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# California State Senate

COMMITTEE  
ON  
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL  
SACRAMENTO, CA 95814

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**Agenda  
June 8, 2011  
3:30 p.m.  
Room 4203**

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	<u>Page</u>
<b>0250</b>	
<b>Judicial Branch</b>	
Courts Public Contract Code Trailer Bill Clean Up .....	1
<b>0840</b>	
<b>State Controller</b>	
Local Government Oversight Initiative .....	2
Unclaimed Property Holder Compliance Initiative .....	3

<b>0845</b>	<b>Department of Insurance</b>	
	Federal Health Insurance Reform Workload .....	4
<b>1870</b>	<b>California Victim Compensation and Government Claims Board</b>	
	Claim Reporting Requirement .....	5
<b>2660</b>	<b>Department of Transportation</b>	
	Study of Contracting out for Temporary Workloads .....	6
<b>2665</b>	<b>High-Speed Rail Authority</b>	
	Communications Contract .....	7
	Right-of-way Purchase and Construction Contracts in 2011-12 .....	8
	Phase II Environmental and Design Funding .....	9
<b>2720</b>	<b>California Highway Patrol</b>	
	License Plate Reader (LPR) Data .....	10
<b>3360</b>	<b>Energy Resource Conservation and Development Commission</b>	
	Restoration of Base Budget Plus Programmatic Audit.....	11
<b>3480</b>	<b>Department of Conservation</b>	
	Budget Bill Language to Allow Reporting on Hydraulic Fracturing .....	12
	Reappropriation of Proposition 50 Bond Funds .....	13
<b>3500</b>	<b>Department of Resources Recycling and Recovery</b>	
	Fraud Prevention and Strategic Priority Initiative .....	14
<b>3540</b>	<b>Department of Forestry and Fire Protection</b>	
	Civil Cost Recovery Program .....	15
<b>3600</b>	<b>Department of Fish and Game</b>	
	Hatcheries and Inland Fisheries Funded Programs.....	16

<b>3790</b>	<b>Department of Parks and Recreation</b>	
	Angel Island State Park—Ferry Service Routes Concession .....	17
	Vehicle Fleet Emissions Retrofit .....	19
	Budget Reduction Supplemental Reporting Language.....	20
<b>3860</b>	<b>Department of Water Resources</b>	
	State Water Project Biological Opinions .....	21
	Salton Sea Restoration .....	22
	State Water Project Support Positions .....	23
<b>4265</b>	<b>Department of Public Health</b>	
	Budget Bill Language for Mutual Water Agencies .....	24
<b>5180</b>	<b>Department of Social Services</b>	
	California Work and Responsibilities to Kids (CalWORKs) Program .....	25
	CalWORKs Single Allocation Funding.....	25.1
<b>5225</b>	<b>Department of Corrections and Rehabilitation</b>	
	Structural Shortfall and Population Adjustment .....	25.2
<b>6110</b>	<b>California Department of Education</b>	
	State Operations – Charter Schools Staff.....	26
	Federal Title 1 Funds – Common Core Standards.....	27
	Federal English Language Proficiency Assessment Grant – Language .....	28
	Federal Funds – Student and Teacher Data Systems .....	29
	K-12 Inter-Year Payment Deferral Buydown.....	30
	Child Care Services.....	31
<b>6420</b>	<b>California Postsecondary Education Commission</b>	
	Proposed Elimination of the California Postsecondary Education Commission.....	33

<b>6440</b>	<b>University of California</b>	
	Intercollegiate Athletics .....	34
	Enrollment Target .....	35
	Research and Specialty Programs .....	36
<b>6870</b>	<b>California Community Colleges</b>	
	Apportionment and Deferral .....	37
	Student Fee Shortfall.....	38
	Financial Aid Mandates .....	39
<b>7100</b>	<b>Employment Development Department</b>	
	Alternate Base Period (ABP) Program Support 2010-11 Budget Bill Amendments .....	40
<b>8860</b>	<b>Department of Finance</b>	
	Budget Shortfall .....	41
	Pension Reform Study .....	41.1
<b>9300</b>	<b>Costs of Homicide Trials</b>	
	County of Del Norte.....	42
<b>9620</b>	<b>Cash Management and Budgetary Loans</b>	
	Early Repayment of Special Fund Loans.....	43
<b>CS 3.91</b>	<b>Reductions in State Operations</b>	
	Reducing State Government .....	44
<b>CS 28.50</b>	<b>Agency Reimbursement Payments</b>	
	Legislative Budget Transfers .....	45
	<b>Revenues</b>	
	Bridge Financing.....	46

**0250                      Judicial Branch**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**0250-001-0001    Judicial Branch**

**Courts Public Contract Code Trailer Bill Clean Up.**

Chapter 10, Statutes of 2011 (SB 78) established Public Contract Code (PCC) provisions applicable to the state Judiciary, beginning October 1, 2011, and requires the Auditor to assess compliance with these new judiciary PCC provisions.

The Auditor has proposed clean up language that: 1) makes a technical change by creating a new section regarding the Auditor's responsibility that mirrors existing law, and 2) establishes a timeframe (10 days) in which the judicial branch must notify the Auditor when it has entered into a contract greater than \$1 million.

TBL Pursuant to PCC, most state entities are subject to oversight of the Department of General Services (DGS). SB 78 exempts the Judiciary from DGS oversight and, instead, requires that specific contract information be reported to the Legislature and that the Auditor assess the Judiciary's compliance with the new PCC.

**0840 State Controller**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**0840-001-0001 State Controller**

**Local Government Oversight Initiative.**

In an April Finance letter, the Governor requested increased expenditure authority of \$2.098 million (Reimbursements) and 16.4 positions for the State Controller's Office (SCO) to undertake increased oversight of local government finances. Utilizing its existing statutory authority, the SCO would prepare annual financial transaction reports for non-filing local government entities and investigate filed reports if found to be false, incomplete, or incorrect.

