



# **Final Action Report**

## **A Summary of the 2013 Budget Act**

**Chapter 20, Statutes of 2013**

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

July 23, 2013

# FINAL ACTIONS

July 23, 2013

Assembly Bill 110  
2013-14 Budget Bill

Senate Committee on  
Budget and Fiscal Review

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July 23, 2013

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2013-14 budget actions taken by the Legislature along with the Governor's vetoes. This report is available on the Senate Budget and Fiscal Review Committee website:

Please follow the links:

- 1 – [www.sen.ca.gov](http://www.sen.ca.gov)
- 2 – Committees
- 3 – Budget and Fiscal Review
- 4 – Latest Information
- 5 – Final Action Report 2013

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

Sincerely,

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

MARK LENO  
Chair, Senate Budget and Fiscal Review

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## **Department of Finance - Vetoes**

# INTRODUCTION

## 2013-14 Budget Package

On June 14, 2013, the Legislature passed the 2013 Budget Act (Chapter 20, Statutes of 2013, [AB 110]). In enacting this measure, the Legislature met its constitutional obligation to pass a balanced budget. Concurrently, the Legislature also approved numerous budget trailer bills, as noted on page 6, designed to implement certain provisions of the 2013 Budget Act.

This document is the Senate Budget and Fiscal Review Committee's Final Action Report on the 2013 Budget Act. The report provides a detailed summary of the contents of the 2013 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee, the Budget Conference Committee, and final negotiations between the leadership of the Legislature and the Administration, along with gubernatorial vetoes.

In total, the final 2013-14 Budget assumes \$96.3 billion in General Fund (GF) expenditures. The overall budget, including GF, special funds, and select bond funds, is \$145.3 billion.

### **Budget Process and Development**

**January Budget.** The Governor proposed a budget on January 10, 2013, that was balanced with respect to revenues and expenditures, reflecting major improvement in the state's finances following years of multi-billion dollar budget deficits. The January budget contained major proposals in education, including a new funding formula for financing schools and additional General Fund investment for higher education. It also proposed a major expansion of Medi-Cal under the federal health care reform law. The proposed budget focused on paying down budgetary debt from past years and included several measures that would result in establishing an approximately \$1 billion reserve.

**May Revision.** The Governor released his May Revision to the budget on May 14. The revised budget reflected a forecast of weaker projected tax collections than expected in January, and proposed considerable adjustments to projected revenues and proposed expenditures in both the current and budget years. The May Revision maintained the \$1.1 billion reserve initially proposed in January. The overall budgetary framework continued to be balanced over the five-year forecast period and the plan maintained the policy of debt reduction, reducing the "wall of debt" to less than \$5 billion by 2016-17.

**Conference Committee Version.** The Budget Conference Committee's version of the budget adopted the Governor's general budgetary framework. The Conference version of the budget was based on the Governor's May Revision state revenue estimates, as well as the May Revision's Proposition 98 guarantee level, but adopted revised forecasts of local property tax revenues. The Conference Committee built upon the extensive work of both the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget. The Conference version generally funded

the major spending priorities that were contained in both the Assembly and Senate versions of the budget. However, in many cases the scope of those priorities were trimmed or phased-in over multiple years in order to fit spending within the May Revision's revenue projections and avoid projected out-year budget shortfalls. The budget year costs of those priorities was largely paid for through updated assumptions on property tax revenues (which offset General Fund costs for schools), as well as savings identified by the Legislature during dozens of budget hearings throughout the year. The Conference version contained a reserve level that is virtually identical to the reserve in the Governor's May Revision at \$1.1 billion.

**Adopted Budget.** On June 14, 2013, the Legislature completed its work on the budget and approved AB 110, the Budget Bill. The bill extended the efforts of the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, and the Budget Conference Committee, and reflects extensive negotiations with the Administration. Working from the general basis of the Governor's budget and May Revision, the Legislature incorporated significant and important budgetary and policy changes to the state's expenditure plan. In general, the budget reflects the framework of the Governor's budget, but incorporates Legislative priorities as established through the spring budgetary process. The 2013 Budget Act was signed by the Governor on June 27, 2013, thus fulfilling the requirements of the California Constitution.

### Major Features of the Budget

The 2013-14 budget reflects a balance of fiscal restraint and targeted reinvestment. The 2013-14 budget also makes significant reductions to the state's budgetary debt. Overall, the budget is designed to put the state on a firm fiscal foundation in the longer term. Total General Fund revenues, expenditures and fund balances are presented in the table below:

**2012-13 and 2013-14 General Fund Budget Summary (\$ millions)**

<i>Category</i>	<i>2012-13</i>	<i>2013-14</i>
<b>Resources</b>		
Prior Year Balance	-1,658	872
Revenues and Transfers	<u>98,195</u>	<u>97,098</u>
Total Resources	96,537	97,970
<b>Expenditures</b>		
Proposition 98	40,454	39,055
Non-Proposition 98	<u>55,211</u>	<u>57,226</u>
Total Expenditures	95,665	96,281
<b>Fund Balance</b>	872	1,689
Reserve for Liquidation of Encumbrances	618	618
Special Fund for Economic Uncertainties	254	1,071

**Fiscal Framework:** The budget maintains the overall fiscal framework of the Governor's proposal, with conservative revenue estimates, continued debt retirement, and a projected balanced approach in the out-years. Specifically:

- **State Revenues:** The budget is based on the Governor's May Revision General Fund revenue forecast, and updated property tax estimates, based on estimates from the Legislative Analyst's Office. The revenue estimate is based on cautious assumptions about the growth of the state's major revenue sources. While the forecast is based on continued and steady economic growth, it also assumes that much of the recent surge in personal income taxes is linked to capital gains and will be relatively short-lived.
- **Budget Reserve:** The budget includes a \$1.1 billion reserve, which is identical to the May Revision level. The reserve is established through expenditure reductions regarding local mandates, shift of transportation funds for debt service, and anticipated fees related to a quality assurance fee on hospitals and a sales tax on managed care plans.
- **Budgetary Debt:** The final budget continues to pay-down budgetary debt over the two years (2012-13 and 2013-14), but slightly slower than proposed in the Governor's January budget. Much of the debt repayment made in the current and budget years is to schools and community colleges. The budget contains \$696 million to repay loans from special funds. However, the budget also incorporates a new loan of \$500 million from the Greenhouse Gas Reduction Fund.
- **Out-year Fiscal Stability:** Like the May Revision, and the Assembly and Senate versions, the long-term forecast shows that the budget would be balanced with operating surpluses every year through the forecast period ending 2016-17. Based on the budget structure, the budgetary debt will be reduced to \$4.6 billion by 2016-17 (compared to \$34.7 billion as of 2010-11), when the temporary taxes begin to trigger off.

**Major Programs and Spending:** The Conference version of the budget includes significant changes to the Governor's major proposals in education and health care services, and also increases expenditures in selected high priority areas identified by the Legislature. Important funding and policy changes in the budget include:

- **Education Financing Structure Reform:** The budget includes the Governor's proposed Local Control Funding Formula (LCFF), beginning in 2013-14, but modifies several aspects of the formula, including providing higher base grants. The measure includes supplemental grants for English learners, students from low-income families, and foster youth. The LCFF has provisions related to school district accountability as well as an Economic Recovery Target that ensures schools receive at least their pre-recession funding level.
- **Prop. 98 K-12 Education:** In addition to the LCFF highlighted above, the budget includes one-time funding of \$1.25 billion to assist school districts in implementing the Common Core standards (this amount is \$250 million greater than the May Revision). The budget

also includes a major \$250 million one-time investment to create a career technical education pathways grant program.

- **Medi-Cal Expansion:** The budget assumes implementation of the proposed expansion of health care coverage under the federal Affordable Care Act, and includes a broader array of services (particularly for mental health and substance abuse) than proposed in the May Revision. The expansion would cover families with incomes up to 138 percent of the federal poverty level. Eligible individuals will receive the comprehensive benefits currently provided by Medi-Cal. The state currently dedicates \$1.5 billion to counties for health care primarily for indigent adults. As the state takes on primary responsibility for funding indigent health at the state level, state funds at the counties will be shifted from health to county human services programs, thereby reducing state costs for human services programs. The budget assumes \$300 million in savings in the budget year. The budget also provides \$120 million for counties for their role in implementing the Affordable Care Act.
- **Mental Health:** The budget includes \$206 million (\$142 million General Fund one-time) for a major investment in mental health services. The measures will include grants to local entities to address short-term crises, acute needs, and longer-term treatment and rehabilitation opportunities. Other grants will be made to enhance access to specialty mental health care, substance use disorder treatment, and social, educational and other services.
- **Dental Benefits:** Included in the budget is a restoration of basic adult dental benefits beginning in May 2014. This will restore basic dental care, at an annual General Fund cost of \$85.6 million.
- **CalWORKs:** The budget version includes a new mechanism for funding annual CalWORKs grant adjustments from redirecting growth in the 1991 Realignment to a new family support account. CalWORKs grant levels will increase by five percent beginning in March 2014, for an annual cost of \$150 million. The budget also includes \$142.8 million GF to improve employment services and \$47.7 million for partial year funding to promote family stabilization.
- **Higher Education:** The budget includes the Governor's major spending increases for the University of California (UC), California State University (CSU), and the community colleges. UC and CSU will receive \$125.1 million each in the budget year. Community colleges will benefit from \$208.6 million for additional deferral buy down (over the two fiscal years), \$89.4 million for apportionment growth, \$87.5 million for a cost-of-living adjustment, and \$118 million to expand various categorical programs. The budget also includes a new middle class scholarship program for students that attend CSU or UC that come from middle income families (families with incomes up to \$150,000). The program would begin in 2014-15 with General Fund costs of \$106 million, growing to about \$300 million at full implementation.
- **Judicial Branch:** Included in the adopted budget is an additional \$63 million for the judicial branch. Of this amount, \$60 million would go to trial courts, to maintain or increase

public access. The remainder would go to the state appellate courts, Supreme Court and the Habeas Corpus Resource Center.

- **Proposition 39:** The adopted budget counts nearly all \$428 million of the energy efficiency portion of Proposition 39 revenues toward the Proposition 98 minimum guarantee, with remaining revenue provided to non-98 programs. Of the \$428 million for energy programs, \$381 million is directed to K-12 school, and \$47 million for community colleges.
- **Tax Expenditure Programs.** The Governor's budget proposed a significant shift in tax incentives for economic development, based on eliminating enterprise zone programs. The Legislature adopted, in conjunction with the budget but as a separate measure, statutory changes that eliminate, over time, enterprise zone tax incentives and establish a sales tax exemption for manufacturing equipment, income tax hiring credits in designated disadvantaged areas, and other targeted incentives administered by the Governor's office. An accompanying measure includes pilot programs designed to increase participation in the newly-created tax incentives.

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**BUDGET and TRAILER BILLS**

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
<b>AB 110</b>	<b>Ch 20</b>	<b>2013 Budget Bill (Blumenfield)</b>	<b>28-10</b>	<b>54-25</b>
AB 113	Ch 3	Budget Act of 2012 (budget bill)	25-10	69-6
SB 67	Ch 4	In-home supportive services (trailer bill)	24-9	53-19
SB 68	Ch 5	Budget Act of 2012 (budget bill)	24-9	51-22
AB 74	Ch 21	Human services (trailer bill)	28-10	54-25
AB 75	Ch 22	Alcohol and drug programs (trailer bill)	38-0	68-9
AB 82	Ch 23	Health (trailer bill)	36-0	72-3
AB 85	Ch 24	1991 Realignment/County Health Care Savings (trailer bill)	24-11	53-23
AB 89	Ch 25	Developmental services (trailer bill)	36-2	63-15
AB 92	Ch 26	State government (trailer bill)	37-1	55-23
AB 98	Ch 27	Property insurance: Seismic Safety Account (trailer bill)	28-9	54-24
SB 71	Ch 28	State government - main (trailer bill)	28-11	54-25
SB 73	Ch 29	Energy: Proposition 39 implementation (trailer bill)	33-1	69-9
SB 74	Ch 30	Corrections (trailer bill)	32-4	59-14
SB 75	Ch 31	Courts (trailer bill)	35-1	59-16
SB 76	Ch 32	Public safety (trailer bill)	30-8	54-25
SB 78	Ch 33	Gross Premiums Tax on Managed Care Organizations (trailer bill)	27-10	54-25
SB 82	Ch 34	Investment in Mental Health Wellness Act of 2013 (trailer bill)	36-1	59-20
SB 85	Ch 35	Transportation (trailer bill)	29-8	54-25
SB 89	Ch 36	Budget Act of 2012: augmentation (budget bill)	38-0	62-14
SB 94	Ch 37	Coordinated Care Initiative (trailer bill)	23-8	53-24
AB 97	Ch 47	School finance- Local Control Funding Formula (trailer bill)	38-0	65-12
AB 86	Ch 48	Education finance: education omnibus (trailer bill)	33-3	61-16
SB 91	Ch 49	School finance – Local Control Funding Formula Clean Up (trailer bill)	38-1	64-14
AB 94	Ch 50	Education finance: higher education (trailer bill)	37-0	65-9
AB 76	<i>Vetoed</i>	<i>State Government – main (trailer bill)</i>	<i>23-11</i>	<i>53-25</i>
AB 77	<i>Conference Committee</i>	<i>Public Resources (trailer bill)</i>	<i>25-10</i>	

**Other budget-related bills**

<b>AB 93</b>	<b>Ch 69</b>	<b>Economic development: taxation</b>	<b>30-9</b>	<b>54-16</b>
<b>SB 90</b>	<b>Ch 70</b>	<b>Economic development: taxation - modifications</b>	<b>36-1</b>	<b>76-0</b>
<b>AB 81</b>	<i>Pending in Assembly</i>	<i>Public Safety Domestic Abuse</i>	<b>37-0</b>	

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**Subcommittee No. 1 – Education**

6110	Department of Education	6600	Hastings College of the Law
6120	California State Library	6610	California State University
6360	Commission on Teacher Credentialing	6870	California Community Colleges
6440	University of California	7980	California Student Aid Commission

**Subcommittee No. 2 – Natural Resources, Environmental  
Protection, and Transportation**

0540	Secretary for Natural Resources	3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy
0521	Transportation Agency		
0555	Secretary for Environmental Protection	3830	San Joaquin River Conservancy
2660	Department of Transportation	3835	Baldwin Hills Conservancy
2665	High-Speed Rail Authority	3840	Delta Protection Commission
2670	Board of Pilot Commissioners	3845	San Diego River Conservancy
2720	California Highway Patrol	3850	Coachella Valley Mountains Conservancy
2740	Department of Motor Vehicles	3855	Sierra Nevada Conservancy
3110	Special Resources Programs	3860	Department of Water Resources
3125	California Tahoe Conservancy	3875	Sacramento-San Joaquin Delta Conservancy
3340	California Conservation Corps	3885	Delta Stewardship Council
3360	California Energy Commission	3900	Air Resources Board
3460	Colorado River Board of California	3930	Department of Pesticide Regulation
3480	Department of Conservation	3940	State Water Resources Control Board
3540	Department of Forestry and Fire Protection	3960	Department of Toxic Substances Control
3560	State Lands Commission	3970	Department of Resources Recycling and Recovery
3600	Department of Fish and Wildlife		
3640	Wildlife Conservation Board	3980	Office of Environmental Health Hazard Assessment
3720	California Coastal Commission		
3760	State Coastal Conservancy	7300	Agricultural Labor Relations Board
3780	Native American Heritage Commission	8570	Department of Food and Agriculture
3790	Department of Parks and Recreation	8660	California Public Utilities Commission
3810	Santa Monica Mountains Conservancy		
3820	San Francisco Bay Conservation and Development Commission		

### Subcommittee No. 3 – Health and Human Services

0530	California Health and Human Services Agency	4300	Department of Developmental Services
0530	Office of Systems Integration	4440	Department of State Hospitals
0977	California Health Facilities Financing Authority	4560	Mental Health Services Oversight and Accountability Commission
4120	Emergency Medical Services Authority	4700	Department of Community Services and Development
4140	Office of Statewide Health Planning and Development	5160	Department of Rehabilitation
4150	Department of Managed Health Care	5170	State Independent Living Council
4170	California Department of Aging	5175	Department of Child Support Services
4185	Senior Legislature	5180	Department of Social Services
4200	Department of Alcohol and Drug Programs		
4260	Department of Health Care Services		
4265	Department of Public Health		
4280	Managed Risk Medical Insurance Board		



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

- 0250    Judicial Branch
- 0280    Commission on Judicial Performance
- 0390    Contributions to Judges' Retirement System
- 0552    Office of the Inspector General
- 0820    Department of Justice
- 0855    Gambling Control Commission
- 5225    Department of Corrections & Rehabilitation
- 5227    Board of State and Community Corrections
- 6645    Health Benefits for California State  
          University Annuitants
- 7100    Employment Development Department
- 7120    California Workforce Investment Board
- 7320    Public Employment Relations Board
- 7350    Department of Industrial Relations
- 7501    Department of Human Resources
- 7503    State Personnel Board
- 7900    Public Employees' Retirement System
- 7920    State Teachers' Retirement System
- 8120    Commission on Peace Officer  
          Standards and Training
- 8140    State Public Defender
- 8550    California Horse Racing Board
- 9650    Health and Dental Benefits  
          For Annuitants
- 9800    Augmentation for Employee Compensation

### **Control Sections:**

- 3.60    Contributions to Public Employee  
          Retirement Benefits
- 4.20    Public Employee's Contingency  
          Reserve Fund

SUBCOMMITTEE 1  
ON EDUCATION  
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

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Roderick Wright  
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# SUBCOMMITTEE NO. 1

## EDUCATION

### **K-12**

Department of Education.....	1-1
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### **Higher Education**

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## K-12 EDUCATION

### 6110 CALIFORNIA DEPARTMENT OF EDUCATION

#### K-14 Education -- Proposition 98 Overall

- **Revenue Assumptions.** Adopts the Governor's May Revise baseline General Fund and redevelopment agency revenue estimates, and LAO baseline property tax revenue estimates, which generally provides Proposition 98 funding at the Governor's May Revise funding levels for K-12 schools and community colleges (K-14 education) in 2012-13 and 2013-14.
- **Current Year Funding.** Approves Proposition 98 spending of **\$56.5 billion** in 2012-13 for K-14 education, which reflects the estimated minimum guarantee.
- **Budget Year Funding.** Approves Proposition 98 funding of **\$55.3 billion** for K-14 education in 2013-14, which reflects the estimated minimum guarantee.
- **Deferral Paydowns.** Retires **\$4.3 billion** in ongoing Proposition 98 payment deferrals for K-14 education over two years – 2012-13 and 2013-14. More specifically, the final budget adds **\$1.8 billion** in deferral paydowns in 2012-13, on top of the **\$2.2 billion** included in the original 2012-13 budget act. In addition, the final budget provides **\$266 million** in deferral paydowns in 2013-14.

Ongoing K-14 deferrals – which were utilized to mitigate programmatic reductions for K-12 schools and community colleges – reached an all-time high of **\$10.4 billion** in 2011-12. The 2012-13 budget act reduced K-14 deferrals to **\$8.2 billion**. The final budget reduces outstanding K-14 deferrals to about **\$6.2 billion** in 2013-14.

**K-14 Education – Proposition 39 Implementation.** The budget package provides a total of **\$456 million** in Proposition 39 revenues from the Clean Energy Job Creation Fund (Job Creation Fund) for K-14 education energy efficiency programs in 2013-14. As outlined below, these funds are counted within the Proposition 98 guarantee.<sup>1</sup>

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<sup>1</sup> The Department of Finance (DOF) estimates additional Proposition 39 revenues of \$928 million in 2013-14. Per DOF, this increases the Proposition 98 minimum guarantee by \$558 million in 2013-14. The budget package scores \$456 million of this amount in satisfaction of the Energy Efficiency Program required by Proposition 39.

- **Energy Efficiency Programs.** The budget provides total of **\$428 million** in remaining Job Creation Fund revenues for energy efficiency programs for K-12 education and community colleges in 2013-14.<sup>2</sup> These funds are appropriated in the budget act and allocated pursuant to budget trailer bill language, as follows, in 2013-14:

- ✓ **K-12 Grants.** Allocates 89 percent of remaining Job Creation Fund revenues for K-14 education, which equates to **\$381 million** in 2013-14, to the California Department of Education (CDE) for K-12 local education agencies (LEAs), including school districts, charter schools and county offices of education, and State Special Schools. In allocating LEA funds, funds are weighted as follows -- 85 percent is distributed on the basis of average daily attendance (ADA) and 15 percent is distributed on the basis of Free- and Reduced-Price Meals.

Minimum grants are also established for small K-12 LEAs within the following ADA thresholds:

- \$15,000 for LEAs with ADA of 100 students or less.
- \$50,000 for LEAs with ADA of more than 100 to 1,000 students.
- \$100,000 for LEAs with ADA of more than 1,000 but less than 2,000 students.

The trailer bill specifies that LEAs with 1,000 students or less can receive an advance on future allocations allowing them to bundle two years of funding in 2013-14 and subsequent years.

LEAs receiving more than \$1 million in energy funds shall expend 50 percent of the funding on projects larger than \$250,000 that achieve substantial energy efficiency, clean energy and jobs benefits.

The budget also provides **\$109,000 GF and 1.0 position** for the Department of Education to implement and oversee the Proposition 39 energy efficiency program.

- ✓ **Community Colleges Grants.** Allocates 11 percent of remaining Job Creation Fund revenues to K-14 education, which equates to **\$47 million** in 2013-14, to the Community College Chancellor's Office on behalf of community college districts. Funds are distributed at the discretion of the Chancellor's Office.

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<sup>2</sup> Per DOF a total of \$464 million is transferred to the Clean Energy Job Creation Fund in 2013-14. (This equates to 50 percent of the estimated \$928 million in additional Proposition 39 revenues.) The Proposition 39 implementation budget trailer bill – SB 73 (Chapter 29; Statute of 2013) – appropriates \$28 million for K-14 education energy revolving funds, \$5 million for the California Conservation Corps, and \$3 million to the Workforce Development Board in 2013-14, leaving a total of \$428 million in remaining funds for K-14 energy efficiency projects. These funds are scheduled in the budget bill – 6110-139-8080 (K-12 education) and 6870-139-8080 (community colleges).

The budget also provides **\$86,000 GF and 1.0 position** for the Chancellor's Office to implement and oversee community college energy efficiency projects.

- **Energy Project Revolving Loan Program.** Appropriates **\$28 million** from the Job Creation Fund to the State Energy Conservation Assistance Account (ECAA) at the California Energy Commission for the purpose of establishing a revolving loan fund for K-14 education energy projects in 2013-14. This new program would provide low-interest and no-interest revolving loans, and loan loss reserves for eligible energy projects and technical assistance for K-12 LEAs and community college districts. (Of the \$28 million appropriated in 2013-14 for the ECAA revolving loan fund, the budget scores \$25 million (89 percent) for K-12 Education and \$3 million (11 percent) for community colleges.)

#### **K-14 Education -- Adult Education**

- **Adult Education Partnership Grants.** Appropriates **\$25 million** for two-year planning grants for coordinating and integrating adult education services in community colleges and school districts (through their adult schools). Grant awards will be provided to regional consortia of community colleges and school districts, as selected by the California Community Colleges Chancellor's Office and the California Department of Education. Regional consortia participants could include local correctional facilities, other public entities, and community-based organizations.
- **Consolidates Funding for Apprenticeship Training.** Shifts administration of K-12 apprenticeship programs from the Department of Education to the Community Colleges Chancellor's Office. Consolidates **\$15.7 million** in K-12 funding from this transfer with **\$7.2 million** in previously-flexed Community College funding for apprenticeship programs into a single apprenticeship categorical program. While administration and oversight of all apprenticeship programs is now consolidated within the Community Colleges Chancellor's Office, local programs may continue operating with their existing providers.

#### **K-12 Education - Local Control Funding Formula.**

The 2013-14 budget provides an increase of **\$2.1 billion** in Proposition 98 funding to begin implementation of a new **Local Control Funding Formula (LCFF)** for school districts, charter schools, and county offices of education, beginning in 2013-14. (This amount includes **\$2.1 billion** for school districts and charters schools and **\$32 million** for county offices of education.)

The formula will be phased in over an eight-year period, projected to be completed by 2020-21, with an estimated **\$25 billion** in new Proposition 98 funding for K-12 schools.

The 2013-14 budget also provides **\$10 million** in Proposition 98 funding for a California Collaborative for Educational Excellence (CCEE) to advise and assist school districts, charter

schools, and county offices of education to achieve goals in their local plans and petitions under the LCFF. In addition, the budget provides **\$2 million** in one-time GF to the Governor's Office of Planning and Research to support new State Board of Education responsibilities related to LCFF implementation.

The new LCFF collapses K-12 revenue limit apportionments and most of the more than 50 state categorical programs into a new formula, accompanied by new accountability requirements. Major features of the new formula are summarized below.

### **LCFF Funding Formula for School Districts and Charter Schools:**

- **Base Grants.** The new formula establishes a base funding grant "target" for each school district and charter school, based upon grade span funding levels multiplied by the number of students – measured by student average daily attendance (ADA), as follows:

**\$6,845** for grades K-3  
**\$6,947** for grades 4-6  
**\$7,154** for grades 7-8  
**\$8,289** for grades 9-12

The formula also includes two special grade span adjustments: (1) an additional 10.4 percent for grade K-3 ADA in school districts that make progress toward, and ultimately achieve, an average class size of not more than 24, unless otherwise collectively bargained; and (2) an additional 2.6 percent adjustments for grade 9-12 ADA in school districts.

- **Supplemental Grants.** The formula provides additional funding for educationally disadvantaged pupils based upon a percentage of base grant funding. Specifically, school districts and charter schools receive basic **supplemental grants** equal to **20 percent** in additional base grant funding for low-income students, English-learner students, and students residing in foster care. These are unduplicated, district-wide pupil counts so students are not counted more than once. (Time limits on how long students can be counted as English learners, as originally proposed by the Governor, were removed.)

School districts with larger proportions of disadvantaged pupils receive additional **concentration grants**. More precisely, per pupil amounts would increase **another 50 percent** above base grant funding for unduplicated counts of educationally disadvantaged students district-wide that exceed **55 percent** of the total district enrollment.

Charter schools are also eligible for concentration grants based upon unduplicated disadvantaged student counts that exceed 55 percent of their enrollment. A charter school located in only one district cannot exceed the proportion of disadvantaged students that exceed 55 percent of enrollment for the district in which they are located. A charter school located in

more than one school district cannot exceed the highest proportion of disadvantaged students in any of the districts where the charter school is operating.

Supplemental and concentration grant calculations are applied to base grants for each grade span, including grade K-3 class size reduction and grade 9-12 career technical education adjustments.

- **Economic Recovery Target “Add-On” to LCFF.** The vast majority of school districts will receive increased funding under LCFF, however, there are some districts whose total allocations under the LCFF will be lower than what they would have received from revenue limits and categorical programs had funding been restored to pre-recession (2007-08) levels. As a result, the new formula includes a calculation to determine how much those districts would require to return to their pre-recession funding levels, or Economic Recovery Target (ERT). This calculation -- made on a one-time basis in 2013-14 -- results in ERT “add-on” funding for these school districts. Eligible districts will begin to receive a portion of this new ERT “add-on” starting in 2013-14; however, school districts above the 90th percentile of funding will not receive any of this funding.<sup>3</sup> Over the course of LCFF implementation, ERT eligible districts will receive growth towards their LCFF target and a portion of their ERT. In the first year, districts will receive one-eighth of their ERT, in the second year two-eighths, etc. After year eight, districts determined to be eligible for the ERT “add-on” will receive the full “add-on” on an ongoing basis.
- **Categorical Program “Add-Ons” to LCFF.** Two large state categorical programs – Targeted Instructional Improvement Grants (TIIG) and Home-to-School (HTS) Transportation – are not folded into the LCFF, but also not continued as separate categorical programs. Instead, school districts that currently receive funding for these programs would continue to receive funding as a permanent “add-on” to the LCFF formula. (Charter schools are not eligible for these categorical funds.)

More specifically, the new formula “locks in” TIIG (\$855 million) and HTS Transportation (\$496 million) funding allocations to school districts at their 2012-13 levels. Funding is capped at 2012-13 levels and not subject to annual COLAs. While the new formula makes TIIG add-on funds permanently flexible – so they can be used for any educational purpose -- HTS Transportation funding must be used for transportation purposes only.<sup>4</sup> In addition, school districts must spend no less for HTS transportation than expended in 2012-13.

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<sup>3</sup> Nearly 230 school districts are estimated to have lower LCFF amounts than what they would have received from pre-recession revenue limits and categorical programs. Of these districts, an estimated 130 districts will receive ERT “add-on” funding. About 100 remaining school districts with ERTs above the 90<sup>th</sup> percentile (about \$14,500 per pupil) will not receive ERT “add-on” funding.

<sup>4</sup> On or before March 1, 2014, the LAO shall submit recommendations to the fiscal committees of both houses of the Legislature regarding revisions to the methods of funding pupil transportation that address historical funding inequities across school districts and county offices of education, and improve incentives for local educational agencies to provide efficient and effective pupil transportation services.

- **Maintenance of Effort for Two Programs in LCFF.** The LCFF rolls funding for two categorical programs – Adult Education and Regional Occupational Center/Programs (ROC/Ps) – into the new formula. However, the new formula requires school districts that spent funds for Adult Education and ROC/Ps in 2012-13 to expend no less funding for these programs in both 2013-14 and 2014-15. (Charter schools are not eligible for these state categorical funds.)
- **Flexibility Provisions.** Funding for all of the state programs replaced by the LCFF is completely flexible for use by school districts and charter schools in supporting any locally determined educational purpose in 2013-14. (Many of these current statutory requirements are already suspended as a result of categorical flexibility granted to about 40 state categorical programs from 2008-09 through 2014-15.)
- **Categorical Programs Continued Outside of LCFF.** While most of the more than 50 state categorical programs are rolled into LCFF, the new formula continues 16 state categorical programs as separate categorical programs in 2013-14 for school districts, charter schools and county offices of education that are currently eligible to receive these funds. These programs, and the amounts appropriated in the 2013-14 budget package include:
  - ✓ Special Education (\$3.2 billion);
  - ✓ After School Education and Safety (\$547 million);
  - ✓ State Preschool (\$506 million);
  - ✓ Quality Education Investment Act (\$313 million);
  - ✓ Mandate Block Grant (\$217 million);
  - ✓ Child Nutrition (\$158 million);
  - ✓ Student Assessments (\$73 million);
  - ✓ Partnership Academies (\$21 million);
  - ✓ Adults in Correctional Education (\$15 million);
  - ✓ Foster Youth Services programs (\$15 million);
  - ✓ K-12 Internet Access (\$8 million);
  - ✓ Fiscal Crisis and Management Assistance Team (\$5 million);
  - ✓ Specialized Secondary Program Grants (\$5 million)<sup>5</sup>;
  - ✓ Agricultural Vocational Education (\$4 million)<sup>6</sup>;
  - ✓ California American Indian Education Centers (\$4 million); and
  - ✓ American Indian Early Childhood Education Programs (\$.5 million).
- **Cost-of-Living Adjustments (COLAs) & Growth.** Annual COLAs will be applied to the LCFF target for school districts and charter schools, and each entity will receive the same proportion of funding based upon its distance from the target. (The COLA rate is currently

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<sup>5,6</sup> The Governor sustained funding for the Specialized Secondary Program Grants and Agricultural Vocational Education programs in the budget bill, despite his proposal to roll these programs into the LCFF. However, the Governor stated he will direct his Administration “to examine whether this funding should continue as a separate categorical program into the future.”

estimated at **1.565 percent** in 2013-14.) Student growth will be adjusted through both annual average daily attendance (ADA) and unduplicated, three-year average counts of low-income students, English learner students, and students residing in foster care. (The statewide ADA growth rate is currently estimated at **0.2 percent** in 2013-14.)

- **Hold Harmless Provisions.** The new formula holds school districts and charter schools harmless from loss of funding below 2012-13 levels.
- **Necessary Small Schools.** The LCFF continues minimum grant funding – rather than base grants reflecting ADA -- for very small schools, but limits grants to schools in truly geographically isolated areas. The new formula includes single-school districts in the NSS formula.
- **Basic Aid Districts.** The new formula changes how local property tax (LPT) revenue factors into K-12 funding allocations as a part of the new LCFF funding formula for school districts. More specifically, the formula counts LPT revenues as an offsetting fund source for the entire LCFF allocation (base grants and adjustments, as well as supplemental and concentration grants). However, the formula holds districts harmless, including Basic Aid districts, from any loss of funding below the level of funding they received in 2012-13. The majority of school districts that became Basic Aid districts during the recession will likely no longer be Basic Aid, and as such, some of these districts might be entitled to ERT “add-on” funding.
- **Repeals Funding Set-Asides for Facility Maintenance.** The new formula eliminates the requirement that school districts receiving state general obligation bond funding for facilities set-aside **three percent** of their general fund revenues in a routine facilities maintenance account.

