

# Budget Overview

## **DEFINITION OF THE OVERALL BUDGET PROBLEM:**

The Governor defines the General Fund budget shortfall as \$9.2 billion through the period ending June 30, 2013. Of this budget shortfall, \$4.1 billion is attributed to 2011-12, and \$5.1 billion is attributed to 2012-13. The budget includes a total of \$10.3 billion in cuts and revenues to balance and build a \$1.1 billion reserve. The Governor's budget assumes revised expenditures in the current year of \$86.5 billion General Fund and projects expenditures of \$92.6 billion General Fund in 2012-13. To provide some context, state budget expenditures peaked in 2007-08 with expenditures of about \$103 billion General Fund.

The budget shortfall in the current year is a result of several factors. Specifically, court orders and delayed federal approval have increased costs in the health and human services area by nearly \$2 billion. Furthermore, final revenues from the 2010-11 fiscal year came in significantly lower than anticipated in June 2011 to account for an additional \$1.9 billion in erosions. Lower state revenues also contributed to the current year shortfall, but were partially offset by lower costs for Proposition 98 and the implementation of "trigger" spending reductions in the current fiscal year. The elimination of redevelopment agencies, which is the outcome of a recent action by the California Supreme Court, will also result in less General Fund savings in the current fiscal year, but more revenue in future years.

**OVERVIEW OF GOVERNOR'S BUDGET PROPOSAL:**

The Governor's budget proposal includes \$94.3 billion in General Fund resources available and \$92.6 billion in total General Fund expenditures, providing for a \$1.1 billion reserve. The expenditures in 2012-13 are proposed to be about \$6 billion more than revised 2011-12 expenditures. This is mainly a result of additional revenues for K-12 education (\$4 billion) primarily from the Governor's proposed Constitutional amendment to raise taxes temporarily and the repayment of the Proposition 1A bonds (\$2 billion) issued to repay local government for property tax borrowed to balance the budget in 2009-10. The General Fund budget details are summarized in the table below.

<b>2012-13 General Fund Summary (Dollars in Millions)</b>		
	<b>Revised <u>2011-12</u></b>	<b>Proposed <u>2012-13</u></b>
<b>PRIOR YEAR BALANCE</b>	<b>-\$3,079</b>	<b>-\$985</b>
Revenues and transfers	88,606	95,389
<b>TOTAL RESOURCES AVAILABLE</b>	<b>\$85,527</b>	<b>\$94,404</b>
Non-Proposition 98 Expenditures	\$53,883	\$55,035
Proposition 98 Expenditures	<u>32,629</u>	<u>37,518</u>
<b>TOTAL EXPENDITURES</b>	<b>\$86,512</b>	<b>\$92,553</b>
<b>FUND BALANCE</b>	<b>-\$985</b>	<b>\$1,851</b>
Encumbrances	\$719	\$719
Special Fund for Economic Uncertainties	-\$1,704	\$1,132
<b>BUDGET STABILIZATION ACCOUNT (BSA)</b>	<b>--</b>	<b>--</b>
<b>TOTAL AVAILABLE RESERVE</b>	<b>-\$1,704</b>	<b>\$1,132</b>

**CURRENT-YEAR BUDGET UPDATE AND THE 2011 TRIGGER:**

The Legislature passed and the Governor signed the 2011 Budget Act in June 2011. The current-year budget made major strides in reducing the out-year structural deficit from \$20 billion to about \$5 billion. The Governor failed to gain two-thirds legislative support for his original balanced plan for voter-approved taxes and spending cuts. Instead, the enacted budget relied primarily on major cuts in most areas of the budget. At the time of enactment, the cuts totaled \$15 billion, bringing GF expenditures down to a level of \$85.9 billion against revenues of \$88.5 billion. As a share of the economy, this brought General Fund spending to its lowest level since 1972-73.