-1,049  
reimburse-  
ments and  
8.2 PYs

Prior Senate Action. Subcommittee No. 4 approved as three-year limited-term half the resources (\$1.049 million and 8.2 positions) in the request and supplemental report language requiring an annual report to the Legislature on program outcomes.

**0840 State Controller**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**0840-001-0001 State Controller**

**Unclaimed Property Holder Compliance Initiative.**

The Governor requested increased expenditure authority of \$2.414 million (Unclaimed Property Fund) and 22.6 positions for the State Controller's Office to implement an Unclaimed Property Holder Compliance initiative, comprised of increased: (1) auditing of businesses believed to be non-compliant; (2) monitoring of businesses that have been audited; and (3) outreach with compliance information for businesses not currently under audit.

Previous Senate Action. Subcommittee No. 4 approved the request.

**0845 Department of Insurance**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**0845-001-0217 Department of Insurance**

**Federal Health Insurance Reform Workload.**

-748  
special  
funds

The Governor requested increased expenditure authority of \$748,000 (Insurance Fund) to fund eight existing but unfunded positions in the Department of Insurance for increased activities and workload associated with implementation of federal health care insurance reform.

Prior Senate Action. Subcommittee No. 4 rejected the request.



**1870 California Victim Compensation and Government Claims Board**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**1870-001-0001 CA Victim Compensation and Government Claims Board**

**Claim Reporting Requirement.**

It is proposed that a reporting requirement enacted as part of a previous General Government trailer bill be repealed.

Chapter 11, Statutes of 2011 (SB 80) required the board to provide notice to the chairpersons of the committees in each house of the Legislature that consider appropriations and the annual Budget Act, and the Chairperson of the Joint Legislative Budget Committee, within a specified period of time prior to allowing for the payment of certain claims.

Subsequent to enactment, it has been determined that this reporting requirement is too restrictive and may hinder the Board's ability to conduct its claims process responsibilities.

**2660 California Department of Transportation**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**2660-001-0042 California Department of Transportation (Caltrans)**

**Study of Contracting out for Temporary Workloads.**

Governor: No language was proposed.

Prior Senate Action: The Senate adopted budget bill language that requires Caltrans to commission an independent study of the costs and benefits of using consultants to address temporary increases in workload. The language specifies the cost of the report shall not exceed \$500,000, which was based on an initial cost estimate by the department.

The Bureau of State Audits (BSA) recommended such a study in an April 2011 audit of Caltrans. The BSA report mentions three prior studies that conclude contract resources are either more expensive or equal in cost to state workers. The BSA recommends the study because salary changes in recent years may result in different conclusions.

BBL Historically, the State has utilized contract resources to address workload growth and fluctuation. For example, use of contract resources was increased 96 percent in 2000-01, and increased 47 percent in 2005-06. The State-employee workforce fluctuates less. In recent times, workload has been declining and the workload split has been 90-percent state staff and 10-percent contract staff. Given that research has been done and a new study may cost up to \$500,000, the Committee may want to review this budget bill language.

**2665 High-Speed Rail Authority**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**2665-004-6043 High-Speed Rail Authority (HSRA)**

**Communications Contract.**

Governor: Proposed \$2.3 million to continue a communications contract for public outreach and other communications assistance to the HSRA.

**Prior Senate Action:** The Senate approved the full funding and added budget bill language to require the HSRA to increase public outreach in the Central Valley where the HSRA Board currently plans to implement construction. The Assembly reduced the funding level by \$1.1 million with a consideration of contract deliverables that did not involve direct outreach with the general public.

2,300 The Senate Subcommittee expressed the critical bond importance of public outreach - there was also funds discussion about how a combination of state employees and contract resources can be used to most effectively BBL engage the public in the project. Budget bill language requiring a report on how to increase outreach by state staff and integrate state staff with contract staff would help resolve some of these questions.

**2665 High-Speed Rail Authority**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**2665-304-0890 High-Speed Rail Authority (HSRA)  
Also 2665-304-6043, 2665-305-0890, 2665-305-6043**

**Right-of-way Purchase and Construction  
Contracts in 2011-12.**

Governor: no proposal

Prior Senate Action: The Senate adopted budget bill language to prohibit right-of-way purchase before January 1, 2012, and to prohibit new construction contracts, or new design-build contracts, before July 1, 2012. The Assembly adopted similar language, but only to the extent possible and only for 90-days past submittal of the Draft Business Plan.

The HSRA testified at a Subcommittee hearing that these restrictions would not interfere with its anticipated project timeline. However, by placing the restrictions in the budget bill, it is made clear that the October 2011 Draft Business Plan and other reports will be submitted for review prior to the High-Speed Rail Authority proceeding with these major expenditures and/or contracts.

BBL Since unforeseen or special circumstances may arise, only the language could be modified to allow exemption from the prohibition on right-of-way purchase and construction contracts, with 60-day Joint Legislative Budget Committee review, if the Authority believes a critical need exists to advance its timeline.

**2665 High-Speed Rail Authority**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**2665-304-6043 High-Speed Rail Authority  
Also 2665-305-6043**

**Phase II Environmental and Design Funding.**

Governor: Proposed no funding for Phase II, which are phases subsequent to the San Francisco to Anaheim main line.

Neither house augmented funding for Phase II segments; however, those segments have been funded in prior years and environmental and initial design work is currently underway.

It is unlikely Prop 1A bond funds or other state funds will be available for *construction* on the Phase II segments prior to significant construction completion on the main Phase I section. However, if environmental and initial design work is able to continue, local funds and federal funds for intercity rail may be available to make initial investments on these corridors and local planning and land use can be harmonized with the future high-speed rail system.

**2720 California Highway Patrol**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**2720 California Highway Patrol (CHP)**

**License Plate Reader (LPR) Data**

Governor: Did not propose language.