#### **LCFF Funding Formula for County Offices of Education:**

The LCFF also includes a new, separate funding formula for county offices of education. The county office funding formula shares several general features with the proposed funding formula for school districts and charter schools, but has several distinct features. More specifically, the new formula collapses most existing funding streams for county offices, but re-establishes them within a new, two-part formula, as follows:

- **Regional Services to Districts.** The first part provides funding for general operations and support for school districts and is allocated based upon the number of students and number of districts in the county.

- **Base Grant.** Each county office receives **\$655,920**.
- **District-Based Grants.** Each county office receives an additional grant of **\$109,320** for each school district in its county.
- **ADA-Based Grants.** Each county office receives additional funding based upon countywide ADA: **\$70** for the first 30,000 in ADA; **\$60** for ADA between 30,000 and 60,000; **\$50** for ADA between 60,000 and 140,000; and **\$40** for any ADA above 140,000.

County offices retain some of their fiscal and programmatic (*Williams*) oversight responsibilities, and have some new responsibilities, such as overseeing school district accountability plans, providing technical assistance to school districts, and related activities. However, consistent with the LCFF provisions for districts and charter schools, county offices are freed of many current programmatic requirements and can use most of their formula funding for any educational purpose.

- **Instructional Services for Students in Alternative Education Programs.** The second part of the new county office formula provides a per-student allocation for students educated in county-operated alternative schools. Specifically, the new formula provides funding for students who are: (1) incarcerated, (2) on probation, (3) probation-referred, and (4) mandatorily expelled, as follows:
  - **Base Grant.** Provides about **\$11,200** per ADA.
  - **Supplemental Grants.** Provides an additional **35 percent** of county office base grant for unduplicated counts of low-income students, English-learner students, and students residing in foster care. Assumes 100 percent of court school ADA is eligible for supplemental grants.
  - **Concentration Grants.** Provides an **additional 35 percent** of county office base grant for unduplicated counts of low-income students, English-learner students, and students residing in foster care that exceed 50 percent of the county office ADA. Assumes 100 percent of court school ADA is eligible for concentration grants.

Similar to school districts and charters schools, the new county office funding formula establishes new LCFF funding targets that are phased in over time. For county offices, the timeframe for reaching LCFF targets is estimated to be just a couple of years, rather than the eight years for school districts and charter schools.

County offices do not generate Economic Recovery Targets under the new formula; however, similar to school districts, county offices are held harmless from any loss of funding below 2012-13 funding levels.

In addition, county office LCFF targets will be adjusted annually for COLAs and growth adjustments for student ADA and other pupil counts.

Similar to school districts, county offices that have received funding for the TIIG and HTS Transportation programs, will continue to receive this funding as an “add-on” to LCFF funding. In

addition, county offices must permanently maintain 2012-13 expenditure levels for HTS Transportation, and must maintain 2012-13 expenditure levels for Adult Education and ROC/Ps in both 2013-14 and 2014-15.

**LCFF Accountability Program.** A new accountability system is created to support LCFF implementation. This new system does not replace, but instead builds out existing state accountability systems currently in place in response to the additional flexibility school districts and county offices now have in expending education funding. Major features of the new accountability program are outlined below:

- **Supplemental Funds Must Increase or Improve Services for Students.**

- ✓ Requires school districts, charter schools, and county offices of education “to increase or improve services” for low-income students, English learner students, and students residing in foster care in proportion to supplemental and concentration funding. Requires the State Board of Education to adopt regulations governing these spending requirements by January 31, 2014.

- **Academic Performance Index (API) Strengthened to Support LCFF Implementation.**

- ✓ Lowers the minimum subgroup size for schools and districts from 100 to 30 students, thereby increasing the number of students covered within demographic subgroups for purposes of state and local accountability systems.
- ✓ Adds students residing in foster care as a demographic subgroup within the API, and sets the minimum subgroup size at 15 students, so that these students are effectively included within state and local accountability systems.

- **Local Control Accountability Plans Required.**

- ✓ Requires school districts and county offices of education to develop three-year Local Control Accountability Plans (LCAPs) reflecting state and local goals and annual progress for all student subgroups across multiple indicators, including academic achievement, attendance rates, graduation/dropout rates, college/career readiness, as well as parent engagement, and school climate. Plans must be developed by July 1, 2014, and updated annually thereafter. Parent and public input is required in development of LCAPs, revisions and updates.
- ✓ Requires charter schools to update their charter petitions annually reflecting state and local goals and annual student progress, similar to the requirements for school districts and county offices. Requires a charter school, beginning in 2015, to provide an annual update to its

petition no later than July 1 of each year. Requires charter schools to consult with teachers, principals, other school-site staff, parents, and pupils in the update to the charter petition.

- **Review and Approval of Local Plans, Including Alignment with Expenditures.**

- ✓ Requires a school districts, charter schools, and county offices of education, as a part of their respective annual plan and petitions updates, to include a listing and description of the expenditures in the fiscal year implementing the specific information included in the plan or petition.
- ✓ Requires a school district or county office to file its LCAP with the county office of education or Superintendent of Public Instruction (SPI), respectively. Establishes a process for the county office and SPI to review and submit recommendations to school districts and county offices respectively, and adopt LCAPs. This process includes provisions for the county office and SPI to ensure the LCAP adheres to the State Board template and includes "expenditures sufficient to implement the specific actions and strategies" included in the LCAP."

- **Technical Assistance to Support School Districts, Charter Schools and County Offices.**

- ✓ Creates the **California Collaborative for Educational Excellence (CCEE)** to advise and assist school districts, charter schools, and county offices of education to achieve goals in their local plans and petitions.<sup>7</sup> Authorizes the SPI to assign the CCEE at the request of the school district or county offices of education, or at his/her discretion.
- ✓ Requires a county office of education or the SPI to provide technical assistance to a school district or county office, respectively, if it disapproved the LCAP, or if the district or county office specifically requests assistance. Technical assistance may include assignment of experts, or arrangement for a higher performing school district to mentor, or assignment of CCEE.
- ✓ Requires the chartering authority to provide technical assistance to the charter school if the charter school fails to improve pupil outcomes, as specified, using the State Board evaluation rubric. The SPI may assign, at the request of the chartering authority and approval of the State Board, the CCEE to provide technical assistance to the charter school.

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<sup>7</sup> The budget act provides \$10 million for the CCEE in 2013-14, pursuant to budget item 6110-106-0001. The Governor's budget message sustains funding for the CCEE in the budget, states that "additional work is necessary to properly define its governance composition and ongoing role with the accountability structure of the Local Control Funding Formula. As such, it is my expectation that subsequent legislation be enacted this year to define the governance of and roles and responsibilities for the Collaborative for Educational Excellence, as well as, direct the expenditure of the monies appropriated in this item. Furthermore, it is my expectation that any expenditure of these monies will reflect this forthcoming legislation and an agreed upon plan by the Department of Education, the State Board of Education, and the Department of Finance."

- **Intervention for School Districts and County Offices of Education.**
  - ✓ Authorizes the SPI to identify school districts and county offices of education in need of intervention and establishes the conditions for required intervention.
  - ✓ Authorizes the SPI, for districts and county offices in need of intervention and with State Board approval, to do one or more of the following: make changes to the district or county office LCAP; impose budget revisions; stay or rescind an action, if not required by a local collective bargaining agreement; and appoint an academic trustee.
- **Charter School Revocation.**
  - ✓ Requires a chartering authority to consider the revocation of any charter school that has received advice and assistance from CCEE, and that has determined that the charter school has failed to implement, or is unable to implement, the recommendations of the CCEE, or the inadequate performance of the charter school is either so persistent or so acute as to require revocation. Prohibits a charter school from appealing a revocation determination based on the provisions of this measure.
  - ✓ Authorizes the State Board, whether or not it is the chartering authority, to revoke a charter school's charter if it finds the school failed to improve pupil outcomes across multiple state and local priorities, as specified.
- **State Board of Education Responsibilities.**
  - ✓ **Use of Supplemental Funds to Improve or Increase Services.**
    - Requires the State Board, no later than January 31, 2014, to adopt regulations governing the expenditure of supplemental grant funds, including concentration grant funds by school districts, charter schools and county offices of education "to increase or improve services".
    - Allows the State Board to authorize the use of funds for school-wide or district-wide purposes in a manner that is no more restrictive than federal No Child Left Behind Act of 2001 Title I funds.
  - ✓ **Development of Templates for Local Plans.** Requires the State Board, on or before March 31, 2014, to establish templates for use by school districts, charter schools, and county offices of education to complete the local plans and petitions, as specified.
  - ✓ **Evaluation Rubrics for Local Plans.** Requires the State Board, on or before October 1, 2015, to adopt evaluation rubrics to assist a school district, charter schools, and county offices in evaluating their strengths, weaknesses, and areas of improvement; to assist county offices in identifying school districts and charter schools in need of technical assistance; and to assist the SPI in identifying school districts for which intervention is warranted.

- **Other.**

- ✓ **Uniform Complaint Process.** Requires school districts, charter schools, and county offices of education to establish local policies and procedures to implement a complaint process in accordance with the current Uniform Complaint process, as specified.
- ✓ **Waiver Authority.** Prohibits the State Board or the State Superintendent from waiving any part of the Local Control and Accountability Plans.
- ✓ **Foster Youth Data Sharing.** Requires the Department of Education and Department of Social Services to enter into a memorandum of understanding to share disaggregated information on foster youth so that districts, charter schools and county offices of education can better identify pupils in foster care.

**Other K-12 (Proposition 98) Adjustments:** Other major budget actions for K-12 education approved as a part of the 2013-14 budget include:

- **Implementation of Common Core Standards.** Provides **\$1.250 billion** in one-time Proposition 98 funding in 2013-14 to assist K-12 local educational agencies in implementing the new Common Core standards. This investment will allow K-12 LEAs, including school districts, charter schools, county offices of education, and state special schools, to make significant one-time investments in professional development, instructional materials, and enhancements to technology, in order to better implement Common Core standards. The \$1.250 billion in one-time funds will provide an average of about **\$209 per pupil**, outside of the Local Control Funding Formula. Funding will be available for expenditure by LEAs over a two year period.
- **Career Technical Education Grants.** Approves **\$250 million** on a one-time basis in 2013-14 to establish the California Career Pathways Trust. The trust will provide one-time competitive grants to school districts, county offices of education, charter schools and community colleges to support K-14 education career pathways programs. Funding is available over a two year period. Priority is given to proposals that attract capital and in-kind contributions from business and serve distressed communities with high dropout rates.
- **Education Mandates.**
  - ✓ **Mandate Block Grant.** Provides an additional **\$50 million** to the K-12 Mandates Block Grant – for a total of \$217 million in 2013-14 – to provide increased funding to LEAs with high school enrollment to cover the High School Science Graduation Requirements mandate.
  - ✓ **Behavioral Intervention Program Mandate Modification.** Modifies the Behavioral Intervention Plan (BIP) mandate to align it more closely with federal law and reduce

unnecessary costs, while maintaining important protections for students with disabilities. Provides **\$230,000** in one-time federal funds to the Department of Education to provide oversight of, and technical assistance and monitoring to, LEAs regarding changes to the requirements related to the identification and provision of behavior intervention services. Requires the department to establish a stakeholder group to guide these and other activities.

- ✓ **Mandate Suspensions.** Suspends three education mandates that have also been suspended for local government agencies. These mandates include: Absentee Ballots, Brendon Maguire Act and Mandate Reimbursement Process I and II. (These mandates are also suspended for the California Community Colleges.) Continues existing law relating to the Public Records Act mandate.

- **Special Education.**

- ✓ **Simplifies Special Education Funding Formula.** Separates state and federal funding for special education programs in the budget act and recalculates and updates the statewide average target rate to reflect these changes.
- ✓ **Special Education Funding Equalization.** Approves **\$30 million** to begin the process of equalizing state special education funding rates for Special Education Local Plan Areas (SELPA) in 2013-14. Per pupil funding rates would be equalized to the 90<sup>th</sup> percentile over a multi-year period in order to address significant historical inequities among SELPA. *[The Governor vetoed the \$30 million augmentation for special education funding stating that equalization would have ongoing costs in excess of \$300 million when fully phased in, and would reduce available resources to pay off deferrals and to implement LCFE.]*
- ✓ **Consolidates Special Education Funding.** Streamlines funding for several small special education programs, beginning in 2013-14, in order to provide greater flexibility for meeting student needs, as follows:
  - Combines about \$92.8 million in allocations for Regionalized Services and Program Specialists and for Personnel Development into the larger base (AB 602) funding formula. Continues \$2.7 million for regionalized service to small SELPA in less populous areas of the state.
  - Consolidates two similar Workability grant programs which provide vocational education grants for students with disabilities in middle schools and high schools into a single program totaling \$39.7 million.
  - Consolidates three different funding streams for students with low-incidence disabilities – equipment and materials, specialized services, and Regional Occupational Centers/Programs (ROC/Ps) – into a new block grant to support these

students. Of the \$17.2 million in block grant funding appropriated in 2013-14, first call on \$2.1 million of these funds shall be provided for career-technical education or services, including ROC/Ps.

- Consolidates two extraordinary cost pool allocations into one allocation to maximize SELPA access to funding to cover high cost services. Of the \$6 million provided for the new single cost pool, up to \$3.0 million shall be allocated first for extraordinary costs associated with mental health related services, including out-of-home placements for necessary small SELPAs.
- Merges a \$200,000 research grant on cross-cultural assessment with a \$1.1 million state grant that the Department of Education uses for California Services for Technical Assistance and Training (CalSTAT), which is a statewide technical assistance project.
- ✓ **Backfill of Individuals with Disabilities Education Act (IDEA) Sequestration Cuts.** Provides **\$2.6 million** in Proposition 98 funding and **\$374,000** in one-time federal carryover funds to fully backfill the estimated loss of federal IDEA funds for the preschool grant (Part B - Section 619) and direct services for the infant program (Part C- CDE portion) due to sequestration cuts in 2013-14. Provides **\$2.1 million** in federal carryover funds to offset a small portion of the estimated \$66 million plus in federal IDEA sequestration cuts for K-12 programs and services in 2013-14.
- ✓ **RDA Backfill Contingency for Special Education.** Ensures a Proposition 98 fund backfill or reduction for state special education funding if actual Redevelopment Agency revenues differ from estimated amounts in the 2012-13 budget act.
- ✓ **Special Education Maintenance of Effort.** Scores Proposition 98 funds appropriated in 2011-12 to satisfy federal maintenance of effort (MOE) requirements for the 2008-09 and 2009-10 fiscal years.
- ✓ **State Special Schools.** Continues a decrease of \$1.8 million in Non-98 General Funds to reflect a reduction in general purpose funding for the California Schools for the Deaf in Fremont and Riverside and the School for the Blind in Fremont in 2013-14. This reduction is offset by an increase of \$1.8 million in one-time federal special education funds for the state schools included in the 2013-14 budget.
- **Charter Schools.**
  - ✓ **Charter Schools Access to Surplus District Property.** Extends provisions of current law another **three years** to require that school districts first offer surplus instructional property for lease or sale to charter schools prior to any other entity, until July 1, 2016. Establishes additional conditions in statute to regulate these transactions.
  - ✓ **Charter Schools Program Shifts.** Shifts administration of two charter school programs – the Charter School Revolving Loan Fund and Charter School Facility Grant Program – from the Department of Education and to the California School Finance Authority, State

Treasurer's Office. Makes other statutory changes to update the payment schedule for the Charter School Facility Grant Program.

- ✓ **Charter Schools Multi-Track Attendance Accounting.** Specifies the attendance funding for charters that provide flexible student schedules through the multi-track school calendar.
- **School District Sale of Surplus Property.** Extends provisions of current law another **two years** to allow school districts to use proceeds from selling surplus properties for one-time operating expenses, without forfeiting eligibility to request more state funds for new construction and modernization through the School Facilities Program, until January 1, 2016.
- **Categorical Program Cost-of-Living and Growth Adjustments.** As described earlier, most prior education programs (revenue limit and categorical programs) are now contained in the LCFF formula, and will receive annual cost-of-living adjustments (COLAs) and growth adjustments. The 2013-14 budget also includes COLA and growth adjustments for four selected categorical programs outside of the LCFF formula -- Special Education, Child Nutrition, California American Indian Education Centers, and American Indian Early Childhood Education. More specifically, the budget provides **\$59.8 million** for COLAs for these programs, reflecting an estimated COLA of 1.565 percent in 2013-14. In addition, the budget provides **\$55.5 million** for growth adjustments – reflecting either an estimated ADA increase of 0.2 percent or other special growth factors (such as student meals) in 2013-14.
- **Proposition 98 Savings for Selected Programs in 2013-14.** Reappropriates **\$115 million** in one-time Proposition 98 savings to offset selected K-12 program expenditures in 2013-14 and achieve General Fund savings of the same amount. This action simply changes the funding source for the three programs and has no effect on programmatic funding levels.
- **Emergency Repair Program.** Suspends funding for the Emergency Repair Program from the Proposition 98 Reversion Account, through 2013-14 to reflect zero funding in the budget.
- **Continuation of Grades K-1 English Learner Assessments.** Extends for two years, the statutory authorization for the existing early literacy assessment (grades K-1) for English learners as a part of the California English Learner Development Test (CELDT).

#### **California Department of Education (CDE) - State Operations:**

- **Standardized Account Code Structure (SACS) Replacement Project.** Appropriates up to **\$3.6 million** to CDE in 2013-14 to fund SACS system replacement project costs, subject to the approval of a Special Project Report by the California Technology Agency and the Department of Finance. Of this amount, **\$2.5 million** is GF (non-98) and **\$1.1 million** is federal carryover funds (\$825,000 in NCLB-Title I funds and \$275,000 in Individuals with Disabilities Education Act funds).
- **Fee Reimbursements for Adoption of Instructional Materials for Mathematics.** Provides **\$350,000** in fee reimbursement authority to cover the costs of a new statewide mathematics instructional materials adoption, beginning in 2012-13 and continuing through 2013-14,

pursuant to AB 1246/Brownley (Chapter 668; Statutes of 2012). The 2008-09 budget suspended all statewide instructional materials adoptions due to the state budget shortfall. AB 1246 authorizes a new statewide mathematics adoption and authorizes the state to assess a one-time fee payment from participating publishers and manufacturers to offset the costs of this adoption process.

- **Instructional Quality Commission.** Appropriates **\$233,000** in one-time General Fund (Non-98) for the Instructional Quality Commission to support activities necessary to meet the deadlines required pursuant to Section 60207 of the Education Code – as established by AB 1246 – for development of common core curriculum frameworks for mathematics and English language arts.
- **Translation of Documents for Parents.** Approves **\$225,000** in federal Title III carryover funds for translation of parental notification documents and templates utilized by local educational agencies in 2013-14. *[The Governor vetoed the \$225,000 in one-time federal Title III funds for translation of parent notifications and templates. Per the Governor, these funds “are unnecessary as high priority translations have already been completed, and the remaining workload is not critical and can be absorbed by the Department.”]*
- **CDE Staffing Adjustments:**
  - ✓ **Revision of Academic Performance Index.** Appropriates **\$217,000** in state General Fund and **2.0 positions** to redesign the state’s Academic Performance Index (API). This redesign will include a broader measure of school outcomes and success by including additional indicators in the API in addition to assessment results, pursuant to SB 1458/Steinberg (Chapter 577, Statutes of 2012) in 2013-14. The bill will require the development of new student performance measures – such as college going rates and career outcomes – as well as new sources of data.
  - ✓ **Charter School Program Shifts.** Shifts **\$175,000** in General Fund (Non-98) and **2.0 positions** from CDE to California School Finance Authority in the State Treasurer’s Office to support the transfer of two charter school programs, beginning in 2013-14. The two programs include the Charter School Facility Grant program and the Charter School Revolving Loan Fund program.
  - ✓ **Energy Efficiency Program Authorized by Proposition 39.** Provides **\$109,000** in General Fund (Non-98) and **1.0 position** to implement energy efficiency projects – authorized by Proposition 39, as approved by statewide voters in November 2012 – for K-12 LEAs. The budget provides \$381 million for K-12 energy efficiency project funding, administered by the Superintendent of Public Instruction, in 2013-14.
  - ✓ **Pupil Fee Complaint Process.** Provides **\$109,000** in General Fund (Non-98) and **1.0 position** to implement the requirements of AB 1578/Lara (Chapter 776, Statutes of 2012),

beginning in 2013-14. This measure authorizes a complaint of noncompliance with the prohibition against pupil fees to be filed with the principal of a school under the existing Uniform Complaint Procedures process, and authorizes a complainant who is not satisfied with the decision of the school to appeal the decision to the CDE. The bill further requires CDE, commencing in 2014-15 and every three years thereafter, to develop and distribute guidance regarding pupil fees and make it available on its Internet Web site.

- ✓ **Long-Term English Learners Study.** Provides \$63,000 in ongoing General Fund (Non-98) and 0.5 position in 2013-14 to annually identify and report long-term English learners to local educational agencies pursuant to AB 2193/Lara (Chapter 427; Statutes of 2012).

### K-12 Federal Funds Adjustments

- **Child Nutrition Funding.** Provides an increase of **\$449.7 million** (19 percent) in federal child nutrition funds – from the U.S. Department of Agriculture – for public schools and other agencies 2013-14. The significant increase in federal funding is based upon following factors:
  - ✓ Expansion of the Child and Adult Care Food Program (CACFP) At-Risk Program to include all meals – instead of snack only – and to allow schools to participate in the supper meal program. (Most of the funding increase is driven by this expansion.)
  - ✓ Increased participation in the various child nutrition programs, including the lunch and breakfast programs.
  - ✓ Projected \$0.02 per meal increase for the School Lunch program.
- **Child Nutrition Program Oversight.**
  - ✓ **School Cafeteria Funds Audit.** Provides **\$1.4 million** in one-time federal Child Nutrition funds to the California Department of Education (CDE) for a review of the federal Child Nutrition program by the State Auditor, Bureau of State Audits, in order to assess both the use of Cafeteria Funds by local agencies and fiscal oversight by CDE. The audit responds to findings and recommendations from the recent report on School Cafeteria Funds, published by the Senate Office of Oversight and Outcomes in February, 2013.
  - ✓ **Federal Spending Requirements.** Repeals two sections of Education Code related to the use of School Cafeteria Funds that conflict with federal law governing school meal programs, authorized by the U.S. Department of Agriculture, as follows:
    - Education Code Section 38092. This section permits cafeteria fund revenue sharing with associated student bodies. Federal regulations no longer permit such revenue sharing with student groups.
    - Education Code Section 38102. Authorizes districts to establish cafeteria equipment funds with reserves from their meal programs. The USDA does not recognize such

accounts and strictly limits cafeteria fund surpluses to a total of three months average expenditures for the program.

- ✓ **Compliance Staffing Assessment.** Adopts budget provisional language requiring the Department of Education to report to the chairpersons and vice chairpersons of the budget committees of both houses of the Legislature, the Department of Finance, and the Legislative Analyst's Office by October 1, 2013, on the department's assessment of staffing needs for child nutrition compliance activities resulting from new federal requirements effective in 2013-14, and to reflect the outcome of the department's review of School Cafeteria Funds for 30 remaining school districts.

#### Other K-12 Adjustments.

- **Inglewood Unified School District Emergency Loan & State Administrator.** Replaces existing statutory authorization of an emergency apportionment of up to \$55 million to the Inglewood Unified School District through the state Infrastructure Bank, with a traditional General Fund emergency loan. Clarifies the State Superintendent may appoint a retired administrator with the powers and responsibilities set forth in a state takeover.

#### Child Care & Development

- **Restoration of State Preschool Program Funding.** Provides **\$30 million** in Proposition 98 funds in 2013-14 above the Governor's budget to begin the process of restoring reductions to the State Preschool Program (part-day/part-year) for low-income three- and four-year old children. The State Preschool Program has sustained approximately \$120 million in cuts since 2009-10. *[The Governor vetoed \$5 million, leaving \$25 million in restoration funding for the State Preschool Program. The Governor's veto message states this is a one-time restoration of preschool slots, and that providing this increase on an ongoing basis "would reduce future resources available to K-14 programs".]*
- **Backfill for Federal Sequestration Cuts.** Approves \$2.6 million in Proposition 98 funding and \$374,000 in one-time federal carryover funds to fully backfill the loss of federal special education funding authorized under the Individuals with Disabilities Education Act (IDEA) for services and programs for infants and preschoolers with disabilities in 2013-14.
- **CalWORKs Child Care.** Approved compromise adjustments to CalWORKs Stage 2 and Stage 3 child care caseload to fund Stage 2 at \$358 million and Stage 3 at \$183 million. This fully funds projected caseload for the budget year. Also approved budget bill language to allow for transfers from Stage 2 and Stage 3 within the fiscal year if caseload adjustments are needed. Also approved budget bill language to allow the Department of Finance authority to augment funding for the Stage 3 caseload if budgeted funding is found to be insufficient to cover caseload. *[There was an error made in the final budget act and Stage*

***3 child care was funded at \$197.5 million instead of the \$183 million needed to fully fund Stage 3. This issue will be corrected later this session.]***

- **Other Capped Child Care Programs.** Approved \$15.8 million augmentation and BBL to ensure sufficient funding to fully backfill federal sequestration cuts. Augmentation and potential sequestration reductions would be allocated as follows: \$11.1 million for the General Child Care program, \$4.1 million for the Alternative Placement programs, and \$621,000 for migrant child care programs. Approved \$10 million reappropriation of unspent child care funds to expand additional slots for the capped child care programs as follows: \$7 million for the General Child Care program, \$2.6 million for Alternative Placement programs, and \$400,000 for migrant child care programs.
- **Pilot Program Continued.** Extends authorization of child care pilot programs in San Francisco and San Mateo counties by one year to allow the city and county and the county to implement an individualized county child care subsidy plan until July 1, 2015. Requires the city and county and county to phase out the plan and implement the state's requirements for child care subsidies as of July 1, 2017.
- **New Simplified Fee Schedule Authorized.** Approved trailer bill language to repeal the old family fee schedule for child care and preschool and instead directs CDE to develop a new fee schedule. The new fees will continue to be flat family fees, but will be assessed monthly instead of daily and will not need to be recalculated based on actual attendance. Also requires CDE to report annually on preschool fees collected.

## **6360 COMMISSION ON TEACHER CREDENTIALING**

- **Accreditation Fees for Teacher Preparation Programs.** Authorizes the Commission on Teacher Credentialing (CTC) to charge fees to recover some excess costs of reviewing educator preparation programs, beginning in 2013-14. The budget estimates additional revenues of **\$200,000** for the CTC as a result of this new fee authority in 2013-14.

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

1. *Education Budget – Omnibus Trailer Bill. AB 86 (Chapter 48; Statutes of 2013).*
2. *Education Budget – Local Control Funding Formula. AB 97 (Chapter 47; Statues of 2013).*
3. *Education Budget – Local Control Funding Formula – Career Technical Education and Other Technical Revisions. SB 91 (Chapter 49; Statues of 2013).*
4. *Proposition 39 Implementation. SB 73 (Chapter 29; Statutes of 2013).*

# HIGHER EDUCATION

## HIGHER EDUCATION CROSSCUTTING ISSUES

**Multi-Year Funding Plan.** The Governor presented a multi-year funding plan for the University of California (UC) and the California State University (CSU) systems. This plan included annual budget increases up to \$511 million each, over a four year period. The first year of this funding increase (\$125.1 million for each) was approved in the budget. The plan also included two additional components. The first component was affordability. The Governor proposed a freeze on UC and CSU resident tuition over a four year period, starting in 2013-14. The underlying approved budget assumes that fees are frozen in the budget year, but does not make assumptions about fees in future years. The second component was student success. The Administration proposed improving graduation rates, increasing the number of transfer students from community colleges, increasing the number of degrees completed, particularly by low-income students, and reducing the cost to degree. The Administration initially requested trailer bill language that would have linked the funding augmentations to performance by the CSU and UC. In the end, the following two actions were taken to put in place a framework for measuring performance at the UC and CSU.

1. Approved trailer bill language to require the California State University (CSU) and University of California (UC) to report the following information annually, starting in March 2014, with 2012-13 data as follows:
  - Number/Proportion of Transfers
  - Number/Proportion of Low-Income Students
  - 4-year Graduation Rates for both UC and CSU and 6-year Graduation Rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
  - Degree Completions (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
  - First-Years On Track to Degree (i.e., what percent of first years earned a specified number of units)
  - Spending Per Degree (Core Funds)
  - Units Per Degree
  - Number of Science, Technology, Engineering and Mathematics (STEM) Degrees.
2. Approved trailer bill language requiring UC and CSU to report biennially to the Legislature and Department of Finance (DOF), beginning October 1, 2014, on the total costs of education, on both a systemwide and a campus-by-campus basis, segregated by undergraduate instruction, graduate instruction, and research activities. Further, the proposed language requires the costs be reported by fund source, including: (1) state GF; (2)

systemwide tuition and fees; (3) nonresident tuition and fees and other student fees; and (4) all other sources of income. Finally, the language states that, for purposes of the report, undergraduate and graduate research for which a student earns credit toward their degree program shall be included under instructional costs.

## **6120 CALIFORNIA STATE LIBRARY (CSL)**

- Approved an appropriation of \$1.395 million (Proposition 40 bond funds) to fund additional cultural and historical resource preservation grants through the California Cultural and Historical Endowment (CCHE). The requested funds represent the unappropriated residual balance of the Proposition 40 sub fund for cultural and historical resource preservation. Approximately \$820,000, of the \$1.395 million appropriation, would be allocated to an existing wait list of unfunded Round Four Projects; the list consists of three projects in the cities of: (1) Atascadero (Restoration of City Hall - \$270,000); (2) Avila Beach (Port San Luis Harbor District, Harford Pier and Warehouse Canopy Restoration - \$300,000); and (3) San Francisco (Fort Mason Center, Pier 2 Restoration - \$250,000). Using its existing statutory authority, CCHE would engage in a new Request for Proposal process to allocate the remaining \$575,000 in grant funds.
- Approved no funding for the CSL to pursue linking local libraries to the Corporation for Education Network Initiatives in California (CENIC) system, but instead adopted budget bill language to require the State Librarian to prepare a needs assessment and spending plan to connect local libraries to a statewide high-speed internet network.
- Approved \$1.6 million GF (\$104,000 one-time) to support increased costs for services needed to move into the newly-renovated Library and Courts Building. Also proposed budget bill language to reappropriate up to \$2 million GF due to renovation delays.

## **6440 UNIVERSITY OF CALIFORNIA**

- Approved the Governor's base augmentation of \$125.1 million GF for the 2013-14 budget year and the assumption that the university will not increase tuition and fees in 2013-14. The final budget for 2013-14 also includes \$125.1 million GF for the 2012-13 fiscal year, as agreed upon as part of the 2012 budget act. The 2012-13 augmentation was contingent on the passage of the Schools and Local Public Safety Protection Act of 2012 and the maintenance of 2011-12 systemwide tuition and fee levels for the 2012-13 academic year, both of which were satisfied.
- Of the \$125.1 million GF base augmentation provided for 2013-14, \$10 million was designated in budget bill language to expand the availability of high-demand courses through the use of technology. Adopted budget bill provisional language requiring that tuition fees for the online courses be no more than tuition for regular courses and that the online-only courses are available systemwide, regardless of a student's "home" campus. The budget bill language also required a report to the Joint Legislative Budget Committee and the Department of Finance by

May 1, 2014. *The Governor vetoed the budget bill language designating the \$10 million for technology in an effort to eliminate earmarks and give the university more flexibility to manage its resources.*

- Approved budget bill language expecting the UC to enroll a total of 211,499 state supported full-time equivalent students, and maintain the 2012-13 enrollment level during the 2013-14 academic year. This budget bill language also requires a report to the Legislature, by May 1, 2014, on whether the enrollment goal was met. *The Governor vetoed this budget bill language indicating that he would prefer that investments be made to ensure timely graduation of students and make improvement on other performance measures established in the budget instead of just maintaining enrollment levels.*
- Approved budget bill language earmarking funds for specific programs and purposes, including for student academic preparation programs and nursing and medical school enrollments. Adopted budget bill language to reinstate selected programs and funding levels, with a focus on access and enrollment. For other previously earmarked programs, adopted provisional budget bill language that memorializes UC's current policy and practice whereby, even in the absence of a budgetary earmark, it has continued to support all the programs identified as state priorities by the Legislature. *The Governor vetoed six different budget bill language provisions that earmarked funding for specific programs, as outlined above. The Governor noted that eliminating these earmarks will give the University greater flexibility to manage its resources to meet its obligations, operate its instructional programs more effectively, and avoid tuition and fee increases.*
- Approved budget bill language to require UC to direct \$4.8 million for increased costs related to a memorandum of understanding with Service Unit (SX) if UC reaches a memorandum of understanding with Service Unit (SX). *The Governor vetoed this budget bill language provision in an effort to unburden the University of California from earmarks and provide the University with greater flexibility to manage its resources.*
- Rejected budget trailer bill language to cap the number of units the state would subsidize per student at UC to 150 percent of degree requirements in 2013-14 and 2014-15, and to 125 percent of degree requirements in 2015-16 and ongoing.
- Approved trailer bill language and budget bill language to combine the UC's capital outlay and support budget items to increase UC's flexibility to manage its infrastructure program. The trailer bill language would also give UC more flexibility to pursue capital outlay projects outside of the annual budget process after approval by DOF and review by the Joint Legislative Budget Committee.
- Approved trailer bill language to authorize UC to pledge its GF appropriation toward new bond issues and to restructure its state Public Works Board-issued lease-revenue bond debt. The trailer bill language limits its general bond program in a manner so that not more than 15 percent of its General Fund support appropriation, less the amount that is required to fund general obligation bond payments and State Public Works Board rental payments, can be used to fund new debt for capital expenditures, pay as you go capital outlay, and State Public Works

Board rental payments. The trailer bill language also requires that any cost savings related to refunding, defeasing or retiring existing debt be pledged, in an equal amount, to reduce the existing unfunded liability of the University of California Retirement Plan.

