



GETTING CALIFORNIA WORKING AGAIN
BLUEPRINT *for a* RESPONSIBLE BUDGET



California State Assembly
Democratic Caucus

FLOOR REPORT
2013-14 BUDGET ACT
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TABLE OF CONTENTS

Overview	2
Health.....	6
Human Services	9
K-12 Education.....	15
Child Care and Development Services.....	20
Higher Education.....	21
Natural Resources.....	26
Transportation	31
State Administration	33
Local Government.....	37
Public Safety	38
Trailer Bills of the 2013-14 Budget Act.....	40
Budget Hearings.....	55
2013 Budget Bill List.....	58

OVERVIEW

After 70 hearings over five months, the Assembly has concluded its budget process to create the 2013-14 budget. For the first time in almost three decades, the Assembly passed its third consecutive on-time balanced budget. This document summarizes the budget package, which is reflected in AB 110, and contains the budget bill provisions associated with the overall package.

Prior to the release of the May Revision, Speaker John A. Pérez and the Assembly Budget Chair Bob Blumenfield announced the Assembly Democrats' Blueprint for a Responsible Budget – based on the principles of: *Continuing Fiscal Responsibility*; *Strengthening the Middle Class*; and *Delivering Effective Efficient Services*. This final budget achieved the goals set forward in that plan:

Continuing Fiscal Responsibility:

- ***Balanced Budget.*** The budget is balanced, with a reserve of \$1.1 billion and is structurally balanced throughout the entire forecast period.
- ***Pays Down Debt.*** The budget pays down \$4.2 billion in budget debt, including over \$2.1 billion in deferrals to schools.
- ***Cautious Revenue Estimate.*** The budget is based on the Department of Finance General Fund revenue projections, rather than the Legislative Analyst's modestly more optimistic forecast.
- ***Sets Stage For Rainy Day Fund.*** With maintaining budget stability, the stage is set for crafting a workable Rainy Day Fund for the November 2014 ballot that captures spiking capital gain revenues to protect against economic downturns.

Strengthening the Middle Class:

- ***Additional Funding for Schools.*** The budget provides billions in new investments for schools, including a funding formula to target resources to low income students and English learners. The final agreement on the funding formula meets all four conditions set by the Blueprint for a Responsible Budget, including:
 - Increases funding for early care & preschool programs (over \$100 million).
 - CalWORKs Child Poverty Adjustment grant increase as a first step in ensuring low-income children have a real chance at educational success in the classroom.
 - Ensures all schools benefit from the increased revenues and economic recovery by altering the Governor's formula proposal to provide higher base grants and to ensure every school district has their funding restored to at least their pre-recession levels.

- Benefits all low income and English learner students throughout the state, not just those in high concentration areas by targeting funds to all qualified students and ensuring districts target the funds toward these students with accountability measures.
- Provides smart use of one-time Prop 98 funds by repaying over \$2 billion in Prop 98 deferrals and by providing \$1.25 billion for Common Core State Standards transition costs.
- **Increased Funding and Access to Higher Education.** The budget provides significant new investments for Higher Education and makes college more affordable for the middle class, with the following:
 - Increases funding for University of California (UC) and California State University (CSU) of \$250 million, this increase will grow to over \$1 billion by 2016-17.
 - Begins the Middle Class Scholarship for the 2014-15 school year to slash student fees by up to 40 percent for families making under \$100,000 and up to 10 percent for families earning \$150,000. Therefore, once fully implemented, the Scholarship will phase down to 10 percent for families earning between \$100,000 and \$150,000 (i.e. family income of \$100,000 – 40 percent scholarship; income of \$125,000 – 25 percent scholarship; family earning \$150,000 – 10 percent scholarship).
- **Improved Programs for Families Striving for the Middle Class.** The budget makes meaningful progress in improving programs that help families striving for the middle class, including:
 - Increases investments in welfare-to-work programs including family stabilization and subsidized employment.
 - Doubles the value of a vehicle a CalWORKs recipient can own in order to receive benefits; this is a key change necessary to ensure families retain their car – often the key to being able to get back to work.
 - Reestablishes a modified Adult Dental program to provide dental services that are necessary for the health and social wellbeing of individuals needing to have bigger participation in the economy.
 - Expands Medi-Cal to 138 percent of federal poverty to provide access to healthcare for the working poor. In addition to the expansion, the budget provides a greater level of services than originally proposed by the Governor and ensures immigrant parents can remain in the same program as their children.