Prior Senate Action: The Senate adopted trailer bill language to specify allowable use of the data that the CHP collects on all vehicles that pass a license plate reader camera. Last year's budget included federal funding of \$2 million to purchase LPRs.

Trailer bill on this topic was adopted by both houses last year and included in the omnibus transportation budget trailer bill, but that bill was not enacted.

The current CHP internal policy is to retain the data for 72 hours before the data is destroyed for privacy protection. The CHP has indicated a desire to revisit its internal policy and to retain the data for a longer period to be available for law enforcement purposes where the data is requested beyond 72 hours. The Senate adopted a data retention period of 90 days. The Assembly adopted a data retention period of 45 days.

TBL only Based on further discussions, a 60-day data retention period would provide addition time for criminal investigations, but also put a limit on data retention for this database that primarily captures the license plates of law-abiding citizens. The revised language also specifies the database is available for investigation of felonies.

**3360 Energy Resource Conservation and Development Commission**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3360-001-0465 Energy Resources Program Account Surcharge (California Energy Commission)**

**Restoration of Base Budget Plus Programmatic Audit**

The Commission implemented a rate increase to fund baseline programs through the Energy Resources Program Account (ERPA) surcharge in order to fill a projected \$8.4 million shortfall.

Prior Senate Action. The Senate denied without prejudice \$8.4 million in the January budget. In the May Revision hearing, the Senate discussed conducting a programmatic audit of the ERPA and Renewable Resources Trust Fund (RRTF) funded programs to get a better sense of how the Commission sets funding priorities and held open the \$8.4 million reduction.

8,400 (special funds) Over the last six months, Senate budget and policy committees have conducted reviews of the Commission's rate structure and policies. A program review of the Commission would enable the Legislature to have a strong basis for any needed structural reform at the Commission.

Budget bill language:

3360-001-ERPA  
Up to \$200,000 of the funding appropriated in this item shall be made available for an interagency agreement between the Commission and the Department of Finance's Office of Statewide Audits and Efficiency Evaluations to a program review of the Energy Resources Program Account and Renewable Resources Trust Fund, and their funding sources for the period of July 1, 2009 to July 1, 2011. The objective of the review is to determine, through a programmatic audit, how the commission sets funding priorities based on statute including whether there exist positions for which statute does not specifically require workload by the Commission, if duplication exists between programs, and how the Commission adjusts revenue streams to statutory requirements.

**3480 Department of Conservation**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3480-001-3046 Division of Oil and Gas Permitting and Enforcement Language**

**Budget Bill Language to Allow Reporting on Hydraulic Fracturing**

The Assembly adopted language that would allow for reporting on hydraulic fracturing, a method of extracting oil from the ground that may have impacts on groundwater quality.

Prior Senate Action. The Senate did not hear the issue of hydraulic fracturing language. In a related item, the Senate approved 18 positions and \$2.3 million (special funds) to increase permitting and enforcement staff at the division to bring it up to state and national standards.

BBL Hydraulic fracturing is increasingly being used to extract oil from difficult to reach underground reserves. The Department has not tracked this method of extraction to date and does not believe it to be widely in use within the state. This language would allow the Legislature to evaluate to what extent hydraulic fracturing is being used in the state to extract oil and to evaluate current and future policies related to this type of oil extraction.

**Budget bill language:**

Item 3480-01-0001  
Of the amount appropriated in this item, a portion may be used for the collection and public dissemination of information related to hydraulic fracturing activities occurring in the state.



**3480 Department of Conservation**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3480-491 Watershed Implementation Reappropriation**

**Reappropriation of Proposition 50 Bond Funds**

The Administration proposes to re-appropriate \$1.8 million in unencumbered Proposition 50 bond funds to continue implementation of the former Watershed element of the CALFED Bay Delta Program through the department's Statewide Watershed Program.

Prior Senate Action. The Senate denied this proposal due to confusing testimony by the department about how and where the funds would be spent—whether within the CALFED solution area or outside of this area as discussed in the original proposal.

1,176 (bond funds) The department has met with staff several times to discuss its plans for using these funds. The funds will be used within the CALFED solution area.

**3500 Department of Resources Recycling and Recovery**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3500-001-0133 Beverage Container Recycling Program**

**Fraud Prevention and Strategic Priority Initiative**

The Administration proposes to redirect \$691,000 (Beverage Container Recycling Fund) from Consulting and Professional Services to fund 7.0 permanent positions to investigate and prevent fraud in the Beverage Container Recycling Fund in order to comply with a recent audit finding.

Prior Senate Action. The Senate denied this proposal without prejudice in January to evaluate reorganization activities at the department. The subcommittee denied the proposal in May Revision.

691 (special funds) The funds used in this item will help the department to comply with various audit findings made over the previous year related to the Beverage Container Recycling Fund.

**3540 Department of Forestry and Fire Protection**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3540-001-0001 Civil Cost Recovery Program**

**Approve One-Year Limited-Term Positions**

The Administration proposes \$1.7 million and 10 two-year limited term positions to continue a Civil Cost Recovery Program. The California Health and Safety Code authorizes fire agencies to recover suppression, investigation, and related administrative costs from anyone who starts a fire negligently or in violation of certain laws. A previous pilot program cost \$2.4 million in General Fund and recovered \$14.6 million in its second year of implementation.

Prior Senate Action. The Senate approved the proposal as budgeted.

1,675 (GF) As the program is still in a pilot phase, the Legislature would be able to provide better oversight by making the positions one-year limited-term and by requesting the department to return in one year to provide an update during 2012 budget hearings on the Civil Cost Recovery Program.

**3600 Department of Fish and Game**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3600-001-3103 Hatcheries and Inland Fisheries Funded Programs**

**Budget Bill Language for Wild and Heritage Trout Program and State Forest Nurseries Program**

The Administration proposes to spend \$2.0 million in the budget year for a Wild and Heritage Trout Program using funding from the Hatcheries and Inland Fisheries Fund.