Part of the 2011-12 budget solution was recognition of unexpected revenue gains at the end of the 2010-11 fiscal year, and a revised revenue forecast that continued this positive trend by adding \$4 billion in additional revenue to the 2011-12 forecast. Due to increased risk in the resulting revenue forecast, budget “triggers” were added to reduce spending by an additional amount of up to \$2.5 billion if revenues fell below expectations. The final trigger determination was outlined in a December 13, 2011 letter from the Director of Finance – revenues were projected to exceed the May Revision level, but by \$1.8 billion instead of the prior estimate of \$4 billion. Due to the partial revenue gain, the trigger reduction level was \$980 million instead of \$2.5 billion – so an additional trigger cut of \$1.5 billion to K-12 schools was avoided, as detailed below:

**2011-12 Trigger Cuts**

<b>Program/Area Reduced</b>	<b>Cut Amount (in millions)</b>
K-12 Schools – primarily home-to-school transportation	\$328
University of California and California State Universities	\$200
California Community Colleges	\$102
In-Home Supportive Services program	\$101
Department of Developmental Services	\$100
Department of Corrections and Rehabilitation (CDCR), including \$68 million in increased county charges for youthful offenders	\$88
Childcare funding	\$23
Local Library Grants	\$16
Local Vertical Prosecution Grants	\$15
Medi-Cal, extending the 2011 cuts to all managed care plans	\$9
<b>TOTAL</b>	<b>\$981</b>

Accounting for the revised revenues and expenditures – including trigger cuts – as well as other baseline updates, the Governor’s revised 2011-12 cut level is \$16 billion, with revenues of \$86.2 billion, and expenditures of \$86.6 billion. Due to a carry-over deficit from 2010-11, and other adjustments for litigation and court action, the Governor estimates the state will end 2011-12 with a deficit of \$4.1 billion.

**PROPOSED EXPENDITURES BY PROGRAM AREA:**

The table below summarizes the Governor's proposed expenditures by program area. The largest change in expenditure by program area is in K-12 education where the Governor proposes \$4 billion in additional expenditures to fully fund the Proposition 98 guarantee level driven by additional revenues raised in the Governor's proposed Constitutional amendment. The Governor's budget also includes \$2 billion to repay Proposition 1A debt borrowed to repay local governments for property tax borrowed in 2009-10.

**General Fund Expenditures  
(Dollars in Millions)**

<b>Program Area</b>	<b>Revised 2011-12</b>	<b>Proposed 2012-13</b>	<b>Change</b>	<b>% Change</b>
K-12 Education	\$34,162	\$38,179	\$4,017	11.8%
Higher Education	\$9,821	\$9,377	-\$444	-4.5%
Health and Human Services	\$26,668	\$26,414	-\$254	-1.0%
Corrections and Rehabilitation*	\$9,039	\$8,744	-\$295	-3.3%
Business, Transportation and Housing	\$679	\$558	-\$121	-17.8%
Natural Resources	\$1,935	\$1,896	-\$39	-2.0%
Environmental Protection	\$51	\$47	-\$4	-7.8%
State and Consumer Services	\$619	\$689	\$70	11.3%
Labor and Workforce Development	\$354	\$448	\$94	26.6%
General Government				
Non-Agency Departments	\$450	\$514	\$64	14.2%
Tax Relief / Local Government	\$544	\$2,534	\$1,990	365.8%
Statewide Expenditures	\$840	\$553	-\$287	-34.2%
Legislative, Judicial and Executive	\$2,540	\$2,600	\$60	2.4%
<i>Total</i>	<b>\$86,512</b>	<b>\$92,553</b>	<b>\$6,041</b>	<b>7.0%</b>

\*The revised 2011-12 figure is adjusted for a one-time technical reimbursement related to the 2011 Public Safety Realignment.

**PROPOSED BUDGET SOLUTIONS:**

The Governor has proposed budget solutions that total approximately \$10.3 billion over the two-year period ending with June 30, 2013. The budget balancing proposals are shared between expenditure reductions (\$4.2 billion), temporary taxes (\$4.4 billion), and other solutions (\$1.6 billion). Most of the expenditure solutions are permanent and if adopted would not only address the current budget problem but would also help to address the out-year operating deficits. Most of the revenue solutions are temporary and expire after five years. The table below summarizes the different categories of solutions included in the Governor's budget.