Delivering Effective, Efficient Services for Californians

- ***Cuts Business Filings Processing to Five Days.*** The budget follows through on the Assembly's action in the spring to permanently cut the processing time for the Secretary of State to process business filings from over 60 days to no more than five days.
- ***Updates Local Coastal Plans.*** The budget provides \$4 million for Local Coastal Plans to be updated to streamline and improve coastal zone changes in accordance with the Coastal Act. ***Improves Services for Veterans.*** The budget provides \$3 million for state staff to assist the federal government in processing disability claims of California veterans, and \$3 million for County Veteran Service Officers to outreach to veterans to provide eligible services.
- ***Increased Funding for Courts.*** The budget provides a modest increase of \$63 million for Courts, as a first step in establishing an adequate funding level. The increased funds come with accountability measures ensuring funds are spent protecting services and to ensure public access to key judicial branch administrative decisions. With the Blueprint for a Responsible Budget as the guide, the Assembly Budget Subcommittees have completed their work in crafting a State Budget.
- ***New Tools for Local Infrastructure Development.*** The budget package includes ACA 8, a measure, which will allow local governments to invest in critical infrastructure projects by reducing the vote threshold for property tax assessments to 55 percent for local infrastructure projects.

The Department of Finance has provided a scoring of the final budget, which will provide approximately \$98 billion of General Fund revenue and \$96.3 billion of General Fund expenditures, which results in a final unencumbered reserve of over \$1 billion. The full scoring by the department is available below:

2013-14 General Fund Summary

(in millions)

	2012-13	2013-14
Prior Year Balance	<u>\$1,657.6</u>	<u>\$872.2</u>
Revenues and Transfers	\$98,194.5	\$97,098.2
Total Resources Available	<u>\$96,536.9</u>	<u>\$97,970.4</u>
Non-Proposition 98 Expenditures	\$55,210.6	\$57,226
Proposition 98 Expenditures	\$40,454.1	\$39,054.7
Total Expenditures	<u>\$95,664.7</u>	<u>\$96,280.7</u>
Fund Balance	872.2	\$1,689.7
Reserve for Liquidation of Encumbrances	\$618.1	\$618.1
Final Reserve	<u>\$254.1</u>	<u>\$1,071.6</u>

HEALTH

Federal Health Care Reform Implementation

- Assumes \$1.5 billion in federal funds to implement the optional Medi-Cal expansion.
- Includes \$104 million General Fund to implement Medi-Cal program simplifications required by the Affordable Care Act.
- Adopts a mechanism for calculating county savings that result from the Medi-Cal expansion and a state-counties sharing arrangement for those savings.
- Approves of up to \$120 million in increased funds for counties for Medi-Cal eligibility administration.
- Extends Medi-Cal coverage to former foster youth reaching their 21st birthday between July 1 and December 31, 2013, to ensure continuity of care prior to January 1, 2014 when these young adults will be guaranteed coverage through the Affordable Care Act.
- Requires DHCS to seek federal funds, to be matched with \$26.5 million in funding from The California Endowment, to support application assistors and counties with enrollment and outreach to Medi-Cal-eligible populations.
- Appropriates \$2.8 million General Fund to continue eligibility in Medi-Cal for newly qualified immigrant parents with their Medi-Cal-eligible children.
- Assumes \$66.7 million General Fund for increased costs associated with an expansion of mental health and substance use disorder services in Medi-Cal.

Department of Health Care Services

- Restores basic adult dental benefits in Medi-Cal beginning May 1, 2014.
- Restores the enteral nutrition optional Medi-Cal benefit so that it is no longer restricted to either tube feeding or specific diagnoses, beginning May 1, 2014.
- Repeals the seven-visit annual cap on physician visits.
- Assumes \$128.1 million General Fund in current year savings and \$342.9 million General Fund in 2013-14 savings by reinstating the Managed Care Organization Tax to support the Healthy Families Program in 2012-13 and children's health services in Medi-Cal thereafter, as a gross premiums tax in 2013-14 and at the sales tax rate beginning July 1, 2014.
- Assumes savings of \$310 million General Fund in 2013-14 from extending the Hospital Quality Assurance Fee.

Department of Managed Health Care

- Provides resources to the department for its oversight of all of the following: 1) Medi-Cal dental managed care; 2) premium rate review; 3) Medi-Cal managed care rural expansion; 4) Coordinated Care Initiative implementation; and 5) implementation of the Affordable Care Act.

Department of Public Health

- Provides resources for core public health functions, including: the Export Document Program; implementation of the STAKE Act; emergency preparedness; healthcare associated infections reporting; and drinking water programs.
- Adopts statute to more clearly define the purpose and structure of a consumer education website being developed by the department as a component of the Safe Cosmetics Program, and requires that the website be launched by December 31, 2013.

Managed Risk Medical Insurance Board

- Approves of the transition of "AIM-linked infants" (0-2 year olds, between 250 and 300 percent of federal poverty, born to mothers in the AIM program) from Healthy Families to the Department of Health Care Services, beginning October 1, 2013.