- Approved budget bill provisional language to ensure the continuation of smoothing of payments to UC that has been carried out the last three years. The continuation of this policy would smooth payments over ten months with the remaining amount owed remitted in the final two months of the year.
- Approved a \$6.414 million GF increase for a budget adjustment for retired annuitant dental benefits.
- Approved trailer bill language that requires UC to allocate \$15 million for planning and startup costs associated with academic programs to be offered by the School of Medicine at the University of California, Riverside, and trailer bill language that requires regular reporting on a variety of metrics, including funding, recruitment, hiring, and outcomes, as well as operating and capital budgets detailed by fund source.
- Approved \$4.22 million (general obligation bonds) to fund the equipment phase for the Merced campus Science and Engineering Building 2 Project.
- Authorized the UC to pursue construction of a new Merced Classroom and Academic Office Building using its new combined support appropriation. The project is estimated to cost approximately \$45.1 million.
- Approved \$5 million from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund (Proposition 4) to the UC San Diego Campus for the construction of the Scripps Institute of Oceanography, Nimitz Marine Facility Berthing Wharf and Pier Replacement project.

#### **6600 HASTINGS COLLEGE OF THE LAW**

- Approved \$455,000 GF augmentation, \$63,000 GF above the Governor's budget, to fully fund contributions to the University of California Retirement Plan for Hastings' state GF- and tuition-funded employees.
- Rejected proposed changes (in both the budget bill and statute) to the capital outlay process, including the combination of Hastings' capital and support budget.
- Approved a \$56,000 GF increase for a budget adjustment for retired annuitant dental benefits.

#### **6610 CALIFORNIA STATE UNIVERSITY**

- Approved the Governor's base augmentation of \$125.1 million GF for the 2013-14 budget year and the assumption that the CSU will not increase tuition and fees in 2013-14. The final budget for 2013-14 also includes \$125.1 million GF for the 2012-13 fiscal year, as agreed upon as part

of the 2012 budget act. The 2012-13 augmentation was contingent on the passage of the Schools and Local Public Safety Protection Act of 2012 and the rescission of the tuition increase the university had adopted for fall 2012, both of which were satisfied.

- Of the \$125.1 million GF base augmentation provided for 2013-14, \$10 million was designated in budget bill language to expand the availability of high-demand courses through the use of technology. Adopted budget bill provisional language requiring that tuition fees for the online courses be no more than tuition for regular courses and that the online-only courses are available systemwide, regardless of a student's "home" campus. The budget bill language also required a report to the Joint Legislative Budget Committee and the Department of Finance by May 1, 2014. ***The Governor vetoed the budget bill language designating the \$10 million for technology in an effort to eliminate earmarks and give the CSU more flexibility to manage its resources.***
- Rejected proposal to provide CSU with no enrollment target in 2013-14; adopted provisional budget bill language instituting a state-supported enrollment target for 2013-14 of 342,000, which would maintain enrollment at actual 2012-13 enrollment levels. This budget bill language also requires a report to the Legislature by May 1, 2014, on whether the enrollment goal was met. ***The Governor vetoed this budget bill language indicating that he would prefer that investments be made to ensure timely graduation of students and make improvement on other performance measures established in the budget instead of just maintaining enrollment levels.***
- Approved budget bill language earmarking funds for specific programs and purposes, including for student academic preparation programs and nursing school enrollments. Also adopted intent language that ethnic and women's studies programs be maintained at CSU, Long Beach. For other previously earmarked programs, adopted provisional budget bill language that memorializes UC's current policy and practice whereby, even in the absence of a budgetary earmark, it has continued to support all the programs identified as state priorities by the Legislature. ***The Governor vetoed four different budget bill language provisions that earmarked funding for specific programs, as outlined above. The Governor noted that eliminating these earmarks will give the University greater flexibility to manage its resources to meet its obligations, operate its instructional programs more effectively, and avoid tuition and fee increases.***
- Rejected trailer bill language to cap the number of units the state would subsidize per student at CSU to 150 percent of degree requirements in 2013-14 and 2014-15, and to 125 percent of degree requirements in 2015-16 and ongoing.
- Rejected proposed changes (in both the budget bill and statute) to the capital outlay process, including the combination of CSU's capital and support budget.
- Approved budget bill provisional language to ensure the continuation of smoothing of payments to CSU that has been carried out over the last three years. The continuation of this policy would smooth payments over ten months with the remaining amount owed remitted in the final two months of the year.

- Approved budget trailer bill language to authorize the Department of Finance to defer up to \$250 million of CSU's annual GF appropriation, payable in May or June of the same year. The CSU deferral has been included in a separate cash flow budget trailer bill in previous years.
- Approved budget trailer bill language requiring CSU to report biennially to the Legislature and DOF, beginning October 1, 2014, on the total costs of education, on both a systemwide and a campus-by-campus basis, segregated by undergraduate instruction, graduate instruction, and research activities. Further, the proposed language requires the costs be reported by fund source, including: (1) state GF; (2) systemwide tuition and fees; (3) nonresident tuition and fees and other student fees; and (4) all other sources of income. Finally, the language states that, for purposes of the report, undergraduate and graduate research for which a student earns credit toward their degree program shall be included under instructional costs.
- Rejected budget trailer bill language to provide CSU with the same statutory authority to negotiate or set employee health care plan premium rates that is provided to the California Department of Human Resources (CalHR) for other state employees.
- Approved a \$51.5 million GF increase to fund the annual increase in costs for CSU's required employer pension contribution to the California Public Employees Retirement System. Adopted budget bill provisional language and trailer bill language to require that CSU continue to receive annual GF adjustments based on the actual 2013-14 payroll level; however, if CSU chooses to increase payroll expenditures above that level, CSU would be responsible for the associated pension costs.
- Approved a reduction of \$473,000 GF to adjust for retired annuitant dental benefits in the main CSU item. Also approved \$275.2 million (\$274.4 million GF) to support health benefits for CSU annuitants in the 6645 budget item. This is approximately \$27.9 million more than was authorized in 2012-13.
- Approved \$7.6 million from general obligation bonds from 2002 and 2006 to fund equipment for five continuing projects and one seismic project, as detailed in Figure 1 below.

**Figure 1: 2013-14 California State University Capital Outlay**

Campus	Description	Phase
San Jose	Spartan Complex Renovation (Seismic)	E
Maritime Academy	Physical Education Replacement	E
Bakersfield	Art Center and Satellite Plant	E
Fresno	Faculty Office/Laboratory Building	E
Channel Islands	West Hall	E
Bakersfield	Dore Theatre	P, WD, & C

E=Equipment; P=Preliminary Plans; WD=Working drawings; C=Construction

- Authorized \$76.5 million lease-revenue bond funded capital outlay project for CSU to replace the Pomona Administration facility.

## **6870 CALIFORNIA COMMUNITY COLLEGES (CCC)**

- *Please see the K-12 Education section of this report for information on the overall K-14 Proposition 98 budget.*
- Approved Proposition 98 funding to buy down additional CCC deferrals by \$178.6 million in the current fiscal year, and \$30 million in 2013-14. This will reduce the outstanding CCC deferrals to \$592.5 million.
- Approved the Governor's May Revision apportionment of Proposition 98 GF revenues for CCCs for a cost-of-living adjustment (\$87.5 million) and to fund apportionment growth (\$89.4 million).
- Approved \$16.9 million Proposition 98 GF to expand online education and expand the availability of high-demand courses through the use of technology. Adopted budget bill provisional language requiring that for online-only courses, the chancellor should, to the extent possible, ensure that the courses selected can be articulated across all community college districts, ensure that courses are granted transfer credit, and be made available for enrollment to all students systemwide. The budget bill language also requires a report to the Joint Legislative Budget Committee and the Department of Finance by March 1, 2014.
- Approved Proposition 98 funding to support categorical program augmentations, as follows: \$50 million for the student success taskforce, \$15 million for the Disabled Student Programs and Services, \$15 million for the Extended Opportunity Programs and Services program, \$8 million for the CalWORKs categorical program, and \$150,000 for the Academic Senate.
- Approved budget bill language to authorize up to \$14 million allocated to the student success taskforce (also called Matriculation) to be used for the purposes of procuring or developing E-transcript, E-planning and common assessment tools.
- Provides \$30 million in one-time Proposition 98 GF in the budget year for deferred maintenance and instructional support.
- Approved \$25 million for two-year planning and implementation grants to develop regional plans to better serve the educational needs of adults. Grant awards will be provided to regional consortia of at least one community college district and one school district, as selected by the California Community Colleges Chancellor's Office and the California Department of Education. Consortia may include other entities providing adult education courses, including, but not necessarily limited to, correctional facilities, other local public entities, and community-based organizations. The regional consortia shall create and implement a plan to better provide adults in its region with the following: (1) elementary and secondary basic skills, (2) classes and courses for immigrants eligible for educational services in citizenship and English as a Second Language, (3) education programs for adults with disabilities, (4) short term career technical education programs, and (5) programs for apprentices. The plans shall include at a minimum:

(1) an evaluation of current levels and types of adult education, (2) an evaluation of current needs within the region, (3) plans for integrating existing programs and creating transitions, (4) plans to address gaps in service, (5) plans to employ proven approaches to accelerating a student's progress towards academic and career goals, including use of contextualized basic skills and career technical education, (6) plans for professional development, and (7) plans to leverage existing regional structures such as local workforce investment areas. The trailer bill language also includes reports to the Legislature and the Governor. The trailer bill language also includes intent language to work towards developing common policies towards adult education and to provide additional funding in 2015-16 to expand and improve the provision of adult education.

- Approved a May Revision proposal to consolidate the management of state apprenticeship programs, currently funded under K-12, to the community colleges. Consolidates \$15.7 million in K-12 funding from this transfer, with \$7.2 million in previously-flexed community college funding for apprenticeship programs, into a single apprenticeship categorical program. While administration and oversight of all apprenticeship programs is now consolidated within the Community Colleges Chancellor's Office, local programs may continue operating with their existing providers.
- Rejected budget trailer bill language to require all students seeking financial aid, including Board of Governors (BOG) fee waivers, to fill out a Free Application for Federal Student Aid (FAFSA) form.
- Rejected budget trailer bill language to require campuses to take both student and parent income into account when determining certain students' eligibility for a BOG fee waiver.
- As a technical and conforming change to broader changes made to the CalWORKs program in the Budget Act of 2012, which included the creation of a 24-month time limit with more flexible welfare-to-work activities, including education, before it has been reached and stricter requirements afterward (up to 48 total months), approved trailer bill language to ensure priority enrollment for CCC students receiving CalWORKs.
- Approved \$47 million Proposition 98 funding for energy efficiency projects at the community colleges, funded to satisfy requirements of Proposition 39 passed by the voters in November 2012. Funds are distributed at the discretion of the Chancellor's Office. Approved \$86,000 GF and one position for the Community Colleges Chancellor's Office to support this workload.
- Approved budget trailer bill language to ensure that the CCC budget is held harmless and provided with a GF backfill should revenues related to either Proposition 30 [Education Protection Account (EPA) Funds] or the dissolution of Redevelopment Agencies (RDA) be less than estimated in 2013-14. With regard to EPA Funds, the language also applies to 2012-13.

- Rejected budget trailer bill language to institute a five-year phase-in of funding apportionments on completion rates rather than on census date enrollment. Adopted a statement of intent to continue supporting the work of the Student Success Task Force, which is already underway and could accomplish the same goal as the Governor's proposal.
- Rejected budget trailer bill language to cap the number of units the state would subsidize per student at the CCC to 90 semester credit units (150 percent of the standard required to earn an associate's degree or credits for transfer).
- Approved the suspension of four mandates, which have also been suspended for local government agencies: (1) Absentee Ballots – K-14; (2) Brendon Maguire Act – K-14; (3) Mandate Reimbursements Process I & II – K-14; and (4) Sex Offenders: Disclosure by Law Enforcement Officers (Community Colleges only). Also approved trailer bill language to change the date by which community college districts are required to submit letters to participate in the mandate block grant to August 30 (from September 30 under existing law).
- Approved budget trailer bill language to repeal statutory authorization for the Community College Fund for Instructional Improvement and sweep the remaining fund balance of \$863,000 to the GF.
- Approved budget bill provisional language controlling the expenditure of \$22.9 million Economic and Workforce Development (EWD) program funds to ensure conformity with the statutory overhaul of the program adopted in 2012 (Chapter 361).
- Approved \$1.183 million (general obligation bonds) for the preliminary plans and working drawings for a project to modernize the Solano College Theater to address severe safety and health, seismic, ADA accessibility, and filing building infrastructure. The Chancellor's Office estimates that the construction phase of this project would cost \$12.5 million; there are enough remaining general obligation bonds to complete the project.

## **7980 CALIFORNIA STUDENT AID COMMISSION (CSAC)**

- Approved trailer bill language to establish a compromise Middle Class Scholarship that is capped at full implementation at \$305 million. This scholarship program would be available to provide scholarships of up to 40 percent of tuition for California State University and University of California students, annually, to families with incomes up to \$150,000. Scholarship awards would be phased in over four years starting in 2014-15 with freshman entrants. Eligibility would be limited to students that meet all Cal Grant program requirements except for the income and asset test and have a minimum of a 2.0 grade point average.

Scholarships would provide tuition coverage on a sliding scale with income of up to \$100,000 receiving 40 percent tuition coverage and a reduction of tuition coverage by approximately 0.6 percent for every additional \$1,000 of income up to \$150,000. If sufficient money is not available to provide specified scholarship amounts, scholarships would be prorated proportionately among all recipients.

In the first three years of implementation, starting in 2014-15, the scholarship program's statutory appropriations would be capped at \$107 million, \$152 million, and \$228 million. Statute would provide authority to prorate spending down to \$200 million and by one-third in the first three years of implementation if the May Revision projects a budget deficit for the upcoming fiscal year.

As an institutional requirement for participating in the Middle Class Scholarship, the UC and CSU is required to preserve current fee policies and the 2013-14 amount of student fee revenue that is set-aside as institutional aid.

In the budget year, \$250,000 is provided to the Student Aid Commission for startup activities and \$500,000 is allocated to the California Student Opportunity and Access Program (Cal-SOAP) for outreach related to the program.

- Approved a technical adjustment to the Governor's January budget to increase Cal Grant program expenditures by \$119.1 million in 2013-14 and \$37.4 million in 2012-13.
- Approved a shift of \$541.7 million of Cal Grant Program costs from the GF to federal Temporary Assistance for Needy Families (TANF) Program funds. This amount is lower than the \$924.2 million proposed by the Governor.
- Approved an offset of \$98.22 million GF due to surplus funds from the Student Loan Operating Fund (SLOF), which receives proceeds from the federal guaranteed student loan program.
- Approved \$610,000 GF for support of seven positions and to re-establish printing and mailroom support services previously provided by the Educational Credit Management Corporation.
- Approved budget bill language to clarify that the sequester of federal College Access Challenge Grant funds does not reduce the amount of federal funds available to offset General Fund loan assumption program costs. Also approved budget bill language to provide a GF backfill if the sequester does reduce funding for the Cal-SOAP program and the Cash for College outreach programs. ***The Governor vetoed the latter budget bill language, that would have provided a General Fund backfill, stating that it was an appropriation he could not support.***
- Approved trailer bill language to provide a framework and authorize CSAC to enter into contracts with other states' public agencies to provide technical assistance on implementing the Dream Act.

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

1. *Education Budget – Omnibus Trailer Bill. AB 86 (Chapter 48; Statutes of 2013)*
2. *Higher Education Budget – Budget Trailer Bill – UC, CSU, Student Aid. AB 94 (Chapter 50; Statutes of 2013)*
3. *Proposition 39 Implementation. SB 73 (Chapter 29; Statutes of 2013)*

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

Senate Budget and Fiscal Review Committee

*Members*

Jim Beall, Chair  
Hannah-Beth Jackson  
Jim Nielsen

*Consultants*

Catherine Freeman - Resources  
Mark Ibele - Transportation

# SUBCOMMITTEE NO. 2

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# NATURAL RESOURCES

## 0540 Secretary for Natural Resources

- Approved \$217,000 (Timber Regulation and Forest Restoration Fund), and three permanent positions, to implement the regulatory requirements of Chapter 289, Statutes of 2012 (AB 1492, Blumenfield), which established new forest resource management funding through an assessment on lumber. The Governor proposed the positions be three-year limited-term.
- Approved the shift of \$1.9 million (bond funds) and nine positions from the State Coastal Conservancy to the Secretary, in order to consolidate all ocean programs including the Ocean Protection Council within the Resources Agency. *The trailer bill implementing this item is pending.*
- Approved a revenue and expenditure neutral information technology consolidation from the agency to the Department of Water Resources, Division of Technology Services, to improve efficiencies.

## 3110 Special Resources Program

- Approved as budgeted (including the Tahoe Regional Planning Agency).

## 3125 California Tahoe Conservancy

- Approved as budgeted.

## 3340 California Conservation Corps (CCC)

- Approved \$5 million (Proposition 40) annually, for the next three years, to support fire prevention activities.
- Approved \$5 million (Proposition 39 revenues) for workforce training and development related to energy efficiency.
- Converted two expiring limited-term positions to permanent, for data collection and reporting system replacement.
- Reappropriated the unexpended balances from Proposition 84 bond funds authorized for administration of resource conservation and restoration projects.

- Approved \$163,000 (reimbursement authority) so that the CCC can perform additional maintenance activities for Caltrans.

### **3460 Colorado River Board of California**

- Approved as budgeted.

### **3480 Department of Conservation**

- Rejected \$500,000 (Abandoned Mine Remediation Fund) for increased department activity related to abandoned mines and, instead, directed the funding to the state's obligation related to Empire Mine remediation, overseen by the Department of Parks and Recreation.
- Approved reappropriation of \$109,000 (Proposition 84 bond funds) for grants to locals for watershed protection projects, under the Statewide Watershed Program.
- Approved \$18 million (Proposition 84 bond funds) reversions and appropriations for the Sustainable Communities Planning Grant and Incentive Program.

### **3540 Department of Forestry and Fire Protection**

- Approved the conversion of ten positions from limited-term to permanent, in the Civil Cost Recovery Program.
- Approved budget bill language to align Schedule A agreements with the budget year, to allow for better review and oversight of new agreements.
- Approved \$11.7 million (SRA Fund) and 65 positions to address fire severity, treatment, education, prevention and planning. Included budget bill language to restrict the use of the funds related to the Vegetation Management Program.
- Approved \$967,000 and six permanent positions (Timber Regulation and Forest Restoration Fund), to implement the expansion of timber harvest plan reviews, as required by Chapter 289, Statutes of 2012 (AB 1492, Blumenfeld), which established new forest resource management funding through an assessment on lumber.
- Approved \$7.5 million (Federal Trust Fund Authority) to provide grant administration and technical oversight for the department's Cooperative Forestry Assistance Program.

- Approved \$366,000 (one-time), and two permanent positions, from the Unified Program Account (UPA) and \$309,000 UPA ongoing to perform field evaluations, conduct necessary research, develop policy and guidance, and provide technical support to the Certified Unified Program Agencies who oversee the Aboveground Petroleum Storage Act Program, authorized by AB 1566, Statutes of 2012.
- Approved a supplemental appropriation (\$200,000, Public Buildings Construction Fund) to acquire a suitable parcel to relocate the two-engine Baker Fire Station.
- Approved a supplemental appropriation (\$283,000, Public Buildings Construction Fund) to acquire a suitable parcel to relocate the one-engine Parkfield Fire Station.
- Approved trailer bill language to eliminate the non-critical functions and reduce the statutory responsibilities of the department, which will allow CalFIRE to meet workload within its authorized spending levels. *The trailer bill implementing this item is pending.*
- Approved an increase of \$952,000 (General Fund) for CalFIRE's Aviation Management Unit to provide logistical support to coordinate acquisition of parts for the existing CalFIRE aviation fleet. This proposal does not authorize purchases or include capital investments beyond logistical support and coordination of acquisitions.
- Approved a baseline increase of \$51 million General Fund to reflect historic expenditures for emergency wildfire suppression costs. This increases the Emergency Fund (E-Fund) to \$172 million annually. This new funding level reflects the state's current five-year average cost for fighting major wildfires in the state.
- Approved reappropriation and extension of liquidation for the Department of Justice related to ongoing litigation. This allows expenditures to be made to fund the costs of litigation when they are expected to occur.
- Consistent with its current strategic plan and past actions, the budget includes a reappropriation of funds for various phases of major capital outlay projects. These projects have previously been approved and are mainly for fire station and conservation camp construction projects.

### **3560 State Lands Commission**

- Approved \$234,000 (reimbursement authority) and three positions to review and monitor state oil and gas lease activities to ensure compliance with lease terms, regulations and operational levels.
- Approved \$184,000 (General Fund) to eliminate the rent-free use of state property for private piers.

- Approved \$396,000 (General Fund, one-time) to meet the state's obligations under a consent judgment to pay for remediation activities at the Selby Slag site in Contra Costa County.

### **3600 Department of Fish and Wildlife (DFW)**

- Approved \$12.1 million (Salton Sea Restoration Fund) for monitoring and pilot studies related to the Salton Sea Habitat restoration. Approved \$28 million (Proposition 84 bond funds) to construct managed ponds to support area wildlife.
- Approved \$4.3 million and 35 permanent positions (Timber Regulation and Forest Restoration Fund), and three permanent positions, to implement the expansion of Timber Harvest Plan reviews, as required by Chapter 289, Statutes of 2012 (AB 1492, Blumenfeld), which established new forest resource management funding through an assessment on lumber.
- Approved \$2.5 million (Wildlife Restoration Fund) for management and oversight of state-owned land. Approved trailer bill language to clarify that revenue generated from leases is authorized to be used to improve and maintain the intrinsic and ecological values of wildlife areas, ecological reserves and other DFW managed lands. *The trailer bill implementing this item is pending.*
- Approved \$75,000 and one position (Harbors and Watercraft Revolving Fund) to implement Chapter 485, Statutes of 2012 (AB 2443, Williams), that requires DFW to increase Quagga and Zebra (Dreissenid) mussel prevention efforts and control activities.
- Revised Public Resources Code 712.5 (per recommendation of the Bureau of State Audits) to eliminate outdated statute that was revised by subsequent statute in 2005. This allows funding from the Environmental License Plate Fund to be used for DFW activities as required by Proposition 99.
- Approved the continuance of a proposal (\$1.5 million, Environmental License Plate Fund) approved in this subcommittee for radio modernization. This is the third year of a multi-year proposal to fund the implementation of a modernization of radio operations to improve the ability of wardens to communicate within DFW, and to its sister law enforcement agencies, at the local, state and federal level.
- Approved a shift of ongoing federal reimbursement authority (\$20 million) from state operations to local assistance, for grant funds awarded to nonprofit organizations, government agencies, and Indian tribes under the Fisheries Restoration Grant Program. This is a technical shift to properly characterize grant expenditures.
- Approved \$1.3 million (Fish and Game Preservation Fund), and nine positions, to fund the first phase of the Conservation and Mitigation Banking Program established in 2012.

- Approved \$517,000 (Fish and Game Preservation Fund), and five positions, to implement the Scientific Collecting Permit Program which requires DFW to have dedicated staff to review scientific permit applications, issue permits and manage the required submission of results.

### **3640 Wildlife Conservation Board**

- Approved as budgeted.

### **3720 California Coastal Commission (CCC)**

- Approved an augmentation of \$4 million (GF), including \$1 million local assistance and \$3 million state operations, to increase the state's funding for local coastal plan updates. *The Governor sustained this item on a one-time basis.*
- Approved \$357,000 (Coastal Beach and Coastal Enhancement Account) from the sale of Whale Tail license plates for grants to nonprofits and government agencies.

### **3760 State Coastal Conservancy (SCC)**

- Approved the shift of \$1.9 million (multiple bond funds), and nine positions, from the State Coastal Conservancy to the Secretary, in order to consolidate all ocean programs including the Ocean Protection Council within the Resources Agency. *The trailer bill implementing this item is pending.*
- Approved a baseline funding realignment to implement the SCC 10-year funding plan, submitted in April, in order to manage bond funds over a longer period of time.
- Approved \$500,000 from the Coastal Access Account and \$458,000 from the California Beach and Coastal Enhancement Fund for the annual implementation of the Conservancy's public access, education and related programs. These funds are dedicated annually to develop, operate and maintain public access-ways and to provide education related to coastal resources projects.
- Approved \$16.2 million (Proposition 84 bond funds) for capital outlay and local assistance to fulfill a multi-year capital investment plan including the California Coastal Trail, public access development in the Bay Area, and provide key trail connections.
- Approved reappropriation and reimbursement authority for Proposition 84 and 40 bond funds, scheduled to expire on June 30, 2013. These were largely delayed due to the previous bond freeze. Future reappropriations are not expected to be needed.

### **3780 Native American Heritage Commission**

- Approved \$140,000 (General Fund) to reclassify two positions to support the activities of the tribal advisor to the Governor.

### **3790 Department of Parks and Recreation (DPR)**

- Approved \$1 million (DPR Fund) for three years, including budget bill language, for Goat Canyon Sediment Basin maintenance. Budget bill language directs the department to seek other funding for this project that is the result of polluted runoff from Mexico.
- Approved \$40.9 million, and 73.5 positions, to complete the merger of the Department of Boating and Waterways into the department, as the Division of Boating and Waterways.
- Approved \$1.2 million local assistance funding (Proposition 40), rather than state capital outlay funds to the Eastshore State Park for renovation by the local park district.
- Approved the transfer of the District 11 Caltrans state building to DPR for the long-term development of San Diego Old Town State Historic Park. *The trailer bill implementing this item is pending.*
- Approved \$235,000 (Harbors and Watercraft Fund [HWRF]) in annual baseline funding in order to implement Chapter 485, Statutes of 2012 (AB 2443), which requires the department to convene a technical advisory committee of stakeholders to determine the amount of a vessel registration fee increase to fund a new local assistance program for Quagga and Zebra Mussel Infestation.
- Approved \$28 million from special and federal funds for annual grants to various state, local and private entities, including grants from the Off-Highway Vehicle Trust Fund, National Historic Preservation Fund and federal funds.
- Approved a reversion of \$8.8 million in the Habitat Conservation Fund, while after completion of various projects left a balance of unallocated funds, to ensure accurate fund balance reporting in this account.
- Approved \$7.9 million (HWRF) in local assistance for the following projects (Public Small Craft Harbor Loans): Santa Barbara Marina, Statewide Emergency Loans, and Statewide planning loans. This is consistent with previous allocations.
- Approved \$8.8 million (HWRF) to continue a grant program for the following public boat launching facilities: Berenda Reservoir, Contra Loma Lake, Lodi Lake, Lake McClure, Noyo Inner Harbor, Red Bluff Front Park, Rio Vista, and statewide ramp repair, restrooms, launch facilities and signage.

- Approve \$2.7 million (HWRF) for construction loans for privately-owned marinas statewide.
- Approved the department's requests to solicit new concessions or extend concessions for the following: Parks E-Store, Crystal Cove State Park, Folsom Lake State Recreation Area, Morrow Bay State Park, Old Sacramento State Historic Park, and Old Town San Diego State Historic Park.
- Approved \$742,000 (HWRF) for the purpose of controlling two invasive species within the Sacramento-San Joaquin Delta; water hyacinth and spongeplant. Of the proposed amount, \$167,000 is for the control of water hyacinth and \$575,000 is for the control of spongeplant.
- Approved two reappropriations of local assistance funding. (1) \$426,000 in Proposition 12 funding for the YMCA of San Diego County: Border View Expansion Project. (2) \$11.6 million Proposition 40 for the Railroad Technology Museum grant rehabilitation and facilities plan.
- Approved a local assistance grant reappropriation to the City of Pasadena in the amount of \$381,153 (Proposition 40); and three additional local assistance grants for the County of Modoc, \$21,674; County of Sacramento, \$143,604 (Proposition 40); and Museum of Tolerance (\$2 million, General Fund).
- Approved trailer bill language to extend the department's authority to manage major capital outlay projects from January 1, 2014 to January 1, 2019. This will allow the department to maintain internal project management of its capital outlay project, resulting in cost savings and timely delivery. *The trailer bill implementing this item is pending.*
- Approved \$4.7 million (bond funds), and an ongoing baseline increase of \$153,043 (SPRF), for increased maintenance and upkeep to rehabilitate a building on Angel Island for viewing and interpretation by the public.
- Request for \$20.8 million (bond funds), and an ongoing baseline increase of \$1 million, 8 permanent staff, and five seasonal staff for the Los Angeles State Historic Park.

### **3810 Santa Monica Mountains Conservancy**

- Approved a reduction of \$55,000 (various bond funds), and a reappropriation of \$43,000, to maintain baseline support for the conservancy.
- Approved remaining budget as proposed.

**3820 San Francisco Bay Conservation and Development Commission**

- Approved as budgeted.

**3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy**

- Approved as budgeted.

**3830 San Joaquin River Conservancy**

- Approved \$1 million (Proposition 84 bond funds) for ongoing San Joaquin River Parkway projects.

**3835 Baldwin Hills Conservancy**

- Approved as budgeted.

**3840 Delta Protection Commission**

- Approved as budgeted.

**3845 San Diego River Conservancy**

- Approved as budgeted.

**3850 Coachella Valley Mountains Conservancy**

- Approved acquisition funding within and around the Coachella Valley including: \$343,000 (Proposition 12); \$456,000 (Proposition 40); \$3.3 million Proposition 84 and, a reappropriation of the 2010 Proposition 84 appropriation.

**3855 Sierra Nevada Conservancy**

- Approved as budgeted.

**3875 Sacramento-San Joaquin Delta Conservancy**

- Approved as budgeted.

### **3860 Department of Water Resources (DWR)**

- Approved \$82.9 million (Proposition 1E bond funds) for continued implementation of the flood management system through the FloodSAFE Program.
- Approved \$37.7 million (Proposition 84 bond funds), over two years, for state's share of the restoration of Lake Perris Dam, to maximize operational and recreational facilities and remediate seismic and public safety concerns.
- Approved \$653,000 (Proposition 40 bond funds) each year, for three years, to support a real-time ground-based measurement network of snowpack, soil moisture, and vegetation state across watersheds. *This item was vetoed by the Governor.*
- Approved \$10 million (Proposition 40 bond funds) to provide for the state's share of a state, local, and federal project on the Sacramento River. The project will include the installation of a fish screen for anadromous fish protection and enhancement at the water intake project on the Sacramento River.
- Approved \$12.8 million (Proposition 84 bond funds) to fund new and existing water use efficiency grants and desalination of brackish and ocean water grants, water recycling projects and administrative costs for water conservation projects.
- Approved an updated capital expenditure plan for the Lake Perris Dam Remediation. The total state share identified by DWR is \$46.9 million, with \$37.7 million requested for FYs 2013-14 and 2014-15, from Proposition 84 bond funds.
- Approved a shift of legal counsel from Department of Justice to the DWR, resulting in a savings of \$25,000 (General Fund) annually, for the Central Valley Flood Protection Board.
- Approved \$650,000 (Proposition 1E bond funds), ongoing, for the Central Valley Flood Protection Board to implement the recently adopted Flood Protection Plan.
- Approved \$550,000 (Proposition 13 bond funds), over two years, to complete a low intensity chemical dosing project designed to improve water quality related to agricultural drainage.
- Approved \$2 million in reimbursement authority, over two years, for baseline staff support activities associated with the Salton Sea Species Conservation Habitat Proposal.