**Proposed Budget Solutions  
By Category  
2012-13  
(Dollars in Millions)**

Category	2012-13
Expenditure Reductions	\$4,216
Revenues	4,651
Other	1,432
<b>Total</b>	<b>\$10,299</b>

## Expenditure Reductions

Expenditure reductions represent about 41 percent of the overall budget solutions at \$4.2 billion. General Fund expenditure reductions are discussed in more detail later in this summary, but the following are some of the most significant proposals:

- \$946 million reduction to the California Work Opportunities and Responsibility to Kids Program (CalWORKS), including a significant redesign of the program.
- \$842 million in cuts to the Medi-Cal program mainly from a proposal to enroll more seniors and disabled Medi-Cal recipients in managed care and a one-time payment deferral.
- \$163 million in cuts to the In-Home Supportive Services program.
- \$544 million from K-14 education by applying a consistent approach to accounting for the various programmatic adjustments made to the Proposition 98 guarantee over the last several years.
- \$447 million in child care reductions.
- \$301 million in Cal-Grant program reductions.
- \$828 million in savings from suspension or repeal of state mandates on local governments.

## Revenues – Constitutional Amendment – New Trigger Cuts

Revenues make up approximately 45 percent of the overall solution. Nearly all of the revenues are from the assumed passage of revenues contained in the Governor's Constitutional Amendment that is currently being circulated for signatures. The voter initiative would raise \$6.9 billion in revenues through 2012-13 and the temporary taxes would expire in five years. The additional revenues raised by the initiative would increase the calculation of the Proposition 98 guarantee by \$2.5 billion. Therefore, net of the impacts on the Proposition 98 guarantee, revenues would provide \$4.4 billion in budget solution. The Constitutional Amendment would temporarily raise the following taxes for five years:

- **Temporary Personal Income Tax Rates on Highest Income Californians.** The Governor's initiative would add three additional tax brackets. For single filers with income between \$250,000 and \$300,000 and joint filers with income between \$500,000 and \$600,000 an additional 1 percent would be applied to income above \$250,000 and \$500,000, respectively. Income between \$300,000 and \$500,000 for single filers and income between \$600,000 and \$1,000,000 for joint filers would be assessed an additional 1.5 percent. Finally, income over \$500,000 for single filers and income over \$1,000,000 for joint filers would be assessed an additional 2 percent. These changes are expected to raise \$5.8 billion in revenues in the current and budget years combined.
- **Temporary Sales Tax Rate Increase of 0.5 percent.** The Governor's initiative would also temporarily raise the sales tax rate by 0.5 percent. This portion of the initiative is expected to generate \$1.2 billion in additional revenues in the budget year.

The temporary taxes listed above are necessary to prevent deeper cuts to schools, protect local public safety funding, and assist in balancing the budget. The revenues will allow the state to invest in higher education and to pay off the \$33 billion in outstanding budgetary borrowing and deferrals by 2015-16. However, because the voters will not make the ultimate decision until after the budget is approved a backup plan is needed to finance the budget if the revenues are not passed by the voters.

**New Trigger Cuts if Ballot Measure Fails.** The Governor has put forward a plan that specifies \$5.4 billion in trigger cuts affecting education and public safety. The ballot trigger cuts, summarized below, would go into effect on January 1, 2013:

**2012-13 Trigger Cuts**

<b>Program/Area Reduced</b>	<b>Cut Amount (in millions)</b>
<b>K-14 Schools</b> - funding for schools and community colleges would be reduced by \$4.8 billion, which could result in a funding decrease that is equivalent to the cost of three weeks of instruction. It would also continue to provide 20 percent of program funds a year in arrears.	\$4,837
<b>University of California and California State Universities.</b>	\$400
<b>Courts</b> - the cut could result in closures three days per month.	\$125
<b>Department of Forestry and Fire Protection</b> - the emergency air response program would be reduced and fire stations would be closed.	\$15
<b>Department of Water Resources</b> - cuts to the flood control program.	\$7
<b>Parks and Recreation / Fish and Game</b> - the number of the State's public safety officers in each department would be reduced and the state would no longer staff its beaches with lifeguards.	\$6
<b>Department of Justice.</b>	\$1
<b>TOTAL</b>	<b>\$5,390</b>

**Other Solutions**

The final category of “other” budget solutions total \$1.4 billion or 14 percent of the overall solution. The following are the most significant proposals:

- \$631 million from extending loan repayments to various special funds borrowed in previous budget years.
- \$417 million from using a loan from the Unemployment Compensation Disability Fund to make interest payments to the federal government for Unemployment Insurance (UI) benefits. A new employer surcharge would generate revenue to pay future interest payments and the borrowed funds from the Disability Fund.
- \$350 million from additional weight fee revenues.