Department of State Hospitals

- Appropriates \$67.5 million General Fund to complete the activation of the new California Health Care Facility in Stockton that will begin serving patients on July 1, 2013. Approves of reductions in staff and resources at the Vacaville and Salinas Psychiatric Facilities to reflect the transition of patients from these facilities to Stockton.
- Appropriates \$16 million General Fund to support increased staffing for an increase of 120 state hospital beds at various state hospitals, in order to address the increasing state hospitals' waiting list.
- Includes resources for the full implementation of Personal Duress Alarms at all five state hospitals and improvements to fire alarms and security fencing and structures.

Community Mental Health

- Provides the following resources to the California Health Facilities Financing Authority: 1) \$142 million General Fund (one-time) to implement infrastructure grant programs related to crisis residential treatment, mobile crisis teams, and crisis stabilization units; 2) \$4 million (Proposition 63), and \$2.8 million (federal funds) for mobile crisis support team personnel; and, 3) \$500,000 (Proposition 63) for the state administration of these new grant programs.

- Provides the following resources to the Mental Health Services Oversight & Accountability Commission: 1) \$32 million (Proposition 63) and \$22 million (federal funds) for 600 triage personnel in select rural, suburban and urban regions; 2) \$400,000 (one-time Proposition 63) to develop guidelines for involuntary commitment care and related training programs; and 3) \$1 million (Proposition 63) to implement the Evaluation Master Plan.
- Provides \$2 million (Proposition 63) to the Office of Statewide Health Planning & Development to provide training in crisis management, suicide prevention, recovery planning, and targeted case management.
- Transfers licensing functions for community psychiatric facilities from the Department of Social Services to the Department of Health Care Services.

HUMAN SERVICES

CalWORKs

- Adopts, as a meaningful first step to combat poverty in California, increases to maximum CalWORKs grants for families on aid and on which children living far below the poverty level are reliant. These will be funded out of redirected growth funding from 1991 realignment. The 2013-14 budget includes approximately \$50.9 million and a five percent increase, beginning March 1, 2014. For 2014-15 and future years, an increase could be made on October 1 of each year based on the level of designated growth dollars. The new level of aid payments in any given year will form the following year's base grant level; with the General Fund providing a backstop should growth funds become insufficient to fund the base.
- Approves the May Revision's Early Engagement proposal, resulting in an increase of \$48.3 million in 2013-14, with trailer bill language to construct a statutory framework to ensure an appropriate and systemwide tool for Robust Appraisal, provide specified services under Family Stabilization to more effectively remove barriers to employment, and authorize an expanded Subsidized Employment program. The need for changes to early engagement and barrier removal efforts included within the program was identified as a critical component of the 2012-13 budget agreement.
- Effective January 1, 2014, adopts changes to the Vehicle Asset Limit eligibility requirements in CalWORKs. The changes will: 1) increase the value limit of the vehicle, which would become \$9,500 in equity value (possibly adjusted upward by a transportation index each year and reliant on the recipient's self-attestation of any amount still owed); and, 2) exempt gifted cars.
- Approves the baseline adjustment in the CalWORKs Single Allocation as proposed in the January Budget, resulting in an increase of \$142.8 million for CalWORKs employment services funding, corresponding to changes made in the program in recent years.
- Adopts a transfer of approximately \$541.7 million in Temporary Assistance to Needy Families 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 originally proposed by the Governor (\$924 million in the May Revision).
- Adopts the May Revision proposal related to changes in cases funded under the non-MOE portion of the program (i.e. cases now supported by General Fund and removed from the federal work participation rate calculation), however stated continuing legislative interest in careful oversight over funding decisions and implications for all CalWORKs cases.

- Rejects programmatic aspects of the Administration's human services realignment proposal, which would have resulted in counties taking on more fiscal and programmatic responsibility for CalWORKs and CalWORKs child care (including stages one, two, and three), and potentially CalFresh administration costs as well.

In-Home Supportive Services

- Approves seven limited-term positions to support the work for the In-Home Supportive Services (IHSS) Program within the Coordinated Care Initiative (CCI). As part of this, requests that DSS provide an update to the legislative staff by January 1, 2014 on the hiring of positions pursuant to the Budget Change Proposal (BCP).
- Approves two permanent and two limited-term positions to support the IHSS CCI-Statewide Public Authority as requested in the May Revision. Adopts associated clean-up trailer bill language to SB 1036, the trailer bill that established the Statewide Public Authority.
- Approves the net decrease of \$15.7 million to reflect increased General Fund savings from the Community First Choice Option program, attributable to a revised methodology based on average monthly hours of higher needs recipients.
- Approves the January proposal to extend four existing limited-term positions for two additional years for Case Management, Information, and Payrolling System II (CMIPS II) transition and approved the May Revision proposal for a decrease of \$23.9 million (\$12.1 million General Fund) to reflect a revised project schedule.
- Approves the May Revision proposals related to the Health Care Certification Requirement and the Settlement Agreement-Related Changes, including rescinding of the prior 20 percent reduction in hours and to account for the 8 percent reduction in 2013-14. The two bills to fund and codify the full terms of the settlement agreement were passed by the Legislature and signed by the Governor on May 30, 2013.
- Approves the effective continuation of work related to the Public Authority Rate Methodology, by removing fixed dates in the uncodified section of statute regarding this ongoing work.

