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California State Senate

COMMITTEE ON

BUDGET AND FISCAL REVIEW

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Agenda June 26, 2012 5:00 P.M. - Room 4203

TRAILER BILLS

AB 1478 – Resources
AB 1466 – State Government
AB 1471 – Human Services
AB 1484 – Community Redevelopment
AB 1468 – Coordinated Care Initiative: Health
AB 1496 – Coordinated Care Initiative: Human Services
AB 1499 – Elections – Ballot Order for Statewide Measure
AB 1502 – UC/CSU Tuition Freeze

PLEASE NOTE: Only those items contained in the agenda for today's hearing will be discussed. Please see the Senate File for dates and times of subsequent hearings. Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1478
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Catherine Freeman
Fiscal:	Yes
Hearing Date:	June 26, 2012

Subject: Resources Omnibus Trailer Bill

Summary: This bill makes various changes to implement the Energy, Resources, Environmental Protection and Agriculture budget actions adopted as part of the 2012-13 budget package.

Background: As part of the 2012-13 budget package, AB 1478 makes various statutory changes to implement the budget act.

Proposed Law: This bill includes the following key changes:

1. Provides funding flexibility for state parks by creating a two-year continuous appropriation from the State Parks and Recreation Fund for revenue generating activities, creates an Enterprise Fund for entrepreneurial capital projects, increases flexibility of existing funding sources for all state parks, and includes language to allow state parks to access funding from the Clean Water Revolving Loan Fund for needed water and wastewater projects.
2. Reduces the number of members on each regional water quality control board from nine to seven, eliminates categorical selection of individuals who may serve on a board, and revises conflict of interest rules for board members to more closely mirror the Political Reform Act of 1974. An amendment clarifies that for appointments from the *nonpublic* sector, the Governor shall consider including members from key economic sectors in a given region.
3. Establishes new legislative oversight and controls over the Air Resources Board including: the creation of a separate expenditure fund for proceeds from the auction or sale of allowances pursuant to the market-based compliance mechanism (Cap and Trade program); the establishment of a separate Cost of Implementation Fee account for oversight and tracking of funds; oversight of actions taken on behalf of the State of California related to market-based compliance and auctions, specific to the Western Climate Initiative and Western Climate Initiative, Incorporated; and provides for return of certain funds to ratepayers of Investor Owned Utilities from funds related to the auction or sale of allowances.
4. Allows for the creation of an Electricity Procurement Investment Charge (EPIC) fund for the sole purpose of creating an investment plan for proceeds of the EPIC proceeding at the California Public Utilities Commission. Provides for the elimination of defunct statutes funded under the previous Public Goods Charge. An amendment clarifies that no single program is prioritized in statute for expenditure of funds under the budget act.
5. Requires payments to the Beverage Container Recycling Fund, as of July 1, 2012, to be made no later than the last day of the month following the sale of a qualifying beverage. Provides necessary amendments to require a business that generates four cubic yards or more of commercial solid waste per week to arrange for required recycling services. Shifts

enforcement of electronic waste primarily to the Department of Resources Recycling and Recovery from the Department of Toxic Substances Control.

6. Provides necessary statutory changes to reduce un-utilized and under- utilized program activities funded by the Department of Toxic Substances Control. Provides necessary statutory changes from budget reductions and adjustments to the Toxic Substances Control Account. Eliminates statutory references to the now defunct Registered Environmental Assessor program.
7. Reduces bond indebtedness for certain bonds over 10 years old in accordance with Constitutional provisions. Deletes defunct provisions related to the Department of General Services and State Public Works Board relative to specific completed facilities.
8. Provides for expanded permitting and inspection fee requirements, and revised assessment of fees related to production, licensing and inspection of milk and dairy products.
9. Provides statutory changes to allow for an ongoing transfer of funds from the Harbors and Watercraft Revolving Loan Fund for reimbursement of costs of the State Water Resources Development system incurred for related recreation and fish and wildlife enhancements, including, in particular, for ongoing obligations for boating and fishing related activities at facilities within the system. Provides for a legislative hearing and notification for new long-term water contract terms and conditions prior to final approval by the parties.
10. Within the Fish and Game Code, provides for the elimination of the Salton Sea Restoration Council on January 1, 2013. Requires the Department of Fish and Game to provide certification of the full mitigation of identified significant environmental impacts and for a fee structure to fully cover all costs of the department prior to administering permits to operate vacuum or suction dredge equipment.
11. Provides necessary changes to adjust expenditure authority for the purpose of hazardous or idle-deserted wells in a given year; extends the period of liquidation in the School District Act from the Underground Storage Tank Cleanup Fund; and requires local unexpended bond funds from the Lower-Emission School Bus Program to be reallocated locally rather than revert to the state program.
12. Provides necessary cleanup to provisions related to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy relative to appointment of state personnel.

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

Support: Unknown

Opposed: Unknown

Comments: This bill provides the necessary statutory references to enact the 2012-13 budget related to resources, environmental protection, energy and agriculture.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1466
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultants:	Brady Van Engelen, Kris Kuzmich, Mark Ibele, Keely Bosler Martin
Fiscal:	Yes
Hearing Date:	June 26, 2012

Subject: Budget Act of 2012: General Government Omnibus Trailer Bill

Summary: This measure makes various statutory changes necessary to implement the general government-related provisions of the Budget Act of 2012.

Proposed Law: This bill includes the following provisions:

1. **National Mortgage Settlement Proceeds.** Creates a deposit fund for the receipt of certain direct payments from the National Mortgage Settlement. Allows the Director of Finance, in accordance with legislative intent, to offset GF expenditures during the 2011-12, 2012-13, and 2012-14 fiscal years.
2. **Deletes Requirement for State Controller to perform review of Airport Fee Audits.** Deletes the requirement for the State Controller to review independent audits necessary to collect specified fees related to rental car companies and customer facilities. The independent audits will still be a requirement prior to an airport entity collecting the specified fee.
3. **Oversight and Audit Responsibilities of the Department of Finance.** Ensures that the Department of Finance retains its internal oversight audit responsibilities.
4. **Authorizes the Sale of CADA Properties.** Authorizes the Department of General Services to sell specified parcels of property that are leased by the department to the Capital Area Development Authority. The proceeds of the sale would be deposited into the General Fund or the Deficit Recovery Fund.
5. **DNA Penalty Assessment.** Increases the amount of state-only penalty to \$4 for every \$10, or part of \$10 of those payments for specified criminal offenses. Funds are utilized to fund the operations of the Department of Justice forensic laboratories.
6. **Proposition 1B Transit and Waterborne Programs.** Enhances oversight responsibilities of the disposition of Proposition 1B related funds by the California Emergency Management Agency and allow for CalEMA to take into account when funding projects the ability of a project to expend funds within a specified timeframe.
7. **Technology Agency Project Oversight.** Enables the California Technology Agency to develop and apply uniform criteria on high risk projects in order to reduce project risk and the potential for cost increases.
8. **CVSO Funding and Review.** Revises the formula utilized by the Department of Veterans Affairs to ensure that a more qualitative rather than quantitative measure is

utilized to disburse funds to support County Veteran Service Officer (CVSO) related operations.