- Approved \$22.6 million (Proposition 84 bonds funds), and \$5.7 million (Proposition 50 bond funds), for the Salton Sea Species Conservation Habitat Project. Funding is for the construction phase of funding to shallow water, saline habitat per terms of the Quantification Settlement Agreement terms and state mitigation obligations.
- Approved a one-time \$3 million appropriation from the Salton Sea Restoration Fund for purposes of funding a second year of the Salton Sea Financial Assistance Program (FAP). The Salton Sea Financial Assistance Program (FAP) is funded by the Department of Fish and Wildlife and administered by the DWR. ***This item was vetoed by the Governor.***
- Approved FloodSAFE funding of \$98.1 million (Proposition 1E bond funds) as part of the multi-year approach to improving flood control. This funding implements the Central Valley Flood Protection Plan, a major flood planning document designed to bring the state forward, both for Central Valley flood planning and to reduce the state's liability from flood events.
- Approved \$9.6 million (Proposition 84 bond funds), over three years, to support 13.3 existing positions from Chapter 4 of Proposition 84, for Multi-Benefit Planning and Feasibility Studies.
- Approved a conforming action, to the Natural Resources Agency, to consolidate information technology functions throughout the agency, by transferring the California Environmental Resources Evaluation System (CERES) from agency to the department.
- Approved \$3.3 million (Proposition 1E bond funds) for the American River Watershed, Folsom Dam Raise Project to continue the re-evaluation, design and construction phases of the project and provide the state matching funds for this joint state and federal project.
- Approved \$77 million (Proposition 1E bond funds) for the Feather River Urban Flood Risk Reduction Project for the three-year construction phase of the Sutter Butte Flood Control Agency's Feather River West Levee Project. The project is designed for 200-year flood protection.
- Approved \$28.8 million (Proposition 1E bond funds), and \$12.2 million (reimbursement authority), for the Folsom Dam Modifications Project to continue construction in order to increase the level of protection from flooding to Sacramento. This secures \$75 million in federal funds and \$12 million in local funding matches.
- Approved \$374,000 (Proposition 1E bond funds), and \$103,000 (reimbursement authority), for the Lower Cache Creek, Yolo County, and Woodland Area Project for the non-federal share of participation with local and federal agencies to evaluate feasible flood protection alternatives for 200-year flood protection.

- Approved \$572,000 (Proposition 1E bond funds) for the Lower San Joaquin River to evaluate feasible flood protection alternatives to provide at least 200-year flood protection, including the areas of Stockton, Lathrop and Manteca.
- Approved \$8.7 million (Proposition 1E bond funds), and \$3.7 million (reimbursement authority) for the Marysville Ring Levee Reconstruction Project to fund the non-federal share with the U.S. Army Corps of Engineers in the Yuba River Basin. This includes design and construction phases of the project.
- Approved \$333,000 (Proposition 1E bond funds) for the Sacramento River Flood Control System Evaluation (state support costs of the non-federal share of the project) to assess protection by non-urban levees and prioritize deficiencies. Other local cost-share will be in the form of in-kind work.
- Approved \$790,000 (Proposition 1E bond funds), and \$494,000 (reimbursement authority), for the Sutter Basin Feasibility Study to evaluate the feasible flood protection in the urban area within the Yuba City Basin in the State Plan of Flood Control.
- Approved \$1.2 million (Proposition 1E bond funds) and \$500,000 (reimbursement authority) for the West Sacramento Project to re-evaluate alternatives to provide consistent flood protection to the City of West Sacramento. This will secure \$1 million in federal funds and \$500,000 local funds.
- Approved \$204,000 (Proposition 84 bond funds) for the West Stanislaus County, Orestimba Creek Project to fund completion of the feasibility phase of the project to protect the town of Newman, state transportation facilities, local infrastructure and nearby flood land.
- Approved \$323,000 (Proposition 1E bond funds), and \$322,000 (reimbursement authority), for the Yuba River Basin Project for the non-federal share of funding to evaluate flood protection for Marysville, Linda, Olivehurst, and Arboga and the surrounding vicinity.
- Approved \$22.6 million (Proposition 84 bonds funds), and \$5.7 million (Proposition 50 bond funds), for the Salton Sea Species Conservation Habitat Project for the construction phase of funding to shallow water, saline habitat per terms of the Quantification Settlement Agreement terms and state mitigation obligations. Conforms to a previous Department of Fish and Wildlife proposal.

### **3885 Delta Stewardship Council**

- Approved \$777,000 (General Fund) to replace expiring bond funds and maintain the existing level of positions in order to begin implementation of the Delta Plan.

- Approved an increase of \$6 million (reimbursement authority) for an interagency agreement between the Department of Water Resources and the Council to extend the liquidation period for Proposition 84 bond funds appropriated for research activities related to the Sacramento-San Joaquin Delta.

### ***Resources Budget Trailer Bills***

At the time this publication was released, the resources trailer bill was pending passage by the Legislature. The Senate passed AB 77, but the Assembly did not concur in this legislation.

## ENVIRONMENTAL PROTECTION

### 0555 Secretary for Environmental Protection

- Approved a reduction of \$2.3 million and ten positions to implement the transfer of Office of Education and the Environment from the Secretary to the Department of Resources Recycling and Recovery.

### 3900 Air Resources Board (ARB)

- Approved a \$500 million loan from the Greenhouse Gas Reduction Fund (GHG Fund) to the General Fund.
- Approved \$1.3 million, and two positions from the GHG Fund to enhance oversight of Cap and Trade auction activities and budgetary administration.
- Approved five permanent positions and a technical budget adjustment to realign existing federal grant funds and respective state matches for the clean air and ambient air quality programs.
- Approved trailer bill language to direct the appropriation of the final \$1.1 million (Proposition 1B bond funds) for clean school bus programs, under the Children's Health Initiative. *The trailer bill implementing this item is pending.*

### 3930 Department of Pesticide Regulation

- Approved \$1.4 million (Department of Pesticide Regulation Fund) and five positions to address the mitigation of pesticide use in the environment and to increase the enforcement of the state's pesticide regulations and the speed of pesticide product reviews and approval. Provided provisional language to require the department to provide five risk assessments by June 30, 2014. *This item was reduced by \$250,000 and two positions by the Governor.*
- Approved \$284,000 (reimbursement authority) to enable the board to coordinate required training and investigation activities for structural pest control laws and regulations at the state and local level.

### **3940 State Water Resources Control Board**

- Approved \$7 million for small disadvantaged community wastewater project grants to be funded by the State Water Pollution Control Revolving Fund, Small Community Grant Fund.
- Approved \$700,000 (Waste Discharge Permit Fund), on a one-time basis, to develop and adopt water recycling criteria for indirect potable reuse through an interagency agreement with the Department of Public Health.
- Approved \$620,000 (Timber Regulation and Forest Restoration Fund) and nine positions to implement the regulatory requirements of Chapter 289, Statutes of 2012 (AB 1492, Blumenfeld), which established new forest resource management funding through an assessment on lumber.
- Approved \$969,000 (Waste Discharge Permit Fund) to increase enforcement of nitrate contamination and provide greater groundwater monitoring. *This item was reduced by \$319,000 and two positions by the Governor.*
- Approved \$800,000 (Waste Discharge Permit Fund) to increase beach water quality monitoring.
- Approved an augmentation of \$75,000 (reimbursement authority) to accept and expend federal funds related to U.S. Bureau of Reclamation water rights regulation.
- Approved a reduction of \$48 million to align the Underground Storage Tank Cleanup Fund orphan site authority with an anticipated reduction in fees starting January 1, 2014.
- Approved a technical bond funding adjustment of \$37 million to align annual reversions with reappropriations. Included budget bill language to reappropriate unspent funds from two prior budget acts to support cleanup of sites contaminated by leaking underground storage tanks.

### **3960 Department of Toxic Substances Control (DTSC)**

- Did not pass a fee reform proposal for the Hazardous Waste Control Account, which would have provided structural funding stability at the department by allocating fees more equitably across the universe of hazardous waste generators.
- Eliminated position and expenditure authority in a cleanup measure for the registered environmental assessor program, consistent with prior budget cycle actions.

**3970 Department of Resources Recycling and Recovery (CalRecycle)**

- Approved \$2.3 million and ten positions to implement the transfer of Office of Education and the Environment from the Secretary to the Department of Resources Recycling and Recovery.
- Approved a proposal to reform the Beverage Container Recycling Program funding structure and collection methods to provide structural stability and increased financial management oversight. *The trailer bill implementing this item is pending.*
- Approved the transfer of CalRecycle from the Natural Resources Agency to the Environmental Protection Agency in accordance with the Governor's Reorganization Plan Number Two of 2011. *The trailer bill implementing this item is pending.*
- Approved \$260,000 in reimbursement authority to conduct a study and provide a report to the Legislature assessing the ability of captive insurance to serve as an effective financial assurance mechanism for solid waste landfills.

**3980 Office of Environmental Health Hazard Assessment (OEHHA)**

- Approved \$577,000 and three positions from the GHG Fund to identify disadvantaged communities in California that will benefit from investments made by the state from Cap and Trade allowance proceeds.
- Approved one position transfer, and reimbursable from the California Department of Food and Agriculture (CDFA), to provide scientific guidance on chemicals the CDFA is using to protect the state's agriculture and environment from invasive species.
- Approved one position and \$139,000 (Public Utilities Reimbursement Account), to comply with Chapter 602, Statutes of 2012 (AB 1900, Gatto), for risk assessment of biomethane related to renewable energy resources.

***Environmental Protection Budget Trailer Bills***

At the time this publication was released, the resources trailer bill was pending passage by the Legislature. The Senate passed AB 77, but the Assembly did not concur in this legislation.

## ENERGY AND UTILITIES

### 3360 California Energy Commission (CEC)

- Approved \$160 million and 55 positions from Investor-Owned Utility (IOU) ratepayer funds for the implementation of the Electric Program Investment Charge (EPIC). Trailer bill language restricts the use of the funds to those within the IOU areas and provides the authority for \$25 million to be approved through the EPIC proceeding at the California Public Utilities Commission for New Solar Homes Partnership programs. *The trailer bill implementing this item is pending.*
- Approved a multi-year plan for the reduction of positions and expenditures related to the Public Goods Charge (PGC) for renewable energy programs and the Public Interest Energy Research Program. This plan is necessary due to the sunset of the PGC on January 1, 2012. The first year includes a reduction of \$980,000 (PGC) and nine positions.
- Converted two limited-term positions to permanent for the California Solar Initiative program.
- Approved \$3 million (Energy Resource Program Account) to provide technical assistance to schools for implementation of Proposition 39.
- Allocated \$28 million from Proposition 39 revenues in year one (of a five year program) to the State Energy Conservation Assistance Account for low interest and no-interest revolving loans and loan loss reserves for eligible projects and technical assistance.

### 8660 California Public Utilities Commission (CPUC)

- Denied \$210,000 (multiple ratepayer funds) and three positions for the establishment of a budget office at CPUC. Required the CPUC to absorb or convert these positions from existing ten budget control officer positions acknowledged in budget hearings. Required the CPUC to report back, on September 1, 2013, on its progress in establishing a new budget office and filling the positions.
- Approved trailer bill language allowing the Lawrence Livermore National Laboratory to provide cyber security research (up to \$35 million) to benefit the IOUs and set parameters for this program. *The trailer bill implementing this item is pending.*

- Approved trailer bill language that prohibits the CPUC from creating non-state entities through decisions, settlements, rules, orders, or mergers, without a legislative approval process, with anything but shareholder funding. *The trailer bill implementing this item is pending.*
- Approved trailer bill language that prohibits the CPUC from awarding contracts to nonprofits in which a sitting commissioner serves as an employee, officer or director. *The trailer bill implementing this item is pending.*
- Approved trailer bill language requiring commissioners to remove themselves from nonprofits created by the CPUC, by June 1, 2014, for nonprofits established prior to January 1, 2014. *The trailer bill implementing this item is pending.*
- Denied \$88,000 (Electricity Program Investment Charge) and one position for oversight of the EPIC program, proposed to be administered by the Energy Resources Development Commission. Required the CPUC to account for all positions and expenditures used to develop and adjudicate this program, with a report back to the Legislature on January 10, 2015.
- Denied \$88,000 (PUC Utilities Reimbursement Account) and one position for expanded policy programs at the CPUC, including demand-side program facilitation and expansion.
- Approved \$231,000 and two administrative law judge positions to implement the requirements of recently passed legislation.
- Approved \$330,000 (Public Transportation Account, State Transportation Fund) to oversee the design and construction of California's High-Speed Rail system.
- Approved five positions and \$391,000 for the Division of Ratepayer Advocates (DRA) for energy financial examiners, water auditors and natural gas safety workload.
- Approved trailer bill language to provide independence of the DRA from the CPUC by creating the Office of Ratepayer Advocates as a separate budgetary program. *The trailer bill implementing this item is pending.*
- Approved trailer bill language to prohibit the distribution or expenditure of proceeds received by the commission from a settlement of a claim without prior notification to the Department of Finance and the Legislature. Required the CPUC to conduct a zero-based budget for all of its programs by January 10, 2015. *The trailer bill implementing this item is pending.*

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

- Approved as budgeted.

***Energy and Utilities Budget Trailer Bills***

- 1. At the time this publication was released, the resources trailer bill was pending passage by the Legislature. The Senate passed AB 77, but the Assembly did not concur in this legislation.*
- 2. Proposition 39 Implementation (Chapter 29, Statutes of 2013).*

## FOOD AND AGRICULTURE

### **7300 Agricultural Labor Relations Board**

- Approved \$502,000 (Labor and Workforce Development Fund) and four positions to allow the board to fund location-specific personnel and travel, as required by California's diverse labor needs.

### **8570 Department of Food and Agriculture (CDFA)**

- Approved \$577,000 (Specialized License Plate Fund) to award grants to agricultural education organizations with funds received from the sales and renewals of the specialized agriculture license plate.
- Approved \$2.5 million (Department of Food and Agriculture Fund) for two years, and \$1 million (GF) for one year, to provide resources to enhance the Asian Citrus Psyllid and Huanglongbing Mitigation Project. The Asian Citrus Psyllid are the carriers for Huanglongbing disease, which is fatal to citrus trees.
- Approved reappropriation of funds (Public Building Construction Fund and State Highway Transportation Fund) for the Yermo Agriculture Inspection Station for acquisition, preliminary plans, working drawings and construction. Approved provisional and supplemental language to require the department to submit a new budget for the station by January 10, 2014.
- Approved \$1.2 million (Department of Food and Agriculture Fund) and seven positions to increase the management, research, oversight, regulation and enforcement of the state's laws and regulations related to fertilizer.

# TRANSPORTATION

## 0521 TRANSPORTATION AGENCY

- Established budgetary authority for the Transportation Agency, pursuant to the Governor's Reorganization Plan No. 2 (GRP 2). The new agency consists of the Department of Transportation, Department of California Highway Patrol, Department of Motor Vehicles, Board of Pilot Commissioners, High-Speed Rail Authority, and the California Transportation Commission.
- Approved expenditures of \$101.5 million for the Transportation Agency, \$97.4 million of which is for the California Traffic Safety Program. Administrative costs of the Transportation Agency total \$4.1 million in 2013-14.

## 2660 DEPARTMENT OF TRANSPORTATION

### Transportation Finance and General

- Approved expenditures of \$12.8 billion for the California Department of Transportation (Caltrans), almost all of which is from special funds, bond funds, federal funds or reimbursements.
- Endorsed the shift of truck weight fees as the first pledge for the payment of bond debt service on certain transportation bonds, with the General Fund (GF) acting as a back-stop. This 'double-barreled' structure is expected to result in increased security for investors and lower interest costs than conventional bonds.
- Approved the shift of \$67 million in miscellaneous revenues to the GF for the payment of debt service on transportation-related bonds on a permanent basis, to provide ongoing GF relief.
- Allotted a total of \$258.2 million in additional Proposition 1B bond appropriations, and budget bill language for funding flexibility, across multiple departments and programs. Other Proposition 1B bond appropriations are outside of Caltrans and in the budgets of other state agencies and include projects for: local streets and roads, transit, transit security, school bus retrofit, trade infrastructure, air quality and port security. Allocations are as follows:
  - \$80.7 million for Trade Corridors Improvement Fund
  - \$40.8 million for State Route 99
  - \$14.4 million for Local Bridge Seismic Retrofit

- \$78.0 million for State Highway Operations
- \$0.5 million for Grade Separations
- \$43.8 million for Intercity Rail
- Reduced capital outlay support positions by 256, and funding by \$36.3 million, to account for decreased workload associated with reduction in Proposition 1B bond authority and expiration of American Recovery and Reinvestment Act (ARRA) funds. Approved supplemental reporting language to require a comprehensive review of the program and budget bill language regarding funding split for state staff and professional services.
- Approved budget bill language allowing for an increase in reimbursement authority of up to \$1.8 million for additional workload associated with the high-speed rail project.

### **Highway Transportation and Transit**

- Rejected the Administration's proposed trailer bill language to create the Active Transportation Program (ATP) that would have combined five separate programs: Recreational Trails, State and Federal Safe Routes to Schools, Environmental Enhancement and Mitigation, and Bicycle Transportation. Adopted budget bill language requiring that ATP legislation be adopted before appropriated funds can be accessed.
- Adopted, in large part, the Administration's zero-based budget for Division of Local Assistance and associated budget and position reductions, but reinstated positions proposed for reduction pursuant to the ATP consolidation plan.
- Adopted, in large part, the Administration's zero-based budget for the Division of Transportation Planning and associated budget and position reductions, but reinstated positions associated with the Complete Streets program that were proposed for reduction. ***The reinstated Complete Streets program positions were vetoed by the Governor.***
- Approved the Administration's proposed zero-based budget for the Equipment Program of Caltrans, which included a one-time shift of \$10.0 million to address a backlog of equipment acquisitions and repairs.
- Approved supplemental reporting language for bird migration planning relating to construction of bridges and other projects.
- Provided an additional \$28.6 million to state-supported AMTRAK routes—Capitol Corridor, San Joaquin and Surfliner—to meet federal operational cost support requirements.

- Approved the Administration's zero-based budget for the Statewide National Pollution Discharge Elimination System Stormwater Permit, resulting in reductions in funding and positions from capital outlay support.

## **2665 HIGH-SPEED RAIL AUTHORITY**

- Approved expenditures for state operations and local assistance for the High-Speed Rail Authority (HSRA) of \$121.1 million, all from special funds, federal funds, and bond funds.
- Approved the staff management plan to increase state capacity to administer the high-speed rail project, including 20 administration and programming positions and \$1.6 million, 44 positions and \$4.8 million for administrative and program functions, and \$4.4 million for project management and oversight activities.
- Enacted a budget consolidation plan allowing for additional funding flexibility for HSRA but retaining information provided to ensure ongoing oversight of the project by the Legislature.
- Approved funding of \$3.8 million for financial consulting services, representing a 50 percent increase in resources, and justified on the basis of increased workload and oversight.
- Permitted a loan of \$26.2 million from the Public Transportation Account to fund the department, pending the conclusion of the validation action with respect to the bond issuance.
- Enacted trailer bill language providing a statutory framework for the relocation of utilities in the high-speed rail project right-of-way.

## **2670 BOARD OF PILOT COMMISSIONERS**

- Approved \$2.2 million in special funds for baseline operations of the board. No budget change proposals were submitted by the Administration.

## **2720 CALIFORNIA HIGHWAY PATROL**

- Approved expenditures of \$1.9 billion for the Department of California Highway Patrol (CHP) from the Motor Vehicle Account and other special funds, representing an increase of approximately \$35.0 million over the current year. Approved 11,053 positions.
- Approved \$1.5 million for the department's site selection and site acquisition plan, together with reporting requirements to develop guidelines for the appropriate use of build-to-suit and

capital outlay procedures for infrastructure procurement. Rejected proposed budget bill language that would have weakened legislative approval of capital outlay.

- Increased department funding by \$17.0 million for the purchase of three helicopters and one airplane, along with reporting language requiring a determination of the department's actual needs and acquisition plan.
- Reappropriated a total of \$19.5 million for CHP for Phases I and II of the department's enhanced radio system, which have been delayed due changes in site selection, acquisition and planning for the project.
- Reduced funding by \$21.4 million for the construction of the Santa Fe Springs field office since the identified property is not suitable. Reappropriated \$4.9 million for acquisition and preliminary plans for the replacement facility.

## **2740 DEPARTMENT OF MOTOR VEHICLES**

- Approved total expenditures for the Department of Motor Vehicles (DMV) of \$994.0 million in special funds, and 8,209 positions.
- Increased funding by \$6.5 million (one-time) for the construction phase of the Grass Valley field office, as called for in the department's five-year infrastructure plan.
- Adopted approximately \$1.0 million in funding for the purpose of developing regulatory parameters and guidelines regarding autonomous vehicles.

### *Budget Bill Language*

- **Access for Appropriated Funds for Active Transportation Programs**—Provides that prior to the distribution of funds for various active transportation programs, legislation must be in place regarding a comprehensive plan. (Item 2660 Caltrans)
- **Increased Reimbursement Authority Related to High-Speed Rail Project**—Provides for additional reimbursement from HSRA if additional activities related to the high-speed rail project are required of Caltrans. (Item 2660 Caltrans)
- **Proposition 1B Bonds Funding Flexibility**—Allows for funding adjustments in order to achieve full access to other funds that may be available. (Item 2660 Caltrans)

- **Funding for State Staffing and Professional Services**—Provides guidelines regarding the split of resources between state staff and outside professional services. (Item 2660 Caltrans)
- **Budget Consolidation Language for High-Speed Rail Authority**—Consolidates the budget of the HSRA that will allow for more flexible funding for various segments and components but retain existing reporting obligations. (Item 2665 HSRA)
- **Loan Authority from State Transportation Fund**—Permits a loan from the Public Transportation Account, pending the conclusion of the bond validation action. (Item 2665 HSRA)

#### Trailer Bill Language

- **Cash Accounting for Special Funds**—Allows Caltrans to use cash accounting rather than an accrual method for certain funds that are used to finance construction. *SB 85*
- **Use of Miscellaneous Revenue for Debt Service**—Directs the on-going transfer of miscellaneous transportation revenue to the General Fund to provide an additional source of funding for debt service of transportation bonds. *SB 85*
- **Enhanced Transportation Bonds with Weight Fees**—Pledges weight fees to the payment of certain transportation bonds, thus enhancing their security in the capital markets. *SB 85*
- **Utility Relocation in the Right-of-Way**—Institutes a statutory framework to accompany the HSRA's existing authority to relocate utilities with the right-of-way of the high-speed rail project. *SB 85*

#### Supplemental Reporting Language

- **Resources Required for Project Initiation Documents**—Requires Caltrans to report to the fiscal committees of the Legislature, the Legislative Analyst's Office, and the Department of Finance on the workload for the project initiation document (PID) program.
- **Bird Migration Planning**—Directs Caltrans to meet with federal agencies and local conservation and community organizations having expertise in local migratory birds, to update the organizations on the measures to protect bird populations.
- **Air Fleet Equipment Replacement Schedule and Plan**—Requires CHP to do a needs assessment and replacement plan for its air fleet.

- **Site Selection and Capital Acquisition Guidelines**—Directs Department of Finance and Department of General Services (DGS) to develop guidelines regarding build-to-suit and capital outlay for property acquisition.
- **Capital Outlay Support Assessment**—Directs the Department of Finance and the Legislative Analyst’s Office to work with Caltrans to review the capital outlay support program and increase their accountability and efficiency.

SUBCOMMITTEE 3  
ON  
HEALTH  
AND  
HUMAN SERVICES  
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

William W. Monning, Chair  
Mark DeSaulnier  
Bill Emmerson

*Consultants*

Michelle Baass – Health  
Jennifer Troia – Human Services

# SUBCOMMITTEE NO. 3

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# HEALTH

## 0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

- Office of the Patient Advocate. Approved request of \$184,000 (Office of Patient Advocate Trust Fund) and one two-year limited-term position to develop a Complaint Data Reporting System, as required by AB 922 (Monning, Statutes of 2011). This includes \$67,000 for ongoing technical/statistical support from the National Committee for Quality Assurance and \$12,000 to cover expenses associated with the design, translation, printing, promotion, and dissemination of the annual complaint reports and annual stakeholder preview sessions.
- Office of Systems Integration—CalHEERS. Approved \$119.1 million in reimbursement authority to provide project management services for the design, development, implementation and operation/maintenance for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) Project.
- Continuation of Aging and Disability Resource Connection Program. Approved the request for an increase of \$250,000 in federal fund budget authority and extension of two limited-term positions until June 30, 2014, to support the Aging and Disability Resource Connection (ADRC) model of streamlining consumer access to community-based long-term services and supports (LTSS) in California. The positions will be fully funded with federal grant funds via an interagency agreement with the Department of Health Care Services.
- State Innovation Models Grant. Approved the request for an increase of \$1.8 million federal funds in 2013-14 as a result of being awarded a Center for Medicare and Medicaid Services Innovation (CMMI) State Innovation Models (SIM) Grant. It is proposed that these funds would be used to develop innovative models that improve the delivery of health care, lower health care costs, and promote better overall health for Californians.

## 0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

- Investment in Mental Health Wellness—Infrastructure Grants. Adopted proposal to invest a total of \$206.3 million in mental health wellness. Of this total amount, \$149.8 million is appropriated to CHFFA for the following:
  - Crisis Residential Treatment Beds – \$125 million one-time GF to provide grants to expand existing capacity by at least 2,000 residential rooms over two years. These funds are to be used to leverage other private and public funds.

- Mobile Crisis Teams - \$2.5 million one-time (\$2 million GF and \$500,000 Mental Health Services Act Fund State Administration) to purchase vehicles to be used for mobile crisis teams and \$6.8 million ongoing (\$4 million Mental Health Services Act Fund State Administration and \$2.8 million federal funds) to support mobile crisis support team personnel.
- Crisis Stabilization Units - \$15 million one-time GF to provide grants to increase the number of crisis stabilization units.
- \$500,000 in one-time General Fund for CHFFA to develop the above-specified grant programs.

Adopted trailer bill language requiring CHFFA to submit to the Legislature, on or before May 1, 2014 and on or before May 1, 2015, a report on the progress of the implementation of these grant programs. These reports shall include, at a minimum, a description of the project awarded funding, the amount of each grant issued, a description of other sources of funding for the project, and a description of project operation and implementation, including who is being served.

#### **4120 EMERGENCY MEDICAL SERVICES AUTHORITY**

- Approved as budgeted.

#### **4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OHSPD)**

- Investment in Mental Health Wellness—Crisis Management Training. Adopted proposal to invest a total of \$206.2 million in mental health wellness. Of this total amount, appropriated \$2 million (Mental Health Services Act Fund State Administration), and adopted budget bill language, to provide training in the areas of crisis management, suicide prevention, recovery planning, and targeted case management and to facilitate employment of Peer Support classifications.
- Five-Year Workforce and Education Training Plan. Approved request for \$196,000 Mental Health Services Act (MHSA, Proposition 63) Fund to contract with an independent evaluator to develop and carry out a needs assessment that will inform its required Five-Year MHSA Workforce Education and Training Plan.
- Health Care Workforce Development. Approved request for extension of three limited-term positions responsible for proactive Health Professional Shortage Area, Medically Underserved Area, and Medically Underserved Population designations; and the extension of its one limited-term position responsible for continuing the implementation of the healthcare reform work plan.

- The California Endowment Grant. Approved the request for \$14 million and one staff person for the Health Professions Education Foundation for health professional scholarship and loan repayments, and \$7 million for the Song-Brown Program to provide funding to health professional training institutions to train family practice physicians, family nurse practitioners, and primary care physician assistants. These funds are part of a \$52 million, over four years, grant from the California Endowment.
- Mental Health Services Act Workforce Education and Training (WET). Approved request to appropriate \$7.8 million in previously unexpended MHSA WET funds from 2008-09 through 2011-12 to OSPHD. (These funds were previously appropriated to the Department of Mental Health, which was eliminated in the 2012 budget.) Also approved budget bill language to allow for appropriations to be available through 2017-18, consistent with the MHSA.

#### **4150 DEPARTMENT OF MANAGED HEALTH CARE (DMHC)**

- Coordinated Care Initiative (CCI)/Duals Demonstration Pilot Project. Approved the Governor's proposal to extend 13 positions, add 3.5 new limited-term positions, and \$334,000 for consultant services, to address the new workload attributable to the evaluation of plan readiness and oversight of health plans for the CCI/Duals Demonstration Pilot Project.
- Medi-Cal Managed Care Rural Expansion. Approved request for four positions and \$325,000 in consultant services to address the workload associated with the expansion of Medi-Cal managed care into 28 rural counties, as required by AB 1468 (a 2012 budget trailer bill).
- Medi-Cal Dental Managed Care. Approved the Governor's proposal to convert two limited-term positions to address the increased workload attributable to the expanded oversight of the Medi-Cal Dental Managed Care (DMC) plans and the transition of the Healthy Families Program (HFP) children to the Medi-Cal DMC program. Also approved \$130,000 for consultant services.
- Network Adequacy Assessment of Healthy Families Program Transition. Approved request for four limited-term positions to address the increased workload attributable to the network adequacy assessments required for each of the four phases of the Healthy Families Program transition to Medi-Cal.
- Health Benefit Exchange. Approved request for three 18-month limited-term positions for DMHC's Division of Licensing and five 12-month limited-term positions for DMHC's Help Center to address workload associated with enrolling consumers into licensed managed care plans and licensure/expansion of health plans participating in the California Health Benefit Exchange.

- Affordable Care Act (ACA). Approved request to convert 13.0 limited-term positions to permanent and add one new permanent position to address permanent workload resulting from implementation of the ACA.
- Federal Consumer Assistance Grant. Approved request to reappropriate \$1 million in federal funds from 2012-13 to 2013-14 for workload associated with the federal consumer assistance grant. The reappropriation amount reflects the amount of contractual, personnel services, and associated indirect costs necessary in 2013-14 to extend the four positions through June 30, 2014.
- Legislative Unit – Internal Transfer. Approved the request for an internal transfer of the Legislative Unit from the Office of Legal Services to the Director’s Office. This includes the transfer of four positions and \$530,000 for 2013-14 and ongoing from the Health Plan Program to Administration. This is an organizational change only, with no increase in funding or positions.

#### **4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS (DADP)**

- Transfer of DADP Functions. Adopted trailer bill language to complete the elimination of the Department of Alcohol and Drug Programs and the transfer its substance use disorder programs to the Department of Health Care Services and the Office of Problem Gambling to the Department of Public Health. Adopted additional trailer bill language to (1) continue stakeholder involvement and input, and (2) continue legislative oversight of this administrative transfer.

#### **4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)**

- Medi-Cal: Adult Dental Benefits. Restored partial Medi-Cal Adult Dental Benefits effective May 1, 2014 for \$55.3 million (\$16.9 million GF and \$38.4 million federal funds). This partial restoration includes preventive/diagnostic services, restoration services (amalgams, composite and stainless steel crowns), anterior root canal therapy, and full mouth dentures. (These benefits were eliminated as an “optional” Medi-Cal benefit in 2009, due to the state’s fiscal crisis.) With the expansion of Medi-Cal up to 138 percent of poverty for childless adults, under the federal Affordable Care Act (ACA), the state will take advantage of 100 percent federal funding (January 1, 2014 through December 31, 2016) for these new enrollees. For 2014-15, this restoration is projected to cost \$211.3 million (\$85.6 million GF and \$125.7 million federal funds).