Child Welfare Services

- Rejects the May Revision request to rescind a January BCP related to the Resource Family Approval Project and instead approved the necessary funding, anticipated to be approximately \$171,000 GF and \$36,000 Federal Trust Fund, along with two positions, for the project to move forward. Correspondingly, (1) adopts only the technical aspects of the related trailer bill language (e.g. to update outdated references to the project's former status as a pilot) and (2) requires the Department to update the Subcommittee on its progress in implementing the project during the 2014-15 budget hearings.

- Approves the requested adjustments in the Foster Family Home and Small Family Home Insurance (FSH) Fund Spring Finance Letter, to both lower the annual General Fund contribution into the Fund and to authorize a one-time transfer of excess fund balance to the General Fund.
- Approves the May Revision proposals to extend the moratorium on group homes for an additional year and to adjust the Kin-GAP caseload to reflect fewer cases transferring.
- Approves resources requested in the January budget (making one limited-term position permanent, as well as funding consultant services for two years) for the Congregate Care Reform (also known as Continuum of Care Reform) effort and adopted trailer bill language to enact concrete reforms that should take effect in the shorter term, including: a) Limitations on and levels of review needed for, placements in group homes, particularly for children as young as six to twelve years old; b) A requirement for the Department to update the Legislature regarding the outcomes of the assessments and planning regarding transitions to family settings for children and youth who have been in group homes for longer than one year; and, c) Encouragement for the Department to ensure that educational qualifications and training requirements for direct care staff in group homes are consistent with the intended role of group homes as short-term placements focused on crisis intervention and behavioral stabilization, with specific treatment goals.

CalFresh

- Adopts the Administration's May Revision proposed trailer bill language for Semi-Annual Reporting, with modifications as recommended by advocates.
- Approves the January proposal to transfer program management for CalFresh Outreach to the Department of Social Services from the Department of Public Health.
- Extends the CalFresh County Match Waiver for one additional year, with the understanding that the counties and the state will work toward a reinstatement of the match.

State Hearings Division

- In response to the Governor's January and May proposals, approves funding and authority for 24 new, permanent administrative law judges, and corresponding funding for 17 administrative support staff. Rejects the January State Hearings BCP and trailer bill proposal and defers to a court-based process (related to the underlying litigation that established the penalty structure) the potential for funding, through temporary penalty relief, state hearings resources necessary to get to timely decisions.

Community Care Licensing

- Approves four limited-term positions at a cost of \$470,000 total funds (\$385,000 General Fund) to strengthen resources for client protections by reducing the risk of abuse of children and vulnerable adults in out-of-home care posed by the potential presence of registered sex offenders (RSOs).
- Continues for an additional two years the suspension of existing law that prohibits DSS and the Department of Justice (DOJ) from charging a fee to process a criminal history check of individuals who are licensed to operate child and adult facilities, provide care in a facility, or reside at that facility.
- Approves the May Revision request to authorize a transfer of \$2.1 million from the Child Health and Safety Fund to CCL to backfill a reduction in the Social Services Block Grant (Title XX) related to federal sequestration.

Human Services and ACA Implementation

- Approves the January and May Revision proposals related to the design, development, implementation, and operation and maintenance for the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) project.
- Rejects all programmatic aspects of the Administration's human services realignment proposal.
- Approves the Spring Finance Letter from the Office of the Patient Advocate (OPA) requesting \$184,000 from the OPA Trust Fund and one two-year limited term position to meet new statutory requirements under AB 922 (Monning), Chapter 552, Statutes of 2011, to develop a Complaint Data Reporting Project. Requests that the OPA provide a roadmap of expected activities and milestones to meet the requirements of AB 922 by June 15, 2013.
- Approves the May Revision request from the Department of Social Services for support for three positions related to the intersection between the implementation of the Affordable Care Act with Human Services programs, with a requirement to the Department to be prepared to report to the Subcommittee during the 2014 spring hearing process on a vision and framework for the improvement of human services programs as a result of integration efforts, with clear and concrete goals for what this enhancement will look like for families receiving benefits, workers and training at the county office level, and systems more broadly. This framework should include timelines for achieving goals and metrics to evaluate outcomes. Requests that the approved positions work closely with the County Welfare Directors Association of California and county human services agencies, as well as other stakeholders, in development of this vision and framework.