# Public Safety Realignment

## BACKGROUND:

**The final budget package of 2011 included a major realignment of funding and public safety programs from the State to local governments.** The final realignment package dedicated \$5.5 billion in existing state revenues to fully fund the public safety realignment. The funding included in the final budget package to support realignment is as follows:

- Redefines 1.06 percent of the existing state sales tax as a local revenue to support \$5.1 billion in public safety programs.
- Redirects vehicle license fee (VLF) revenues from the following sources to support public safety programs: (1) \$300 million from the Department of Motor Vehicles; (2) \$106 million from cities; and (3) \$48 million from Orange County

The public safety programs realigned include an array of programs. Most of the programs realigned were already managed and run by the counties with state funds (for example, Child Welfare Services). However, Chapter 15, Statutes of 2011 (commonly referred to as AB 109), did make changes that will move approximately 30,000 nonviolent, non-serious, non-sex offenders that would have been handled by the state prison system to local corrections systems. This change will require expansion of the local public safety system to accommodate these offenders that are no longer being sent to state prison. This bill also gave counties authority over the post-custody supervision for certain offenders after their release from state prison.

The public safety programs realigned, and the funding allocated to each program, are listed on the next page.

**Public safety realignment ultimately will enable the State to save \$1.5 billion in state prison costs when fully implemented.** Furthermore, realignment will enable the state to meet the order set out by the 2011 U.S. Supreme Court decision that affirmed the lower court's decision to require the reduction of overcrowding in the state prison system. The State has two years to reduce the prison population by over 30,000 inmates. Realignment will allow the state to accomplish this reduction in a way that improves public safety by providing additional funding for local support services, rehabilitation programs, and law enforcement that enhance the safety of communities.

**Realignment can produce better program outcomes and save money to the extent that counties are given flexibility to fine-tune programs to meet specific local needs and priorities.** Realignment should also result in additional savings to state operations related to these realigned programs as the state fine tunes and in some cases minimizes its role in implementing services being managed by the counties.

**Realignment Funding (Dollars in Millions) – Updated January 2012 Budget Plan**

<b>Program</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Vehicle License Fee Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction of Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	957.0	0.0	0.0	0.0
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	0.0	0.0	0.0
Mental Health Services				
EPSDT	0.0	544.0	544.0	544.0
Mental Health Managed Care	0.0	188.8	188.8	188.8
Existing Community Mental Health Programs	1,104.8	1,164.4	1,164.4	1,164.4
Substance Abuse Treatment	179.7	179.7	179.7	179.7
Foster Care and Child Welfare Services	1,562.1	1,562.1	1,562.1	1,562.1
Adult Protective Services	54.6	54.6	54.6	54.6
Existing Juvenile Justice Realignment	95.0	98.8	100.4	101.3
Program Cost Growth*	0.0	180.1	443.6	988.8
<b>Total</b>	<b>\$5,569.1</b>	<b>\$5,816.3</b>	<b>\$6,239.9</b>	<b>\$6,719.9</b>
<b>VLF Funds Available</b>	<b>\$462.1</b>	<b>\$496.3</b>	<b>\$491.9</b>	<b>\$491.9</b>
<b>1.0625% Sales Tax</b>	<b>\$5,107.0</b>	<b>\$5,320.0</b>	<b>\$5,748.0</b>	<b>\$6,228.0</b>

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

**GOVERNOR'S 2012-13 BUDGET PROPOSAL:**

**Governor Proposes Constitutional Protection for 2011 Realignment.** The Constitutional amendment proposed by the Governor contains Constitutional protection for the revenue dedicated to 2011 Realignment. This initiative will protect local governments against future costs imposed upon them, as well as provide mandate protection for the state.

