180 Department of Social Services

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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Shift of County Mental Health Realignment Funds to Child Welfare Services (CWS) and to Food Stamp Administration.

-602,000 **This issue will be discussed during the upcoming Health hearing.** DSS budget impacts will conform to actions taken during that hearing.

The May Revise proposes to shift \$602 million in existing Realignment funding used for mental health programs to offset GF costs for CWS and for food stamp administration by changing the sharing ratios for their non-federal costs.

The new sharing ratios would be 20/80 state/county for CWS (*instead of 70/30*) and 19/81 state/county for food stamp administration (*instead of 70/30*).

4440 Department of Mental Health

Governor’s Proposal	2010-11 (\$ in thousands)	Comments
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4440 Department of Mental Health

**Special Education Mental Health Services
(AB 3632)**

The Governor’s January budget proposed \$52 million in state General Funds for special education mental health services – referred to as AB 3632 services – in 2010-11.

The Governor’s May Revise proposes to “suspend” the state AB 3632 mandate and to eliminate the \$52 million, leaving no categorical funding in the Department of Mental Health (DMH) for AB 3632 services in 2010-11. In addition, the Governor does not propose to fund an additional \$79.4 million in the Commission on State Mandates budget item, as a result of this suspension.

The Governor continues at least \$77.7 million in General Funds for the Department of Social Services to cover AB 3632 residential placement costs in 2010-11. The Governor also continues \$69 million in federal special education funds for county AB 3632 services in the Department of Education (CDE) budget in 2010-11.

-52,000 Federal special education law -- first enacted in 1976 -- requires states to provide special education and “related services” for pupils with disabilities to ensure the provision of a free and appropriate public education. AB 3632 – enacted in 1984 – shifted responsibility for mental health related services from the schools (CDE) to the counties (DMH), and created a reimbursable state mandate as a result.

In addition to categorical funds for AB 3632 services, counties mental health agencies utilize Medi-Cal funds for eligible students and have also received some reimbursements through the state mandate claiming process.

The Governor’s proposal to suspend the AB 3632 mandate would make K-12 schools responsible for these services. The Governor does not recognize this shift in the K-12 budget.

3790 Department of Parks and Recreation

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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**3790-001-0001 Department of Parks and Recreation
3790-001-0392**

Funding State Parks.

140,000
GF

- The May Revise reverses the cuts agreed to last year, and in so doing would foreclose on further Parks service reductions and/or closures.
- If the Committee takes no action, Budget Bill Language (BBL) in the Governor's Budget would still allow the Governor (via Department of Finance) to transfer up to \$140 million GF to fully fund Parks.

The Governor's Budget assumed approval of a new oil lease in state-controlled waters at Tranquillon Ridge (T-Ridge), and proposed to use the increased oil revenues to: (1) backfill \$22 million in previous GF reductions to the Department of Parks and Recreation (Parks); and (2) supplant \$118 million GF annually. This proposed total (\$140 million) is consistent with Fiscal Year (FY) 08-09 Parks funding levels, and would avoid any major park closures.

In the May Revise, the Governor abandons the T-Ridge proposal and instead proposes to "fully fund" Parks with \$140 million GF.

Last year, the Governor and Legislature agreed to a half-year reduction of \$8 million in FY 09-10, and a full-year reduction of \$16 million in FY 10-11. The Governor subsequently vetoed another \$6 million in FY 09-10. Currently, 150 parks have reduced hours.

2660 Department of Transportation

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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2660-401 Department of Transportation

Defer Transportation Loan Repayment.

In the May Revision, the Governor proposes to defer repayment of transportation loans made in 2008-09. The loans would be repaid in 2011-12 instead of 2010-11. This reduces General Fund costs by \$247.4 million in 2010-11 (\$230.6 million principal and \$16.7 million interest).

-\$230,615 (-\$16,749 interest budgeted in item 9620)	Pursuant to the Article XIX of the California Constitution, these loans must be repaid within three fiscal years from the date on which the loan was made – in this case, the loans must be repaid no later than 2011-12.
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The 2008-09 loan included all the following special funds:

- State Highway Account (\$200 million)
- Bicycle Transportation Fund (\$6.0 million)
- Local Airport Loan Account (\$7.5 million)
- Motor Vehicle Fuel Account (\$8.0 million)
- Environmental Enhancement and Mitigation Fund (\$4.4 million)
- Historic Property Maintenance Fund (\$3.0 million)
- Pedestrian Safety Account (\$1.7 million)

2660 Department of Transportation

Governor’s Proposal	2010-11 (\$ in thousands)	Comments
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2660-011-0062 Department of Transportation

New Transportation Loan from net new “Fuel Swap” revenue.
 In the May Revision, the Governor proposes to loan the net new 2010-11 highway revenue of \$650 million from the “Fuel Swap” legislation (AB X8 6, AB X8 9, SB 70 – all statutes of 2010) to the General Fund.

-\$650,000

This loan is protected by Article XIX of the Constitution and must be repaid within three fiscal years from the date on which the loan was made.

Since the Fuel Swap held this \$650 million in reserve, no projects have been programmed or designated for this revenue.

The Fuel Swap generated new gasoline excise tax revenue to pay eligible general-obligation bond debt service, and to fully backfill highways and local street and road programs for lost Proposition 42 revenue. Net new revenue is generated beyond those first two purposes, which the legislation holds in reserve in 2010-11 (the \$650 million) and allocates to highways and local roads (in 2011-12 and thereafter).

The proposal includes budget language requiring repayment by June 30, 2013, with interest.

2740 Department of Motor Vehicles

Governor's Proposal	2010-11 (\$ in thousands)	Comments
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2740-012-0044 Department of Motor Vehicles

Motor Vehicle Account Loan to General Fund.
In the May Revision, the Governor proposes a \$250 million loan from the Motor Vehicle Account (MVA) to the General Fund.

The \$250 million loan amount is somewhat dependent on savings assumed in the employee compensation area from the Governor's "5/5/5" proposal (five percent pay reduction, five percent staffing reduction, and five percent increase in employee retirement contributions).

The proposal includes budget bill language directing early repayment if necessary to maintain the solvency of the fund.

-\$250,000

Pursuant to Article XIX of the California Constitution, this loan must be repaid within three fiscal years from the date on which the loan was made.

If the Committee adopts this loan, it should be with the understanding that the employee compensation proposals will be acted on separately. If employee compensation savings do not occur at these levels, or the MVA otherwise faces pressure, the loans may have to be reduced or repaid at an earlier date.

Note on separate MVA transfer: The Administration also proposes a \$72 million MVA transfer to the General Fund. This action was taken in Sub 2 on April 15. To the extent there are any technical differences, the Sub 2 action should conform to the May Revision.