Prior Senate Action. The Senate adopted two-year budget bill language to direct \$500,000 to state forestry nurseries to improve watersheds above native fish habitats (including salmon). The Senate did not hear budget bill language on the Wild and Heritage Trout Program.

500 (Special Funds) The Wild and Heritage Trout Program provides the state and anglers an opportunity to stock and fish for native California species, and to increase their abundance in the state. This is a core goal of the department and should be funded at an amount to promote native and heritage fish within the state.

Budget bill language:  
Item 3600-001-3103  
\$500,000 for the department's Heritage and Wild Trout Program to support the identification, restoration and promotion of California's Wild Trout Waters and Heritage Trout Waters, consistent with Section 13007 of the Fish and Game Code (AB 7) and existing program priorities. The department may make grants to or enter into contracts with qualified entities including but not limited to non-profit organizations if the department determines such grants or contracts necessary for the implementation of this provision.

**3790 Department of Parks and Recreation**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3790-001-0392 Angel Island State Park—Ferry Service Routes Concession**

**Concession Agreement and Budget Bill Language**

The Administration submitted a proposal to include a new ferry services routes concession to Angel Island State Park. The department proposes to solicit proposals from the public for one or more multiple concession(s) to provide ferry service transportation between Angel Island State Park and various routes within the Bay Area. The department has already begun a new feasibility study that is anticipated for completion in summer or fall of 2011.

Prior Senate Action. The Senate approved the proposal.

BBL Concerns have been raised about the department's methods for soliciting and approving the concession for ferry service at Angel Island. Because of this, it would be appropriate to slow the process of approving a new concession and allow for more legislative oversight of the proposal.

**3790 Department of Parks and Recreation**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**3790-001-0392 Angel Island State Park—Ferry Service Routes Concession**

**Budget Bill Language**

Item 3790-001-0001

No funds appropriated in this item may be expended for the Angel Island Concession Agreements Request for Proposal (RFP) not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees of the Legislature, the members of Senate Budget and Fiscal Review Subcommittee #2, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may determine. This notification shall include, but not be limited to the feasibility study for Angel Island Concessions, the RFP, and alternative public access routes and their funding contributions.

Item 3790-001-0001

The department shall not enter into a new concession agreement for Angel Island State Park for any new or revised ferry services without first submitting these proposals to the Legislature in the course of the normal budget process for review and approval.

**3790 Department of Parks and Recreation**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3790-001-0392 Vehicle Fleet Emissions Retrofit**

**Restore Funding for Fleet Emissions Retrofit**

The Administration requests a one year appropriation of \$1.8 million from the State Park and Recreation Fund to continue addressing the air quality standards on older diesel vehicles as set forth by the California Air Resources Board's On and Off Road Diesel Regulations.

1,800 (Special Funds) Departments are required to comply with state air quality diesel standards (as similar to commercial and private vehicles). This proposal allows the department to comply with state laws and regulations.

**3790 Department of Parks and Recreation**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3790-001-0001 Budget Reduction Supplemental Reporting Language**

**Reporting Language for State Park Revenues and Expenditures**

The Legislature (through SB 69) approved the reduction of \$11 million in the budget year and \$22 million ongoing General Fund to the department. This resulted in a list of parks proposed for closure, partial closure, or significant operational changes.

Prior Senate Action. The Subcommittee heard this issue and held it open to work with the administration on the language that would provide detail about how the department sets budget priorities.

SRL The reductions in state parks have led to a number of questions about how the department budgets for park units, tracks revenues and visitor data, and uses employee assets. There are a number of legislative efforts underway to consider changes to the way the department manages the parks system, including proposals to allow more public-private partnerships.

Supplemental reporting language:

- (1) The department shall, on January 10, 2012, report its budget to the Legislature on a park-unit basis (estimates). This includes an estimate of distributed shared costs on a pro-rata basis (personnel, materials, services) shared by sectors or across districts.
- (2) The department shall, on March 1, 2012, prepare a report on revenues by park unit and visitor data (by park unit, aggregated on a district basis) and compare to National Parks, other State Parks systems.
- (3) The department shall report, on March 1, 2012, statistics on peace officer's use of weapons in state parks to deter crime, or to respond to crimes in progress; report on enforcement of non-Parks related crimes and for mutual aid as well as the number of park rangers not assigned to any park unit.



Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3860-510-0502 State Water Project Biological Opinions**

**Position Authority and Budget Bill Language**

The Governor's budget requests 18 full-time positions at an estimated cost of \$2.6 million (State Water Project off-budget funds) to implement various actions proposed under the federal fish agency Biological Opinion for the State Water Project (SWP) and Central Valley Project operations. These requirements are designed to improve the survival of fishery resources in the Delta and Suisun-Marsh, and at SWP facilities. The fishery agencies have concerns about fish losses related to export of water from the Delta from the two projects.

Prior Senate Action. The Senate approved four positions and did not hear budget bill language.

4,200  
(reimburse  
ments)

There is some concern over the need for a full 18 positions and how these positions would be used by the administration. The LAO and the State Water Contractors have recommended funding 12 positions. Further, it would be appropriate to place some constraints on these positions so the department focuses their work on compliance with the law rather than challenges to other state and federal agencies

Budget bill language:

Item 3860-510-0502  
With respect to the coordinated operations of the State Water Project and the federal Central Valley Project, personnel funded under these positions shall only participate in, or contribute to, studies, analyses, or other activities required by, or requested by, the US Fish and Wildlife Service, National Marine Fisheries Service, or California Department of Fish and Game, including those actions as required by the Biological Opinions.