- Affordable Care Act (ACA) – Medi-Cal Expansion. Approved about \$1.7 billion federal funds and \$21 million GF to implement the Medi-Cal expansion, as provided under the federal Affordable Care Act. Approved \$26.4 million GF savings as a result of shifting certain pregnant women to Covered California (California’s Health Benefit Exchange), with Medi-Cal covering any cost-sharing and benefits not included under coverage obtained via Covered California. Increased by \$2.8 million GF to continue eligibility in Medi-Cal for newly-qualified immigrant parents with their children who are eligible for Medi-Cal. Adopted a savings of \$2.6 million GF as a result of shifting newly-qualified immigrant adults to Covered California, with Medi-Cal covering any cost-sharing and benefits not included under coverage obtained via Covered California. These actions were taken with the understanding that the Medi-Cal benefit package and all eligibility issues would be addressed in the Special Session through SBX1 1 (Hernandez and Steinberg) and ABX1 1 (Perez).
- ACA – Inclusion of Basic Mental Health Services and Enhanced Substance Use Disorder Services in Medi-Cal. Approved \$159.3 million (\$66.7 million GF) to expand non-specialty mental health services (e.g., group therapy) and substance use disorder services (e.g., elective inpatient detox; intensive outpatient and residential substance use disorder services for non-pregnant/postpartum beneficiaries) into Medi-Cal starting January 1, 2014. This funding supports the addition of these services into the Medi-Cal benefit package included in the Special Session bill SBX1 1 (Hernandez and Steinberg).
- ACA – County Financial True-Up Mechanism. Adopted the Administration’s trailer bill language to establish a county fiscal true-up mechanism to share in potential savings resulting from the shifting of individuals previously covered through county indigent health programs to the Medi-Cal program under the expansion. These savings are estimated to be \$300 million in 2013-14, \$900 million in 2014-15, and \$1.3 billion in 2015-16 and 2016-17.

The trailer bill language:

- Establishes a formula for the County Medical Services Program counties (the 34 counties that participated in this program in 2011-12) and two options for all other counties to decide how their contribution would be met. These two options are (1) a formula that measures actual county health care costs and revenues and (2) 60 percent of a county’s health realignment allocation plus maintenance of effort. Under Option 1, counties will retain 20 percent of the indigent care savings, and; therefore, would have funding above what is needed to cover the cost of the services. Additionally, under Option 1, the state’s share of savings is limited to the funding spent on indigent health. Savings, from all counties, are estimated to be \$300 million in 2013-14. For counties that chose Option 1, the state will revise the 2013-14 estimates in May and if the savings are estimated to be lower than \$300 million, money will be provided to the county for health care costs.

- Creates the County Health Care Funding Resolution Committee. This committee is made up of: 1) one person from the California State Association of Counties, 2) one person from the Department of Health Care Services (DHCS), and 3) one person from the Department of Finance. It allows the counties to petition to switch to a mechanism option described above. Additionally, the committee resolves issues related to differences in historical data being applied to calculations and the data being provided by the county and the department.
- Establishes safety-net protections for public hospital counties.
- ACA – Streamlining and Simplification of Medi-Cal. Adopted the Legislative Analyst’s Office (LAO) estimate of \$104 million GF, or \$83 million GF less than the Administration, for the costs associated with individuals already eligible for Medi-Cal enrolling into the program as a result of eligibility and redetermination streamlining provisions in the ACA. The LAO’s estimates are based on research and adhere to a generally accepted methodology.
- ACA – GF Savings Estimate from the State Receiving Enhanced Federal Funding for Currently Eligible. Adopted trailer bill language to require the Administration to estimate and display in the Medi-Cal Program Estimate the GF savings attributable to the receipt of enhanced federal funding for Medi-Cal eligibles who were previously calculated as being currently eligible and for whom the state received only a 50 percent federal matching assistant payment.
- ACA – County Eligibility Processing. Approved Governor’s proposal to (1) provide an additional \$71.9 million GF for increased county costs to implement the ACA, (2) provide \$15.4 million GF for a cost of doing business increase for county staff who perform tasks as part of the Medi-Cal eligibility process, and (3) allow a rollover of current year Medi-Cal eligibility processing costs to the budget year (this is estimated to be between \$15 to \$35 million GF). Additionally, the Legislature provided, on a one-time basis, the ability to rollover no more than \$20 million in unspent funds from the current year CalWORKs single allocation to county administration with a maximum of \$120 million GF provided to county eligibility processing.
- ACA – Enhanced Federal Funds for Preventive Services and Adult Vaccines. Increased GF savings to \$7.5 million as a result of enhanced federal funding available for preventive services and adult vaccines to also account for the savings in the Medi-Cal managed care. Governor’s estimate only included \$2.5 million savings from fee-for-service. Adopted trailer bill language necessary to exempt these services from cost-sharing in order to be eligible for this enhanced federal funding percentage.
- ACA – Medi-Cal Enrollment Assistance and Outreach Grants. Adopted trailer bill language to require DHCS to accept a grant from the California Endowment for Medi-Cal Enrollment Assistance (\$14 million) and Medi-Cal Outreach and Enrollment Grants to Community-Based Organizations (\$12.5 million) and obtain \$26.5 million in matching federal funds for these purposes.

- ACA – Implementation Activities and Positions. Approved request to make 12 existing limited-term positions permanent and to extend nine existing two-year limited-term positions to continue to support the implementation of the ACA. The annual cost of the 21 requested positions is \$2.3 million (\$893,000 GF and \$1.4 million in federal funds).
- Medi-Cal: Provide Medi-Cal to Foster Care Youth Turning 21. Adopted trailer bill language to continue Medi-Cal coverage for Foster Care Youth who turn 21 between July 1, 2013 and December 31, 2013 for \$900,000 GF. Effective January 1, 2014, per the ACA, these youth will remain eligible for Medi-Cal until age 26.
- Medi-Cal: Managed Care Organization Tax. Modified Governor’s proposal to reauthorize the managed care organization tax by extending for only three years until July 1, 2016 (instead of on a permanent-basis as proposed).
  - In 2012-13, the tax rate would be equal to the gross premiums tax (2.35 percent) to generate \$166.4 million GF savings (these savings are applied in the budget year). Specified that \$125 million of the revenues from this tax be used to fund the Healthy Families Program and the remaining revenues be directed to the Department of Health Care Services for purposes of funding managed care rates for health care services for children, seniors, persons with disabilities, and dual eligibles in the Medi-Cal program.
  - In 2013-14, the rate would be equal to the state sales and use tax rate (3.9375 percent) and would generate about \$340.3 million in GF savings. Half of the MCO revenues would be used to draw down federal Medi-Cal funds and then used to pay back Medi-Cal managed care plans (i.e., “make them whole”). And the other half of these funds would be used to offset GF expenditures for Medi-Cal managed care rates for children, seniors and persons with disabilities, and dual eligibles.

Modified the Administration’s proposal by also adopting trailer bill language that (1) requires MCO revenue be used to ensure that Medi-Cal managed care rates for children, seniors and persons with disabilities, and dual eligibles reflect the cost of services and acuity of the population served; (2) requires the Department of Health Care Services to provide quarterly reconciliation of tax revenue utilization to Medi-Cal managed care plans; (3) prohibits a county, city, or district from imposing a sales or use tax on the gross receipts of a Medi-Cal managed care plan; (4) requires that the sales tax imposed shall only be assessed if the Department of Health Care Services fulfills its obligation to provide actuarially sound, monthly capitation payments to the Medi-Cal managed care plan; and (5) provides that this tax can be repealed through judicial determination or final determination by the administrator of the federal Centers for Medicare and Medicaid Services.

- Medi-Cal: Coordinated Care Initiative (CCI)/Duals Demonstration Pilot Project. Approved savings of \$119.6 million GF from the CCI and the extension of one position. Adopted the Administration’s trailer bill language to:

- Delink the operation of the duals demonstration project (Cal MediConnect) from mandatory enrollment of duals into Medi-Cal managed care, the integration of Medi-Cal long-term supports and services into managed care plans, and the commencement of the In-Home Supportive Services (IHSS) Statewide Public Authority.
- Delete previous requirements (i.e., the poison pill) regarding the operation of CCI as these provisions no longer apply.
- Specify that if, at least 30 days prior to the initial enrollment of beneficiaries into the CCI, the Director of Finance estimates that CCI would not generate net General Fund savings, then the CCI would become inoperative July 1, 2014. The Department of Finance committed to providing written notification to the Joint Legislative Budget Committee if it makes a determination that CCI should be inoperative. (If CCI becomes inoperative, statute reverts back to the law in effect prior to CCI.)
- Specify that once CCI becomes operative, the Department of Finance shall report to the Legislature annually on January 10 the estimated net GF savings obtained from the implementation of CCI.

Modified the Administration's proposal by also adopting trailer bill language to:

- Require the Department of Health Care Services to offer Medicare D-SNP contracts to existing D-SNP plans in 2014. Additionally, in 2014, beneficiaries enrolled in a Medicare Advantage or D-SNP plan operating in a CCI county shall be exempt from passive enrollment into Cal MediConnect.
- Provide for health plan risk corridors for populations and services that are part of the CCI.
- Require the Department of Health Care Services, commencing August 1, 2013, to convene stakeholders at least quarterly to review progress on CCI and make recommendations to the department and Legislature for the duration of CCI.

See Human Services section of this report for a description of additional CCI trailer bill language provisions.

- Medi-Cal: Enteral Nutrition Benefits. Approved \$3.4 million (\$1.7 million GF and \$1.7 million federal funds) to restore enteral nutrition benefits starting May 1, 2014. Annual costs are projected to be \$28.6 million (\$14.3 million GF and \$14.3 million federal funds).
- Medi-Cal: Eliminate Physician and Clinic Seven Visit Cap. Adopted trailer bill language to eliminate the seven visit cap on physician and clinic visits, as it is evident that this would not be approved by the federal CMS.

- Hospital Quality Assurance Fee. Approved \$310 million in GF savings as a result of the extension of the Hospital Quality Assurance fee for the second half of the fiscal year. SB 239 (Hernandez and Steinberg) proposes to extend the fee, which sunsets December 31, 2013.
- Non-Designated Public Hospitals (NDPH) Reimbursement Methodology. Adopted the Governor's proposal to withdraw its change in NDPH reimbursement methodology, as it appears that the federal CMS is not willing to approve this change. This results in an increase of \$94.7 million GF. (The proposed change in methodology was approved in the 2012 budget.) Rejected the Governor's request for positions related to the change in NDPH reimbursement methodology as this proposal has been withdrawn.
- Diagnosis-Related Groups (DRG) Payment Systems Program. Approved request to convert one limited-term position to permanent in order to meet the workload requirements for the DRG Payment Systems Program, which will be implemented on July 1, 2013. The total cost of this position is \$121,000 (\$61,000 General Fund).
- Transparency of State Plan Amendments (SPAs) and Waivers. Adopted trailer bill language to require DHCS to post on its website proposed SPAs, waiver amendments, and waiver renewals that it has submitted to the federal government. This would provide legislative staff and stakeholders with the opportunity to review and comment on the state's implementation of policy.
- Medi-Cal: Specialty Mental Health. Approved \$1.8 billion federal funds and \$33.4 million GF for Medi-Cal Specialty Mental Health Services. These services were realigned to the counties in 2012-13.
- Medi-Cal: Managed Care and Early and Periodic Screening, Diagnostic and Treatment (EPSDT). Adopted trailer bill language to incorporate the measuring and evaluating of Medi-Cal managed care plans' screenings for mental health needs and their referrals for these services (to both Medi-Cal fee-for-service providers and county mental health plans) into the EPSDT performance outcome system. This effort would be informed by stakeholders, and a plan for the incorporation of these factors into the outcome system would be due to the Legislature by October 1, 2014.
- Transfer of Licensing of Mental Health Facilities to DHCS. Adopted the Administration's proposal to transfer permanent positions and expenditure authority from the Department of Social Services (DSS) to DHCS for licensing and quality improvement functions related to mental health services.
- Redirect 1991 Realignment Mental Health Growth Funds. Rejected Administration's proposed trailer bill language to reduce by 50 percent the share of 1991 Realignment growth funds allocated to mental health beginning in 2015-16.

- Federal Garrett Lee Smith Memorial Act Grant. Approved request for an increase in federal authority of \$928,000 in the budget year as a result of the state receiving a Garrett Lee Smith Memorial Act Grant for the Lesbian, Gay, Bisexual, Transgender, and Questioning Youth Suicide Prevention Project from the Federal Substance Abuse and Mental Health Services Administration.
- Behavioral Health Services Plan – Stakeholder Consultation. Adopted trailer bill language to require the Administration to consult with stakeholders by August 1, 2013 regarding the development of the Behavioral Health Services Plan prior to submitting to the federal CMS.
- Drug Medi-Cal. Approved \$202.1 million (\$92 million federal funds and \$110 million local funds) for the Drug Medi-Cal program.
- Drug Medi-Cal Legal Services. Approved request to make one limited-term staff counsel position permanent to provide ongoing legal services to the Drug Medi-Cal Program. The cost of this position is \$182,000 (\$73,000 General Fund and \$109,000 federal funds).
- 1991 Realignment Health and Mental Health General Growth Distribution. As part of the CalWORKs grant increase funded with 1991 Realignment General Growth funds, and as discussed in more detail in the Human Services section of this report, approved trailer bill language to set the 1991 Health Subaccount general growth percentage to 18.4545 percent (the historical level of growth) and maintained the existing Mental Health Subaccount growth formula.
- Medi-Cal: Managed Care Efficiencies. Approved the Governor’s May Revision request to withdraw a January budget proposal to implement Medi-Cal managed care efficiencies for \$135 million GF savings. It was unclear how the Administration planned to implement this proposal and it was unclear how this proposal would have impacted quality and access to care.
- Medi-Cal: Lock-In at Annual Open Enrollment. Rejected the Governor’s proposal to establish an annual enrollment period for Medi-Cal, whereby an enrollee could only change plans once a year.
- Dense Breast Tissue Notification. Modified the utilization estimates regarding dense breast tissue notification for the Medi-Cal and Every Woman Counts program for \$4.7 million GF savings.
- Family Health. Approved the following funding for Family Health programs:
  - California Children’s Services - \$118.9 million (\$11.5 million GF and \$107.4 million federal funds) and a caseload of 159,975.

- Child Health and Disability Prevention Program - \$1.8 million (\$1.8 million GF and \$26,000 Childhood Lead Poisoning Prevention Fund) and 26,547 screenings.
- Genetically Handicapped Persons Program - \$110.7 million (\$24.3 million GF, \$43.9 million federal funds, \$42.2 million rebate funds, and \$376,000 enrollment fees) and a caseload of 944.
- Every Woman Counts Program - \$52.6 million (\$18 million GF, \$22 million Proposition 99, \$7.9 million Breast Cancer Control Account, and \$4.6 million federal funds) and a caseload of 313,548.
- Family Planning Services. Rejected the Governor's proposal to change the Family Planning, Access, Care and Treatment (FPACT) program benefits for \$9.7 million GF savings, as justification for these changes had not been provided to the Legislature and most of these benefits receive enhanced federal matching funds.
- AIM-Linked Infants Transfer to DHCS. Adopted the Governor's proposal to transition AIM-linked infants, born to women whose income is from 250 to 300 percent of the federal poverty level, to DHCS.
- Emergency Preparedness Audits. Modified the request for three full-time permanent positions to conduct audits of local health departments' use of federal public health emergency funds by making the positions limited-term for four years to align with the period of the federal grant for these funds. The total cost for these positions is \$379,000 and would be funded with reimbursements from the Department of Public Health (which receives federal Centers for Disease Control and Prevention grants for these activities).
- Continuation of 1115 Waiver Positions. Approved request to extend 18 limited-term positions through the end of the 1115 Bridge to Reform Demonstration Medicaid Waiver, which expires on October 31, 2015. DHCS also requests \$1 million per year, for three years, in contract funds for actuary services and \$10,000 for actuarial and auditing training related to the waiver. The 2013-14 cost for this proposal is \$3.2 million (\$1.3 million GF, \$1.7 million federal funds, and \$107,000 reimbursement from counties).
- Continuation of LIHP and DSRIP. Approved request to extend 26 limited-term positions and contract funds to continue the workload associated with the Low Income Health Program (LIHP) and Delivery System Reform Incentive Pool (DSRIP) components of the 1115 Bridge to Reform Demonstration Medicaid Waiver. The cost for this request is \$2.7 million (\$260,000 GF, \$1.4 million federal funds, and \$1.1 million in reimbursements from counties).
- Assisted Living Waiver. Approved request to extend two limited-term positions for three years to work on the Assisted Living Waiver (ALW) program. The total cost of these positions is \$235,000 (\$117,000 GF and \$118,000 federal funds).

- Security Oversight of MEDS. Approved request to establish five permanent, and two limited-term, full-time positions for \$822,000 (\$371,000 GF and \$451,000 federal funds) to provide Medi-Cal Eligibility Data System (MEDS) program and systems management oversight of county California Department of Social Services (CDSS) program administrators, as well as quality control to ensure compliance with federal requirements.
- HIPPA Positions. Approved request to establish three permanent and two limited-term positions (three-year) in the Office of Health Insurance Portability and Accountability Act of 1996 (HIPAA) Compliance (OHC). The total cost for these positions is \$682,000 (\$235,000 GF and \$447,000 federal funds).
- PARIS – Interstate. Approved request for one full-time permanent position to operate the Public Assistance Reporting Information System (PARIS) Interstate program on a statewide basis. This position is funded from the redirection of program savings of \$102,000 (\$51,000 GF and \$51,000 federal funds) resulting from the implementation of PARIS Interstate.
- Medi-Cal Electronic Health Records. Approved request to extend 11 limited-term positions for the administration of the Medi-Cal Electronic Health Record (EHR) Incentive Program. Total cost for these positions is \$1.3 million (\$1.2 million federal funds, \$93,000 reimbursement from outside entities, and \$38,000 GF as specified in AB 1467, a 2012 budget trailer bill).
- Breast and Cervical Cancer Treatment Program Staff. Approved request to extend six full-time limited-term positions for the Breast and Cervical Cancer Treatment Program (BCCTP), until December 31, 2014. (These positions expire December 31, 2013.) The total cost of these positions would be \$369,000 (\$185,000 GF and \$184,000 federal funds).
- Women, Infants and Children (WIC) Nutrition Program Appeals. Approved request of one new permanent full-time position and to convert one existing limited-term position into a permanent full-time position to conduct the increasing number of WIC appeal hearings as a result of WIC's increased efforts to disqualify vendors that have failed to adhere to program policies and procedures. These positions are funded through reimbursement funding from the Department of Public Health (DPH) at a total cost of \$293,000.
- Medi-Cal Adult Quality Care Improvement Project – Federal Grant. Approved request for six two-year, limited-term positions over the life of the grant, \$530,000 expenditure authority in 2012-13, \$937,000 in 2013-14, and \$533,000 in 2014-15 to increase DHCS capacity for reporting on quality measures and performing associated quality improvement activities. DHCS was awarded a federal grant of \$2 million by the Centers for Medicare and Medicaid Services (CMS), for the period of December 2012 to December 2014, with funding made available under the Affordable Care Act (ACA).
- Contractor Costs to Survey Drug Price Information. Reduced expenditures by \$1 million (\$500,000 GF) since DHCS indicated that it has placed on hold the procurement for an average

acquisition cost study vendor while it awaits and considers further federal CMS guidance regarding national pricing benchmarks.

- Every Woman Counts (EWC) – Fiscal Information. Adopted trailer bill language to require that supplemental EWC fiscal information regarding clinical service activity expenditures be included in budget documents to ensure that the Legislature and stakeholders have the information necessary to make informed decisions.
- Medi-Cal Coverage of County Medical Parole and Compassionate Release. Approved Governor's proposal for one position to implement SB 1462 (Leno, Statutes of 2012), which provides Medi-Cal to eligible county inmates on medical parole and inmates granted compassionate release. Adopted trailer bill language to ensure the cost neutrality of SB 1462.
- Long Term Care Quality Assurance Fund. Approved trailer bill language to make the funds available in the Long Term Care Quality Assurance Fund borrowable for GF cash flow purposes.
- Eliminate Sunset Date for Specialty Provider Contracting. Approved trailer bill language to eliminate the sunset date for specialty provider contracting. The elimination of this sunset date achieves ongoing \$6.9 million GF savings.
- Laboratory Rate Methodology Process Extension. Adopted trailer bill language to extend the time period for which laboratory service providers have to submit data reports specifying their lowest amounts other payers are paying.
- Medi-Cal Hearing Aid Reimbursement. Adopted supplemental report language to require DHCS to report to the Joint Legislative Budget Committee by August 1, 2013 on the department's plan to institute a new reimbursement policy for hearing aids in the Medi-Cal program.

#### **4265 DEPARTMENT OF PUBLIC HEALTH (DPH)**

- AIDS Drug Assistance Program (ADAP). Modified the Governor's estimate for ADAP to more appropriately consider the transition of ADAP clients to Medi-Cal and Covered California as part of the federal Affordable Care Act (ACA) and provided \$391.1 million (\$249.7 million ADAP Rebate Fund, \$79.1 million federal funds, and \$62.3 million in reimbursements) for ADAP. Adopted trailer bill language to require notification to the Legislature if there is any potential risk of the ADAP program's inability to provide services within its appropriation.
- Licensing and Certification (L&C). Approved Governor's proposal to add an additional 21 positions to address workload associated with state licensing surveys.

- L&C – STAR Staffing Audit Section. Approved request for an increase of \$200,000 in reimbursement authority to perform increased workload regarding the auditing of required nursing hours per patient day for free-standing skilled nursing facilities.
- L&C – Healthcare Associated Infection Public Reporting. Approved request for \$1.2 million from the Internal Departmental Quality Improvement Account for the next two years to continue eight contract positions in the Health Associated Infection Program’s Infection Preventionist Liaison Unit.
- Nursing Home Administrator’s State License Examining Fund. Approved request to abolish the Nursing Home Administrator’s State License Examining Fund and shift expenditures to the Licensing and Certification Fund, as required by AB 1710 (Yamada, Statutes of 2012).
- Proposition 50 – Drinking Water. Modified DPH’s request for Proposition 50 funding by (1) increasing the appropriation from \$22 million to \$65 million, (2) approving budgeting bill language to revert, effective June 30, 2013, all unspent Proposition funds from prior appropriations through 2009-10, and (3) rejecting provisional budget bill language that allows DPH to increase its Proposition 50 expenditure authority.
- Proposition 84 – Drinking Water. Approved request for \$48 million in local assistance for Proposition 84 and rejected provisional budget bill language that authorizes DPH to increase its Proposition 84 expenditure authority.
- Recycled Water. Approved request for three one-year limited-term positions and \$700,000 in reimbursement authority from the State Water Resources Control Board to develop and adopt water recycling criteria for indirect potable reuse of recycled water through ground water recharge and surface water augmentation.
- Infant Botulism/BabyBIG. Adopted trailer bill language requiring DPH to submit a plan to the Legislature on how it will address the findings and recommendations from its review of the BabyBIG program to ensure that an adequate supply of the vaccine is available to meet demand.
- Small Water System Technical Assistance Unit. Approved request for seven permanent positions and \$2.7 million in contract funds to address small community water systems that are currently not in compliance with primary drinking water quality standards.
- Tuberculosis Control Mandate. Rejected Governor’s proposal to suspend the tuberculosis control mandate in 2013-14. There is no statewide cost estimate for this mandate.
- Safe Cosmetics Website. Adopted trailer bill language to require DPH to develop and make operational by December 31, 2013 a website that creates a database of the information collected pursuant to the Safe Cosmetics Act. DPH was already in the process of developing this website; this trailer bill language clarifies the purpose and structure of the website.

- Environmental & Occupational Disease Control Contract Conversion to State Staff. Approved request to convert 11 contract positions to full-time permanent state positions in order to eliminate reliance on contracting for essential program services.
- Export Document Program. Approved request of \$287,000 special fund and three positions for the Export Document Program to meet statutorily mandated activities to respond to each request for issuance of an export document within five working days of receipt of the request.
- Stop Tobacco Access to Kids Enforcement (STAKE) Act. Approved request of \$129,000 special fund and one position to implement the provisions of AB 1301 (Hill, Statutes of 2012) which increases tobacco control efforts in California and requires DPH to notify the Board of Equalization of a third, fourth, or fifth STAKE Act violation committed by the same retailer within a five-year period.
- Emergency Preparedness Positions Extension. Approved request to extend 76.8 positions for a four-year period to align with the federal grant period and associated funding authority of \$9.4 million federal funds to support public health emergency preparedness responsibilities.
- Women, Infants and Children (WIC) Nutrition Program. Approved \$1.2 billion federal funds for the WIC program and a caseload of 1,490,922.

#### **4280 MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)**

- Approved as budgeted.
- AIM-Linked Infants Transfer. Adopted trailer bill language to transition AIM-linked infants, born to women whose income is from 250 to 300 percent of the federal poverty level, to the Department of Health Care Services.
- Pre-Existing Condition Insurance Plan. Adopted trailer bill language that ends the Managed Risk Medical Insurance Board's responsibility regarding the Pre-Existing Condition Insurance Plan (PCIP) effective July 1, 2013 as the federal government will take over administration of this program.
- Managed Risk Medical Insurance Program. Adopted trailer bill language that extends the date through which MRMIB can subsidize the premium contributions paid to individuals receiving coverage in MRMIP. This change is necessary as MRMIP will remain a program beyond December 31, 2013.

**4440 DEPARTMENT OF STATE HOSPITALS (DSH)**

- Stockton Facility Activation. In order to continue activation of the DSH-Stockton facility, the following proposals were adopted:
  - The Governor's proposal of \$67.5 million GF for the activation of 514 beds at the new California Health Care Facility (CHCF) in Stockton (a total of \$101.0 million including full-year costs of existing positions authorized in 2012-13). At CHCF, DSH will be responsible for 514 licensed and Joint Commission accredited beds, which will be known as the Stockton Psychiatric Program. These beds will include 432 intermediate level-of-care beds for high-level (custody level IV) inmates and 82 acute level-of-care beds, which will serve inmates of all custody levels.
  - A May Revise proposal to decrease \$22.6 million GF and 164.2 positions in order to account for 450 beds that are being transferred from DSH-Vacaville and DSH-Salina Valley.
- Vacaville Psychiatrist-on-Duty. Adopted the Governor's proposal for \$782,000 GF to establish 24-hour on-site psychiatric coverage at DSH-Vacaville, beginning in the current year, in order to better meet the needs of patients and to reduce overtime costs.
- Active Directory Restructuring. Adopted the Governor's proposal for \$1.1 million GF (\$994,000 one-time and \$140,000 ongoing) to support the development and maintenance of a new single active directory domain to centralize and consolidate eight existing independent active directories.
- Automated Staff Scheduling and Information Support Tool. Adopted the Governor's proposal for \$5.4 million (\$1.2 million ongoing) GF and four positions to implement an Automated Staff Scheduling and Information Support Tool (ASSIST). The DSH anticipates that ASSIST will eventually save approximately five percent of overtime costs (\$4.8 million).
- Metropolitan Fire Alarm Upgrade. Adopted the Governor's proposal for \$633,000 GF, for the preliminary plan phase, to upgrade the fire alarm system in psychiatric patient housing, at Metropolitan State Hospital, and to provide a new central monitoring system. Total project costs are \$8.9 million.
- Patton Security Perimeter Fencing. Adopted the Governor's proposal for \$560,000 GF for the re-evaluation of existing working drawings to provide for increased security fencing and other related physical improvements for security purposes at Patton State Hospital. The total project cost is \$16.4 million. The California Department of Corrections and Rehabilitation (CDCR) anticipates annual savings of approximately \$4.8 million due to the reduction in security staff that will be possible as a result of this project.
- Napa Security Gates and Fencing. Adopted the Governor's proposal for \$863,000 GF to fund the preliminary plan phase of security improvements in the patient courtyard at Napa State Hospital. The total project cost is \$3.1 million.

- Personal Duress Alarm System. Adopted the Governor's proposal for \$16.6 million GF and four positions to install and support the Personal Duress Alarm System (PDAS) at Atascadero State Hospital and Coalinga State Hospital, and to complete the PDAS project at Metropolitan State Hospital and Patton State Hospital.
- Personal Duress Alarm System - Reappropriation. Adopted the Governor's May Revise proposal to reappropriate \$5.4 million GF of PDAS funding to account for project delays caused by lapses in the implementation timeline at the initial site, Napa State Hospital.
- Office of Audits. Adopted the Governor's proposal for \$529,000 GF and 4.5 positions to staff a new Office of Audits within DSH. This new office will dedicate one auditor to each of the major areas in administrative services: accounting, budgets, contracts, purchasing and personnel and allow for a representative sampling of work to be reviewed from each facility on an annual basis.
- Activation of Additional Intermediate Care and Acute Units. Adopted the Governor's May Revise proposal for \$22.1 million (\$16 million GF and \$6.1 million reimbursements), and 173 positions, to increase treatment capacity by 155 beds to address the wait lists for incompetent to stand trial and mentally disordered offender commitments.
- Contract to Civil Service Position Conversion. Adopted the Governor's May Revise proposal for position authority for 22 new permanent positions. Funding for these positions will be transferred from contracts in the Sex Offender Commitment Program and the Mentally Disordered Offender Program, which will allow the DSH to use civil service positions to meet the current workload demands of these programs.
- Patient Management and Bed Utilization. Rejected the Governor's May Revise proposal for \$1.8 million GF and 18 positions to establish a Patient Management Unit dedicated to managing patient bed needs in order to maximize utilization and capacity. This was a significant policy proposal that should have been presented to the Legislature for consideration prior to the May Revision.
- Continued Activation of the Stockton Facility. Rejected the following three of the Governor's May Revise proposals related to staffing at the three CDCR psychiatric facilities (DSH-Stockton (CHCF), DSH-Vacaville, and DSH-Salinas Valley). These were significant policy proposals that should have been presented to the Legislature for consideration prior to the May Revision:
  - \$4.2 million GF (\$8.4 million ongoing) and 44.3 positions (59 ongoing) to increase staff at the CHCF.
  - \$8.4 million GF and 117.2 positions at DSH-Vacaville and DSH-Salinas Valley to enhance staffing ratios.
  - \$1.4 million GF and 19 positions that were proposed to be transferred from DSH-Vacaville and DSH-Salinas Valley to Sacramento.

**4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION (MHSOAC)**

- Investment in Mental Health Wellness. Adopted proposal to invest a total of \$206.2 million in mental health wellness. Of this total amount, appropriated \$54.4 million as follows:
  - \$54 million (\$32 million Mental Health Services Act (MHSA) State Administration and \$22 million federal) in ongoing funding to add 600 triage personnel in select rural, urban, and suburban regions. Also adopted trailer bill language requiring MHSOAC to provide a status report to the Legislature on the progress of allocating the triage personnel funding.
  - \$400,000 (one-time MHSA State Administration) to develop consensus guidelines and best practices for involuntary commitment care and provide applicable training, including involvement of peace officers. Adopted budget bill language to direct this funding.

As part of this proposal, adopted trailer bill language to restore the MHSA State Administrative fund percentage from the current 3.5 percent to the voter approved Proposition 63 level of five percent to fund key regional concerns which have statewide significance.

- Evaluation Master Plan. Approved \$947,000 and six positions to begin implementation of the Mental Health Services Act (MHSA, Proposition 63) Evaluation Master Plan.
- Prevention and Early Intervention and Innovation Guidelines. Adopted trailer bill language to give MHSOAC authority to promulgate regulations for the MHSA Prevention and Early Intervention and Innovation programs and specified that the MHSOAC shall administer its operations separate from the California Health and Human Services Agency.

***Health Related Budget Trailer Bills***

1. *Health Omnibus – AB 82 (Chapter 23, Statutes of 2013)*
2. *County True Up / 1991 Realignment – AB 85 (Chapter 24, Statutes of 2013)*
3. *Managed Care Organization Tax – SB 78 (Chapter 33, Statutes of 2013)*
4. *Investment in Mental Health Wellness – SB 82 (Chapter 34, Statutes of 2013)*
5. *Coordinated Care Initiative – SB 94 (Chapter 37, Statutes of 2013)*
6. *Transfer of Department of Alcohol and Drug Programs Functions – AB 75 (Chapter 22, Statutes of 2013)*

# HUMAN SERVICES

## **0530 OFFICE OF SYSTEMS INTEGRATION (OSI)**

Approved as budgeted, including the following actions:

1. Approved a requested increase of \$76.8 million (\$5.9 million GF and \$71.0 million reimbursements) for enhanced call center functionality to support the implementation of health care reform, including interface development and implementation of necessary interactions between the Statewide Automated Welfare System (SAWS) consortia and California Healthcare Eligibility, Enrollment and Retention System (CalHEERS).
2. Adopted changes to the budget for the Case Management, Information, and Payrolling System (CMIPS) II system, including shifts of funds between fiscal years to reflect delays that have occurred, authority for 4.5 additional positions, and increases or decreases in specified costs.