**Governor Proposes Ongoing Funding Structure for 2011 Realignment.** Although the revenue stream for the 2011 realignment enacted last year is ongoing, the program allocations were for the 2011-12 fiscal year only. The Governor, in consultation with the California State Association of Counties (CSAC), has proposed a permanent funding structure for 2011 Realignment for both the base and growth funding. The funding structure was designed with the overall goal of providing a known, reliable, and stable funding source for the programs realigned. The structure would establish the following two accounts in the County Local Revenue Fund: (1) Support Services Account and (2) Law Enforcement Services Account.

The Support Services Account will contain two Subaccounts:

- Protective Services Subaccount will contain funding for Foster Care; Child Welfare Services; Adoptions; Adoptions Assistance Program; Child Abuse Prevention, Intervention, and Treatment; and Adult Protective Services.
- Behavioral Health Subaccount will contain funding for Drug Medi-Cal; Drug Courts; Perinatal Drug Services; Non-Drug Medi-Cal Services; Mental Health Managed Care; and Early and Periodic Screening, Diagnosis, and Treatment.

The Law Enforcement Services Account will contain five subaccounts:

- Trial Court Security Subaccount.
- Law Enforcement Services Subaccount.
- Community Corrections Subaccount.
- District Attorney/Public Defender Subaccount.
- Juvenile Justice Subaccount, containing both the Youthful Offender Block Grant and Juvenile Reentry Fund.

The Governor proposes to allocate program growth on roughly a proportional basis first among the Accounts and then among the Subaccounts. Within each subaccount, federally required programs would receive priority funding if warranted by caseload and costs. Furthermore, the Governor has proposed that growth funding for the Child Welfare Services program be a priority once base programs are established and should receive \$200 million in additional growth funds over time. This is partially in recognition of a significant cut that was sustained to Child Welfare Services programs in 2010.

The Governor has also proposed some flexibility for the counties to move money among subaccounts. Specifically, the Governor has proposed that counties have the ability to transfer up to 10 percent between subaccounts within the Support Services Account. This is modeled after similar flexibilities provided in the 1991 Realignment. Furthermore, the Governor has also proposed a local option to transfer a portion of growth among subaccounts within the Law

Enforcement Services Account beginning in 2015-16. These transfers would only be valid for one year and would not increase the base of any program.

**Governor Proposes Next Steps on Realignment.** Last year the Governor discussed a broad phase 2 realignment plan involving significant changes in health and human services programs. This year the Governor's budget seems to slow down the implementation of a phase 2 realignment plan and instead focuses on implementing the 2011 Public Safety Realignment. The Governor continues to be committed to a 25 percent reduction in state operations of programs realigned to the counties in 2011. The Governor is also proposing to continue training efforts related to implementing the Community Corrections Partnerships by providing \$8.9 million for a second year of training efforts.

The Governor is proposing new realignment efforts in the area of education reform and has proposed significant changes to current funding formulas for aid to local schools. These changes include a weighted pupil funding formula to be phased in over the next five years. The Governor's proposal generally centralizes more control over school funding allocations with local school districts. These proposals are discussed in the education section of this report.

The Governor is also proposing to continue the realignment of the juvenile justice system that started 15 years ago by stopping intake of juveniles to state facilities by January 1, 2013, providing \$10 million General Fund to counties to begin planning for this population, and to delay collection of the recently imposed fees for wards housed in the state Division of Juvenile Justice facilities. This proposal is discussed further in the public safety section of this report.

The Governor has indicated that phase 2 of realignment will likely center around the implementation of federal health care reform, but that additional data are needed to inform decisions before further plans are made.

#### **ISSUES TO CONSIDER:**

**Dedicated long term funding and Constitutional protections for both the counties and State are critical.** Last year realignment was funded through the redirection of existing state revenues. The funds were excluded from the Proposition 98 calculation in the current year. However, absent additional revenues, current law would require that the Proposition 98 guarantee be backfilled over a five-year period for the loss of realignment-related sales taxes in 2011-12 and be recalculated in future years to include these taxes. The budgetary pressures resulting from this recalculation would jeopardize funding for realignment and other programs in the state budget. The Governor has proposed a Constitutional Amendment that would generate \$6.9 billion in additional revenues that would address the schools funding issues. This Constitutional Amendment would also provide counties with a constitutional guarantee to the realignment funding and provide the State with protections against counties filing mandate claims related to realignment. Absent a Constitutional Amendment, significant additional actions would need to be taken to balance the state's budget.