9. **Negotiated Process for the California Technology Agency.** Allows the California Technology Agency to utilize a negotiated process on information technology related procurement contracts if certain criteria are met.
10. **University of California Capital Outlay Interim Financing Costs Reimbursement by the Public Works Board.** Authorizes the Public Works Board (PWB) to provide repayment from state bond proceeds to UC for the interim financing costs of capital outlay projects that have been approved by the Legislature. Under current law, reimbursement is limited to only the principal amount financed. With this change, UC would be able to provide interim financing for the list of projects that have been approved by the Legislature, but for which bonds have not been sold, thereby allowing these projects to move forward.
11. **Employment Development Department: Automated Collection Enhancement System Technical Statutory Clean-up.** Provides for the necessary “clean-up” to remove from statute the Franchise Tax Board’s authority to collect delinquent accounts for the Department of Industrial Relations (DIR). This statutory authority is no longer needed; as of January 31, 2012, the Employment Development Department’s Automated Collection Enhancement System is collecting all delinquent accounts for DIR.
12. **Reduction for Employee Compensation.** As required by a memorandum of understanding or by direction of the California Department of Human Resources (CalHR) for excluded employees, specifies state employees shall participate in the Personal Leave Program 2012 (PLP 2012) for the period from July 1, 2012, to June 30, 2012. Under the provisions of this bill, an employee participating in the PLP 2012 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. For those state employees not subject to the PLP 2012, requires CalHR to adopt a plan to furlough those employees one workday per calendar month for the period July 1, 2012, to June 30, 2013. Requires that reductions for employee compensation for the period from July 1, 2012, to June 30, 2013, apply to employees of the State Compensation Insurance Fund. These statutory changes further implement Control Section 3.90 of the Budget Act of 2012, which achieves employee compensation-related savings of \$402 million General Fund.
13. **Administrative Costs for Financial Information System for California.** Modifies the definition of administrative costs to include amounts expended by the Financial Information System for California (FI\$Cal). Administrative costs are defined as amounts required for supervision and administration of state government for services to state agencies. Existing law requires the Department of Finance to determine, and the Controller to notify, a state agency of the amount deemed to be the fair share of administrative costs due and payable from each state agency.
14. **Credit Enhancement Fees.** Deletes the sunset date for language that places a 3-percent cap on amounts appropriated for fees, costs, and other similar expenses incurred in connection with any credit enhancement or liquidity agreement on bonds payable from the State’s General Fund. After the June 30, 2013 sunset, the cap will fall to 2 percent. The cap was temporarily raised to 3 percent in budget legislation adopted in 2009. Market conditions could necessitate retention of the 3-percent cap and allow flexible overall terms possible for State borrowing.

15. **Repeal of the Filipino Employee Survey Mandate.** Repeals the Filipino Employee Survey Mandate, a state mandate that had been suspended since 1990.
16. **Financial Information Systems for California.** Improves annual legislative reporting requirements for the (FISCal), including benefits from the project that were achieved during the reporting period, and updates on the progress of meeting specific project objectives.
17. **Capital Investment Incentive Program.** Expands the ability of a city, county, or a city and a county to pay an investment incentive, to include qualified research and development facilities until July 1, 2013. Capital investment incentives are amounts up to the amount of ad valorem property taxes paid by the qualified research and development facility, less 25 percent.
18. **Mandate Suspensions.** Specifies that local government mandates suspended in the 2012-13 Budget Act shall also be suspended in 2013-14 and 2014-15, and there shall be no appropriation for payment of reimbursement claims submitted for fiscal years 2012-13, 2013-14 and 2014-15.
19. **Excise Tax Sunset Elimination.** Removes the sunset date from the shift to the General Fund of excise taxes on gasoline purchased for certain uses, thus allowing the shift of these excise tax revenues to flow to the General Fund indefinitely.
20. **ALRB General Counsel Allocation.** Shifted funding from the Board Administration budget item to the General Counsel Administration budget item within the Agricultural Labor Relations Board. This shift is cost neutral to the General Fund and is necessary to help the General Counsel oversee union representation elections among farmworkers.

Fiscal Effect: Creates a special deposit fund that will allow the state to use \$410.6 million from the National Mortgage Settlement to offset General Fund costs, allows for the sale of state property that can be deposited into the General Fund, and helps provide for a balanced budget in future years by removing the sunset date regarding excise taxes on gasoline purchased for specific uses and extending a suspension of local mandates.

Comments: This bill enacts various provisions to support the 2012 Budget Act, and among other things, improves oversight of state technology procurement, enacts changes to help bring more federal benefits to veterans, and makes changes to allow for a structurally-balanced budget for the next four years.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1471
Author:	Committee on Budget
As Amended:	June 26, 2012
Consultant:	Jennifer Troia
Fiscal:	Yes
Hearing Date:	June 26, 2012

Subject: Budget Act of 2012: Human Services Omnibus

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

Proposed Law:

This bill includes the following provisions:

- 1) **CalWORKs:** Makes changes to the California Work Opportunity and Responsibility to Kids (CalWORKs) program that result in savings of approximately \$469.1 million General Fund, as follows:
 - a) **Changing Time Limits and Work Participation Requirements:**
 - i. Modifies the number of welfare-to-work participation hours to conform to current federal requirements and eliminates requirements related to participation in core and non-core activities.
 - ii. Changes welfare-to-work requirements applicable to CalWORKs recipients, on or after January 1, 2013, by creating a new 24-month time limit. Unless otherwise exempt from participation, applicants and recipients would receive 24 months of welfare-to-work services and activities under current state rules, and would then be required to meet federal participation requirements to access the remainder of the months toward their 48-month lifetime time limit. Provides that this 24-month time limit is a prospective change, and that months of assistance prior to January 1, 2013 shall not be counted toward the 24-month time limit.
 - iii. Further, specifies that months of assistance during which the recipient has been sanctioned or excused from participation for good cause, qualifies for an exemption, or is a custodial parent who is under 20 years of age and who has not earned a high school diploma or its equivalent, do not count toward the 24-month time limit. Additionally, months during which the recipient is participating in job search or assessment, is in the process of appraisal, or is participating in the development of a welfare-to-work plan, as specified, do not count toward the 24-month time limit. Finally, months in which the recipient is meeting federal participation requirements do not count as a month of activities for purposes of the 24-month time limit.
 - iv. Provides for notice requirements to recipients regarding the 24-month time limit that explain the process by which recipients may claim exemptions from, and extensions to, the 24-month time limit when the individual applies for aid, during the recipient's annual redetermination, and at least once after the individual has participated for a

total of 18 months, and prior to the end of the 21st month, that count toward the 24 month time limit.