*See related items for Automation Projects under the Department of Social Services below.*

## **4170 CALIFORNIA DEPARTMENT OF AGING (CDA)**

Approved as budgeted, including the following actions:

1. Approved expenditure authority and provisional budget language for a three-year, \$1.7 million Chronic Disease Self-Management Education Grant Program, supported by funding from the federal Administration on Aging.
2. Approved \$3.6 million in expenditure authority, and a two-year, limited-term position, for a three-year Supplemental Nutrition Assistance Program Nutrition Education Obesity Prevention Program (SNAP-Ed) grant. CDA estimates that Area Agencies on Aging will serve approximately 70,000 participants as a result.
3. Approved additional expenditure authority of \$106,000, and a six-month extension of authority for a limited-term position, associated with the activities of the federal New Freedom Transportation Grant.
4. Approved additional expenditure authority of \$660,000 to reflect a one-time, \$1 million grant to provide training for Health Insurance Counseling Program staff and one-on-one dual eligibility health insurance counseling related to the Cal MediConnect initiative. The remainder of the funding will be expended in 2014-15.

**4185 SENIOR LEGISLATURE**

Approved as budgeted, including approval of a proposal for \$100,000 in California Fund for Senior Citizens resources and 1.0 two-year, limited-term office technician to perform clerical duties in support of core program activities.

**4300 DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)***Developmental Centers*

## 1. With respect to Sonoma Developmental Center (SDC):

- a) Approved increases of \$7.4 million GF in 2012-13, and \$15.7 million GF in 2013-14, to backfill for federal funding lost as a result of the withdrawal of four residential units within SDC from federal certification, in the wake of findings of abuse, neglect, and lapses in caregiving at the facility;
- b) Approved an increase of \$2.4 million (\$1.3 million GF), and authority for 36 new positions on a two-year, limited-term basis, to be reevaluated at the end of that period;
- c) Approved requested funding of \$300,000 (\$200,000 GF) in 2012-13, and \$2.5 million (\$1.7 million GF) in 2013-14, for a contract with an Independent Consultative Review Expert (ICRE), as required by a Program Improvement Plan the state entered into with the federal government;
- d) Rejected proposed budget bill language that would have given authorization for the Administration to expend up to \$10 million on costs, not yet identified, that may be associated with the results of the ICRE review; and
- e) Directed the department to provide quarterly briefings to legislative staff regarding implementation of corrective actions, as well as facility staffing and the collaboration between DDS and regional centers regarding required assessments of residents' needs.

## 2. With respect to Lanterman Developmental Center:

- a) Given the anticipated timeline for closure of the facility, approved funding for 88 requested, enhanced positions on an 18-month, limited-term basis;
- b) Directed the department to provide quarterly briefings to Legislative staff on the meeting of milestones and timelines as previously outlined by the department;
- c) Adopted trailer bill language to reflect the department's anticipated timeframe for closure of the facility in the Fall of 2014 (no later than December 31, 2014); and

- d) Adopted trailer bill language to remove the previously enacted, two-year time limitation on employment through the Community State Staff program associated with the closure.
3. Created a requirement, in trailer bill language, for the Administration to submit a master plan for the future of developmental centers, which it has committed to producing by November 15, 2013, to the Legislature, by that same date. In the preparation of this plan, the Administration shall consult with a cross-section of stakeholders, as specified. Further, created a requirement for the Administration to report, by January 10, 2014, to the Legislature regarding the Administration's resulting plans to meet the needs of all current developmental center residents, and to ensure the delivery of cost-effective, integrated, and quality services for this population.
4. Adopted trailer bill language to clarify existing provisions, established in trailer bill language last year (AB 1472, Chapter 25, Statutes of 2012), that require regional centers to conduct comprehensive assessments of the needs of developmental center residents.
5. Provided a requested, one-year extension of the liquidation period for approximately \$322,600 that was initially appropriated by the Budget Act of 2010. DDS is in the process of completing two special repair contracts at SDC (one to replace a main sewer line and one to replace flooring); however, the projects will not be completed prior to June 30, 2013 (when the funds are otherwise scheduled to revert). Both projects are estimated to instead be completed in August 2013.

#### *Community Services & Other Issues*

1. Allowed the 1.25 percent rate reduction applicable to regional centers and service providers in 2012-13 to sunset, as previously scheduled, on June 30, 2013. As a result, approved an increase of \$46.7 million (\$31.9 million GF).
2. Approved increases of \$15 million GF in 2012-13, and \$9.9 million GF in 2013-14, to support payments by regional centers of health insurance co-pays and co-insurance charges that result from accessing services identified as necessary in the consumer's Individual Program Plan. Adopted trailer bill language to specify the conditions under which regional centers would be authorized to make such payments going forward, and to prohibit payment by regional centers of costs associated with insurance deductibles.
3. Adopted approximately \$3.8 million GF savings, and corresponding trailer bill language, to eliminate the sunset date on the required payment of annual fees of \$150 or \$200 by families with children under the age of 18, living at home, who receive services from regional centers beyond eligibility determination, needs assessment, and service coordination.
4. Backfilled, with General Fund, \$600,000 of federal funding lost due to sequestration reductions and the redistribution of grants among states. These funds will support direct services provided through the Early Start program. Approved the Administration's related proposal to absorb a remaining \$2.8 million decrease in Early Start federal funding through reductions in administrative costs. Additionally, backfilled, with General Fund, \$11.9 million in lost federal

funding tied to sequestration reductions to the Title XX Block Grant for Social Services and Elder Care.

5. Adopted trailer bill language to clarify that existing restrictions on the use of Institutions for Mental Disease (IMDs), enacted by AB 1472 last year, apply irrespective of the age of the individual with a developmental disability and the resulting availability (or lack of availability) of federal financial participation, while allowing for temporary exceptions, as specified, for placement of individuals under the age of 21.
6. Adopted trailer bill language to ensure that clients' rights advocates will be notified of specified circumstances in which their involvement might be helpful.
7. Approved technical changes to the Welfare & Institutions Code to clarify that changes made last year were not intended to preclude court-ordered placements of individuals who have been determined to pose a danger to themselves or others in settings less restrictive than developmental centers.

#### **4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT (CSD)**

Approved as budgeted.

#### **5160 DEPARTMENT OF REHABILITATION (DOR)**

Approved as budgeted, including the transfer in 2013-14 of \$909,000 and responsibilities for administering the federally-funded Client Assistance Program from DOR to Disability Rights California. The Administration anticipates that this change will reduce administrative costs by an estimated \$198,000 annually, allowing additional funding to be available for direct services.

#### **5170 STATE INDEPENDENT LIVING COUNCIL**

Approved as budgeted.

#### **5175 DEPARTMENT OF CHILD SUPPORT SERVICES**

Approved a request for a decrease of \$276,000 GF, which stems from the department receiving an additional \$276,000 in Federal Performance Basic Incentive Funds, due to a higher than originally forecasted level of performance.

**5180 DEPARTMENT OF SOCIAL SERVICES (DSS)***CalWORKs and CalFresh*

1. Adopted a five percent increase, beginning March 1, 2014, to maximum CalWORKs grants, and redirected \$50.9 million in 1991 realignment growth resources to fund this increase. For 2014-15 and future years, additional increases could be made on October 1 of each year, depending on the level of designated growth dollars that becomes available. The new level of these increases in any given year will form the following year's base level, with the General Fund providing a backstop should growth funds become insufficient to fund that base. At a maximum of \$638 for a family of three in a high-cost county, CalWORKs grants in 2012-13 are at the same level in actual dollars (not adjusted for inflation) as they were in 1987, which is equivalent to around 39 percent of the current federal poverty level. In addition to suspending, and later eliminating, cost-of-living adjustments for CalWORKs grants, the budgets in the last five years have also included 12 percent total reductions to the maximum grants.
2. Effective January 1, 2014, adopted changes to eligibility requirements that limit the value of vehicles that a family can have and still qualify for CalWORKs. These limits are in addition to other restrictions on income and assets. The changes adopted to the Vehicle Asset Limit will: 1) increase the limit on the value of vehicles to \$9,500 in equity value (which will be adjusted for inflation and is based on the recipient's self-attestation regarding any amount still owed); and 2) exempt gifted cars. This action is anticipated to have a net neutral fiscal effect, with grants costs and administrative efficiency-related savings of \$1.25 million GF in 2013-14 (and \$2.5 million GF ongoing).
3. Approved a proposed methodology change, and corresponding \$142.8 million adjustment, to CalWORKs employment services funding.
4. Approved an increase of \$48.3 million GF in 2013-14, intended to improve early engagement and barrier removal processes and supports within the CalWORKs program, and to expand subsidized employment opportunities for Welfare-to-Work participants. Correspondingly, approved a one-time increase of \$600,000 GF to support associated automation changes. The increased funding will allow counties to perform more robust appraisals to identify the services that can best benefit program participants. Additionally, related trailer bill language creates a Family Stabilization component of CalWORKs for families that are particularly in crisis. The need for changes to the process of early engagement, and to the ways that CalWORKs can help participants remove barriers to employment, was identified as a critical component of the 2012-13 budget agreement.
5. Adopted a transfer of approximately \$541.7 million in Temporary Assistance to Needy Families (TANF) funding to the California Student Aid Commission, to be used for Cal Grants expenditures. The funds will be swapped, dollar for dollar, to redirect an equal amount of General Fund monies that would have been spent on Cal Grants to instead be spent on specified CalWORKs expenditures. Because of a change adopted in the methodology for determining the amount of the transfer (to eliminate the portion of the transfer that would have resulted in the

state exceeding its required maintenance of effort), it is lower than the amount proposed by the Governor (\$924 million).

6. Rejected programmatic aspects of the Administration's human services realignment proposal, which would have resulted, over time, in counties taking on more fiscal and programmatic responsibility for CalWORKs, CalWORKs child care (including stages one, two, and three), and potentially CalFresh administration costs. Instead, to the extent that there are county savings that result in an amount of 1991 realignment funding that could become available to offset General Fund, adopted a fiscally-based transaction to create corresponding General Fund savings related to CalWORKs grant expenditures.
7. Adopted trailer bill language to align specified CalWORKs and CalFresh reporting rules, as required in Chapter 501, Statutes of 2011 (AB 6), and to allow Semi-Annual Reporting (SAR) to be implemented in a manner that is consistent with federal reporting rules.
8. Approved a one-year extension of authority for counties to access CalFresh administration funding without requiring a county-fund match above and beyond an existing Maintenance of Effort requirement.
9. Transferred the operational management of a CalFresh Outreach Plan from the Department of Public Health to DSS, including authorization to expend \$661,000 federal funds, the transfer of 3.8 existing positions, and the establishment of two new positions.

#### *Child Welfare Services*

1. With respect to the utilization of group homes:
  - a) Adopted trailer bill language to extend, through 2013-14, an existing moratorium, without exceptions, on applications and requests for rate changes for group homes with rate classification levels of one through nine;
  - b) Adopted trailer bill language to clarify some concrete reforms with respect to the use of group homes that should take effect in the shorter term, including:
    - i. Limitations on, and procedural requirements related to, placements in group homes for children ages twelve and younger;
    - ii. A requirement for the department to update the Legislature regarding the outcomes of assessments and transition plans for children and youth who have been in group homes for longer than one year; and
    - iii. Encouragement for the department to ensure that education, qualification and training requirements for direct care staff are consistent with the intended role of group homes.

2. Approved a request for \$249,000 (\$166,000 GF) and authorization to make permanent one limited-term position, related to the Continuum of Care Reform efforts.
3. Approved \$596,000 (\$298,000 GF) related to the extension of the Title IV-E Waiver Demonstration Capped Allocation Project, including a one-year extension of two limited-term positions, as well as funding for an evaluation.
4. Rejected the Administration's request to suspend the Resource Family Approval project, and instead authorized expenditure of \$743,000 (\$128,000 GF), along with two positions, to implement the project. Correspondingly, required the department to update the subcommittee on its progress in implementing the project during 2014-15 subcommittee hearings.
5. Adopted proposed adjustments to the Foster Family Home and Small Family Home Insurance (FSH) Fund, including a one-time transfer of \$2.3 million from the FSH Fund to the General Fund in order to return surplus funds that the Administration indicated had accumulated when recent expenditures were lower than budgeted.

#### *Community Care Licensing (CCL)*

1. Approved the proposed extension for two years of a policy that allows the department to charge fingerprinting fees (currently \$35) to applicants for licenses to operate specified small community care facilities or family day cares. As a result, the state will avoid \$1.4 million GF expenditures annually.
2. Approved \$470,000 (\$385,000 GF), and authority for four limited-term positions, to implement a matching and investigations system designed to detect and remedy the illegal presence of registered sex offenders in DSS-licensed facilities that serve children and adults.
3. Added provisional language to the budget bill to authorize expenditure of up to \$2.1 million from the Child Health and Safety Fund (CHSF) for CCL, in order to backfill a reduction in the Social Services Block Grant (Title XX) related to federal sequestration.

#### *In-Home Supportive Services (IHSS)*

1. Authorized an eight-percent across-the-board reduction to IHSS recipient hours, pursuant to a recent settlement agreement from ongoing litigation related to several prior reductions to the program that did not take effect. The eight-percent reduction (an increase of 4.4 percent, in addition to extending a 3.6 percent reduction that has been in effect since 2010-11) is scheduled to begin July 1, 2013, and to last for one year. This reduction is anticipated to result in net savings of \$444.3 million (\$176.4 million GF) in 2013-14. In 2014-15, and on an ongoing basis, there would be an across-the-board reduction of seven percent, unless it is partially or fully "triggered off" by the state obtaining federal approval for an "assessment" (e.g., a fee or tax) on home care services that draws down additional federal funds.

2. Repealed the prior reductions that were the subject of the legal settlement described above, which included the following policies:

Policy	Name of Lawsuit Enjoining Policy from Taking Effect
Loss of eligibility for individuals with assessed needs below specified thresholds	<i>Oster (V.L.) v. Lightbourne, et al. (Oster I)</i>
Across-the-board reduction of 20 percent of authorized hours, with exceptions as specified	<i>Oster (V.L.) v. Lightbourne, et al. (Oster II)</i>
Reduction in state participation in provider wages (from maximum of \$12.10 to \$10.10 per hour)	<i>Dominguez v. Schwarzenegger, et al.</i>

3. Included \$76.5 million GF in costs shifted from the counties to the state as a result of changes in the financing of IHSS (i.e., the Maintenance of Effort requirement that took effect July 1, 2012).
4. Approved \$884,000 (\$442,000 GF), and seven limited-term positions at DSS (through 2014-15), to address workload related to the Coordinated Care Initiative (CCI). Additionally, approved a related increase of \$518,000 (\$259,000 GF), and four positions, to support the creation, and implementation of the responsibilities of, the IHSS Authority (Statewide Authority). The Statewide Authority is the entity required to assume IHSS provider collective bargaining responsibilities from counties that transition long-term supports and services, including IHSS, to managed care plans under the CCI. Finally, the budget includes trailer bill language to clean-up provisions of SB 1036 (Chapter 45, Statutes of 2012), which established the Statewide Authority and aspects of the applicable collective bargaining processes.
5. Approved \$381,000 (\$190,000 GF), and authority for three permanent positions, to handle workload related to new Community First Choice Option quality assurance/quality improvement requirements.
6. Amended statutory language regarding the need to revise the methodology for calculating administration-related funding for the public authorities. Specifically, removed the date that was previously specified, to allow time for the changes under CCI to evolve.

#### *Automation Projects and Other Issues*

1. Increased the budget for the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS) to reflect a full year of design, development, and implementation activities, as well as enhanced federal financial participation related to health care reform, which results in General Fund savings.
2. Approved \$10.3 million (\$4.6 million GF) for planning activities associated with development of the Child Welfare Services-New System project. Of this total, \$4.3 million (\$1.9 million GF) will support staffing at OSI and DSS.

3. Approved \$510,000 (\$255,000 GF), and the two-year extension of authority for four existing, limited-term positions at DSS, to allow the department to work with OSI, the vendor, and the counties to support the continued roll-out, and then maintenance of, the CMIPS II system for IHSS.
4. Approved an increase of \$379,000 in reimbursements to support two new limited-term positions (expiring June 30, 2015), and one existing position, to analyze social services program impacts associated with federal health care reform.
5. Increased existing General Fund loan authority by \$13 million to allow DSS to manage cash flow issues related to increased reimbursement payments from counties, in the event of delays in the receipt of reimbursements. Additionally, amended existing authority for a loan of up to \$50 million GF to cover the federal share of costs for programs when federal funds have not been received, in order to include delays in receipt of other reimbursement payments as well.
6. Provided funding and authority for 24 new administrative law judges, and corresponding funding for 17 administrative support staff, to handle increased state hearings workload.

*See related items listed under OSI above.*

### **Human Services Related Budget Trailer Bills**

<b>Subject</b>	<b>Bill #</b>	<b>Chapter, Statutes of 2013</b>
<i>IHSS Litigation Settlement</i>	<i>SB 67</i>	<i>4</i>
<i>Social Services Omnibus</i>	<i>AB 74</i>	<i>21</i>
<i>Developmental Services Omnibus</i>	<i>AB 89</i>	<i>36</i>
<i>Coordinated Care Initiative (including Health issues as well)</i>	<i>SB 94</i>	<i>37</i>
<i>1991 Realignment &amp; CalWORKs Grants (including Health issues as well)</i>	<i>AB 85</i>	<i>24</i>

SUBCOMMITTEE 4  
ON  
STATE ADMINISTRATION  
AND  
GENERAL GOVERNMENT  
FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

Richard D. Roth, Chair  
Tom Berryhill  
Norma Torres

*Consultants*

Mark Ibele  
Brady Van Engelen

# SUBCOMMITTEE No. 4

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# SUBCOMMITTEE No. 4

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## STATE ADMINISTRATION

### **0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT**

- Approved additional appropriation authority of \$27.6 million (federal funds) for Governor's Office of Business and Economic Development (GOBiz), for the Small Business Loan Guarantee Program.

### **0511 GOVERNMENT OPERATIONS AGENCY**

- Approved a request for \$3.429 million (\$1.336 million General Fund) and 17.0 positions, beginning in 2013-14, for operations and support of the Government Operations Agency.

### **0650 OFFICE OF PLANNING AND RESEARCH**

- Approved a \$2 million General Fund appropriation for support of the State Board of Education. The appropriation will provide support to the State Board of Education to develop regulations and template for local control accountability plans.

### **0690 OFFICE OF EMERGENCY SERVICES**

- Approved the Governor's proposal for \$500,000 reduction in General Fund support for the California Specialized Training Institute, thus limiting General Fund support for the California Specialized Training Institute to \$250,000 for Fiscal Year 2013-14. Funds to support administrative costs associated with the institute will be replaced by utilizing available funds in the Antiterrorism Fund.
- Approved the Governor's request to reduce the General Fund support of the contingency fund that supports the California Disaster Assistance Act by \$10.0 million. The state is responsible for up to 75 percent of local project costs when a disaster is declared by the Governor, and 18 percent of local project costs in the event of a federal disaster.

#### Trailer Bill Language

- Adopted trailer bill language transferring the Public Safety Communications Office from the Technology Agency to the Office of Emergency Services.

- Adopted trailer bill language extending the sunset date of the Disaster Response Emergency Operation Account to January 1, 2019.

#### **0840 STATE CONTROLLER**

- Approved five two-year limited-term positions to perform payroll audit functions, and 7.9 two-year limited-term positions to perform special fund audit functions. Appropriated \$1.43 million General Fund to perform both the payroll and the special fund audit functions.
- Approved \$3.1 million (\$651,000 General Fund) for Fiscal Year 2013-14 for costs associated with the management of technology services hosted at the Office of Technology.
- Denied without prejudice, a request to modify budget bill language associated with the State Controller's Unclaimed Property Division.
- Approved the Governor's request of \$14.556 million (\$11.92 million General Fund) to support the pay reconciliation efforts associated with the failed implementation of the 21<sup>st</sup> Century Project.

#### **0845 DEPARTMENT OF INSURANCE**

- Approved a request for increased expenditure authority of \$218,000 (Insurance Fund) to address additional requirements related to rulemaking procedures and the promulgation of regulations associated with the expansion of health benefits coverage.
- Approved a request for an increase of \$113,000 in expenditure authority from the Insurance Fund for workload associated with AB 2470 (Chapter 658, Statutes of 2010), which allows a policyholder to request a review by the Insurance Commissioner in the event of a policy cancellation.
- Approved a request for an increase of \$119,000 in expenditure authority from the Insurance Fund to address workload associated with SB 1216 (Chapter 272, Statutes of 2012), which is intended to bring the state into conformance with the National Association of Insurance Commissioners laws and regulations.
- Approved a request for an increase of \$834,000 in expenditure authority to fund workload associated with the California Health Benefits Exchange.

- Approved a request for an increase in expenditure authority of \$865,000, for Fiscal Year's 2013-14 and 2014-15 for ongoing workload associated with health insurance reform.
- Approved a request for an increase of Insurance Fund expenditure authority of \$6.2 million for local assistance for Fiscal Year 2013-14, and \$5.1 million ongoing for insurance fraud control activities. Approved a request for an increase of Insurance Fund expenditure authority of \$1.1 million for state operations for 2013-14 and \$835,000 ongoing for insurance fraud control activities. Also, approved budget bill language that will allow for current year expenditure authority adjustments to the Fraud Local Assistance Programs to align with revenue available for the designated programs.
- Increased Federal Trust Fund expenditure authority by an additional \$136,000 for Fiscal Year 2013-14, to address workload associated with rate filings.
- Approved a request for an increase of \$350,000 in expenditure authority from the Insurance Fund, for Fiscal Year's 2013-14 and 2014-15, to address workload related to the review of predictive model analysis.

#### **0890            SECRETARY OF STATE**

- Approved a request for an increase of \$89,000 in expenditure authority from the Business Fees Fund for Fiscal Year 2013-14, to address workload associated with the revision of LLC filings.
- Approved a request for an increase of \$123,000 in expenditure authority from the Business Fees Fund for Fiscal Year 2013-14, and \$98,000 ongoing, to address workload associated with the implementation of SB 1058 (Chapter 564, Statutes of 2012), which provided a statutory framework for the management of the Victims of Corporate Fraud Compensation Fund.
- Approved a request for an increase of \$3.721 million in reimbursement authority from the Business Fees Fund to support the continued development of Business Connect.
- Approved a request for an increase of \$27.079 million in Federal Trust Fund expenditure authority to continue the development of a statewide voter registration database.
- Approved a request for an increase of \$3.8 million in Federal Trust Fund spending authority for the continued implementation of the Help America Vote Act of 2002.

- Approved a request for an increase of \$81,000 in spending authority from the Political Disclosure, Accountability and Transparency Fund. The requested funds will be utilized to stabilize Cal-Access, the state's lobbyist registration database maintained by the Secretary of State.
- Approved a request to suspend three elections-related local mandates, totaling a General Fund savings of \$10.6 million for Fiscal Year 2013-14.
- Approved a request for an increase in expenditure authority from the Business Fees Fund by \$5.68 million, which, in conjunction with AB 113 (Chapter 3, Statutes of 2013) will allow the Secretary of State to address the 123,000 business filings that are currently in backlog status. Also, adopted budget bill language that will provide the Legislature with regular status updates on the progress of addressing the business filings backlog.

#### **0950 STATE TREASURER AND BOARDS AND COMMISSIONS**

- Approved bond funds of \$700,000 for continued development of the debt management system for the state. Amounts include staffing, payment to the California Technology Agency for oversight, and a private contractor. (Item 0950)
- Adopted an increase in one position and additional funding (bond funds and reimbursements) to carry out additional core responsibilities and administer state and federal mandates regarding the Low Income Housing Tax Credit Program for the California Tax Credit Allocation Committee. (Item 0968).
- Approved additional position for the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) for the purpose of administering the sales and use tax exclusion which was expanded to include advanced manufacturing. (Item 0971)
- Adopted additional funding of \$810,000 (special funds) and four positions to administer the home energy efficiency projects and approved language to establish a loan loss reserve. The program is part of the residential Property Assessed Clean Energy (PACE) program. (Item 0971)
- Approved the addition of a budget line item related to the California Secure Choice Retirement Savings Investment Board (CSCRSIB) and adopted budget bill language providing for the study of the market alternatives for this retirement plan. (Item 0984)

- Adopted one-time funding to facilitate the transfer of the Charter School Facility Grant and Charter School Loan Program from the Department of Education to the California School Finance Authority (CSFA), including statutory authority through trailer bill language and budget bill language. (Item 0985)

#### Trailer Bill Language

- Approved trailer bill language allowing for the transfer from the Department of Education to the California School Finance Authority of the Charter School Facility Grant Program and Charter School Loan Program. *AB 86*
- Approved trailer bill language allowing for the creation of a loan loss reserve for residential home loan energy efficiency projects. *SB 72*

#### Budget Bill Language

- Approved expenditure authority based on the receipt of private funding to do a market feasibility study for the CSCRSIB.
- Requires the Department of Education to make available to CSFA, all necessary records for the transfer of the charter school grant and loan programs, and requires that \$105,000 of the appropriated funds be used for consulting services.

#### Supplemental Reporting Language

- Requires reporting to the Legislature regarding the progress and status of the debt management system and related activities.

### **1110/1111 DEPARTMENT OF CONSUMER AFFAIRS**

- Approved a request for an increase in expenditure authority from the Pharmacy Board Contingent Fund of \$164,000 in order to implement SB 1095 (Chapter 454, Statutes of 2012), which placed additional licensing and renewal responsibilities on the Pharmacy Board.
- Approved a request for a reduction of \$48,000 in expenditure authority for the California Board of Accountancy. The reduction stems from SB 1405 (Chapter 411, Statutes of 2012), which eliminated the need for notification and fee requirement for out-of-state certified public accountants.

- Approved a request for an increase of \$44,000 in 2013-14, and \$35,000 ongoing, for the Court Reporters Board to continue providing low-income pro per litigants with access to the Transcript Reimbursement Fund.
- Approved a request for an increase in expenditure authority of \$72,000 in Fiscal Year 2013-14, and \$65,000 ongoing, to support the workload associated with SB 1202 (Chapter 331, Statutes of 2012), which provided additional program functions, related to licensing, curriculum review, and response requirements, by the Dental Hygiene Board.
- Approved a request for an increase of position authority to a total of 17.3 personnel years for the Physical Therapy Board. Increased costs associated with the positions will be internally redirected.
- Approved a request for an increase of one additional personnel year for the Board of Professional Engineers, Land Surveyors, and Geologists and reduced expenditure authority by \$15,000.
- Approved a request to increase expenditure authority of the Bureau of Private Postsecondary Education by \$81,000 to implement AB 2296 (Chapter 585, Statutes of 2012), which requires the Bureau of Private Postsecondary Education to research measures and standards for gainful employment, and implement regulations by July 1, 2014.
- Approved a request for \$2.824 million (\$106,000 General Fund) needed to implement changes associated with the Governor's Reorganization Plan No. 2 (GRP 2).
- Approved a request for \$11.95 million in various special funds needed for the continued development of BreEZe, an online licensure platform.
- Increased expenditure authority of the Veterinary Medical Board by \$359,000, and increased position authority by two two-year limited-term and three permanent staff, to the Veterinary Medical Board. ***This item was vetoed by the Governor.***
- Approved a technical request for the inclusion of budget bill language that combined the budget act appropriation with a legislative appropriation, to total \$264,000.
- Approved a request for a reduction in expenditure authority of \$814,000 to the California State Athletic Commission to better align revenue with expenditures. Subsequently, adopted budget

bill language that would allow the State Athletic Commission to utilize excess revenues, if available, to train athletic inspectors in accordance with current statutory requirements.

- Approved a request to transfer budget and position authority of the Department of Real Estate and the Office of Real Estate Appraisers to the newly created Department of Consumer Affairs. The consolidation further implements GRP2 and achieves a savings of \$1.25 million annually.
- Increased expenditure authority for 10 healing arts-related boards within the Department of Consumer Affairs to total \$3.941 over two fiscal years. Adopted budget bill language that would allow the respective boards to provide input into the development of an upgraded Controlled Substance Utilization and Review System (CURES), in conjunction with the Department of Justice.
- Approved a request to increase the Bureau of Private Postsecondary Education's expenditure authority by \$853,000, to address licensing backlogs at the Bureau. Additionally, approved request for the inclusion of budget bill language that would temporarily suspend the reserve limit of the Bureau's fund until January 1, 2015.

#### Trailer Bill Language

- Adopted trailer bill language that would authorize an institution, currently exempt from the Bureau of Private Postsecondary Education oversight, to waive their exempt status and to voluntarily opt into the Bureau's oversight, to comply with federal regulations and ensure that students at the institution remain eligible for federal financial aid.

### **1690 SEISMIC SAFETY COMMISSION**

- Approved the Administration's proposed trailer bill that would provide a permanent fund source for the Seismic Safety Commission. Also approved a \$1.12 million GF loan to the Insurance Fund, which will ensure that the commission is adequately funded for 2013-14. The loan will be repaid in 2015-16.

### **1701 DEPARTMENT OF BUSINESS OVERSIGHT**

- Approved a request to transfer the budget authority of the Department of Financial Institutions and the Department of Corporations, to the Department of Business Oversight, which was created in the GRP 2.

- Approved a request for six positions within the Department of Corporations Lender-Fiduciary Program and \$911,000 (State Corporations Fund) to implement and enforce provisions of the Homeowner Bill of Rights.
- Approved request for two positions and \$281,000 to implement the provisions of SB 978 (Chapter 669, Statutes of 2012), which addressed hard money lending practices.

## **2100 ALCOHOLIC BEVERAGE CONTROL**

- Approved as budgeted.

## **2120 ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD**

- Approved as budgeted.

## **2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

- Approved the Governor's proposed baseline adjustment of \$25 million to provide for Proposition 1C funds for the Housing Related Parks Program, on a one-time basis.
- Approved a request for an increase in Federal Trust Fund expenditure authority of \$7.925 million for the Emergency Solutions Grants Program, administered by the Department of Housing and Community Development.
- Approved a request for a \$27.02 million reduction in Federal Trust Fund expenditure authority for the Home Investment Partnership Program (HOME) in response to a reduction in federal funds allocated to the state.
- Approved a request for \$2.02 million (\$36,000 General Fund) for the relocation of the Department of Housing and Community Development headquarters.
- Approved a request for \$649,000 to support workload associated with the housing element review process.

Trailer Bill Language

- Adopted trailer bill language to extend liquidation period of Proposition 1C bond funds to June 30, 2017.
- Adopted trailer bill language to direct the redeposit of disencumbered Proposition 1C funds in the Transit Oriented Development Account for funding grants and loans.

**7502 DEPARTMENT OF TECHNOLOGY**

- Approved increased expenditure authority of \$32.05 million (Technology Services Revolving Fund). The additional expenditures reflect the projected utilization of the state information technology infrastructure for the budget year. The items funded are illustrated in the chart below:

	<b>2013-14 Funding Level</b>	<b>Description</b>
Mainframe CPU Processing	\$7.21 million	1.872 million of Instructions Per Second (MIP)
Midrange Server	\$14.9 million	Represents the anticipated amount state agencies will request for replacement and expansion of hardware, software, and disaster recovery for servers that run databases and email systems
Data Storage Capacity	\$4.82 million	Replacement and expansion of data storage needs
Network Capacity	\$5.12 million	Upgrades, replacement and expansion of network capacity

Trailer Bill Language

- Adopted trailer bill language transferring the Information Technology (IT) Procurement Section, within the Department of General Services (DGS), to the Technology Department (department). This request includes the transfer of funding and 23 positions to the department, and a \$212,000 budget augmentation to support the facilities costs associated with absorbing 23 personnel.

- Adopted trailer bill language to facilitate the transfer of 4.5 position and funding related to telecommunication procurement activities within the Department of General Services, to the Technology Department.

## **7760 DEPARTMENT OF GENERAL SERVICES**

- Approved a request for various technical adjustments to various programs within the Department of General Service, to more accurately reflect budget year expenditures.
- Approved a request for program reductions totaling \$5.6 million and 22.5 personnel years in Fiscal Year 2013-14.
- Approved a request for an increase in special fund expenditure authority of \$610,000 (Service Revolving Fund), to reflect additional workload assumed by the department's Contract Fiscal Services.
- Approved a request for a reappropriation of supplemental construction funds for the renovation of a central plant in Sacramento that were set to expire on July 1, 2013.
- Approved a request for a one-time \$993,000 increase in Property Acquisition Law Money Account in order to support the disposition of Agnews Developmental Center.
- Approved a request for a permanent augmentation of \$1.07 million to the Motor Vehicle Parking Facilities Account, in order to address a number of structural and mechanical deficiencies in state-owned parking facilities throughout the state.
- Approved a request for a permanent augmentation of 5.0 positions and \$532,000 (Disability Access and Education Revolving Fund) in order to provide the necessary support to implement SB 1186 (Chapter 383, Statutes of 2012), which modified the state's accessibility laws, specifically those related to the Department of General Service's Certified Access Specialist Program.
- Approved a request for an augmentation of \$11 million in Service Revolving Fund authority for special repair projects in state-owned building associated with Americans with Disability Act compliance.