**The Public Safety Realignment implemented in 2011 was a major programmatic change and it will take years of fine-tuning and adjustments.** In the 1990s, during the last major realignment of programs that occurred between the state and the counties, there was years of legislation and administrative changes that followed the actual realignment legislation. There is no reason to expect that this time around will be any different. This iterative process will allow us to observe and learn from actual experience about items that may need changed or unintended consequences that need to be avoided.

Counties have been working on their Community Corrections Plans to implement and expand programs to accommodate the additional offenders no longer eligible for state prison or state supervision under AB 109. This portion of realignment has required the hiring of new personnel, the development of additional community programs, and in some cases planning long-term capital investments in infrastructure. However, for many of the programs realigned, there have been far fewer impacts and changes (Substance Abuse Programs, Foster Care and Child Welfare Services, Mental Health, and Adult Protective Services). This is mainly because counties had primary responsibility for implementing these programs prior to realignment. However, as we review realignment, we may want to determine if additional changes are warranted to improve delivery of service and program outcomes.

**Fiscal incentives are important in the allocation of realignment revenues among counties.** Current law only specifies allocation of realignment revenues through the current fiscal year. Therefore, a long-term methodology for allocating realignment revenues will be needed going forward. The Governor continues to work with the California State Association of Counties (CSAC) on an allocation methodology.

The Legislature may wish to consider the fiscal incentives inherent in the funding allocation methodology to ensure that counties are investing in best practices that result in good program outcomes. There continues to be considerable risk for the State if the counties have poor program outcomes. For example, the state will continue to have some fiscal responsibility for a county's failure to meet federal child welfare guidelines and criminal offenders with underlying disorders (mental health and substance abuse) that are left untreated will be more likely to end up in state prison at the state's cost.

**The overall funding structure provides some flexibility for counties.** Last year an overall funding structure for the counties was deferred and most existing funding streams were allocated virtually the same way they had been allocated the previous year. The exception to that was the new funding provided for the implementation of AB 109. This year the Governor has come forward with a permanent funding structure that provides counties with some flexibility to move funding among subaccounts. The Legislature may wish to consider whether more flexibility be provided, especially among some of the subaccounts in the Law Enforcement Services Account earlier than 2015-16 as proposed by the Governor. In addition, the Legislature may also wish to evaluate other options for providing flexibility for counties by evaluating laws and regulations that can be changed to enhance program outcomes and state oversight.

**The State's oversight and administrative infrastructure still needs retooled.** The Governor has indicated that he continues to be dedicated to reducing state administration related to the

realigned programs by 25 percent. The Governor reduced the Department of Alcohol and Drug Programs and Mental Health by 25 percent before their functions were transferred to the Department of Health Care Services. The Governor indicates that the Department of Social Services will develop its 25 percent reduction plan in the coming year in consultation with the federal government and counties. This is especially important given the continued role of the State, per federal dictate, in the oversight of the Foster Care and Child Welfare System.

# Reorganizing State Government

## GOVERNOR'S PROPOSAL:

The Governor's Budget includes major proposals to reorganize state government. The proposal would reduce the number of agencies from 12 to 10, eliminate 39 state entities, and eliminate 9 programs. In most cases, these proposals are not reflected in the 2012-13 budget detail – the existing entities are reflected for purposes of scheduling expenditures in the budget bill. If some or all of these proposals were approved by the Legislature, implementation would likely occur over time.

It should be noted that last year, the Legislature approved the elimination of 23 boards and commissions, and various program reductions totaling \$24.6 million in savings. Some of the Governor's proposals this year are the same as those proposed last year but not adopted.

In addition to reorganization, the Governor proposes to improve efficiency in the budget process by zero-basing some departments and providing for a special focus on program goals and outcomes. The Governor indicates some departments, including the Department of Transportation and the Department of Consumer Affairs, will be directed to perform a detailed review and analysis of all their programs to evaluate whether the functions need to exist and the level of resources needed to accomplish them. Pursuant to Executive Order B-13-11, the Director of Finance will create a plan by March 2012 for modifying the budget process to increase efficiency and focus on accomplishing program goals.