- v. Requires the Department of Social Services (DSS), in consultation with stakeholders, to convene a workgroup to determine further details of the noticing and engagement requirements for the 24 month time limit, and to instruct counties by way of an all-county letter, followed by regulations, no later than 18 months after the effective date of January 1, 2013.
- vi. Provides that counties may extend assistance for no more than 20 percent of recipients, as specified, upon expiration of the 24-month time limit. Requires DSS to consult with stakeholders and to develop and issue instructions on the process for implementing these extensions and calculating this 20 percent limitation.
- vii. With respect to extensions of the 24-month time limit, allows recipients to submit evidence that the following circumstances exist: a) is likely to obtain employment within six months; b) has encountered unique labor market barriers preventing employment; c) has achieved satisfactory progress in an educational or training program; d) needs additional time to complete a welfare-to-work activity included in the case plan due to a diagnosed learning or other disability; or e) has submitted an application to receive SSI disability benefits and is awaiting an established hearing date. Subject to the 20 percent limitation described above, requires counties to grant extensions of time under these circumstances, unless they determine that the evidence presented does not support the existence of the circumstances. If the county makes such a determination and there is a hearing disputing the denial of an extension, establishes that the burden of proof is on the county to establish that the extension was not justified.
- viii. Provides that a county may, again subject to the 20 percent limitation, grant an extension of the 24-month time limit if, as a result of information already available to a county, the county identifies that a recipient meets the circumstances described above.
- ix. States that it is the Legislature's intent that the state shall work with the counties and other stakeholders to ensure that the extension process will be implemented with minimal disruption to the impending completion of welfare-to-work plans for recipients.
- x. Provides that for a recipient who is not exempt or granted an extension pursuant to the above, and who does not meet the federal participation requirements between their 24th and 48th month time limits, the same policies regarding the removal of the adult portion of the grant and opportunities for engagement and curing are available as those applicable to sanctions pursuant to current law. For purposes of this new policy, however, states that the procedures referenced shall not be described as sanctions.

b) Changes Related to Exemptions from Work Participation Requirements:

- i. Extends the current temporary exemptions provided in relation to the reduction in the county single allocation from July 1, 2012 until January 1, 2013, when these exemptions will sunset. These temporary exemptions are provided to a parent or other relative who has primary responsibility for personally providing care to one

- child who is from 12 to 23 months of age, inclusive, or 2 or more children who are under 6 years of age. These exemptions are commonly referenced as “temporary young child” exemptions.
- ii. States that reduced funding, including a reduction to the county single allocation, for the period between July 1, 2012 and January 1, 2015, will result in insufficient resources to provide the full range of welfare-to-work services during that time period.
 - iii. Extends through January 1, 2015, the option for a county to redirect funding appropriated for CalWORKs mental health employment assistance services and CalWORKs substance abuse treatment services, from and to other CalWORKs employment services that are necessary for individuals to participate in welfare-to-work activities.
 - iv. Requires counties to reengage recipients who had received the temporary young child exemption in welfare-to-work activities starting January 1, 2013 and over a period of two years (unless those recipients are otherwise exempt from participation). Recipients will not be required to participate until the county welfare department reengages them.
 - v. Creates a similar, ongoing, one-time young child exemption for caregivers of a child 24 months of age or younger, and provides that a month during which this exemption applies would not be counted as a month of receipt of aid for the recipient.

c) Other Changes:

- i. Requires DSS to convene a workgroup to identify best practices and other strategies to improve early engagement and barrier removal efforts, as specified, and to report back to the Legislature by January 10, 2013 regarding its related actions and recommendations.
- ii. Requires DSS to annually update the Legislature regarding the changes made by this bill to the CalWORKs program, and to contract with an independent, research-based institution for an evaluation and written report, with specified contents, which would be provided to the Legislature by October 1, 2017.
- iii. Exempts a CalWORKs assistance unit that does not include an eligible adult from periodic reporting requirements other than annual redetermination and makes corresponding changes.
- iv. Restores the earned income disregard policy to that which existed prior to the enactment of the 2011-12 Budget Act, allowing a participant to retain \$225 and \$.50 of each dollar thereafter of monthly earnings (altering the 2011-12 policy that allows retention of \$112 and \$.50 of each dollar). This policy will apply to the entire caseload with earnings and will take effect October 1, 2013.
- v. Delays the effective date for the Work Incentive Nutritional Supplement (WINS) program until January 1, 2014 and reduces the amount of the WINS benefit, which is an additional food assistance benefit for each eligible food stamp household, from \$40 to \$10 per month. Correspondingly, delays dates associated with the development of policy toward a pre-assistance employment readiness system

(PAERS) program and other options that may benefit the CalWORKs program, as specified.

- 2) **Phase-in and Reporting Related to Cal-Learn Program:** Restores the operation of intensive case management services provided through the Cal-Learn program within CalWORKs. State funding for these services was suspended during the 2011-12 fiscal year. From July 1, 2012 to March 31, 2013, inclusive, authorizes counties to provide full or partial year funding, depending on the pace of their progression to full implementation, by April 1, 2013. Additionally requires the Department of Social Services (DSS) to annually report specified information related to the program to the budget committees of the Legislature. The phase-in approach included in this bill provides for savings in 2012-13 of approximately \$10 million GF.
- 3) **Child Support Payment Trust Fund:** For the 2012-13 fiscal year only, authorizes money in the Child Support Payment Trust Fund accounts to be invested in specified securities or alternatives that offer comparable security, including mutual funds and money market funds. The provision does not authorize an investment or transfer that would interfere with the objective of the Child Support Payment Trust Fund.
- 4) **Continues Suspension of Child Support Incentive Payments:** Extends the suspension of performance and health insurance-related incentive payments to local child support agencies (LCSAs) through the 2014-15 fiscal year. Existing law, in the absence of a suspension, would award the ten highest performing counties with an additional share of collections and require the state to provide payments to LCSAs of \$50 per case for obtaining 3rd-party health coverage or insurance of Medi-Cal beneficiaries.
- 5) **Continues Suspension of Fingerprint Fee Exemption:** Extends the suspension of a prohibition on the state charging fees for fingerprinting in order to conduct background checks of applicants for licenses to operate specified community care facilities that serve children.
- 6) **Changes to Implementation Date for Sales Tax on Support Services:** Delays the date when the state can implement existing law related to the extension of the sales tax to apply to support services (i.e., homecare)- from July 1, 2010 to January 1, 2012. Under existing law, corresponding supplementary payments would be made to specified providers of those services.
- 7) **Repeals Sections Related to Statewide Eligibility and Enrollment Processing:** Repeals a statute that was enacted as part of the 2009 Budget Act that required the Administration to develop a statewide eligibility and enrollment determination process for the California Work Opportunity and Responsibility to Kids (CalWORKs), Medi-Cal, and Supplemental Nutrition Assistance Program (SNAP, also known as CalFresh or food stamps) programs, and directed the development of a comprehensive plan with respect to a centralized eligibility and enrollment process. Subsequent statutes changes related to the Statewide Automated Welfare System have obviated these requirements. Thus, this repeal resolves potential statutory conflicts with respect to the state's information technology systems and enrollment processes.
- 8) **Moratorium on Group Home Rate-Setting:** Permanently extends the moratorium on the licensing of new group homes or approvals of specified changes for existing providers, with some allowable exceptions. This moratorium was initially established as a part of the 2010 Budget Act. New provisions further limit, for one year, exceptions for any programs with rate classification levels below 10 to those associated with a program change.