**3860 Department of Water Resources**

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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**3860-501-0995 Salton Sea Restoration**

**Reimbursement Authority for Salton Sea Restoration Program.**

The Department is requesting \$4.2 million in reimbursement authority for the Salton Sea Restoration Program. The Department of Water Resources (DWR) is under contract with the Department of Fish and Game (DFG) and the Wildlife Conservation Board to support the state’s obligations for Salton Sea restoration, mitigation, and monitoring activities as a result of the Colorado River Quantification Settlement Agreement (QSA). This proposal will allow DWR to continue this program through June 30, 2013.

Prior Senate Action. The Senate denied the proposal.

4,200 (reimburse ments)	The original proposal by the department did not include details about when and how the requested funds would be spent. Since that time, the department has provided a specific list of programs that would provide “no regrets” projects under the guidance of the Salton Sea Restoration Act.
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**3860 Department of Water Resources**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**3860-510-0502 State Water Project Support Positions**

**Position Authority for State Water Project Operations and Maintenance Support**

The Governor's January budget requests 145 positions (33 of which are proposed for future years). The subcommittee heard the proposal, with recommendations to hold open (deny without prejudice) the majority of these positions to give the department, staff, and the Legislative Analyst's Office time to more fully review them.

Prior Senate Action. The Subcommittee approved 87 positions as recommended by the LAO on May 12.

308 (off-budget special funds) Upon further review, it would be appropriate to fund 90 positions at the State Water Project to allow the department to comply with both state and federal regulations.

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Proposition 84 Budget Bill Language**

**Budget Bill Language for Mutual Water Agencies**

The proposed language appropriates \$7.5 million of available funds in small community water grants program to improve water infrastructure. The proposed language is intended to be used in lieu of future proposed bond funds for this purpose.

Prior Senate Action. The Senate did not hear this item.

7,500 (bond funds) This language would allow for priority mutual water agencies to consolidate, providing effective higher quality water delivery in the communities listed.

Budget bill language:

Of the funds made available pursuant to Division 43 (commencing with Section 75001) of the Public Resources Code, the sum of \$7,500,000 is appropriated from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Section 75022 of the PRC) to the State Department of Public Health to provide grants to public agencies to improve drinking water infrastructure in communities served by mutual water companies in the cities of Maywood and Santa Ana. Grants may be made only with respect to a mutual water company that dissolves or otherwise transfers all responsibility for operation of the public water system to the public agency seeking the grant. Any funds that are not awarded within three years after the effective date of this section shall revert back to the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006.

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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**Department of Social Services – California Work and Responsibilities to Kids (CalWORKs) Program**

As a part of the March budget package, the Legislature adopted changes to CalWORKs that were anticipated to result in \$1.0 billion GF savings in 2011-12. Among the changes was a reduction in the Maximum Aid Payment by 8 percent (the largest one-time reduction in the history of the program).

The March package further reduced, by 5 percent increments (for a maximum total reduction of 15 percent), grants for children in cases without an aided adult who have received assistance for more than 60, 72, and 84 months, respectively. These incremental, graduated reductions were anticipated to result in around \$94.1 million ongoing, annual GF savings.

*Note:* For technical reasons, the GF impact associated with this Item would be reflected in the budget for the California Student Aid Commission.

86,300 As a result of the 8 percent reduction, maximum grants for a family of three in a high-cost county were lowered from \$694 to \$638 per month. Families that receive maximum CalWORKs and CalFresh (food stamp) benefits after this change would have incomes equivalent to roughly 72 percent of the federal poverty level. The maximum grant was \$694 over twenty years ago in 1989.

The children impacted by the additional graduated reductions (in approximately 155,300 total cases) would include those who are living with relative caregivers or with parents who are not aided because they are undocumented, have timed off of aid, or have specified convictions in their backgrounds.

**5180 Department of Social Services**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Department of Social Services**

**CalWORKs Single Allocation Funding**

The 2009-10 and 2010-11 budgets included reductions of approximately \$375 million to the single allocation of funds for CalWORKs administration, as well as child care and other welfare-to-work services.

The March budget package continued these reductions for 2011-12, at the higher level of an approximately \$427 million reduction (a difference of around \$50 million).

50,000 **Policy Changes Corresponding to Reductions:** Under the 2009-10 and 2010-11 reductions, counties can provide time-limit exemptions to adults who have been granted good cause due to a lack of supportive services and may exempt families with young children (i.e., a 12-23 month old or two or more children under age 6) from welfare-to-work requirements.

As a consequence of the deeper reduction included in the March budget package for 2011-12, these exemptions were expanded to include some parents caring for a single child between 24 to 35 months of age.

**5225 California Department of Corrections and Rehabilitation**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**5225-001-0001 CA Department of Corrections and Rehabilitation**

**Structural Shortfall and Population Adjustment.**

- 1) The proposed budget included \$379.6 million to address structural imbalances in CDCR's budget; Security Staff Salaries (\$266.5 million), Medical Guarding and Transportation (\$39.6 million), Unfunded Swing Space (\$17.3 million), Security Overtime (\$35.7 million), and Legal Settlements and Outside Counsel (\$20.5 million).
- 2) The May Revision did not include an adjustment based on CDCR's adult inmate population projections.

53,000 The CDCR has been under funded in many areas for several years, which has resulted in numerous budget deficiencies and supplemental appropriation requests. In prior years, the Department absorbed some of the cost increases by redirecting resources away from other programs and priorities. Due to unallocated budget cuts and reductions in program funding, the Department no longer has the ability to redirect existing resources to offset the unfunded expenditures. In addition, the CDCR's actual adult inmate population has been trending closer to the Governor's budget projections (163,152) rather than May Revise projections (162,296).

Senate Subcommittee actions reduced the structural shortfall proposal by \$31.6 million and made an adjustment based on CDCR's adult inmate population projections that reduced funding by another \$21.4 million.