Department of Developmental Services

- Approves the Governor's proposal related to co-payments and co-insurance tied to accessing services identified as necessary in the consumer's Individual Program Plan (\$9.9 million General Fund in 2013-14) and trailer bill language, with the following changes: 1) clarification that the trailer bill language is intended to cover co-insurance, as well as co-pays; 2) clarification that the use of the word "parent" also includes guardians or caregivers; and, 3) inclusion of trailer bill language to require data collection related to coverage by regional centers of co-payments and co-insurance.
- Approves the Governor's proposal to make the annual family fee permanent. Additionally, directs the Department to continue to work with each regional center to ensure that the fee will be implemented as intended, and to update the Legislature on those efforts.
- Approves trailer bill language to clarify placements into Institutions for Mental Disease (IMDs), strengthens the required assessment process for consumers, and assures the involvement of client's rights advocates in the appropriate legal proceedings to assist the interests of consumers petitioning to leave a developmental center (DC).
- Approves the May Revision requests to backfill \$15.7 million in federal funding and fund the Independent Consultative Review Expert (ICRE) contract for the Sonoma Developmental Center. Rejects the May Revision proposed provisional Budget Bill Language as it related to unanticipated costs associated with activities pursuant to the ICRE's recommendations, scoring \$10 million in General Fund savings associated with this.
- Adopts uncodified trailer bill language requiring that the Administration submit a master plan for the future of developmental centers, which it has committed to produce by November 15, 2013, to the appropriate fiscal and policy committees of the Legislature, by that same date. Requires the administration to report, by January 10, 2014, on the resulting plans to address the service needs of all DC residents, including a timeline for future closures, and the statutory and regulatory changes that may be needed to ensure the delivery of cost-effective, integrated, quality services for this population.
- Approves the requested resources and authority for 88 positions (18-month, limited-term) for Lanterman DC and adopted uncodified trailer bill language on closure of the facility by fall of 2014, but no later than December 31, 2014. Also directs the Department to provide quarterly briefings on the meeting of milestones and timelines as previously outlined, to begin July 2013 and which may coincide with the briefings related to Sonoma DC (described below).

- Approves the requested resources and authority for 36 positions (two-year, limited-term) for Sonoma DC issues and directs the Department to provide quarterly briefings to update leg staff regarding implementation of corrective actions and the Program Improvement Plan for the facility, as well as its staffing (e.g. the use of overtime and the ratio of licensed to unlicensed staff where relevant) and the collaboration between DDS and RCs regarding required assessments of residents' needs, to begin July 2013.

Department of Aging

- Approves the January BCPs related to the Chronic Disease Self-Management Education Grant Program (\$1.7 million in federal fund expenditure authority over three years), the Supplemental Nutrition Assistance Program Nutrition Education Obesity Prevention Program (SNAP-Ed) (\$3.6 million in federal fund expenditure authority over three years and a two-year, limited-term position), and the New Freedom Transportation Grant Extension Request (\$106,000 in federal fund expenditure authority and a six-month extension for a limited-term position).
- Approves the May Revision requested expenditure authority (\$660,000 in 2013-14) and budget bill language relating to the Health Insurance Counseling Program.

Department of Child Support Services

- Approves the May Revision request to authorize receipt of additional federal trust funds (\$276,000) due to improved performance.

Department of Rehabilitation

- Approves the May Revision requested transfer of Client Assistance Program responsibilities from the Department to Disability Rights California, reducing program administrative costs by an estimated \$198,000 annually, allowing additional funding to become available for direct services. The total federal fiscal year 2013 grant is \$1.2 million.

Department of Alcohol and Drug Programs

- Approves the BCP requests as budgeted, facilitating the transfer of Alcohol and Drug Program (ADP) responsibilities pursuant to the Transition Plan as developed with stakeholders and presented as part of the Governor's 2013-14 Budget. Additionally, approves trailer bill language to effectuate the ADP transfer, using the Administration's proposal as a basis, with the following modifications: 1) including a mechanism to require continued legislative oversight as this transition unfolds over the next few years; 2) requiring continued stakeholder involvement and input as the delivery of alcohol and other drug (AOD) and healthcare services in California continues to evolve; and, 3) establishing a baseline for evaluating on an ongoing basis how and why AOD service delivery improved or changed as a result of this administrative transfer.

K-12 EDUCATION

Proposition 98 (K-14)

- **Overall Funding Levels.** Provides a Proposition 98 minimum guarantee of \$56.5 billion in the current year and \$55.3 billion for 2013-14. The budget assumes the Administration's revenue estimates and LAO property tax revenue estimates, which provide roughly the same level of funding for K-14 education as compared to the Governor's May Revision.
- **Deferrals.** Pays down a total of \$4.3 billion in ongoing Proposition 98 deferrals over two years. Specifically, the budget increases deferral payments in the current year by \$1.8 billion (for a total of \$4 billion in 2012-13) and buys down \$266 million in ongoing deferrals in 2013-14. After these payments, the outstanding K-14 deferral balance is \$6.2 billion.
- **Proposition 39.** Provides a total of \$456 million in Proposition 39 revenues from the Clean Energy Job Creation Fund for K-14 education energy efficiency programs in 2013-14. Specifically, the budget provides \$381 million for K-12 grants; \$47 million for Community College grants; and \$28 million to the State Energy Conservation Assistance Account for a revolving loan fund for K-14 projects.
- **Adult Education.** Collapses funding for this program into the Local Control Funding Formula. The \$630 million dedicated to this program has been flexible since 2008, meaning districts could use these funds for any educational purpose. However, if a school district chose to spend money on adult education in 2012-13, the district will now be required to expend no less funding for this program in 2013-14 and 2014-15. (The same MOE requirement also applies to Regional Occupation Centers/Programs). The budget also appropriates \$25 million for two year planning grants for coordinating and integrating adult education services in community colleges and school districts.