- 9) **Cost-of-Living Adjustment for Dual Agency Rates:** Requires annual adjustment by changes in the cost of living (as measured by the California Necessities Index) of rates payable for care and supervision of children who are dually eligible for the Child Welfare Services and Developmental Services systems. This change is consistent with changes made last year to foster family home and related rates in response to litigation. Under the provisions of this bill, the change to dual agency rates would begin retroactively with the 2011-12 fiscal year.
- 10) **Repeal of Medication Dispensing Machine Pilot:** Repeals statute that required the Department of Health Care Services (DHCS) to establish a medication dispensing machine pilot project for certain at-risk Medi-Cal recipients. This pilot project was also associated with a reduction, with some exceptions, in authorized hours of service for In-Home Supportive Services (IHSS) recipients that would have been triggered if savings from the pilot had not been achieved. This bill would repeal both of these policies.
- 11) **Extension of 3.6 Percent Reduction in Authorized IHSS Hours:** Extends, for the 2012-13 fiscal year, an existing reduction of 3.6 percent in authorized IHSS hours that is otherwise scheduled to sunset on July 1, 2013. This reduction is anticipated to save approximately \$58.9 million GF in 2012-13.
- 12) **Criminal Offender Record Information (CORI) Sharing:** Authorizes local public authorities or nonprofit consortia to share Criminal Offender Record Information (CORI) background reports with DSS in specified circumstances. More specifically, allows the public authority or nonprofit consortia to share this information when an individual who is applying to become an IHSS provider has requested from the department an exception to a prohibition on his/her ability to become a provider because of his/her criminal record.
- 13) **Rate-setting for IHSS Public Authorities:** Extends by one year, to the 2013-14 fiscal year, the required time by which DSS, in consultation with designated stakeholders, must develop a new rate-setting methodology for estimating the costs of public authorities with respect to administration of specified requirements related to the state's IHSS program.
- 14) **Rehabilitation Appeals:** Eliminates the Rehabilitation Appeals Board, which currently serves as the entity which hears appeals by applicants for, or clients of, programs provided by the Department of Rehabilitation. Instead provides for fair hearings to be held before an impartial hearing officer and establishes standards, training, and due process requirements related to those fair hearings.
- 15) **Kids' Plates Funding:** Amends existing requirements related to distribution of funds in the Child Health and Safety Fund that are derived from the *Have a Heart, Help Our Kids* specialized license plate program (Kids' Plates). Specifically, redirects \$501,000 from child abuse and injury prevention programs to support specific Department of Social Services' (DSS) responsibilities related to child day care licensing.
- 16) **Child Welfare Services Automation System:** Requires DSS to use specified funding included in the 2012 Budget Act for the next steps necessary to move forward with the recommendation of the Child Welfare Automation Study Team (CWAST) to proceed toward procuring a new information technology system to replace the existing Child Welfare Services/Case Management System (CWS/CMS). Further, requires the Office of Systems Integration (OSI) and the department to report the results of these activities, in addition to key milestones and anticipated timelines, to the Legislature by March 1, 2013, for review during 2013 budget hearings.

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

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1484
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Mark Ibele
Fiscal:	Yes
Hearing Date:	June 26, 2012

Subject: Budget Act of 2012: Redevelopment

Summary: This bill addresses numerous issues related to the dissolution of redevelopment agencies (RDAs) and related matters necessary for the implementation of the Budget Act of 2012. The bill contains measures necessary to achieve GF solutions of approximately \$3.1 billion in the budget year.

Background: As part of the 2011-12 budget agreement, the Legislature took action to eliminate RDAs in AB 26 X1, Statutes of 2011 (Blumenfeld) and institute a new alternative voluntary redevelopment program in AB 27 X1, Statutes of 2011 (Blumenfeld). By virtue of AB 27X1, RDAs could avoid elimination if the communities that formed them agreed to participate in the alternative voluntary redevelopment program that called for them to remit annual payments to K-12 education. The California Redevelopment Association challenged the constitutionality of both pieces of legislation. After an expedited review, the California Supreme Court released its ruling December 29, 2011, holding that both AB 26 X1 and AB 27 X1 were invalid. As a result, RDAs were dissolved as of February 1, 2012, with their affairs to be resolved by successor agencies (SAs), including the disposal of former RDA assets. Under current law, the elimination of RDAs will result in property tax revenues being used to pay required payments on existing bonds and other obligations, make pass-through payments to local governments, with remaining property tax revenues to be allocated to cities, counties, special districts and school and community college districts. The budget assumes that approximately \$1.7 billion will be received by K-14 education and serve to offset the state's Prop 98 General Fund obligation, with an additional \$1.4 billion to be received from freed-up former RDA cash and cash-equivalent assets during the budget year.

Proposed Law: This bill is the redevelopment trailer bill for the 2012-13 Budget. It clarifies certain matters associated with the dissolution of RDAs and addresses substantive issues related to administrative processes, affordable housing activities, repayment of loans from communities, use of existing bond proceeds, and the disposition or retention of former RDA assets. In addition, the bill includes a variety of measures designed to enhance compliance with current law. The bill contains the following provisions:

- 1. Property Assets, Loans and Bond Proceeds.** The legislation allows SAs that have received a "finding of completion" (FOC) from the Department of Finance (DOF) additional discretion regarding former RDA real property assets, loan repayments to the local government community that formed the RDA (RDA communities) and use of proceeds from bonds issued by the former RDA. The FOC requires that amounts due with respect to cash and cash-equivalent assets, property tax allocations and pass-through payment amounts are paid, as discussed below. The FOC is an indication that all amounts determined to be due from the former RDA or the SA have been paid and satisfied. SAs in receipt of a FOC will be allowed to:

- a. Retain non-governmental physical assets in a separate trust until DOF has approved a long-range property management plan. The plan must be submitted to the oversight board (OB) and DOF no more than six months after the FOC has been issued and be based on an inventory of assets including: purpose of acquisition; legal description; estimate of current value; estimate of derived annual income; environmental history; potential transit-related use; and history of development proposals. The plan must also address the use or disposition of all the properties in the trust, including: retention for future development; sale of property; or use of property to fulfill an enforceable obligation (EO).
 - b. Include as EOs legitimate loans between the former RDA and the RDA community, subject to approval of the OB. Interest on the loan would be calculated at the Local Agency Investment rate, repaid beginning 2013-14 over a reasonable number of years, with repayment limited to amount equal to half the growth over the 2012-13 property tax allocated to local governments. These repayments would be subordinated to loan repayments to the Low and Moderate Income Housing Fund (LMIHF) and subject to a 20 percent set-aside for affordable housing.
 - c. Use certain existing proceeds stemming from bonds issued by the former RDA on or before December 31, 2010 for purposes for which the bonds were sold. If remaining bond proceeds cannot be spent in a manner consistent with the bond covenant, the proceeds would be used to defease the bond.
- 2. **Bond Issuance.** The legislation refines the circumstances under which refunding or other types of refinancing bonds to be issued by the SA would be allowed. These refinements include limitations and restrictions regarding: principal amount of debt; payment acceleration or restructuring; total interest costs; and amount of property taxes pledged as security. The bill states that certain bond issuances may be subject to local government approval or agreements regarding subordination and are subject to OB approval and review by DOF. Under the legislation, SAs may seek a waiver from DOF of the two-year statute of limitations that would generally apply.
- 3. **Housing Successor Assets.** The bill requires that a listing of housing assets be submitted to DOF by August 1, 2012, with such assets to include those transferred between February 1, 2012 and the submission date of the listing. The bill requires that DOF review and object to any asset or transfer, with any objections potentially subject to a meet and confer resolution process. Assets transferred to the housing successor entity are to be used for affordable housing activities, while disallowed assets would go to the SA for disposal or retention pursuant to an approved property management plan. The bill indicates that housing assets includes:
 - a. Real and personal property acquired for low and moderate income housing with any source of funds.
 - b. Funds encumbered by an enforceable obligation to build or acquire low and moderate income housing.
 - c. Loans or grant receivables funded from the LMIHF from homebuyers, homeowners, developers, or other parties.