### **Business, Transportation and Housing**

- **Transportation Agency** – The governor's budget proposes separating the transportation component and placing it into a separate agency that would be responsible for Caltrans, DMV, High-Speed Rail, California Highway Patrol, and the Board of Pilot Commissioners.
- **Office of Traffic Safety** – The governor's budget proposes the elimination of the Office of Traffic Safety and transferring its functions to the Department of Motor Vehicles.
- **California Housing Finance Agency** – The governor's budget proposes to fold the operations of the California Housing Finance Agency into the Department of Housing and Community Development.
- **Department of Business Oversight** – The governor's budget proposes to eliminate both the Department of Financial Institutions and the Department of Corporations and transfer their functions to the proposed Department of Business Oversight.

### **State and Consumer Services**

- **Business and Consumer Services Agency** – The governor's budget proposes to create a new Agency that will incorporate the remaining functions of the Business, Transportation, and Housing Agency (see Transportation Agency above) into an agency that will include the

departments of Consumer Affairs, Housing and Community Development, Fair Employment and Housing, Alcohol and Beverage Control and the newly-proposed Business Oversight department.

- **Department of Real Estate** – The governor’s budget proposes to eliminate the Department of Real Estate and transfer the entity into the Department of Consumer Affairs where it will function as a bureau.
- **Office of Real Estate Appraisers** – The governor’s budget proposes to eliminate the Office of Real Estate Appraisers and transfer the entity into the Department of Consumer Affairs where it will function as a bureau.
- **Board of Chiropractic Examiners** – The governor’s budget proposes to convert the board into a bureau within the Department of Consumer Affairs.
- **Governor’s Mentorship Program** - The governor’s budget proposes to eliminate this program.
- **Fair Employment and Housing Commission** – This proposal transfers the Commission’s adjudicatory and regulatory functions to the Department of Fair Employment and Housing. Adjudication of employment and housing discrimination cases will be handled by a separate division within the Department of Fair Employment and Housing.
- **Structural Pest Control Board** – This budget proposes to eliminate the board and turn it into a bureau within the Department of Consumer Services.

### General Government

- **Government Operations Agency** – The governor’s budget proposes to integrate major components of state administration, including procurement, information technology, and human resources into one single entity. This new agency will include the departments of General Services, Human Resources, Technology, the Office of Administrative Law, the Public Employees’ Retirement System, the State Teachers’ Retirement System, and the newly restructured Department of Revenue. It also will include the State Personnel Board and the Government Claims Board.
- **Commission on the Status of Women** – The governor’s budget proposes to eliminate the Commission on the Status of Women.
- **Office of Privacy Protection** – The governor’s budget proposes to eliminate the Office of Privacy Protection.
- **State 9-1-1 Advisory Board** – The governor’s budget proposes to eliminate the State 9-1-1 Advisory Board.
- **Technology Services Board** – The governor’s budget proposes to eliminate the Technology Services Board.
- **Electronic Funds Transfer Task Force** – The governor’s budget proposes to eliminate the Electronic Funds Transfer Task Force.
- **Department of Revenue** – The governor’s budget includes a proposal to consolidate the tax functions of the Employment Development Division with the Franchise Tax Board.

- **Governor's Emergency Operations Executive Council** – The governor's budget includes a proposal to eliminate the council.
- **Governor's Office of Business and Economic Development** – This proposal transfers the Infrastructure Bank, the Film and Tourism Commissions, the Small Business Centers, and the Small Business Guarantee Loan Program into the Governor's Office of Business and Economic Development.

### Legislative, Judicial and Executive

- **California Emergency Management Agency** – The governor's proposal would eliminate the California Emergency Management Agency and transfer its functions to the governor's office.
- **California Law Revision Commission** – This proposal would eliminate the commission and consolidate its functions within the legislative counsel bureau.
- **Commission on Uniform State Laws** – This proposal would eliminate the commission and consolidate its functions within the legislative counsel bureau.
- **Governor's Mentorship Program** – This proposal would eliminate the Governor's Mentorship Program.
- **California Volunteer Agency** – This proposal would eliminate the California Volunteer Agency and transfer its functions to the Governor's Office of Planning and Research.
- **Gambling Control Commission** – This proposal would consolidate many of commission's functions within the Department of Justice.