**6110 California Department of Education**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**6110-001-0001 State Operations –Charter Schools Staff**

**Governor:** Does not provide additional funds for CDE Charter Schools staff in 2011-12.

**Prior Senate Action:** Senate did not approve additional funds for CDE Charter Schools staff.

**Department of Education Request:** CDE requests **\$734,000** in General fund state operations spending authority for:

- one permanent Staff Counsel III position,
- three permanent Education Fiscal Services Consultant positions,
- two permanent Education Programs Consultant positions, and
- one permanent Associate Governmental Program Analyst position
- 

CDE requests funds to complete the work of the Charter Schools Division, including but not limited to reviewing and presenting renewals and appeals to the State Board of Education, overseeing mandated fiscal programs, and providing technical assistance to local educational agencies.

The Assembly approved CDE's request.



**6110 California Department of Education**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**6110-0001-0890 Federal Title I Funds – Common Core Standards**

**Governor:** Proposed \$21.3 million in one-time carryover funds for all Title I schools/LEAs statewide. The Governor also proposed \$4.125 million in additional one-time federal Title I carryover funds for the existing Title I program.

**Prior Senate Action:** Senate approved Governor's budget proposals.

The Assembly approved the Governor's proposal to use \$4.125 million in Title I carryover for the existing program.

The Assembly redirected \$7.0 million of the \$21.3 million in Title I carryover funds for Statewide Systems of School Support to provide professional development on Common Core standards.

In addition, the Assembly approved \$250,000 in one-time Title III carryover funds for review of English Language Development standards for alignment to Common Core standards.

**6110 California Department of Education**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**6110-001-0890 Federal English Language Proficiency Assessment Grant - Language**

**Governor:** Proposed no language.

**Prior Senate Action:** The Senate did not act on this issue.

**Department of Education Request:** CDE requested language to allow the department to contract for development of an English language development assessment, if a federal Enhanced Assessment Instruments Grant is received in 2011-12.

**6110 California Department of Education**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**6110-0000-0001/0890 Federal Funds – Student and Teacher Data Systems**

**Governor:** Proposed to eliminate remaining federal funding in order to suspend support and development activities for two statewide data systems – the California Longitudinal Pupil Achievement Data System (CALPADS) and the California Teacher Information Data System (CALTIDES) in 2011-12.

The Governor's proposal also redirects these federal funds to the student assessment program in order to achieve General Fund savings in that program.

**Prior Senate Action:** Restored \$6.134 million in federal funds for CALPADS and \$2.1 million in federal funds for CALTIDES in 2011-12.

The Assembly restored \$6.6 million in federal funds for CALPADS and \$2.1 million in federal funds for CALTIDES in 2011-12.

**6110 California Department of Education**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**6110-0000-000 K-12 Inter-Year Payment Deferral Buydown**

**Governor:** Proposed to buydown inter-year payment deferrals by a total of \$2.5 billion for K-12 schools in 2011-12 using ongoing Proposition 98 funds. As a part of this proposal, the Governor proposed to eliminate \$2.1 billion in new K-12 inter-year deferrals added by the March budget package. Both the Senate and the Assembly approved this piece of the Governor's proposal.

The remaining part of the Governor's proposal reduced an additional \$434 million in prior-year deferrals for K-12 schools in 2011-12. The Senate approved a \$345 million buydown of prior-year deferrals to conform to the Proposition 98 package, using ongoing Proposition 98 funds for this purpose.

The Assembly approved \$439 million buydown of prior year deferrals with ongoing funds. In addition, the Assembly approved \$495 million in one-time Proposition 98 "settle-up" funds for K-12 deferral buydown in 2011-12.

**6110 California Department of Education**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**6110-196-0001 California Department of Education**

**11 and 12-Year Olds.** The March budget package (SB 70) deprioritized 11 and 12-year old children for child care services. Children in non-traditional hours of care retained services. The budget package provided priority placement to before and after school programs for displaced 11 and 12-year olds.

35,824  
Proposition 98 Funds  
TBL

The March budget package would have led to 5,461 children losing child care. These children would have been eligible for priority placement to before and after school program waitlists, but not all school districts have after school programs that serve 11 and 12-year olds.

Federal child care funds are provided to states with the requirement that children up to the age of 13 receive child care.

**Family Fees.** The March budget package (SB 70) raised family fees by 10 percent.

5,043  
Proposition 98 Funds  
TBL

The savings from the family fee is low in part because the March budget package removed the families with the highest incomes from the child care program.

Under current state law, families with incomes below 40 percent of State Median Income do not pay a family fee.

**6110 California Department of Education**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**6110-196-0001 California Department of Education**

**Partial Restoration of the Unallocated Reduction.** The March budget package (SB 69) reduced all child care programs by 15 percent. The total savings from this reduction was \$246.3 million.

40,000  
Proposition  
98 Funds

An estimated 35,490 children will lose child care as a result of the 15 percent reduction to child care programs.

**Move ELAC to CDE.** The Governor proposed to eliminate the Early Learning Advisory Council (ELAC).

0  
TBL ELAC fulfills an important purpose to plan for the data coordination for 0-5 year olds in order to improve the quality of care for these youngest children.

ELAC is entirely federally funded. The 2011-12 budget for ELAC is proposed at \$3.6 million federal funds. The federal funds require that ELAC have its own board.

Currently, ELAC is an independent entity and the Legislature has very little ability to set the direction for ELAC's work.

ELAC's purpose is to plan for improvements to educational quality of care for children ages 0-5.

**6420 California Postsecondary Education Commission**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**6420-001-0001 California Postsecondary Education Commission**

**Proposed Elimination of the California Postsecondary Education Commission (CPEC).**

Governor proposed elimination of CPEC beginning January 1, 2012. The Governor also proposed moving the Improving Teacher Quality (ITQ) Grant Program from CPEC to the Department of Education.

The Senate Budget Subcommittee #1 adopted a sunset date of January 1, 2014 for CPEC.

Both the Senate and Assembly rejected moving the ITQ grant program to the Department of Education.

927 General Fund The CPEC was established in 1974 as the State planning and coordinating body for higher education. CPEC was intended to function as an integral part of the planning and facilities growth for all new campuses and off-campus centers of the public systems of higher education.