- Approved request for five two-year limited-term positions and an increase of budget authority of \$648,000, to assist California High Speed Rail Authority with real estate acquisition and legal services associated with property acquisition for the state's high-speed rail project.

#### Trailer Bill Language

- Adopted trailer bill language increasing the threshold over which Department of General Services must review a contract from \$75,000 to \$150,000.

### **7870 VICTIMS COMPENSATION AND GOVERNMENT CLAIMS BOARD**

- Approved trailer bill language implementing a pilot program that provides a more comprehensive model of care to victims in a more cost-effective manner, and increased the expenditure authority of the Restitution Fund by \$2 million.

### **8385 CITIZENS COMPENSATION COMMISSION**

- Approved as budgeted.

### **8620 FAIR POLITICAL PRACTICES COMMISSION (FPPC)**

- Approved a request for 1.7 personnel years, and an increase of \$151,000 in reimbursement authority to implement the provisions of AB 2062 (Chapter 500, Statutes of 2012), which begins the process of electronically filing statement of economic interests for state and local agencies.
- Approved a request for the continuation of \$350,000 in resources, due to unanticipated workload associated with the conviction of campaign treasurer Kindee Durkee.
- Approved a request for reimbursement authority of \$718,000, to perform campaign finance ordinance work that was authorized by AB 2146 (Chapter 1659, Statutes of 2012), which authorizes the County of San Bernardino to contract with the FPPC to enforce San Bernardino's local campaign finance ordinance measures.

**8640 POLITICAL REFORM ACT OF 1974**

- Approved as budgeted.

**8780 MILTON MARKS “LITTLE HOOVER” COMMISSION**

- Approved as budgeted.

**8790 CALIFORNIA COMMISSION ON DISABILITY ACCESS**

- Approved as budgeted.

**8830 CALIFORNIA LAW REVISION COMMISSION**

- Approved as budgeted.

**8840 COMMISSION ON UNIFORM STATE LAWS**

- Approved as budgeted.

**8820 COMMISSION ON THE STATUS OF WOMEN AND GIRLS**

- Appropriated \$500,000 General Fund to the Commission on the Status of Women to ensure the continued operation of the commission. The funds are only available in the event that no other funds are available.

**8940 MILITARY DEPARTMENT**

- Approved 5.0 new positions, and an increase of \$815,000 in expenditure authority, in order to employ additional behavioral health officers.

- Denied, without prejudice, a request for a \$1.2 million (\$526,000 General Fund) augmentation to cover the estimated State Active Duty (SAD) employee compensation increases to be granted, effective January 1, 2013.
- Approved a request for an increase in Federal Trust Fund budget authority of \$17 million due to recent changes at the United States Property and Fiscal Office.

## **8860 DEPARTMENT OF FINANCE**

### Trailer Bill Language

- Approved trailer bill language that would allow the Department of Finance (DOF) to directly contract with other state agencies for the purposes of allowing DOF's Office of State Audits and Evaluations (OSAE) to conduct financial, performance and compliance evaluations. The language would eliminate the necessity of going through the Department of General Services (DGS) for these contracted services. *SB 71*

## **8885 COMMISSION ON STATE MANDATES**

- Adopted the Governor's proposal for additional funding for the Commission on State Mandates in order to increase its capacity, better comply with statutory timeframes, and accelerate the reduction in the existing backlog.
- Approved the funding of various state mandates related to property taxes and public safety at a cost of \$48.4 million.
- Continued the suspension of various mandates imposed on local governments that have been previously suspended, for savings of \$408.7 million. Suspended five additional mandates with statewide cost estimates (so-called "reserve builders") for savings of \$110.0 million.
- Maintained four mandates, proposed for suspension by the Governor, without statewide cost estimates, consisting of Local Agency Ethics, Tuberculosis Control, Child Abuse and Neglect Investigation Reports, and Public Records Act-related activities. Related legislation in SCA 3 proposes a constitutional amendment to make the activities of local governments relating to the Public Records Act constitutional requirements and not state-funded mandates.
- Repealed four mandates—Adult Felony Restitution, Minors' Victims Statements, Deaf Teletype Equipment, and Pocket Masks—by making them permissive. These mandates involve local government activities that are considered best practices or are federally-required. A fifth

mandate, relating to Domestic Violence information, was initially made permissive, but subsequent legislation in AB 81 reinstated the statutory language. (The mandate remains suspended in the budget.) Each of these mandates has been suspended since 1990.

Trailer Bill Language

- Adopted trailer bill language that repeals or makes permissive four mandates that have been suspended for over 20 years. *SB 71*

Budget Bill Language

- Approved funding of thirteen mandates related to either public safety or local property taxes. Included the suspension of over 50 local government mandates which remain in statute but are not funded, and with associated activities not required of local governments.

**8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA (FI\$CAL)**

- Approved as budgeted.

**8855 BUREAU OF STATE AUDITS**

- Approved as budgeted.

**8910 OFFICE OF ADMINISTRATIVE LAW**

- Approved as budgeted

**9210 LOCAL GOVERNMENT FINANCING**

- Approved one-time funding for the counties of Alpine, Amador and San Mateo of \$1.8 million, where funds available in the Educational Revenue Augmentation Fund are insufficient to make these counties whole as a result of the Triple Flip and the Vehicle License Fees (VLF) swap.

Budget Bill Language

- Directs that a portion of the amounts in Item 9210 are allocated to the counties of Alpine, Amador and San Mateo and the cities in each of those counties.

**STATE ADMINISTRATION BUDGET TRAILER BILLS**

1. *State Government. AB 92 (Chapter 26, Statutes of 2013).*
2. *State Government – Main. SB 71 (Chapter 28, Statutes on 2013). AB 76 was also passed and was vetoed by the Governor due to the inclusion of the Public Records Act mandate suspension.*
3. *Property Insurance: Seismic Safety Account. AB 98 (Chapter 27, Statutes of 2013).*
4. *Public Safety Domestic Abuse. AB 81.*

## VETERANS AFFAIRS

### **8955 DEPARTMENT OF VETERANS AFFAIRS**

- Approved \$1.5 million GF loan to the California Central Coast Cemetery at Fort Ord. The GF loan will ensure that federal funds are available to begin the construction of the Central Coast Cemetery at Fort Ord. The state will be reimbursed by the U.S. Department of Veterans Affairs, upon completion of the project.
- Appropriated \$3.0 million General Fund to provide the California Department of Veterans Affairs with additional staff to support federal efforts to reduce the claims backlog within the state.
- Appropriated \$3.0 million General Fund to the California Department of Veterans Affairs in order to augment the County Veterans Service Officers budget on a one-time basis.
- Approved request for an augmentation of \$11.9 million General Fund and 120.2 Personnel Years to continue staffing ramp-up and admission of residents at the Redding Veterans Home of California and an augmentation of \$12.6 million General Fund support and 127.8 positions in Budget Year 2013-14 to continue staffing and ramp-up of residents at the Fresno Veterans Home of California.
- Approved request for \$1.8 million to fund the implementation of the Enterprise-wide Veterans Homes Information System (Ew-VHIS) at the Yountville Veterans Home.

## TAX ADMINISTRATION

### 0860 STATE BOARD OF EQUALIZATION

- Approved approximately \$0.5 million (GF, special funds and reimbursements) for continued development of the BOE's e-services initiative. This initiative will allow a greater number of tools to be available for taxpayers including registration, electronic filing, requests for extensions, and other matters.
- Adopted trailer bill language clarifying the 'triple flip' related to the shift of sales taxes and property taxes, and ensuring local governments are fully compensated for lost sales tax revenues.
- Ensured the state's continued participation in fuel tax collection efforts through participation in the national Joint Operations Center and making funding for existing positions permanent.
- Provided for continued coverage of workload associated with the 'fuel tax swap' by making temporary positions permanent and converting other positions to this workload.
- Reverted funding of \$270,000 associated with membership in the Multistate Tax Commission, since California is no longer a member of this organization.
- Rejected trailer bill language that allows for reimbursement of attorney's fees on tax cases only through the tax code, and limiting charges to an hourly fee ceiling.

### 7730 FRANCHISE TAX BOARD

- Approved funding of \$152.1 million (GF) for the continuing development of the department's major database management and retrieval system. The project is benefits-funded (meaning the vendor is only paid if estimated revenues are actually received) and is designed to enhance the tax compliance and enforcement. Approved budget bill language encumbering a portion of the funds through 2015.
- Approved funding of \$3.6 million (GF) on a one-time basis, and \$700,000 (GF) ongoing, to increase processing capability, memory storage and upgrades for the Franchise Tax Board's (FTB's) mainframe computing system.

- Reverted funding of \$270,000 associated with membership in the Multistate Tax Commission, since California is no longer a member of this organization.
- Rejected trailer bill language that allows for reimbursement of attorney's fees on tax cases only through the tax code, and limiting these to an hourly fee ceiling.
- Approved trailer bill language requiring annual reporting for taxpayers who defer taxes pursuant to Internal Revenue Code section 1031 Like-Kind Exchanges, when the exchange is related to investment property acquired outside of California.
- Enacted major reform of state economic development tax incentives initially proposed as part of the Governor's Budget. The legislation eliminated existing Enterprise Zone incentives and the New Jobs Credit, and established a sales and use tax exemption for equipment, a new hiring credit for disadvantaged areas, and additional targeted business retention and attraction tax incentives.

#### Budget Bill Language

- **Encumber Funds Related to Enterprise Data to Revenue Project**—Gives the department additional funding flexibility by allowing the carry over additional funding into 2014-15. (Item 7730 FTB)

#### Trailer Bill Language

- **Clarification of 'Triple Flip' Provisions**—Gives additional clarity to the language that requires the shift of property taxes from schools to local governments to fully compensate them for the sales tax revenues lost due to the use of that tax rate to fund the state Economic Recovery Bonds. *AB 92*
- **Reporting of Out-of-State Like-Kind Exchanges**—Requires that taxpayers who participate in an exchange of investment property pursuant to Internal Revenue Code Section 1031 (known as a 'Like-Kind' exchange) and defer taxes owed, annually file a report with the Franchise Tax Board if such exchange involves out-of-state property. *AB 92*

*Other Related Statutory Language*

- **Economic Development and Tax Incentives**—Eliminates current Enterprise Zone programs and the New Jobs Credit, institutes sales and use tax exemption for equipment related to manufacturing and research and development, provides a new hiring credit for eligible employees in geographic areas, and allows for additional targeted tax incentives. *AB 93*
- **Economic Development and Tax Incentives**—Provides additional incentives that expand the hiring credit in AB 93, extends the sales and use tax exemption, and establishes pilot areas for the hiring credit. *SB 90*

*Tax Administration Budget Trailer Bills*

1. *State Government – AB 92 (Chapter 26, Statutes of 2013).*
2. *Economic Development – AB 93 (Chapter 69, Statutes of 2013).*
3. *Economic Development – modifications – SB 90 (Chapter 70, Statutes of 2013).*

# CASH MANAGEMENT, BORROWING, AND FISCAL CONTROLS

## **9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS**

- Approved the Governor's funding level for 2013-14 bond debt-service costs. The General Fund costs total \$5.1 billion. Not included in these figures is \$1.5 billion for the Economic Recovery Bonds that are repaid with a dedicated one-quarter cent of the sales tax.
- Assumed the fall issuance of an additional \$2.0 billion in General Obligation bond debt for the state's infrastructure requirements.
- Extinguished bond authority of \$12.9 million related to educational bonds, as well as \$391.0 million in financing securities with respect to the Capital Area Plan.

## **9620 CASH MANAGEMENT AND BUDGETARY LOANS**

- Assumed the issuance of \$7 billion of Revenue Anticipation Notes (RANs), to be repaid within the 2013-14 fiscal year to cover the state's cash flow requirements, and incorporated the related interest costs of \$60 million. This represents a decline in borrowing from the prior year.
- Assumed the Governor's revised approach to paying down the Wall of Debt. This will include a reduction of \$2.6 billion in the budget year, largely consisting of paying some K-14 deferrals, payments on Economic Recovery Bonds, and repaying certain loans from special funds. As shown below, the Wall of Debt totaled \$34.7 billion at the end of 2010-11 and had been reduced to \$26.9 billion by the end of the prior year. The figures include new borrowing of \$500 million from the Greenhouse Gas Reduction Fund.

**Wall of Debt**  
**2013 Budget Act**  
(Dollars in Millions)

	Outstanding (as of end of 2010-11)	Outstanding (as of end of 2012-13)	2013-14 impact	2014-15 impact	2015-16 impact	2016-17 impact	Remaining Amount
Deferred Payments to Schools and Community Colleges	\$10,430	\$6,436	\$272	\$3,290	\$2,874	\$0	\$0
Economic Recovery Bonds	7,100	5,150	1,480	1,558	1,664	0	0
Loans from Special Funds	5,100	4,601	696	660	2,167	578	500
Unpaid Costs to Local Governments, Schools and Community Colleges for State Mandates	4,300	4,914	0	0	852	956	3,106
Underfunding of Proposition 98	3,000	2,376	0	410	700	1,266	0
Borrowing from local government (Proposition 1A)	1,900	0	0	0	0	0	0
Deferred Medi-Cal Costs	1,200	1,999	49	-64	256	700	1,058
Deferral of State Payroll Costs from June to July	759	718	0	0	0	718	0
Deferred Payments to CalPERS	524	440	0	0	0	440	0
Borrowing from Transportation Funds (Proposition 42)	417	251	83	83	85	0	0
<b>Total</b>	<b>\$34,730</b>	<b>\$26,885</b>	<b>\$2,580</b>	<b>\$5,937</b>	<b>\$8,598</b>	<b>\$4,658</b>	<b>\$4,664</b>

- Incorporated the Administration's assumptions on internal cash-flow borrowing and the associated interest costs of \$40 million. Internal cashflow borrowing reduces the need for external borrowing and is a lower cost option.
- Approved \$31.5 million in GF interest costs related to budgetary borrowing, which are multi-year loans to the General Fund from special funds. Incorporated proposal to pay off about \$696 million in internal borrowing.

### **CS 35.21 ACCRUAL METHODOLOGIES**

- Rejected the Administration's proposed trailer bill language to allow for codification of net final payment accrual treatment for tax measures approved by initiative after January 1, 2012. Approved budget bill language in Control Section 35.21 allowing for the accrual methodology for the budget year only.

### **CS 8.56 FEDERAL SEQUESTRATION**

- Rejected Administration's proposed budget bill language allowing for Department of Finance to make budget adjustments based on sequestration-related federal reductions. Adopted alternative budget bill language providing for additional legislative oversight and input regarding how the reductions are to be made.

*Budget Bill Language*

- **Net Final Payment Accrual Methodology**—Allows for the continued use of accrual methodology for the budget year to facilitate the development of a comprehensive and cohesive means to treat revenues. (Control Section 35.21)
- **Budget Reductions Pursuant to Federal Sequestration**—Permits Department of Finance to make budget adjustments related to federal sequestration reduction, but allows for oversight an input from the Legislature. (Control Section 8.56)

*Trailer Bill Language*

- **Bond Extinguishment**—Approves extinguishing education bonding authority and financing for Capital Area Plan. *SB 71*

SUBCOMMITTEE 5  
ON  
CORRECTIONS,  
PUBLIC SAFETY, AND THE  
JUDICIARY

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

Loni Hancock, Chair

Joel Anderson

*Vacancy*

*Consultants*

Joe Stephenshaw – Public Safety

Brady Van Engelen – Labor

Mark Ibele – Public Employment

Brady Van Engelen – Dept. of Justice

# SUBCOMMITTEE NO. 5

## CORRECTIONS, PUBLIC SAFETY, AND THE JUDICIARY

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## CORRECTIONS AND REHABILITATION

### 5225 DEPARTMENT OF CORRECTIONS AND REHABILITATION (CDCR)

- Reentry Pilot and Reentry Courts. Approved budget bill language authorizing CDCR to use current rehabilitative program funding to support the following reentry initiatives:
  - \$5.0 million for a three-year re-entry pilot project program for locals to receive inmates 60 days prior to release in order to provide services prior to re-entry in the community. Counties participating in this program are required to report on the outcomes of the program.
  - \$3.0 million to support Parolee Reentry Courts.
- Parole Mental Health and Medi-Cal Expansion. Approved \$7.2 million GF to increase funding for the Transitional Case Management Program for additional workers to increase Medi-Cal enrollment of inmates prior to release from prison, and increase funding for the Integrated Services for Mentally Ill Offenders Program to increase the programs capacity to serve mentally ill parolees, prioritizing those that are at-risk of homelessness (from 300 up to 1,000). This proposal has no net impact to the GF as the costs are offset by savings resulting from the increase in parolees enrolled in Medi-Cal.
- Sex Offender Treatment for Non-High Risk Sex Offenders. Adopted the Governor's proposal for \$5.0 million GF (increasing to \$12.4 million GF in 2014-15) to allow the CDCR to contract for sex offender treatment for both high-risk and non-high-risk sex offender parolees, as required by Chapter 219, Statutes of 2010 (AB 1844), also known as "Chelsea's Law."
- Expand Fire Camp Capacity. Adopted the Governor's proposal for \$15.4 million GF, and 140 positions, to retain the maximum number of fire camp and inmate crews.
- Proposition 36 Workload. Adopted the Governor's proposal for \$766,000 GF in 2013-14, and \$153,000 in 2014-15, to fund overtime needed to address workload resulting from the Three Strikes Reform Act of 2012 (Proposition 36).
- Parole Revocation and Compliance Workload. Adopted the Governor's proposal for \$8.3 million GF and 60 positions, on a one-year limited-term basis, to address court revocation and compliance workload, associated with transitioning revocation hearings to the courts, and to ensure ongoing compliance with *Validivia* lawsuit requirements.
- Technical Budget Adjustment. Adopted the Governor's proposal to make a no-cost technical adjustment to CDCR's items of appropriation to better align spending authority with program costs. The adjustment moves \$1.5 million for the Family Liaison Services contract from

Program 48 (Adult Education, Vocation and Offender Programs – Administration) to Program 29 (Adult – Institutions Administration), moves \$569,000 and an associated position for the LA County Court Contract from Program 29 to Program 31 (Parole Operations – Adult Community Based Programs), and moves \$1.9 million and 17 positions for the Parole Hearing Team (related to the Victims Bill of Rights Act of 2008 [Marcy’s Law]) and four positions associated with the Armstrong lawsuit (American with Disabilities Act remedies) from the Office of Legal Affairs to the Board of Parole Hearings.

- Correctional Officer Academy. Adopted the Governor’s proposal for budget bill language to authorize the Department of Finance, upon notification of the Legislature, to augment CDCR’s correctional officer academy, based on a need to train cadets above the currently-funded level. The Legislature amended the budget bill language to cap the augmentation at \$16.6 million.
- Minor Capital Outlay Projects. Adopted the Governor’s proposal for \$2.7 million in general obligation bond funds remaining in the 1988 Prison Construction Fund for the construction of five minor capital outlay improvements at CDCR’s adult and juvenile facilities.
- Ironwood State Prison – Heating, Ventilation and Air Conditioning. Adopted the Governor’s proposal for \$5.4 million GF to support the working drawings phase of the Ironwood State Prison HVAC project. The total estimated cost of this project is \$149 million.
- Statewide Budget Packages and Advanced Planning. Adopted the Governor’s proposal for \$750,000 in general obligation bond funds to support workload associated with planning capital outlay projects at youth and adult correctional facilities. This workload typically consists of site assessments, environmental reviews, and the development of scope, cost, and schedule projections. This appropriation was provided for in the correction’s trailer bill (SB 74).
- DeWitt Nelson Correctional Annex. Adopted the Governor’s proposal for \$16.2 million GF and 135.4 positions for the activation of the DeWitt Annex, which increases to \$36.6 million GF and 333.5 positions upon full implementation in 2014–15. Funding includes costs related to administrative, security, health care, and support staff, as well as the equipment and supplies necessary to operate the facility.
- California Health Care Facility. Adopted the Governor’s Budget proposal for \$2.3 million (\$1.9 million ongoing) GF and 76.7 positions to support the ongoing operation of the California Health Care Facility (CHCF), and a Spring Finance Letter proposal for a decrease of \$137,000 and 1.8 positions (\$701,000 and 7 positions ongoing) to account for operational savings associated with a scope change to construct one electrified fence for CHCF and the DeWitt Annex, and to provide a warden and executive assistant to oversee operations at CHCF.
- Medication Management Nursing Staff. Adopted the Governor’s proposal for \$15 million GF to make 211 temporary nursing positions permanent in order to distribute medication to inmates.

- Adult Population Adjustment. Adopted the Governor's May Revise proposal of \$11.5 million GF in the 2012-13, and \$2.8 million GF in 2013-14, to support various costs directly related to adult inmate and parole population changes.
- Juvenile Population Adjustment. Adopted the Governor's May Revise proposal to decrease funding by \$425,000 GF in 2012-13, and \$6.7 million GF in 2013-14, based on updated juvenile ward population trends and to make the following changes to the Division of Juvenile Justice's (DJJ) budget that are necessary for the DJJ to adequately serve a reduced juvenile population:
  - Establish a ward-driven operating expenses and equipment budget adjustment.
  - Augment DJJ's salaries and wages budget to reflect actual custody salaries for filled positions, consistent with the adjustment made to the Division of Adult Institutions in 2011-12, and the Division of Parole Operations in 2012-13.
  - Augment the actual cost of mental health treatment provided by the Department of State Hospitals.
  - Shift \$1.1 million in workers compensation funding from the Division of Adult Institution's budget to the DJJ's budget in order to align expenditure authority with the proper program.
- Community Corrections Performance Incentive Act. Adopted the Governor's May Revise proposal of \$72.1 million GF (for a total of \$106.9 million GF in 2013-14) and trailer bill language to support the Community Corrections Performance Incentive Act, which shares state savings with county probation departments that are successful in reducing felony probation failure rates. In addition to the Administration's trailer bill language, the Legislature added language to broaden the scope of the probation population that could be considered in the program's funding formula and remove the program's 2015 sunset date.
- Health Care Reorganization. Adopted the Governor's May Revise proposal of trailer bill language to establish a third undersecretary to oversee CDCR's adult inmate health care services program. The trailer bill language also establishes two new director positions to report to the undersecretary: one to oversee the Division of Health Care Operations and the other to oversee the Division of Health Care Policy and Administration.
- Drug Interdiction Program. Rejected the Governor's May Revise proposal for \$6.6 million GF and 39.8 positions in 2013-14 (\$18.5 million General Fund and 142 positions in 2014-15) to reduce the prevalence of drugs in prison by implementing various initiatives, including the addition of 71 canines and 139 correctional officers, intended to enhance efforts to stop drugs and contraband from entering prisons and reduce drug use by inmates.
- Strategic Offender Management System. Rejected the Governor's May Revise proposal for budget bill language to authorize the Department of Finance, upon notification of the Legislature, to augment the CDCR's Strategic Offender Management System budget based upon demonstrated need, as detailed in an updated Special Project Report.

- Department of Justice Legal Services. Adopted budget bill language requiring the CDCR to report to the Legislature on cost containment efforts and cost drivers for legal services provided by the Department of Justice. *The Governor vetoed this language stating that it was unnecessary because the Legislature adopted Supplemental Report Language for the Attorney General to report on the hours and costs associated with handling CDCR's legal cases.*
- Parolee Literacy Programs. Adopted budget bill language requiring CDCR parole agents to refer parolees to state-funded adult literacy programs at local libraries and require the California State Library to provide a list of those programs. *The Governor vetoed this language, however, did not include a veto message.*

## **0552 OFFICE OF THE INSPECTOR GENERAL (OIG)**

- OIG Reorganization Clean-Up. Adopted trailer bill language to address issues resulting from significant budget and statutory restructuring of the OIG's office in recent years and to codify the co-location of OIG staff with the CDCR's Office of Internal Affairs.

## **Corrections Budget Trailer Bills**

1. *Corrections – SB 74 (Chapter 30, Statutes of 2013).*

# JUDICIARY

## 0250 JUDICIAL BRANCH

- Trial Court Reserves. Approved trailer bill language to address cash management concerns of trial courts by excluding certain obligations from the calculation of the amount of funds that trial courts can carryover from one fiscal year to the next and allowing the Judicial Council to provide loans to trial courts from other judicial branch funds.

As part of the 2012-13 budget package, in response to the Administration's proposal to eliminate trial court funding reserves, the Legislature approved legislation to change the trial court reserve policy, which currently allows trial courts to retain unlimited reserves. Specifically, under the 2012-13 change, beginning in 2014-15, each trial court would only be allowed to retain reserves of up to one percent of its prior-year operating budget. Subsequently, the Judicial Branch and numerous trial courts have expressed concern that limiting the reserve to one percent would create significant cash flow and cash management issues for courts.

- Judicial Branch Funding Restoration. Approved an augmentation of \$63 million to support court operations. Of this amount, \$60 million is to support trial courts and \$3 million is to support the Court of Appeals, the Supreme Court, and the Habeas Resource Center. Over the last five years, significant funding reductions have impacted court operations, including vital services to the public.
- Trial Court Funding – Technical Adjustment. Approved a decrease of \$28 million in Trial Court Trust Fund authority to correct a technical error related to the Automated Traffic Enforcement proposal from fiscal year 2010-11.
- Immediate and Critical Needs Account Transfer. Approved a \$200 million transfer from the Immediate and Critical Needs Account (ICNA) to the GF to offset a \$200 million GF augmentation to the Trial Court Trust Fund.
- Long Beach Courthouse. Approved \$34.8 million (\$54.2 million in 2014-15) from the ICNA for the initial annual service fee for the new Long Beach Courthouse. Adopted trailer bill language to require the Judicial Council to report to the Legislature on aspects of the Long Beach courthouse project in order to assess the value of the project delivery method. The Long Beach courthouse project was delivered utilizing a Public Private Partnership (P3), and is the first time a P3 has been used to construct a courthouse in California.

- Supreme Court: Operating Budget Realignment and Augmentation. Approved a permanent realignment of \$1.3 million from the Supreme Court of California Court Appointed Counsel program to the court's operating budget and an augmentation of \$212,000 from the Appellate Court Trust Fund.
- Court of Appeal: Increased Appellate Court Trust Fund Authority. Approved an ongoing augmentation of \$1.97 million (\$2.2 million one-time basis in the current year) from the Appellate Court Trust Fund to reflect new and increased appellate court filing fee revenue, authorized pursuant to AB 110 (Statutes of 2012, Chapter 193) and SB 1021 (Statutes of 2012, Chapter 41).
- Judicial Branch Contract Law Audits. Adopted trailer bill language that 1) specifies that contract law audits of the AOC, the Habeas Corpus Resource Center, the Supreme Court, and the appellate courts shall commence on or before July 1, 2013, 2) requires that each judicial branch entity pay the State Auditor for costs of audits, 3) reduces the number of trial court audits to five occurring on a biennial basis and, 4) modifies statute to make the court's contracting audit program a more selective, risk-based audit program.
- Third District Court of Appeals. Approved \$4.6 million GF for increased rent related to debt services, administration fees, insurance, and operational/maintenance costs for the newly-renovated State Library and Courts building in Sacramento.
- Courthouse Project Reversions. Approved the reversion of \$30.5 million to the ICNA from unencumbered balances of acquisition phase appropriations of nine courthouse projects.
- Capital Outlay Projects: Construction. Approved \$522.3 million (\$511.4 million in lease revenue bond authority and \$10.9 million from ICNA), and the reappropriation of \$240.2 million from the ICNA, for the construction phase of three courthouse projects: 1) new Stockton Courthouse (\$243.3 million), 2) new San Diego Central Courthouse (\$516 million), and 3) San Joaquin – renovated and expanded juvenile justice center (\$3.2 million).
- Capital Outlay Projects: Working Drawings. Approved \$15.4 million from the ICNA for the working drawings phase of five courthouse projects: 1) new Los Banos Courthouse (\$2 million), 2) new Red Bluff Courthouse (\$4 million), 3) new El Centro Courthouse (\$3.3 million), 4) new Indio Juvenile and Family Justice Courthouse (\$3.5 million), and 5) renovation and addition to Willows Historic Courthouse (\$2.6 million).
- Capital Outlay Projects: Preliminary Plans. Approved \$3.6 million in reimbursement authority for the preliminary plan phase of the new Yreka Courthouse.
- Control Section 15.45. Approved budget Control Section 15.45, in order to offset GF payments to the Trial Court Trust Fund with funds received from county offices of education.

- Judicial Council Public Notice. Adopted budget bill language requiring the Judicial Council to develop and adopt a set of rules for granting public access to meetings. *The Governor vetoed this budget bill language, explaining that it would create cost pressures on trial courts.*
- Eliminate Sunset Date for Public Presentation of Trial Court Budgets. Adopted trailer bill language to eliminate the January 1, 2017 sunset date on the requirement that trial courts, prior to adopting an annual budget, provide public notice and an opportunity for public input on the trial court's proposed budget plan.
- Trial Court Efficiencies and Fee Increases. Approved the following proposals intended to streamline trial court operations and align fee revenue with workload:
  - Court Ordered Debt Collection. Adopted trailer bill language to eliminate the requirement that courts provide a social security number to the Franchise Tax Board when utilizing the Tax Intercept Program to recover delinquent fines, fees, assessments, surcharges, or restitution ordered by the court.
  - Court-Appointed Dependency Counsel. Adopted trailer bill language to allow court staff to waive the requirement that parents reimburse the court for court-appointed counsel when such repayment would interfere with an ongoing family reunification process.
  - Exemplification of Record. Increased exemplification of record fee from \$20 to \$50 dollars, resulting in increased revenue of \$165,000.
  - Small Claims Mailing. Increased the small claims mailing fee from \$10 to \$15, resulting in increased revenue of \$200,000.

## **0280 COMMISSION ON JUDICIAL PERFORMANCE**

- Approved as budgeted.

## **0390 CONTRIBUTIONS TO THE JUDGES' RETIREMENT SYSTEM**

- Approved as budgeted.

### ***Judiciary Budget Trailer Bills***

1. *Courts Omnibus – SB 75 (Chapter 31, Statutes of 2013).*

## OTHER PUBLIC SAFETY

### 5227 BOARD OF STATE AND COMMUNITY CORRECTIONS (BSCC)

- Baseline Budget Adjustment. Approved the Governor's Budget proposal for nine positions, funded from existing resources, for research activities, the administration of the local jail construction program, authorized by Chapter 42, Statutes of 2012 (SB 1022), and other administrative functions necessary for the board to operate as an independent entity.
- Clearinghouse and Technical Assistance. Adopted budget bill language requiring the BSCC to develop recommendations for how it can build its clearinghouse and technical assistance capacity for collecting and providing user-friendly information to assist state and local corrections entities with selecting, implementing, and evaluating evidence-based or promising programs, services, and treatment practices for managing criminal offenders in the community.
- Juvenile Justice Research. Adopted budget bill language requiring the BSCC to dedicate one research position to assist the BSCC, including its Juvenile Justice Standing Committee, in the development of standardized juvenile justice system performance and quality assurance measures, and in planning for necessary upgrades of state and local data systems to support those measures, with the goal of advancing juvenile justice best practices that will promote public safety. *The Governor vetoed this language, expressing that it is unnecessarily restrictive and interferes with the BSCC's ability to manage its programs and resources. The Governor further states that this requirement would restrict the BSCC's ability to identify and prioritize overall research needs and advancements of best practices.*
- Conflict of Interest. Approved the Governor's proposal for trailer bill language that specifies that members of an executive steering committee (ESC) or other committees created by the BSCC, including a member of the BSCC acting in their official capacity as member of a committee, have no financial interest in any contract made by the BSCC, including a grant or bond financing, based upon the receipt of compensation for holding public office or public employment.
- Full-Time Chair. Approved the Governor's proposal for trailer bill language that adds a thirteenth member to the BSCC, who shall be the Chair of the BSCC and serve full-time. This new full-time chair is appointed by the Governor and subject to Senate confirmation.

- City Law Enforcement Grants. Approved the Governor's proposal for \$4 million in 2012-13, and \$7.5 million in 2013-14, to augment the previously approved \$20 million grant to cities for law enforcement activities.