Local Control Funding Formula

- Provides \$2.1 billion (Proposition 98) for the purposes of implementing the Local Control Funding Formula (LCFF) for school districts and charter schools. This funding represents 12 percent growth towards a district's "target" funding level. Full implementation is estimated to take eight years (2020-21). The budget also provides \$32 million to implement a new funding plan for County Offices of Education (COEs). Full implementation for COEs is estimated to take roughly three years.
- Formula components:
 - Base grants. Establishes a base per pupil funding grant "target" for each school district and charter school using the following four grade span adjustments:
 - \$6,845 for grades K-3
 - \$6,947 for grades 4-6

- \$7,154 for grades 7-8
- \$8,289 for grades 9-12
- Supplemental and Concentration Grants. Provides a supplemental grant of 20 percent of the base rate for low income (LI), English learner (EL) and Foster Youth (FY) students.
- Provides additional concentration grant funding if 55 percent of students are EL/LI/FY. Districts will receive an additional 50 percent of the base rate for each EL/LI/FY student above this 55 percent threshold.
- Provides a K-3 Class Size Reduction adjustment (\$723 per pupil) and a grade 9-12 adjustment (\$219 per pupil) in addition to base grant funding. The 9-12 adjustment is unrestricted however; the CSR adjustment requires progress towards maximum site average of 24 students enrolled in each class.
- Requires the State Board of Education to adopt regulations that govern the expenditure of the supplemental and concentration grant funding. These regulations require school districts, COEs and charter schools "to increase or improve" services for unduplicated pupils in proportion to the increase in funds.
- Cost of Living Adjustments and Growth. Applies annual COLAs to each district's LCFF target. The COLA for 2013-14 is 1.565 percent. Student growth is adjusted both through average daily attendance (ADA) and unduplicated, three-year average counts of LI/EL/FY.
- "Add-On" funding. Continues to provide Targeted Improvement Instructional Grants (TIIG) (\$855 million) and Home to School Transportation (HTST) funds (\$491 million) to school districts at their 2012-13 funding levels. These funds are an "add-on" to a district's LCFF formula and are locked in at 2012-13 levels, not subject to cost of living increases. Districts have flexibility with the use of TIIG funds, however HTST funds must be used for transportation, and districts are required to spend no less than they expended in 2012-13 on the program.
- Economic Recovery Target (ERT). Provides another "add-on" to the LCFF formula, designed to provide additional funding to ensure nearly all districts are restored to their 2007-08 pre-recession funding levels. Districts eligible for this add-on are provided funding incrementally over the eight-year implementation period and are then provided the full ERT payment starting in 2020-21 and each year thereafter. School districts above the 90th ERT percentile (about \$14,500 per pupil) will not receive this additional funding.
- Accountability components:
 - Requires school districts and county offices of educations to adopt a Local Control and Accountability Plan (LCAP) for the purposes of measuring pupil achievement pursuant to specified state priorities. Requires districts and COEs to file a copy of the LCAP with the COE or Superintendent of Public Instruction (SPI) and creates a process for review and recommendations.

- Provides \$10 million for a new statewide collaborative - California Collaborative for Educational Excellence (CCEE) - to provide technical assistance to school districts and COEs struggling to meet goals in their LCAP. Authorizes the SPI to intervene in school districts and COEs who continue to struggle to meet state priorities after technical assistance is provided by the CCEE.
- Requires charter schools to update their charter petitions annually to reflect state and local goals and annual student progress, similar to the requirements for school districts and COEs. Requires the charter school to consult with teachers, principals, other school-site staff, parents, and pupils when updating the petition. Establishes a process for revocation of a charter not meeting pupil outcome objectives.