- d. Funds derived from rents or operation of properties acquired for low and moderate income housing purposes by other parties financed with any source of funds.
 - e. Streams of rents or other payments from low and moderate income housing financed with any source of funds.
 - f. Repayments of loans or deferrals owed to the LMIHF.
 - g. Certain other properties deemed at the OBs discretion to be housing assets, such as mixed use developments that contribute to community value or benefit local governments.
4. **Housing Fund Loans and Bonds.** The bill allows repayment of loans made from the LMIHF, which repayments could begin in 2013-14, but would be limited to one-half of the annual growth over the 2012-13 level in property taxes distributed to local governments. These repayments would take priority over loan repayments to RDA communities (20 percent of those latter loan repayments are to be set aside for affordable housing activities). The housing successor may use certain bond proceeds derived from bonds issued before January 1, 2011, and secured by the LMIHF, for affordable housing projects.
5. **Validation Actions.** Under the legislation, the two-year time limit for validation actions related to findings determinations of a former RDA, redevelopment bonds and similar financings, and various related redevelopment plans and efforts, would be tolled until DOF has issued a FOC. The two-year limit would not apply once the FOC has been issued by DOF.
6. **Assets and Transfers.** The legislation directs the Controller to examine asset transfers that occurred after January 31, 2012. The bill directs each SA to retain a licensed accountant to conduct a due diligence review (DDR), or arrange for an audit by the county-auditor controller, of unobligated cash or cash equivalent balances that would be available for transfer to local governments. The review must include value of assets previously transferred from either the former RDA or the SA and the entity to which such assets were transferred. DOF may adjust amounts available for distribution to local governments and must provide an explanation for any adjustment. The SA may request a meet and confer resolution process for any disputed amounts. The SA is required to transfer determined amounts to the county auditor-controller and report such amounts to DOF. Assets identified for transfer but not transferred could be subject to offset in an amount equivalent to asset value (as discussed further below). The DDR must:
- a. Reconcile assets, balances and liabilities of the SA with amounts previously reported to the Controller.
 - b. Specify total funds, including the LMIHF, identified for distribution to local governments after subtracting restricted amounts and non-cash items.
 - c. Indicate the asset sum available for distribution to local governments.
 - d. Be submitted to the OB, the county auditor-controller and DOF for review.
7. **Property Tax Allocations.** The bill specifies that if the former RDA or SA did not pay property tax or certain pass-through payments due to local governments for the 2011-12

fiscal year, or these amounts were not remitted by the county auditor controller, such amounts will be offset (as discussed further below) through future reductions in property tax allocations, from available SA reserves or other funds, by reductions in sales taxes allocable to the county, or by other means as appropriate. The bill requires the county auditor-controller to provide a report to DOF for each SA regarding the distribution that includes the total funds available for allocation, the pass-through amounts, the amounts distributed to SAs, and the amounts distributed to local governments. The bill makes no changes in the current treatment of pass-through amounts, and expresses the intent that full payment of pass-through amounts are to be made.

- 8. Offsets for Unpaid Amounts.** Under the bill, if amounts due to local governments pursuant to the DDR, prior property tax allocations, and pass-through payments are not remitted, these amounts may be recovered, as appropriate, by actions directed to the entity to which the funds were transferred, the RDA community or the SA. These actions could include an offset of either sales and use tax or property tax allocations, or legal actions against any third party in receipt of the funds. Offsets amounts found to be unwarranted by a court would result in a reimbursement of that amount or a reversal of the offset, and a penalty imposed on the state.
- 9. Successor Agencies.** The bill clarifies that SAs are local public entities separate from the RDA community, and which succeed to the organizational status of the former RDA but without redevelopment powers except those related to and necessary for the payment of EOs. Under the bill, SAs are required to provide an annual post-audit of SA financial transactions, and when all RDA debt is retired, dispose of all assets, end pass-through payments and terminate. For SAs that do not have a FOC from DOF, assets are to be disposed of with proceeds benefiting local governments.
- 10. Oversight Boards.** The bill clarifies OB membership qualifications of the representative of the former employees of the RDA. It provides that OB members are protected by the immunities applicable to public entities and actions are to be taken by resolution. The bill allows OBs to contract for administrative support and specifies that OBs cannot reestablish loan agreements between the SA and community.
- 11. Polanco Act Provisions.** The legislation provides that existing clean-up plans and liability limits authorized under the Polanco Redevelopment Act shall be transferred to the SA and may be transferred to the successor housing entity at the respective entity's request.
- 12. RDA Communities.** The bill would allow RDA communities that elected not to be the SA to opt back in at a later date. It allows RDA communities to grant loans to the SA for certain costs and be repaid out of administrative costs or the property tax increment, upon approval of the OB. In addition, the bill provides that RDA communities may use the land use plans and functions of the RDA, provided that no new project areas or expanded boundaries of project areas are created or increase the amount of obligated property tax results.
- 13. Administrative Costs.** The bill clarifies that the five percent limit on administrative costs is based initially on the property tax allocated for the Recognized Obligation Payment Schedule (ROPS) and allows the OB to reduce this amount upon SA approval. In addition, administrative costs would exclude certain litigation expenses and expenses related to employees costs associated with project specific activities.

14. Enforceable Obligations. The bill allows for required bond reserves to be included as EOs, along with costs associated with collective bargaining agreements for layoffs or terminations, the transfer of employees to the housing successor entity, and repayments of loans from the LMIHF. It also specifies that once funding for an EO is deleted or reduced by DOF, the funding may not be restored except as agreed to through the meet and confer resolution process or pursuant to court order. The bill allows SAs to petition DOF to provide written confirmation that its determination regarding an enforceable obligation is final and conclusive.

15. ROPS Timing and Reporting Issues. The bill provides for certain changes regarding filing and reporting requirements for ROPS, including: allowing SAs to amend the initial Enforceable Obligation Payment Schedule (EOPS) to provide for continued payment of EOs until the ROPS is approved by the OB and DOF; requiring the submission by SAs of each ROPS to the county administrative officer, county auditor-controller, and DOF at the same time it is submitted to the OB; specifying ROPS for the January 1, 2012 through June 30, 2012 period are to include payments made or to be made by the former RDA and SA from January 1 2012 and June 30, 2012; and directing SAs to submit ROPS for the January 1, 2013 through June 30, 2013 period by September 1, 2012, and to submit the OB-approved ROPS for the July 1, 2013 through December 31, 2013 to DOF and county auditor-controller 90 days before the property tax distribution. Under the bill, DOF is provided 45 days to make its determination of the EOs on the ROPS and SAs are given the ability to request additional review and a meet and confer resolution process with five days.

16. Other ROPS Issues. The bill specifies, if an SA that does not submit ROPS by the deadlines, it may be fined or have its administrative cost allowance reduced and DOF may direct the county-auditor controller withhold amounts for payments on EOs. SAs must submit a copy of the ROPS to DOF in a manner provided by DOF. The bill indicates that if DOF reviews and eliminates or modifies any item approved by the OB, DOF shall provide notice to the SA and the county auditor-controller as to the reasons for the action.

17. Severability. The bill states that if any provision of the act is held invalid, the invalidity shall not affect other provisions of the act which can be given effect without the invalid provision. Thus, provisions of the act are severable.

18. Appropriation. The bill appropriates \$22 million from the General Fund for allocation by the Director of Finance, including an amount of up to \$2 million for allocation by the Administrative Office of the Courts to the Superior Court of California, Sacramento. Allocation of funds by the Director of Finance shall be effective no sooner than 30 days following after the director notifies the Joint Legislative Budget Committee.

Fiscal Effect: Provisions of the bill are estimated to ensure the receipt of additional property tax revenues by local governments, \$3.2 billion of which would be received by local school districts and provide corresponding General Fund relief. There would also be receipt of additional funds and assets by local governments beginning in 2013-14, relative to current law.