## **0820 DEPARTMENT OF JUSTICE**

- Approved the transfer of activities related to gambling regulation from the Gambling Control Commission to the Gambling Control Bureau within the Department of Justice. This request included increased expenditure authority for the Gambling Control Bureau of \$4.778 million and 33 positions from the Gambling Control Commission to the Department of Justice.
- Approved request of a 2-year \$2.512 million increase of Dealers Record of Sales special account spending authority to fund 20.0 limited term positions to support background and eligibility checks.
- Approved request for a permanent augmentation of \$659,000 of the Dealers Record of Sale (DROS) special account to establish a DROS customer support center at the Department of Justice.
- Approved request for a \$1.31 million one-time augmentation of the Secondhand Dealers and Pawnbrokers Account to develop a statewide reporting mechanism. Additionally, approved \$497,000 ongoing authority of the Secondhand Dealers and Pawnbrokers Account to fund three positions and implement the provisions of AB 391, (Chapter 172, Statutes of 2012), which requires online record-keeping of transactions by pawnbrokers and secondhand dealers to be managed by the Department of Justice.
- Approved request of \$48,000 (Bingo Fund) in order for the Department of Justice to address backlogged workload associated with licensing and field enforcement.
- Increased Department of Justice reimbursement authority by \$3.35 million, over fiscal year's 2013-14 and 2014-15, to fund the development and sustainment of the Controlled Substance Utilization and Review System (CURES) at the Department of Justice.

## **8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING**

- Approved as budgeted.

**8140 STATE PUBLIC DEFENDER**

- Approved as budgeted.

**LOCAL PUBLIC SAFETY**

- Transfer of Healthcare Information from California Department of Corrections and Rehabilitation (CDCR) to County Departments for Post Release Community Supervision (PRCS). Approved the Governor's proposal for trailer bill language that requires the CDCR to electronically transmit to the governmental subdivision charged with accepting inmates released to PRCS, an inmate's tuberculosis status, specific medical, mental health, and outpatient clinical needs, and any medical concerns of disabilities for the county to consider as they transition offenders back to the community.
- Notification of Parole Office Changes. Approved the Governor's proposal for trailer bill language that requires the Secretary of CDCR to notify, in writing, any county impacted by the opening, closure, or change of location of any reception center that accepts prisoners from county facilities or parole offices. This same written notification must be provided to the California State Association of Counties, the California State Sheriffs' Association and the Chief Probation Officers of California, at least 90 days prior to the change. Exemptions are provided for closures and changes of location beyond the control of the CDCR.
- Allocation of Local Law Enforcement Funding. Approved the Governor's proposal for trailer bill language that requires the monthly allocation of funds to various local law enforcement programs contained in 2011 Public Safety Realignment. The affected programs include booking fees, COPS/Juvenile Justice Crime Prevention Act, rural sheriff funding, former Office of Emergency Services grant funding, Youthful Offender Block Grant funding, and juvenile camp and probation funding
- Realignment: Local Law Enforcement Grant Funding Growth Allocations. Approved the Governor's proposal for trailer bill language that makes the current allocation of funds from the Law Enforcement Services Growth Subaccount and the Enhancing Law Enforcement Activities Subaccount permanent.
- Split Sentence Mandatory Supervision Term Commencement. Approved the Governor's proposal for trailer bill language that clarifies that mandatory supervision shall begin upon release from jail custody.
- Supervision Revocation Jurisdiction. Approved the Governor's proposal for trailer bill language that specifies, in regards to parolees, that either the court in the county of supervision,

or the court in the county in which the alleged violation of supervision occurred, has jurisdiction to hear a revocation motion or petition.

- 60 days of Supervision Parole or Post-Release Community Supervision. Approved the Governor's proposal for trailer bill language that specifies that any person released to state parole supervision shall remain on state parole after having served 60 days under parole supervision, regardless of any subsequent determination. In addition, specifies that any person released to post-release community supervision shall remain on post-release community supervision after having served 60 days under post-release community supervision, regardless of any subsequent determination.
- Local Time Credits. Approved the Governor's proposal for trailer bill language that allows the sheriff or county director of corrections to, at his or her discretion, award additional time credits to any inmate sentenced to the county jail who participates in an in-custody work or job training program, and who is eligible to receive one day of credit for every one day of incarceration. Specifically, allows a sheriff or county director of corrections to instead award one and one-half days of credit for every one day of incarceration while satisfactorily participating in work or job training.

#### **0855 GAMBLING CONTROL COMMISSION**

- Remote Caller Bingo. Approved the Governor's proposal for \$2,000 from the California Bingo Fund to the Gambling Control Commission for the purpose of supporting workload associated with the licensing of remote caller bingo vendors.

#### **8550 CALIFORNIA HORSE RACING BOARD**

- Exchange Wagering. Approved the Governor's proposal for \$443,000 from the Horse Racing Fund, on a two-year limited-term basis, to implement exchange wagering in California.

#### ***Public Safety Budget Trailer Bills***

1. *Public Safety – SB 76 (Chapter 32, Statutes of 2013).*
2. *Corrections – SB 74 (Chapter 30, Statutes of 2013).*

# LABOR

## 7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved \$261.5 million General Fund for payment on the quarterly loans the Employment Development Department (EDD) has obtained from the federal government, since January 2009, to cover the Unemployment Insurance (UI) Fund deficit and ensure that payments to UI claimants is without interruption.
- Approved a request for a one-time augmentation of \$10.6 million (Disability Insurance Fund), and a redirection of \$1.9 million from the same fund source, for 626 positions to support the second year of operation and production of the Disability Insurance Automation (DIA) project. The DIA project will provide greater access to services for claimants, medical providers, and employers by allowing use of the Internet to submit claims data through a direct electronic interface web-based intelligent form. This will simplify and automate the numerous manual work processes involved when a disability insurance (DI) claim is filed with EDD. The DIA project went “live” in October 2012.
- Approved an ongoing reimbursable budget authority appropriation of \$3 million to allow the Employment Training Panel (ETP) to provide services and support, including workforce development and training needs, related to the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP). Rejected related budget bill provisional language to allow the Department of Finance to increase the reimbursement authority by up to an additional \$3 million from unused funds or additional grant awards from the California Energy Commission (CEC). Control Section 28.5 already allows for mid-year reimbursement augmentations and includes a legislative review process.
- Approved a decrease of \$55.3 million in federal Workforce Investment Act (WIA) discretionary funding. The decrease reflects changes in federal funding that have reduced state-level discretionary WIA funds from 15 percent to 5 percent of total statewide WIA funding. Approved an increase in WIA local assistance funding of \$5 million in 2012-13 and \$5.3 million in the 2011-12 to reflect an increase in the level of local assistance funds available to states from 85 percent to 95 percent. Maintained existing budget bill provisional language to incorporate any carryover of prior-year savings into the October Revise, which is an annual update to the WIA program that is submitted to the Joint Legislative Budget Committee. This will ensure legislative consultation before these discretionary dollars are allocated for expenditure.
- Approved increased revenues totaling \$2 million in various payroll taxes, including increased penalty assessments and interest of \$649,000, as a result of a review of revenue collection

functions of the Franchise Tax Board and the Employment Development Department which identified additional data sharing opportunities.

## **7120 CALIFORNIA WORKFORCE INVESTMENT BOARD**

- Approved as budgeted.

## **7320 PUBLIC EMPLOYMENT RELATIONS BOARD**

- Approved as budgeted.

## **7350 DEPARTMENT OF INDUSTRIAL RELATIONS**

- On a two-year limited-term basis, approved \$701,000 (special fund) and eight positions in 2013-14, and \$625,000 in 2014-15, to implement Chapter 634, Statutes of 2012, which requires persons representing artists who are minors to obtain a Child Performer Services Permit from the Labor Commissioner. The second year costs for Department of Industrial Relations (DIR) are reduced by \$76,000, due to one-time equipment expenditures in the first year of implementation.
- Approved \$152.9 million and 82 positions, and \$146.5 million ongoing, from the Workers' Compensation Revolving Fund (including \$13 million in reimbursement authority) to implement Chapter 363, Statutes of 2012, which enacted comprehensive reforms to the state's workers' compensation system. Rejected related budget bill provisional language that would allow the Administration to increase funding for the Return to Work program in order to pay claims that exceeded the \$120 million appropriation in Chapter 363. (See below for a description of the budget trailer bill language related to this item).
- Adopted trailer bill language, and accompanying budget bill language, to require the hiring of additional inspection personnel to perform process safety management throughout the state and help ensure refinery safety.
- Approved three separate, but inter-connected proposals, related to the Department's regulatory assessments in support of existing enforcement and compliance workload in occupational health and safety and labor standards, as follows. (See below for a description of a package of budget trailer bill language related to this item).
  - Contingent on reauthorization of the Occupational Safety and Health Fund assessment, and repeal of the Targeted Inspection and Consultation Fund assessment, approved the redirection of \$350,000 and four positions previously associated with the collection of

the high hazard assessment to the Process Safety Management unit within the Cal/OSHA program.

- Approved a one-time loan of \$5 million from the Targeted Inspection and Consultation Fund to support Compliance Monitoring Unit (CMU) operations.
- Approved the permanent redirection of \$431,000 General Fund from the Injury and Illness Prevention program, and \$2 million General Fund from the Prevailing Wage Determinations program, both to support CMU operations.

#### Budget Bill Language

- Approved budget bill language that would allow for the Department of Finance to augment the Cal/OHSA budget to perform process safety management throughout the state, upon notification of the Joint Legislative Budget Committee.

#### Trailer bill Language:

- Approved statutory changes necessary to implement the Legislature's intent in adopting Chapter 363 (workers' compensation reform), including language to clarify that any unexpended Return to Work funds in a given year are added to the following year appropriation, and reinforce the effective date of the Return to Work program (i.e., that is available for injuries that occur on or after January 1, 2013). *SB 71*
- In approving separate, but inter-connected, budget requests related to the Department's regulatory assessments in support of existing enforcement and compliance workload in occupational health and safety and labor standards, approved the following statutory changes (*SB 71*):
  - Eliminated the sunset date, and increased the annual revenue caps for the Occupational Safety and Health Fund (OSHF) and Labor Enforcement and Compliance Fund (LECF) assessments.
  - Repealed the Targeted Inspection and Consultation Fund (TICF) assessment, contingent on the adoption of the trailer bill to reauthorize the OSHF and LECF assessments.
  - Sunset the TICF and designated the OSHF as the successor fund. On a one-time basis, decreased the OSHF assessment level by the remaining balance in the TICF.
  - Shifted civil penalties, that were previously deposited into the Construction Industry Enforcement Fund to the LECF.
  - Authorized the department to recoup Compliance Monitoring Unit (CMU) enforcement costs that exceed the existing 0.25 percent cap on bond proceeds on CMU fees, by requiring awarding bodies to reimburse the CMU using "other funding sources tied to the project." Also removed the 0.25 percent cap on total project costs for projects that are not state bond-funded.
- Directed OSHA to annually fix and collect reasonable fees for consultation, inspection, adoption of standards and other duties, with fees to be deposited in the Occupational Safety

and Health Fund. The fees are to be sufficient to support the annual cost of 15 positions, subject to appropriation by the Legislature. *SB 71*

## PUBLIC EMPLOYMENT AND RETIREMENT

### **6645 and 9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS**

- Approved \$1.773 billion (\$1.769 billion GF) for the costs associated with providing health and dental benefits for retirees. Of this total, \$275.2 million (\$274.4 million GF) is attributable to California State University annuitants. This issue is further discussed in the higher education section.
- Approved budget bill provisional language to authorize California Public Employees Retirement System (CalPERS) to correct a defined set of errors in the calculation of service credit for the vesting of post-retirement health and dental benefits that occurred prior to the implementation of the MyCalPERS system, as modified to place a limit on funding available for this purpose in 2013-14, and to incorporate a legislative reporting requirement.

### **7501 DEPARTMENT OF HUMAN RESOURCES**

- Adopted budget bill language allowing the Department of Human Resources (CalHR) to extend the expenditure period for reimbursed funds, received from the administration of the Alternative Retirement Program (ARP) in 2013-14, until June 30, 2017.
- Approved a request for \$282,000 GF, and \$281,000 (federal funds), to support four positions necessary to begin implementation of Chapter 45, Statutes of 2012, a budget trailer bill pertaining to the In-Home Supportive Services (IHSS) Employer-Employee Relations Act.
- Approved a request for \$468,000 GF, and \$353,000 Central Service Cost Recovery Fund, and two positions, for the Examination and Certification Online System (ECOS) project in 2013-14. The ECOS project is intended to upgrade and expand the functionality of the current electronic exam and list certification systems, which are comprised of: Examinations; Certifications; Web Exam; Profile; State Restriction of Appointment and Reemployment; Vacant Position Online Search and the manual Career Executive Assignment Examination and Certification systems.

#### Trailer Bill Language

- Adopted trailer bill language that will require CalHR to report, by November 30, 2013, the findings of its review of managers and supervisors additional appointments; require the

Administration to submit to the Legislature, as part of the 2014-15 Governor's January Budget, a statutory solution to the issue of managers and supervisors additional appointments; and, requires the submission of a plan for the State Personnel Board to update the state's human resources manual.

### **7503 STATE PERSONNEL BOARD**

#### Trailer Bill Language

- Adopted trailer bill language that will require CalHR to report, by November 30, 2013, the findings of its review of managers and supervisors additional appointments; requires the Administration to submit to the Legislature, as part of the 2014-15 Governor's January Budget, a statutory solution to the issue of managers and supervisors additional appointments; and, requires the submission plan for the State Personnel Board to update the state's human resources manual.

### **7900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

- Incorporated, per the May Revision, the final budget for CalPERS adopted by the Board, which reflects certain adjustments since January to the overall department budget. The annual budget act displays, for informational purposes only, the CalPERS' Board of Administration budget, as CalPERS has continuous appropriation authority. Approved GF support for CalPERS retirement costs of \$2.3 billion in 2013-14.
- Approved as permanent, two positions first authorized on a two-year limited-term basis in the Budget Act of 2011 to work in the Health Benefits division of the California Public Employees' Retirement System (CalPERS) to support efforts to secure health premium savings and cost containment measures. The cost/benefit analysis showed that these two positions secured savings that well outstripped the costs of the two positions.
- Adopted a one-time increase of \$2.0 million to support CalPERS' Dependent Eligibility Verification Audit of state employees and annuitants with dependents enrolled in health plans. Also adopted related action regarding employers' rates in Control Section 4.20 regarding the Contingency Reserve Fund.

**7920 STATE TEACHERS' RETIREMENT SYSTEM**

- Approved an increase of \$2.1 million (GF) over the Governor's January budget level, due to an increase in the creditable compensation reported by the California State Teachers' Retirement System (CalSTRS) for fiscal year 2011-12, which increases the GF retirement contribution for fiscal year 2013-14. The 2013-14 GF contribution for CalSTRS' retirement costs is \$1.36 billion.
- Incorporated the CalSTRS Board approved budget, including the following:
  - Redirection of 25 vacant existing permanently authorized positions to the BusinessRenew project.
  - \$1.3 million, and 13 positions ongoing, for contracted financial statement external audit services as well as to perform an increased volume of audits of reporting employers and for associated impacted business administrative activities, due to increased audit production.
  - Nine positions, ongoing, to reduce the reliance on external contractors in Information Technology; these positions will be funded with redirected contractor dollars.
  - One-time augmentation of \$1.6 million in 2013-14, and \$799,000 ongoing, and redirection of eight existing permanently authorized vacant positions, to support the establishment of a CalSTRS-operated Member Service Center in Orange County.
  - \$197,000 and two positions, ongoing, to perform regular web application security assessment, monitor the daily access and activity on CalSTRS enterprise systems and networks, and ensure the continued governance over the availability and retention of electronic and physical records.
  - \$225,000, ongoing, to support a projected increase in the number of Independent Medical Evaluations and Independent Vocational Evaluations.
  - \$357,000 and four positions, ongoing, to meet the goals and objectives in Human Resources while continuing to successfully provide fundamental human resources services to the organization.
  - Redirection of six vacant existing permanently authorized positions for member counseling, supporting the transition from contract staff to state employees. Funding for these positions will be redirected from external consultants and temporary help.
- Approved the reappropriation of up to \$6.749 million (Teachers Retirement Fund) from the Budget Act of 2012 for costs associated with information technology projects, including a quarterly report to the Legislature on the expenditure of the reappropriated funds.

**9800 AUGMENTATION FOR EMPLOYEE COMPENSATION**

- Approved a January budget increase of \$247 million GF (\$502 million all funds) over the 2012-13 level, for increased employee compensation costs, and a subsequent May Revision increase of \$3.5 million (GF) and \$1.5 million (other funds). The total amount includes funding for top step increases required under current contracts as the offset to increased employee pension contributions and increased health care costs for certain bargaining units, per their current contracts.
- Approved control language that allows for the Department of Finance to adjust employers' retirement contribution percentages and health benefit appropriations based on rates adopted by CalPERS) and changes pursuant to existing statute.

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

- Approved budget control language in 3.60 (and generally conforming language in Items 9650 and 6645) that allows for the Department of Finance to adjust employer's retirement contribution percentages and health benefit appropriations based on rates adopted by the California Public Employees Retirement System (CalPERS), and (in the case of Item 9800) changes pursuant to existing statute. These adjustments would alter the amounts noted in Items 6645, 9650 and 9800.
- Approved in budget bill language, an increase of \$67.1 million (\$41.9 million GF) over the 2012-13 level, for the state employer pension contribution to CalPERS directed at the state's unfunded pension liability, to reflect the savings resulting from increased employee contributions under Chapter 296, Statutes of 2012 (Assembly Bill 340), Public Employees' Pension Reform Act of 2012.

**CS 4.20 PUBLIC EMPLOYEES' CONTINGENCY RESERVE FUND**

- Approved an increase in public employers' administrative rate from 0.30 percent to 0.33 percent in order to increase revenue for the Contingency Reserve Fund and provide funding to compensate for the one-time funding associated with the Dependent Eligibility Verification Audit.

DEPARTMENT OF FINANCE -  
VETOES

**All Vetoes - 2013 Budget Act**  
(Dollars in Thousands)

<b>Department/Issue Title</b>	<b>General Fund (Non-Prop. 98)</b>	<b>General Fund (Prop. 98)</b>	<b>Other Funds</b>
1 Judicial Branch—Open Meetings Requirement (page 1)	\$0	\$0	\$0
2 Department of Consumer Affairs, Boards—Veterinary Medical Board Enforcement Staff (page 1)	0	0	359
3 Department of Transportation—Complete Streets Program (page 1)	0	0	480
4 Department of Water Resources—American River Water Information System (page 2)	0	0	653
5 Department of Water Resources—Salton Sea Financial Assistance Program (page 2)	0	0	3,000
6 Department of Pesticide Regulation—Enforcement Augmentation (page 2)	0	0	250
7 State Water Resources Control Board—Nitrate Contamination (page 2)	0	0	319
8 Corrections and Rehabilitation—Department of Justice Legal Services (page 3)	0	0	0
9 Corrections and Rehabilitation—State-Funded Adult Literacy Programs (Technical) (page 3)	0	0	0
10 Board of State and Community Corrections—Juvenile Justice Research (page 3)	0	0	0
11 Department of Education—Translation of Parental Notification Documents and Templates (page 3)	0	0	225
12 Department of Education—Child Care Preschool Plan (page 3)	0	0	0
13 Department of Education—Special Education Equalization (page 4)	0	30,000	0
14 Department of Education—State Preschool Program Slots (page 5)	0	5,000	0
15 UC—Earmarks for Various Programs (page 5)	0	0	0
16 UC—Enrollment Target (page 5)	0	0	0
17 UC Merced Science and Engineering Building 2 - Equipment (Technical) (page 5)	0	0	375
18 CSU—Earmarks for Various Programs (page 5)	0	0	0
19 CSU—Enrollment Target (page 6)	0	0	0
20 Student Aid Commission—Contingency Backfill Language for Federal Challenge Grant (page 6)	0	0	0
21 Franchise Tax Board—Multi-State Tax Commission Dues (Technical) (page 6)	(270)	0	0
22 Public Utilities Commission—Division of Ratepayers Advocates Fund Transfer (Technical) (page 6)	0	0	0
<b>Total</b>	<b>\$0</b>	<b>\$35,000</b>	<b>\$5,661</b>

**State of California**  
Governor's Office

I object to the following appropriations contained in Assembly Bill 110.

Item 0250-101-0932—For local assistance, Judicial Branch. I revise this item by deleting Provision 15.

I am deleting Provision 15, eliminating the appropriation which would require the Judicial Council to spend local assistance funds to adopt rules of court for all groups that review issues for the Judicial Council. This spending provision would create cost pressures on trial courts. I urge the Judicial Council to continue efforts to provide greater public access to Judicial Branch committee activities.

Item 1110-001-0777—For support of Veterinary Medical Board. I reduce this item from \$3,530,000 to \$3,171,000 by reducing:

(1) 90-Veterinary Medical Board from \$3,556,000 to \$3,197,000.

I am reducing this item by \$359,000 and 5 positions from the Board's enforcement program because this augmentation is premature. In the coming year, my Administration will review the Department of Consumer Affairs' enforcement workload for the healing arts boards, including the Veterinary Medical Board, to determine appropriate resource levels.

Item 2660-001-0042—For support of Department of Transportation. I revise this item by reducing:

(9) 40-Transportation Planning from \$134,280,000 to \$133,800,000, and

(16) Amount payable from the Public Transportation Account, State Transportation Fund (Item 2660-001-0046) from -\$176,596,000 to -\$176,116,000.

Consistent with my May Revision proposal, I am deleting \$480,000 and 5 positions for the Complete Streets program. The program began in 2008 and the Department of Transportation (Caltrans) delivered the Complete Streets Implementation Action Plan in 2010. A zero-base budget review of the Planning program found that these positions are no longer necessary because the work has been completed. Caltrans has incorporated Complete Streets design concepts into the Highway Design Manual and the Project Development Procedures Manual used in collaboration with local transportation agencies. One position remains to continue providing Complete Streets program updates and support.

Item 2660-001-0046—For support of Department of Transportation. I reduce this item from \$176,596,000 to \$176,116,000.

I am reducing this item by \$480,000 to conform to the action I have taken in Item 2660-001-0042.

Item 3720-001-0001—For support of California Coastal Commission. I sustain this item.

I am sustaining the \$3,000,000 augmentation for the California Coastal Commission on a one time basis. This augmentation is intended to address the current backlog of Local Coastal Plans awaiting review. I prefer to focus any additional resources on assisting local jurisdictions to complete and revise their plans in a timely manner. I am directing the Department of Finance to examine what level of resources, if any, the Coastal Commission requires for this purpose in 2014-15.

Item 3860-001-6029—For support of Department of Water Resources. I delete this item.

I am deleting \$653,000 for the American River Water Information System. Although there may be a benefit to refining water flow measurements for the American River, previous Proposition 40 bond expenditures and high-priority activities funded in the Budget fully expend the allocation from which this augmentation would be drawn.

Item 3860-101-8018—For local assistance, Department of Water Resources. I delete this item.

I am deleting the \$3,000,000 augmentation for extension of the Salton Sea Financial Assistance Program. While I am supportive of restoration efforts for the Sea, the Salton Sea Restoration Fund is limited. It is essential to reserve funds to implement recommendations based on the funding and feasibility study to be completed by the Secretary of Natural Resources Agency and the Salton Sea Authority.

Item 3930-001-0106—For support of Department of Pesticide Regulation. I reduce this item from \$55,793,000 to \$55,543,000 by reducing:

(1) 10-Pesticide Programs from \$58,867,000 to \$58,617,000.

I am reducing the augmentation to increase enforcement of state pesticide regulations by \$250,000 and 2 positions. This reduction is necessary to help bring ongoing expenditures in line with ongoing revenues in the Department of Pesticide Regulation Fund. However, I am sustaining \$383,000 and 3 positions to develop mitigation measures for toxic air contaminants. I will be working with the Legislature over the next few months to enact legislation that requires the development of control measures on pesticides.

Item 3940-001-0193—For support of State Water Resources Control Board. I reduce this item from \$106,270,000 to \$105,951,000 for the Irrigated Lands Regulatory Fee Program.

I am reducing the augmentation to increase enforcement under the Irrigated Lands Program by \$319,000 and 2 positions. This reduction is necessary to prevent an excessive fee increase on farmers. However, I am sustaining \$650,000 and 5 positions to develop greater expertise in agricultural production at the Central Coast Regional Water Quality Control Board and the Central Valley Regional Water Quality Control Board. The two largest agricultural regions of the state will benefit from the regional boards having greater internal expertise in agroecology, and agricultural soil and plant science.

Item 3940-001-0439—For support of State Water Resources Control Board. I revise this item by reducing:

- (1) 10-Water Quality from \$484,962,000 to \$484,643,000, and
- (9) Amount payable from the Waste Discharge Permit Fund (Item 3940-001-0193) from -\$106,270,000 to -\$105,951,000.

I am revising this item to conform to the action I have taken in Item 3940-001-0193.

Item 5225-001-0001—For support of Department of Corrections and Rehabilitation. I revise this item by deleting Provisions 5 and 6.

I am deleting Provision 5, eliminating the appropriation which would require the Department of Corrections and Rehabilitation (CDCR) to spend funds reporting to the Legislature on cost containment efforts and cost drivers for legal services provided by the Department of Justice. This language is unnecessary, as the Legislature adopted Supplemental Report Language for the Attorney General to report on the hours and costs associated with handling CDCR's legal cases.

I am deleting Provision 6, eliminating the appropriation which would require the expenditure of funds for parole agents to refer parolees to state-funded adult literacy programs at local libraries and require the California State Library to provide a list of those programs.

Item 5227-001-0001—For support of Board of State and Community Corrections. I revise this item by deleting Provision 2.

I am deleting Provision 2, eliminating the appropriation which would require the Board of State and Community Corrections to spend funds by dedicating 1 position to juvenile justice research.

This language is unnecessarily restrictive and interferes with the Board's ability to manage its programs and resources. This requirement would restrict the Board's ability to identify and prioritize overall research needs and advancements of best practices.

Item 6110-001-0001—For support of Department of Education. I revise this item by reducing:

- (2) 20-Instructional Support from \$148,334,000 to \$148,109,000,
- (9) Amount payable from the Federal Trust Fund (Item 6110-001-0890) from -\$165,830,000 to -\$165,605,000,

and by deleting Provision 21.

I am deleting Provision 21, eliminating the appropriation which would require the State Department of Education to expend funds developing a child care preschool plan based on a proposal at the federal level for a universal preschool program. The state does not have sufficient funds to support universal preschool, and the federal government has not adopted funding for implementation of a universal preschool program involving states.

I am revising this item to conform to the action I have taken in Item 6110-001-0890.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$165,830,000 to \$165,605,000 and delete Provision 30.

I am reducing this item by \$225,000 in federal Title III funding to eliminate one-time funding for the translation of parent notifications and templates. These funds are unnecessary as high priority translations have already been completed, and the remaining workload is not critical and can be absorbed by the Department.

I am deleting Provision 30 to conform to this action.

Item 6110-106-0001—For local assistance, Department of Education (Proposition 98). I sustain this item.

I am sustaining funding for the California Collaborative for Educational Excellence. Although the Budget creates this entity to provide critical assistance to local education agencies, I believe additional work is necessary to properly define its governance composition and ongoing role within the accountability structure of the Local Control Funding Formula. As such, it is my expectation that subsequent legislation will be enacted this year to define the governance of and roles and responsibilities for the Collaborative for Educational Excellence, as well as, direct the expenditure of the monies appropriated in this item. Furthermore, it is my expectation that any expenditure of these monies will reflect this forthcoming legislation and an agreed upon plan by the Department of Education, the State Board of Education, and the Department of Finance.

Item 6110-122-0001—For local assistance, Department of Education (Proposition 98). I sustain this item.

I am sustaining funding for Special Secondary Programs for the 2013-14 fiscal year. This program was eliminated in my Local Control Funding Formula proposal consistent with my belief that local education agencies are in the best position to allocate their funding to meet local needs and priorities. Given the Legislature's support of this program, I will direct my Administration to examine whether this funding should continue as a separate categorical program into the future.

Item 6110-161-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from \$3,201,317,000 to \$3,171,317,000 by reducing:

(1) 10.60.050.003-Special Education Instruction from \$3,128,351,000 to \$3,098,351,000,

and by deleting Provision 25.

I am reducing \$30,000,000 from the special education program and deleting Provision 25 to conform to this action. The proposed equalization of special education funding, when phased in, would have ongoing costs in excess of \$300 million. This would reduce available resources to pay off deferrals and to implement the flexible Local Control Funding Formula.

Item 6110-167-0001—For local assistance, Department of Education (Proposition 98). I sustain this item.

I am sustaining funding for the Agricultural Career Technical Education Incentive Program for the 2013-14 fiscal year. This program was eliminated in my Local Control Funding Formula proposal consistent with my belief that local education agencies are in the best position to allocate their funding to meet local needs and priorities. Given the Legislature's support of this program, I will direct my Administration to examine whether this funding should continue as a separate categorical program into the future.

Item 6110-196-0001—For local assistance, Department of Education (Proposition 98). I revise this item from \$511,965,000 to \$506,965,000 by reducing:

- (1) 30.10.010-Special Program, Child Development, Preschool Education from \$511,965,000 to \$506,965,000.

I am reducing this item by \$5,000,000. With this reduction, funding will be \$25 million higher in the budget year, providing for increased pre-school slots consistent with the \$25 million augmentation I sustained for increased child care slots. While I am sustaining this augmentation for the preschool program, I am doing so on a one-time basis. Providing this increase on an ongoing basis would reduce future resources available for K-14 programs.

Item 6440-001-0001—For support of University of California. I revise this item by deleting Provisions 6, 8, 10, 11, 12, 13, 14, 15, and 16.

I am deleting Provisions 6, 8, 10, 11, 12, 13, 14, and 15 because the requirements included in these provisions that the University of California expend funds for various purposes create cost pressures and unnecessary restrictions. Eliminating these earmarks will give the University greater flexibility to manage its resources to meet its obligations, operate its instructional programs more effectively, and avoid tuition and fee increases.

I am deleting Provision 16 as the appropriation establishes the expectation that the University will enroll 211,499 state-supported full-time equivalent students during the 2013-14 academic year. This provision would continue to make enrollment the primary driver of state budgeting for higher education. Instead, the investments made in the University should be used to ensure the timely graduation of students and make improvements on other performance measures established in this Budget.

Item 6440-301-0658—For capital outlay, University of California. I delete this item.

I am deleting the \$375,000 from the 1996 Higher Education Capital Outlay Bond Fund for the equipment phase of the Merced, Science and Engineering Building 2 project. The funding for this item is appropriated in a separate bill.

Item 6610-001-0001—For support of California State University. I revise this item by deleting Provisions 5, 8, 9, 10, 11, and 12.

I am deleting Provisions 5, 8, 9, 10, and 12 because the requirements included in these appropriations that the California State University (CSU) expend funds for various programs create cost pressures and unnecessary restrictions. Eliminating these earmarks will give CSU

greater flexibility to manage its resources to meet its obligations, operate its instructional programs more effectively, and avoid tuition and fee increases.

I am deleting Provision 11 as the appropriation establishes the expectation that CSU will enroll 342,000 state-supported full-time equivalent students during the 2013-14 academic year. This provision would continue to make enrollment the primary driver of state budgeting for higher education. Instead, the investments made in CSU should be used to ensure the timely graduation of students and make improvements on other performance measures established in this Budget.

Item 6980-101-0890—For local assistance, Student Aid Commission. I revise this item by deleting Provision 4.

Provision 4 provides that if federal College Access Challenge Grant funds are not available by September 30, 2013, the Special Fund for Economic Uncertainties shall provide \$7,332,000 to support existing outreach programs for state financial aid programs. This Provision constitutes an item of appropriation which I cannot support. I believe the Special Fund for Economic Uncertainties should be used only to meet critical needs, emergencies, and legal obligations. Because we have put substantial new resources into higher education this year, I anticipate that California will continue to receive federal grant funds for this program.

Item 7730-001-0001—For support of Franchise Tax Board. I reduce this item from \$718,684,000 to \$718,414,000 by reducing:

(1) 10-Tax Programs from \$717,740,000 to \$717,470,000.

To correct a technical error in the Budget Bill, I am reducing this item by \$270,000. This technical veto is consistent with the legislative action taken to reduce the Franchise Tax Board's budget to reflect savings from its withdrawal from the Multi-State Tax Commission, which ends its obligation to pay annual dues. These funds were inadvertently left in the final version of the Budget Bill.

Item 8660-011-0462—For transfer by the Controller to the Public Utilities Commission Ratepayer Advocate Account. I reduce this item from (\$24,375,000) to (\$24,354,000).

I am reducing this item by \$21,000 to conform to a legislative reduction in Item 8660-001-3089. This technical veto is necessary to reflect this reduction in the transfer item and does not affect the amount of funds available for the Division of Ratepayer Advocates.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 110.

/s/ Edmund G. Brown Jr.

EDMUND G. BROWN JR.