Other K-12 Program adjustments

- Maintains several programs separate from the Local Control Funding Formula (LCFF) including:
 - Special Education (\$3.7 billion)
 - After School Education and Safety (\$547 million)
 - Preschool (\$481 million)
 - Quality Education Investment Act (\$313 million)
 - Mandate Block Grant (\$217 million)
 - Child Nutrition (\$157 million)
 - Student Assessments (\$75 million)
 - Partnership Academies (\$21 million)
 - Foster Youth Services (\$15 million)
 - Adults in Correctional Facilities (\$15 million)
 - Specialized Secondary Programs (\$5 million)
 - County Office Fiscal Oversight (\$4.8 million)
 - Agricultural Vocational Education (\$4 million)
 - Indian Education Centers (\$4 million)
 - American Indian Early Education Programs (\$.5 million)
- Provides \$1.250 billion to assist local education agencies with implementation of the Common Core State Standards.
- Provides \$250 million for the California Technical Education Pathways Grant Program. This new competitive grant program for regional partnerships would link high schools, community colleges, and businesses and build and improve career pathway programs, with a focus on work-based learning opportunities for students in high-growth economic sectors.
- Provides \$217 million for the Mandate Block Grant. This \$50 million increase reflects the inclusion of the Graduation Requirement mandate in the block grant. The final budget package rejected the Governor's proposal to include the Behavioral Intervention Program (BIP) mandate in the block grant. However, the budget includes language that more closely aligns state law with federal law to reduce costs related to behavior interventions while maintaining important student protections.

- Makes a number of changes to special education funding including AB 602 base formula modifications and several program consolidations.
 - *AB 602 base special education formula.* Separates state and federal funding for special education programs, recalculates, and updates the statewide average target rate to reflect these changes.
 - *Regionalized Services/Program Specialists.* Combines \$92.5 million in funds for these programs into the larger AB 602 formula. Continues \$2.7 million for regionalized services to small SELPAs.
 - *Program consolidations.* Consolidates two similar Workability grant programs, consolidates three programs targeted to low incidence disabilities, consolidates two extraordinary cost pool allocations into one allocation
- Continues the requirement for school districts to offer surplus property to charter schools through 2016.
- Shifts administration of the Charter School Revolving Loan Fund and the Charter School Facility Grant Program from the Department of Education to the California School Finance Authority in the State Treasurers Office.
- Codifies attendance funding for charter schools that provide multi-track school calendars.
- Extends ability for school districts to use proceeds from the sale of surplus property for one-time operating expenses without forfeiting eligibility to request more state funds for new construction and modernization, until January 1, 2014.
- Provides \$1.5 million federal Title II funds for professional development activities, including \$600,000 for CDE to develop professional development modules with a focus on administrators.
- Backfills the \$1.8 million General Fund reduction to the State Special Schools with one-time federal IDEA funding.
- Authorizes Inglewood Unified School District (IUSD), through the Department of Education, to request cash flow loans from the General Fund for a total of up to \$55 million. The interest rate is set at the Pooled Money Investment Account (PMIA) rate plus 2 percent. This authorization replaces the authorization established through SB 533 (Wright), Chapter 325, Statutes of 2012, which appropriated \$29 million for an emergency loan to IUSD and authorized an additional \$26 million of lease financing through the California Infrastructure and Economic Development Bank (I-Bank).

- Provides annual apportionments beginning in 2013-14 to the South Monterey County Joint Union High School District to fund the difference between annual payments under the I-Bank loan and what the district would be paying under a General Fund loan with an interest rate set at the PMIA rate plus 2%. These "gap" payments will continue through 2029-30, reflecting the term of the loan.

Veto Action

- Cuts \$30 million dedicated to equalizing the special education base funding formula. According to the Administration, 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.
- Sustains \$10 million for the California Collaborative for Educational Excellence (CCEE), created under the Local Control Funding Formula. According to the Administration, although the Budget creates this entity to provide critical assistance to local education agencies, additional work is necessary to properly define its governance composition and ongoing role within the accountability structure of the Local Control Funding Formula. Further, it is the expectation of the Governor that subsequent legislation be enacted this year to define the governance roles and responsibilities for CCEE through an agreed upon plan by the Department of Education, the State Board of Education, and the Department of Finance.
- Sustains \$4.9 million for Special Secondary Programs for the budget year but notes that the Administration will examine whether funding should continue as a separate categorical program in the future given the new Local Control Funding Formula.
- Sustains \$4.1 million for the Agricultural Career Technical Education Incentive Program in the budget year but notes that the Administration will examine whether funding should continue as a separate categorical program in the future given the new Local Control Funding Formula.
- Eliminates \$225,000 in one-time federal Title III funds for the translation of parent notifications and templates. According to the Administration, 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.

CHILD CARE & DEVELOPMENT SERVICES

- Appropriates \$30 million for additional preschool slots, these additional funds should create approximately 8,100 new part-day preschool slots.
- Appropriates a \$25.6 million above the May Revision for additional child development programs slots in capped programs—like General Child Care, Alternative Payment, and the Migrant Child Care program. This represents approximately 3,300 full-day child care slots.
- Adopts Budget Bill Language that allows the Department of Finance to adjust expenditures in the CalWORKs State 2 and Stage 3 programs if caseload estimates assumed in the budget are insufficient to cover the true caseload.
- Backfills an anticipated \$15.8 million federal fund reduction to child care programs due to sequestration.
- Adopts Trailer Bill language to allow CDE to simplify the family fee schedule by switching from a monthly to a daily rate and creating specific rate levels.
- Includes reporting language for the CDE to provide the Legislature with a preschool plan to implement the President’s vision of expanded preschool access.
- Includes language to require CDE to report preschool fee data to the Department of Finance. This data should help further support the Assembly’s goal to eventually eliminate this family fee for preschool.