### Education

- **Vocational Education Summer Leadership Programs** – This proposal would eliminate the leadership development program for vocational student officers, instructional materials for vocational teacher advisors, and training and preparation for new vocational education teachers.
- **Eliminate Non-Proposition 98 General Fund for Indian Education Centers** – This proposal would eliminate funding for a program that provides funding to support local educational resources for American Indian students, parents, and public schools in American Indian communities.
- **California State Summer School for the Arts with the California Arts Council** – This proposal would consolidate the functions of the California Arts Council with the California State Summer School for the Arts.

### Labor

- **Occupational Health and Safety Standards Board** – This proposal would eliminate the Occupational Health and Safety Standards Board and transfer its responsibilities to the Division of Occupational Safety and Health within the Department of Industrial Relations.

- **Division of Labor Statistics and Research** – This proposal would eliminate the Division of Labor Statistics and Research and transfer its functions related to maintaining job safety records, reports, and statistics to the Division of Occupational Safety and Health.

### Health

- **Department of Mental Health** – This proposal would eliminate the Department of Mental Health and transfer its functions to the departments of Health Care Services, Public Health, Social Services, Education, the Office of Statewide Health Planning and Development, and the Mental Health Services Oversight and Accountability Commission.
- **Department of Alcohol and Drug Programs** – This proposal would eliminate the Department of Alcohol and Drug Programs and transfer its functions to the Departments of Health Care Services, Public Health, and Social Services.
- **Managed Risk Medical Insurance Board** – This proposal would eliminate the Managed Risk Medical Insurance Board and transfer its functions to the Department of Health Care Services.
- **Rehabilitation Appeals Board** – This proposal would eliminate the Rehabilitation Appeals Board and shift its duties to independent hearing offices.
- **Office of Health Equity** – This proposal would consolidate the Department of Health Care Services' Office of Women's Health; the Department of Public Health's Office of Multicultural Health; Health in All Policies Task Force; the Health Places Team; and the Department of Mental Health's Office of MultiCultural Services into one office; the Office of Health Equity.

### Environmental Protection

- **Department of Resources Recycling and Recovery (CalRecycle)** – This proposal would transfer the functions of the department to the California Environmental Protection Agency.
- **Regional Water Boards** – This proposal would reduce the number of regional water boards to a total of eight by realigning current boundaries.
- **Department of Toxic Substances Control** – This proposal would eliminate underutilized programs within the department. The following programs are proposed for elimination: Expedited Remedial Action Program, Private Site Management Program, California Land Environmental Restoration and Reuse Act Program, Hazardous Waste and Border Zone Property Designations, Abandoned Site Assessment Program, and the Registered Environmental Assessor Program.

### Natural Resources

- **Watershed Coordinator Initiative Program** – This proposal would eliminate the Watershed Coordinator Program.
- **Colorado River Board** – This proposal would eliminate the Colorado River Board and consolidate its functions within the Natural Resources Agency.

- **State Geology and Mining Board** – This proposal would transfer the board’s appeals process to the Office of Administrative Hearings and the rest of the board’s responsibilities to the Office of Mine Reclamation within the Department of Conservation.
- **Department of Fish and Game** – The governor’s budget proposes to eliminate six advisory groups within the Department of Fish and Game – the Salton Sea Restoration Council, the California Advisory Council on Salmon and Steelhead Trout, the Commercial Salmon Review Board, the State Interagency Oil Spill Committee, the State Interagency Oil Spill Review Subcommittee, and the Abalone Advisory Committee.
- **Department of Boating and Waterways** – This proposal would eliminate the Department of Boating and Waterways and transfer its functions into the Department of Parks and Recreation.

### ISSUES TO CONSIDER:

As part of the 2011 budget, the Legislature eliminated 23 boards and commissions. In evaluating this year’s proposals, the Legislature will review the amount of budget savings that would be generated from each elimination or consolidation, and understand if those governmental services will be diminished, or just made more efficient. If services are diminished or eliminated, the Legislature will have to determine if it agrees with the Administration’s priorities for limited budget dollars. One factor to consider is if there is overlap in the provision of these services with the federal government, local governments, or non-profit organizations. In some cases, no savings are indicated, and the Administration should be prepared to explain the non-fiscal benefits of the proposals.