No sunset date.

**6440 University of California**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**6440-001-0001 University of California**

**Intercollegiate Athletics.** At the request of the State Auditor, University of California removed Intercollegiate Athletics from the definition of Auxiliary Enterprises. However, Intercollegiate Athletics was not added to another program description.

BBL

Concerns have been raised that since no General Fund can be expended on Auxiliary Enterprises, and that Intercollegiate Athletics are no longer part of the Auxiliary Enterprises definition, that General Fund may be spent of Intercollegiate Athletics.



**6440 University of California**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**6440-001-0001 University of California**

**Enrollment Target.** The March budget package (SB 70) included trailer bill language specifying that UC must enroll at least 209,977 full-time equivalent students (FTES). This is the same enrollment target as for 2010-11.

Senate modified the enrollment target language to provide flexibility in the penalty language.

TBL The UC General Fund budget was reduced by \$500 million from 2010-11 to 2011-12. However, the Legislature in March chose to maintain the same UC enrollment target for 2011-12 as for 2010-11.

UC has indicated that they will be able to enroll the number of students specified in the enrollment target.

**6440 University of California**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**6440-001-0001 University of California**

**Research and Specialty Programs.** The March budget package (SB 69) included a \$500 million unallocated General Fund budget reduction to UC.

BBL

Senate adopted budget bill language to state that the unallocated budget reduction could not be applied toward the funding of Drew University and AIDS Research.

**6870 California Community Colleges**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**6870-101-0001 California Community Colleges**

**Apportionment and Deferral.** The Governor proposed to reduce the California Community Colleges (CCC) deferrals by \$350 million and increase the CCC apportionment by the same amount.

400,454	Deferrals keep community colleges from accessing
Proposition	funds budgeted to them until the following fiscal year.
98 Funds	The community colleges have to borrow in order to
	access the funds in the fiscal year to which those funds
	are budgeted, and there is a cost to that borrowing.

The March budget package (SB 70) included \$961 million in CCC deferrals. Of this amount, \$129 million was new deferrals.

**6870****California Community Colleges**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Student Fee Shortfall.** The March budget package (SB 69) assumes \$475 million in CCC student fee revenue. \$110 million of this amount is due to the new student fee increase from \$26 per unit to \$36 per unit.

25,000  
Proposition  
98 Funds

The CCC Chancellor's Office estimates that due to higher than expected drawdown of the Board of Governor's (BOG) fee waiver, fewer students are paying their student fees themselves.

Since student fee estimates are not automatically backfilled by the State if there is a shortfall, it is important to the districts that there is an accurate estimate of the student fee revenue.

**6870 California Community Colleges**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**6870-295-0001 California Community Colleges**

**Financial Aid Mandates.** The Governor proposed to fund two financial aid mandates out of existing funds in the Student Financial Aid Administration categorical program.

The cost of the Enrollment Fee Collections and Waivers mandate is \$3 million.

The cost of the Tuition Fee Waivers mandate is \$13,000.

The Senate Budget Subcommittee #1 approved the Governor's proposal.

3,013  
Proposition  
98 Funds

The proposed 2011-12 budget for the Student Financial Aid Administration categorical program is \$56.7 million.

Moving additional programs to be funded out of the categorical without increasing funding forces the districts to meet more demands with less money.

**7100 Employment Development Department**

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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**7100 Employment Development Department**

**Alternate Base Period (ABP) Program Support 2010-11 Budget Bill Amendments.**

When implemented by the Employment Development Department (EDD) in April 2012, the ABP program will provide an alternate base period for individuals who do not monetarily qualify for an Unemployment Insurance (UI) claim using the current base period year by allowing workers to qualify for a UI claim by using an alternate base period based on the most recent four completed calendar quarters at the time of filing a claim.

The implementation of the ABP program will also qualify the state to receive \$840 million in federal American Recovery and Reinvestment Act (ARRA) stimulus funds.

The Governor requested amendments to the 2010-11 budget act to appropriate \$48 million of the \$840 million in federal ARRA stimulus funds to cover the EDD’s administration costs for the ABP program for three fiscal years, beginning in 2012-13 and through 2014-15.

Prior Senate Action. Approved the request.

Since 2009, the state has consistently paid more in UI benefits than it has collected in revenues. To continue payment of benefits despite this shortfall, the state has obtained quarterly loans from the federal government which now total around \$11 billion. Beginning in September 2011, the state will begin to make required annual interest payments on this loan to the federal government.

This request proposes to utilize \$48 million of the \$840 million in federal ARRA funds in support of the ABP program. To reserve a portion of these funds for state administration, however, the state must be able to receive the funds and set up the subaccount during a period in which the state can sustain UI benefit payments without utilizing federal loan funds. Otherwise all of these stimulus funds would be applied to the state’s outstanding loan balance.

The anticipated “non-loan” period begins in the early days of May 2011, when the highest annual UI revenues are received. These funds may last through mid-July, at which point borrowing must restart. Therefore, the Administration requests that the \$48 million be appropriated no later than June 30, 2011.

Following Subcommittee No. 5’s action, additional federal guidance was provided and the LAO suggested minor modifications to the proposed amendments to the 2010-11 budget act.

**8860 Department of Finance**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**8860-001-0001 Department of Finance**

**Budget Shortfall** 2,700

The Department of Finance has indicated that it needs approximately \$2.7 million to cover costs associated with its budget in the budget year. Any amount not needed will revert to the General Fund.

**8860 Department of Finance**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**8860-001-0001 Department of Finance**

**Pension Reform Study**

The Governor requested \$1.5 million GF and budget bill language on a one-time basis for the California Public Employees Retirement System to provide pension reform-related consultation, technical advice, and fiscal analysis to the Administration.

Prior Senate Action. Subcommittee No. 5 adopted a modified proposal to provide the requested funding and BBL for the same purpose but in the Department of Finance's budget item.