Support: Unknown

Opposed: Unknown

Comments: The legislation recognizes that the RDA dissolution actions adopted as part of the 2011-12 budget resulted in significant changes in and disruption to local governments'

redevelopment activities. In addition, subsequent court actions and decisions have had unintended impacts on timing of various payments and reporting requirements and the ability of local governments to comply with the new law. The bill also acknowledges that there has been evidence of noncompliance with the law by some entities, particularly with respect to the scheduling of enforceable obligations to be made from property tax revenues and the transfer of former RDA assets. In view of this situation and these events, the legislation is intended to clarify ambiguities, fill in areas of incompleteness, and reconcile various deadlines that have resulted from the 2011 legislation or are due to subsequent legal events. In addition to providing a mechanism for helping to ensure compliance with current law, the bill creates significant opportunities for local governments to be repaid for past financial commitments to redevelopment, complete various projects, and lay out future development plans using the substantial amount of real property and other assets acquired by the former RDA.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1468
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Michelle Baass
Fiscal:	Yes
Hearing Date:	June 26, 2012

Subject: Budget Act of 2012 – Duals Demonstration Project

Summary: This bill implements the Duals Demonstration Pilot Projects. These demonstration projects will achieve \$611.5 million GF savings in 2012-13.

Dual Demonstration Projects:

- Expands, from four to eight, the number of counties in which dual demonstration sites may be established. Current law authorizes the Department of Health Care Services to establish dual demonstration projects in up to four counties to enable dual beneficiaries, who are eligible for both Medicare and Medicaid services, to receive a continuum of services that maximizes coordination of benefits between Medicare and Medicaid programs.
- Provides that implementation of the demonstration project in up to eight counties may not begin sooner than March 1, 2013. Requires that the department director consult with the Legislature, federal government, and stakeholders when determining the implementation date.
- States legislative intent for the demonstration project to expand statewide within three years of the start of the demonstration project. Requires that expansion beyond the initial eight counties is contingent upon statutory authorization and a subsequent budget appropriation.
- Includes additional goals for the demonstration project:
 - Coordinate access to necessary and appropriate behavioral health services, including mental health and substance use disorders services.
 - Improve the quality of care for dual eligible beneficiaries.
 - Promote a system that is both sustainable and person- and family-centered by providing dual eligible beneficiaries with timely access to appropriate, coordinated health care services and community resources that enable them to attain or maintain personal health goals.
- Requires the department to enter into a memorandum of understanding with the federal government in developing the process for selecting, financing, monitoring, and evaluating the models for the demonstration project. Requires the completed memorandum of understanding to be provided to the Legislature and posted on the department's Internet Web site.

- Requires dual beneficiaries to be enrolled into a demonstration site unless the beneficiary makes an affirmative choice to opt out of enrollment or is enrolled in the Program of All-Inclusive Care for the Elderly (PACE) or an AIDS Healthcare Foundation (AHF) plan, as specified.
- Allows beneficiaries who meet the requirements for PACE or AHF to select either of these managed care health plans for their Medicare and Medi-Cal benefits if one is available in that county. Requires that in areas where a PACE plan is available, the PACE plan shall be presented as an enrollment option, included in all enrollment materials, enrollment assistance programs, and outreach programs related to the demonstration project, and made available to beneficiaries whenever enrollment choices and options are presented.
- Requires that dual beneficiaries who opt out of enrollment into a demonstration site may choose to remain enrolled in fee-for-service Medicare or a Medicare Advantage plan for their Medicare benefits, but shall be mandatorily enrolled into a Medi-Cal managed care health plan, with exceptions.
- Allows, to the extent federal approval is obtained, the department to require that any beneficiary, upon enrollment in a demonstration site, to remain enrolled in the Medicare portion of the demonstration project on a mandatory basis for six months from the date of initial enrollment. Includes criteria for which a beneficiary may continue receiving services from an out-of-network Medicare provider for primary and specialty care services. Requires the department to develop a process to inform providers and beneficiaries of the availability of continuity of services from an existing provider and ensure that the beneficiary continues to receive services without interruption.
- Provides the following exemptions from enrollment in the dual demonstration project:
 - The beneficiary has a prior diagnosis of end-stage renal disease. The exemption does not apply to beneficiaries diagnosed with end-stage renal disease subsequent to enrollment in the demonstration project.
 - The beneficiary has other health coverage, as specified.
 - The beneficiary is enrolled in a home- and community-based waiver, as specified, except for persons enrolled in Community-Based Adult Services or Multipurpose Senior Services Program services.
 - The beneficiary is receiving services through a regional center or state developmental center.
 - The beneficiary resides in a geographic area or Zip Code not included in managed care.
 - The beneficiary resides in one of the Veterans' Homes of California.
- Allows beneficiaries who have been diagnosed with HIV/AIDS to opt out of the demonstration project at the beginning of any month.

- Requires that for the 2013 calendar year, the department shall offer federal “Medicare Improvements for Patient and Providers Act of 2008” compliant contracts to existing Medicare Advantage Special Needs Plans (D-SNP plans) to continue to provide Medicare benefits to their enrollees in their service areas as approved on January 1, 2012. Requires that in the 2013 calendar year, beneficiaries in Medicare Advantage and D-SNP plans shall be exempt from mandatory enrollment in the demonstration project, but may voluntarily choose to enroll in the demonstration project.
- Requires that for the 2013 calendar year, demonstration sites shall not offer to enroll dual beneficiaries eligible for the demonstration project into the demonstration site’s D-SNP.
- Requires that the department shall not terminate contracts in a demonstration site with AHF or PACE, except as provided in the contract or pursuant to state or federal law.
- Requires that to the extent permitted under the demonstration, demonstration sites shall pay noncontracted hospitals prevailing Medicare fee-for-service rates for traditionally Medicare covered benefits and prevailing Medi-Cal fee-for-service rates for traditionally Medi-Cal covered benefits.
- Requires the department, in consultation with the hospital industry, to seek federal approval to ensure that Medicare supplemental payments for direct graduate medical education and Medicare add-on payments, including indirect medical education and disproportionate share hospital adjustments continue to be made available to hospitals for services provided under the demonstration. Requires the department to seek federal approval to continue these payments either outside the capitation rates or, if contained within the capitation rates, and to the extent permitted under the demonstration requiring demonstration sites to provide this reimbursement to hospitals.
- Requires that to the extent allowed under the demonstration, the default rate for non-contracting providers of physician services shall be the prevailing Medicare fee schedule for services covered by the Medicare program and the prevailing Medi-Cal fee schedule for services covered by the Medi-Cal program.
- Includes requirements for payments to nursing facility services.
- Requires the department 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.
- Requires the department to report to the Legislature on the enrollment status, quality measures, and state costs related to the demonstration.

- Requires the department to develop, in consultation with the federal government and stakeholders, quality and fiscal measures for health plans. Requires the department to require health plans to submit Medicare and Medi-Cal data to determine the results of these measures. Requires the department to publish the results of these measures, including via posting on the department's Internet Web site, on a quarterly basis.

Enrollment of Dual Beneficiaries into Medi-Cal Managed Care:

- Requires that Medi-Cal beneficiaries who have dual eligibility in Medi-Cal and the Medicare Program be assigned as mandatory enrollees into new or existing Medi-Cal managed care health plans for their Medi-Cal benefits in counties participating in the dual demonstration projects only.
- Exempts dual beneficiaries from mandatory enrollment in a managed care if the dual beneficiary:
 - Has other health coverage, except in counties with county organized health systems.
 - Receives services through a foster care program.
 - Is under 21 years of age.
 - Is enrolled in a home- and community-based waiver, as specified, except for persons enrolled in Community-Based Adult Services, Multipurpose Senior Services Program services, or a Section 1915(c) waiver for persons with developmental disabilities.
 - Is not eligible for enrollment in managed care plans for medically necessary reasons determined by the department.
 - Resides in one of the Veterans Homes of California.
 - Is enrolled in PACE or AHF.
- Allows a beneficiary who has been diagnosed with HIV/AIDS from opting out of managed care enrollment at the beginning of any month.
- Requires that to the extent that mandatory enrollment is required by the department, an enrollee's access to fee-for-service Medi-Cal shall not be terminated until the enrollee has selected or been assigned to a managed care health plan.
- Requires the department to suspend new enrollment of dual beneficiaries into a managed care plan if it determines that the managed care plan does not have sufficient primary or specialty care providers and long-term service and supports to meet the needs of its enrollees.
- Allows the department to implement an intergovernmental transfer arrangement with a public entity that elects to transfer public funds to the state to be used solely as the nonfederal share of Medi-Cal payments to managed care plans for the provision of services to dual beneficiaries.

- Requires that a managed care plan that contracts with the department for the provision of services shall ensure that beneficiaries have access to the same categories of licensed providers that are available under Medicare fee for service. Provides that nothing shall prevent a managed care plan from contracting with selected providers within a category of licensure.

Long-Term Services and Supports (LTSS) Integration:

- Requires that, no sooner than March 1, 2013, all Medi-Cal LTSS services, as defined, shall be services that are covered under managed care plan contracts and shall be available only through managed care plans to beneficiaries residing in counties participating in the dual demonstration counties only.
- Defines LTSS services to include In-Home Supportive Services (IHSS), Community-Based Adult Services (CBAS), Multipurpose Senior Services Program (MSSP), and skilled nursing facility services.
- Defines “home- and community-based services (HCBS) benefits” that may be covered services that are provided under managed care plan contracts for beneficiaries residing in counties participating in the dual demonstration counties.
- Requires that beneficiaries who are not mandatorily enrolled in managed care pursuant to current law exemptions or specified new exemptions are not required to receive LTSS, other than CBAS, through a managed care plan.
- Exempts beneficiaries from receiving LTSS services through managed care plans who meet the following:
 - Has other health coverage, except in counties with county organized health systems.
 - Receives services through a foster care program.
 - Is under 21 years of age.
 - Is enrolled in a home- and community-based waiver, as specified, except for persons enrolled in Community-Based Adult Services, Multipurpose Senior Services Program services, or a Section 1915(c) waiver for persons with developmental disabilities.
 - Is not eligible for enrollment in managed care plans for medically necessary reasons determined by the department.
 - Resides in one of the Veterans Homes of California.
 - Is enrolled in PACE or AHF.
- Allows the department to exempt other categories of beneficiaries based on extraordinary medical needs of specific patient groups or to meet federal requirements, in consultation with stakeholders.
- Allows beneficiaries who have been diagnosed with HIV/AIDS to opt out of managed care enrollment at the beginning of any month.

- Requires that no sooner than July 1, 2012, CBAS shall be a Medi-Cal benefit covered under every managed care plan contract and available only through managed care plans. This provision applies to all counties, except in counties where Medi-Cal benefits are not covered through managed care plans.
- Requires that effective January 1, 2015, or 19 months after the commencement of beneficiary enrollment in the dual demonstration project, or on the date that any necessary federal approvals or waivers are obtained, whichever is later, MSSP services in counties where the dual demonstration project is implemented shall transition from a federal waiver to a benefit administered by managed care plans. Includes various program requirements regarding the transition.
- Requires that no sooner than March 1, 2013, or on the date that any necessary federal approvals or waivers are obtained, whichever is later, nursing facility services and subacute facility services shall be Medi-Cal benefits available only through managed care plans in counties participating in the dual demonstration project.
- Allows the department director, after consulting with the Director of Finance, stakeholders, and the Legislature, to retain discretion to forgo provisions of LTSS services integration into managed care if and to the extent the director determines that the quality of care for managed care beneficiaries, efficiency, or cost-effectiveness of the program would be jeopardized.
- Requires the department 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.
- Requires the department to report to the Legislature on enrollment status, quality measures, and state costs.
- Requires the department to develop, in consultation with the federal government and stakeholders, quality and fiscal measures for health plans. Requires the department to require health plans to submit Medicare and Medi-Cal data to determine the results of these measures. Requires the department to publish the results of these measures, including via posting on the department's Internet Web site, on a quarterly basis.

Readiness Requirements:

- Requires that before the department contracts with managed care plans or Medi-Cal providers to furnish Medi-Cal benefits and services under the dual demonstration project, mandatory enrollment of dual beneficiaries into Medi-Cal managed care, and LTSS integration, the department shall do all of the following:
 - Ensure timely and appropriate communications with beneficiaries

- Require that managed care plans perform an assessment process
 - Ensure that managed care plans arrange for primary care
 - Ensure that managed care plans perform care coordination and care management activities
 - Ensure that managed care plans comply with network adequacy requirements
 - Ensure that managed care plans address medical and social needs
 - Ensure that managed care plans provide a grievance and appeal process
 - Monitor managed care plans' performance and accountability for provision of services
 - Develop requirements for managed care plans to solicit stakeholder and member participation in advisory groups for the planning and development activities relating to the provision of services for dual beneficiaries
- Requires the department to submit, to the Legislature within specified timelines, the following:
 - Copy of any report submitted to the federal government, as specified.
 - A transition plan developed together with the Department of Social Services, Department of Aging, Department of Managed Health Care, in consultation with stakeholders.
 - Report on the readiness of managed care plans based on specified readiness evaluation criteria.

Medical Exemption Review:

- Requires the department to provide notice to the requesting provider and any person in the Medi-Cal program who is a senior or a person with a disability when a request for a medical exemption from mandatory enrollment into a Medi-Cal managed care plan is denied and requires plans to maintain a dedicated liaison to coordinate continuity of care.

Other Provisions:

- Revises the rate methodology for AHF plans.
- Authorizes the department director to defer payments to Medi-Cal managed care plans contracting with the department, as specified, which are payable to the plans during the final month of the 2012-13 state fiscal year.
- Requires that in the event the department has not received, by February 1, 2013, federal approval, or notification indicating pending approval, of a mutual ratesetting 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.

- Requires that the bill become operative only if AB 1496 or SB 1036 of the 2011-12 Regular Session of the Legislature is enacted and takes effect.

Fiscal Effect:

Duals Demonstration Projects/Coordinated Care Savings (dollars in millions)

	General Fund
Medicare Shared Savings	-\$12.3
Long-Term Supports and Services Integration	111.6
Defer Managed Care Payment	-635.5
Delay Check-write	-75.2
Total	-\$611.5

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1496
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Jennifer Troia
Fiscal:	Yes
Hearing Date:	June 26, 2012

Subject: Budget Act of 2012: Coordinated Care Initiative: Human Services

Summary: Contains necessary statutory and technical changes to implement the human services provisions related to the Integration of Home and Community Based and Long-Term Care Services, including In-Home Supportive Services (IHSS), into Medi-Cal Managed Care, as specified, in the Budget Act of 2012.