**9100 Tax Relief**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**9100 Tax Relief**

**Senior Citizens' Property Tax Deferral Program.**

Governor: No proposal.

**Prior Senate Action:** The Senate took no action in the area of the Senior Citizens' Property Tax Deferral Program, which was eliminated by a veto of Governor Schwarzenegger in 2009-10. The Assembly set aside approximately \$10 million in program loan repayments with the intent to restart the program in 2012-13.

The program provides seniors with disabled homeowners with tax relief by allowing them to defer payment of their local property tax. Instead the State pays the lost revenue to local governments. When the home is ultimately sold, the State recovers for its payment (or loan) to local governments.

This program is administered by the State Controller. It is estimated that \$10 million would be available from repayments to the State from prior deferrals. The proposal would retain these funds in a special fund, instead of transferring them to the General Fund, and then to restart the program in 2012-13. When the program was last funded in 2008-09, the General Fund cost was \$20 million.

Conforming to the Assembly action would set aside about \$10 million from past deferral repayments with the intent to restart the program in 2012-13.

**9300 Costs of Homicide Trials**

<b>Governor's Proposal</b>	<b>2011-12</b> (\$ in thousands)	<b>Comments</b>
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**9300-101-0001 Local Assistance, Costs of Homicide Trials**

**County of Del Norte.**

It is proposed that this Item be increased by \$700,000 and budget bill language be adopted that would provide this amount to the County of Del Norte for costs incurred as a result of homicide trials.

Pursuant to Government Code, counties can be reimbursed for specific homicide trial costs. Upon review and approval by the Controller, reimbursement for approved costs is normally provided to counties through the supplemental appropriation process.

**9620 Cash Management and Budgetary Loans**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**9620 Cash Management and Budgetary Loans**

**Early Repayment of Special Fund Loans.**

Governor: Proposed early repayment of \$744 million in outstanding loans from various special funds to the General Fund. The loans would be repaid in 2011-12 instead of 2012-13.

744,000 GF The alternative of early payment school settle-up is included in the education section of this agenda. If that action is adopted there, the early repayment of special fund loans should be rejected here as a conforming action.

**Prior Senate Action:** The Senate approved the early repayment of \$744 million in special fund loans. The Assembly rejected early repayment of special fund loans and instead paid \$1.0 billion in Proposition 98 settle-up to schools early.

## CS 3.91 Reductions in State Operations

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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### Control Section 3.91 Reductions in State Operations

#### Reducing State Government.

The March 2011 budget package included \$250 million GF (\$163 million other funds) for savings achieved through departmental consolidations, operational efficiencies, and other cost reduction measures, such as reducing contracts.

Through executive action, the Administration has since achieved savings of \$16.4 million GF (\$30.2 million other funds) from a statewide building rental rate reduction and cellular telephone reductions.

Of the March total, the May Revision identified a specific subset of savings: \$25.1 million GF (\$11.0 million other funds), attributable to a list of 43 eliminations of boards, commissions, and task forces, and 15 program reductions and efficiencies.

Prior Senate action. Subcommittee actions resulted in the adoption of \$19.1 million GF (\$5.9 million other funds) of the May Revision identified solutions.

6,000 GF  
5,100 OF  
BBL

To ensure conformity with the Assembly, several prior Senate actions need to be revised to instead reject the elimination of the: (1) Salton Sea Restoration Council; (2) Dungeness Crab Review Panel; (3) all advisory committees on Salmon and Steelhead; (4) Commission on Emergency Medical Services; (5) Healthcare Workforce Policy Commission; (6) Rehabilitations Appeals Board; and (7) Occupational Safety and Health Standards Board. In addition, the proposal to reduce Preservation Technical Assistance within the Department of Housing and Community Development is revised and now rejected.

These changes will result in overall savings achieved of \$19.1 million GF (\$5.4 million other funds). With these adjustments, the overall savings figures in CS 3.91 will be \$243.97 million GF (\$157.6 million other funds).

The May Revision also proposed a second control section, 13.25 Reorganizations and Consolidations, which is not necessary given that it has been combined with CS 3.91, as proposed to be modified.

**CS 28.50      Agency Reimbursement Payments**

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Control Section 28.50      Agency Reimbursement Payments**

**Legislative Budget Transfers.**

The Assembly adopted amendments to Control Section 28.50 to authorize each house of the Legislature to transfer funds from its budget to other state departments and programs.

Prior Senate Action. The Senate did not hear this proposal.

BBL Over the past several years, the Assembly has made internal budget reductions and used the savings to assist other state departments, such as for staffing at the Employment Development Department, to restore CalWORKs Stage 3 Child Care funding, and to cover CalFire wildfire-related expenses. In some cases, these transfers have resulted in direct GF savings to the state.

To date, these actions have been made via a Memorandum of Understanding (MOU) between the Assembly and a given state department. However, neither house of the Legislature has the authority to transfer funds from its own budget if an MOU is not possible.

## Revenues

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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### Bridge Financing

The Governor has called for an election to decide the question of maintaining existing tax rates for an additional five years. Given the current date, and the time it takes to call an election, this will not happen until after the new fiscal year has started on July 1, 2011. Bridge financing would include extending the following taxes for one year:

- Current vehicle license fee (VLF) rate of 1.15 percent.
- Current sales tax rate at 6 percent and dedicate 1 percent to local public safety realignment.
- 2010 personal income tax (PIT) dependent exemption credit level (\$99) for the 2011 and 2012 tax years.
- 2010 PIT surcharge (0.25 percent) for the 2012 tax year.

\$8,100,000  
TBL

A “bridge” of one year is needed to provide certainty for school districts and local public safety activities. If the election fails, local schools and public safety operations will need time to plan for another round of significant reductions. It would not be possible for local schools and counties to reduce costs quickly enough to adjust for the large reductions required if an election fails.