Background: IHSS is a county-administered program through which low-income individuals who are aged, blind, or disabled can receive personal care and domestic services that allow them to remain safely in their own homes and avoid institutionalization. IHSS services include tasks like feeding, bathing, bowel and bladder care, meal preparation and clean-up, laundry, and paramedical care. These services frequently help program recipients to avoid or delay more expensive and less desirable institutional care settings. There are currently around 440,000 recipients of IHSS statewide, and as of the end of 2011, there were approximately 366,000 IHSS providers.

County social workers currently determine eligibility for IHSS after conducting a standardized in-home assessment, and periodic reassessments, of an individual's ability to perform specified activities of daily living. Once eligible, recipients are responsible for hiring, firing, directing and supervising their own IHSS provider or providers. The counties or public authorities must conduct a criminal background check and provide an orientation before a provider can receive payment. Local public authorities are designated as "employers of record" for collective bargaining purposes, while the state administers payroll, workers' compensation, and benefits. In approximately 72 percent of cases, IHSS recipients choose a family member to provide care (including roughly 45 percent of providers who are a spouse, child, or parent of the recipient). IHSS is funded with federal, state, and county resources. The state and counties split the non-federal share of IHSS funding at 65 and 35 percent, respectively. The average annual cost of services per IHSS client is estimated at \$11,420 for 2012-13.

Proposed Law

This bill would make the following changes, as specified:

- No sooner than March 1, 2013, establishes IHSS as a Medi-Cal Managed Care plan benefit in counties participating in the Duals Demonstration Project (as specified in another budget trailer bill contained in AB 1468/SB 1008) with a goal of maximizing access to, and coordination of, long-term services and supports, including IHSS.
- Protects the rights of IHSS recipients to hire, fire, direct, schedule and supervise their own IHSS provider(s) and control their own care in accordance with existing law.

- Authorizes the creation of care coordination teams, with a recipient's consent, to coordinate individual care plan development.
- Makes the Individual Provider mode of delivering IHSS accessible to consumers in all managed care health plans in each participating county.
- Requires the Department of Social Services (DSS) and the Department of Health Care Services (DHCS), in consultation with IHSS recipients and other stakeholders, to develop a voluntary training curriculum for IHSS providers, while maintaining the recipients' rights to train their own providers.
- Authorizes DHCS, DSS, and the Department of Aging to establish a stakeholder workgroup to develop a universal assessment process for specified home- and community-based services, including IHSS. Further, allows health plans and providers to test the use of this tool in two to four counties, no sooner than January 1, 2015.
- Establishes a required county Maintenance of Effort (MOE) level of funding for IHSS, with specified adjustments in future years, in order to stabilize the county share of cost for the program.
- Requires managed care plans to enter into Memorandums of Understanding (MOUs) with counties so that counties can continue their current functions with respect to eligibility assessments and final determinations of authorized IHSS hours, while also allowing health plans to authorize additional home- and community-based services hours.
- Allows counties to continue to contract with non-profit consortiums and local public authorities to carry out current IHSS operations and functions, including the provision of training to IHSS providers and of registry services to assist consumers in finding providers.
- As IHSS comes on-line as a managed care benefit, establishes an IHSS Statewide Authority for purposes of collective bargaining.
- Gives discretion to the Director of the Department of Health Care Services to make these provisions inoperative based on specified criteria.
- Makes the provisions of this bill contingent on enactment of AB 1468 (SB 1008), the health budget trailer bill that proposes to implement the Duals Demonstration Project through Coordinated Care.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1499
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Brady Van Engelen
Fiscal:	Yes
Hearing Date:	June 26, 2012

Subject: Elections.

Summary: This bill establishes the order in which bond measures and constitutional amendments that are proposed by initiative shall appear on ballots. Specifically, this bill:

- 1) Establishes that bonds measures, including those proposed by initiative, shall appear first on ballots in the order in which they qualify.
- 2) Establishes that constitutional amendments, including those proposed by initiative, shall appear on ballots after bond measures, in the order in which they qualify.
- 3) Establishes that legislative measures and other initiative measures shall appear after bond measures and constitutional amendments, including those proposed by initiative.

Fiscal Effect: This bill would have minimal fiscal impact for the Secretary of State.

Comments: This bill is a trailer bill relating to the 2012 Budget Act. The bill clarifies the order in which bond measures and constitutional amendments that are proposed by initiative shall appear on ballots.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1502
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Kris Kuzmich
Fiscal:	Yes
Hearing Date:	June 26, 2012

Subject: Budget Act of 2012: (1) UC and CSU Systemwide Tuition and Fee Levels and (2) Contributions to the University of California Retirement Plan.

Summary: This bill would: (1) contingent on certain conditions maintain UC and CSU mandatory systemwide tuition and fees at 2011-12 levels in 2012-13; and (2) provide additional funding in 2012-13 to address a portion of the UC's and Hastings' employer pension contribution costs for the University of California Retirement Plan (UCRP).

Background: The governing boards of UC and CSU have formal authority to set student tuition and fees for their respective systems. Each university system collects tuition and fees from its students. These revenues help to support the universities' general support costs. The other main source of funding for postsecondary education costs is the state General Fund. For example, mandatory systemwide undergraduate tuition and fee levels for resident undergraduates is \$12,192 at UC and \$5,472 at CSU. The CSU Board of Trustees acted in late 2011 to adopt a 9.1 percent tuition and fee increase effective fall 2012. The University of California Board of Regents has not increased tuition and fee levels for the 2012-13 academic year.

UC and Hastings employees are members of the University of California Retirement Plan (UCRP). This plan is separate from CalPERS and under the control of UC; UC not only controls its pension costs but also sets benefits levels for its employees. Prior to 1990, the state adjusted UC's GF appropriation to reflect increases and decreases in the employer's share of retirement contributions for state-funded UC employees. Starting in 1990, UC halted both employer and employee contributions because the plan had become super-funded. This funding holiday lasted nearly 20 years until the plan's assets had declined considerably and contributions became necessary. In April 2010, both UC and its employees resumed contributions. Through 2011-12, the state has not provided UC with any funding specifically for that purpose. UC projects that annual total state costs would peak at about \$450 million GF. The Budget Act of 2012 includes an augmentation of \$52 million, with \$51.5 million and \$500,000 of that total for UC and Hastings, respectively, for employer contributions to UCRP for state GF and tuition-funded employees. This was the funding level proposed by the Governor at the May Revision.

Proposed Law: This bill includes the following provisions:

1. For 2013-14, appropriates \$125 million each to UC and CSU contingent on the following conditions: (a) the Schools and Local Public Safety Protection Act of 2012 is approved by the voters and (b) if UC and CSU maintain their respective 2011-12 mandatory systemwide tuition and fee levels in the 2012-13 academic year.
2. For 2012-13, appropriates an additional \$38 million, split proportionally between UC and Hastings, to address a portion of UC's and Hastings' employer pension cost increases that are attributable to state GF and tuition-funded employees. Of the total amount, UC will receive \$37.6 million and Hastings will receive \$365,000. This bill links the funding to

existing provisional budget bill language in UC's and Hastings' main budget items tying the funds specifically to contributions to UCRP for state GF and tuition-funded employees and 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.

Fiscal Effect: This bill increases GF expenditures in 2012-13 by \$38 million.

Support: Unknown

Opposed: Unknown