HIGHER EDUCATION

California Community Colleges

- Funds 1.63 percent enrollment growth to begin reversing a 5-year decline in access to community colleges.
- Augments categorical programs, increasing many programs that are key to students' success, such as the Disabled Students Programs and Services, Extended Opportunity Programs and Services, and the new Student Success program. This funding also will allow the Chancellor's Office to develop E-Planning tools for students and create a Common Assessment System. Funding for categorical programs is increased by \$88 million over the January Budget.
- Approves language directing the Chancellor's Office to use \$16.9 million of its state funding to improve students' access to courses through technology. The Chancellor's Office plans to use the funding to develop a common, statewide online system, reducing local costs, and support burden, and providing a common learning "look and feel" for all students statewide, and allow for cross-campus courses.
- Approves a 1.57 percent cost-of-living adjustment, the first such COLA since 2007-08.
- Increases the paydown of deferrals to the community college system by \$178.6 million in 2012-13 and adds another \$30 million to the paydown of deferrals in 2013-14. This will reduce the total outstanding amount of deferrals from \$961 million in 2011-12 to \$592.5 million by the end of 2013-14.
- Approves \$47 million in Proposition 39 funds for energy efficiency projects at community colleges. Allows the Chancellor's Office to distribute the funds to districts based on Proposition 39 requirements and guidelines developed by the Chancellor's Office.
- Provides \$25 million in planning grants for adult education programs to promote regional collaboration between community colleges, K-12 school districts and other providers, aimed at expanding and improving services to adult learners.
- Repeals the matriculation (Student Success) and apprenticeship categoricals from the flex, thus requiring districts to spend the funding for these programs on these services.
- Approves trailer bill language that would allow students receiving CalWORKs benefits to sign up for classes earlier than other students. Due to actions taken in the 2012 Budget Act, CalWORKs recipients have much less time on benefits and might run out of benefits as they wait to enroll in classes.

- Allows for a Proposition 98 General Fund allocation of up to \$100 million to community colleges if the Department of Finance determines that property tax revenues owed to colleges for Fiscal Year 2012-13 based on the dissolution of redevelopment agencies do not meet projections. Finance must make this determination by December 31, 2013.
- Rejects the Administration's proposal to shift apportionment funding from the beginning of the term to the end of the term. The proposal does not address a significant problem and could provide perverse incentives for colleges to offer less-rigorous courses.
- Rejects the Administration's proposal to impose a cap on the number of units a student can take. Students exceeding the cap would be required to pay the full cost of instruction. This is a harsh penalty on students who might have excessive units due to difficulties in enrolling in classes.
- Rejects the Administration's proposal to require every student who receives the BOG Fee Waiver to fill out a federal financial aid form. The proposal also called for a significant change in how colleges determined if a student was dependent from their parents in determining eligibility for the waiver. This proposal also does not address a significant problem and could lead to more than 100,000 students losing their fee waiver.

California State Library

- Requires the State Librarian to develop a plan by February 1, 2014 to bring high-speed Internet capabilities to all public libraries.

University of California

- Approves a 5-percent state General Fund increase, totaling \$125.1 million, to the University of California.
- Requires the University to begin providing data on nine separate performance measures, including graduation rates, community college transfer rates, graduation rates among low-income students, and number of degrees issued in the STEM (Science, Technology, Engineering, and Mathematics) fields.
- Approves the Administration's proposal to move capital outlay costs into the University's main appropriation and allow the university to restructure its lease-revenue debt service. The proposal will allow the university to better manage its infrastructure planning and costs and could save money in the short term.
- Approves the construction of a new building at UC Merced, which will allow the campus to increase enrollment as planned.
- Rejects the Administration's proposal to impose a cap on the number of units a student can take. Students exceeding the cap would be required to pay the full cost of instruction. University officials noted the purported problem of students taking too many

classes before they graduate was not a significant issue and that the proposed policy could impact students taking double-majors or other high-unit majors.

- Approves trailer bill language that will require the university to provide biannual reports on the costs of education, broken down by undergraduate instruction, graduate instruction, and research activities, as well as by differing disciplines, such as liberal arts or STEM.

Veto Action

- Deletes provisions 6, 8, 10, 11, 12, 13, 14, and 15 in item 6440-004-0001 from AB 110, which required the University of California to expend a small percentage of state support funds on specific programs. The Governor stated that eliminating the provisions will give UC more flexibility to manage its resources. These provisions specified funding to the following programs: increasing the number of online courses, funding for Service Unit X if a memorandum of understanding was reached, the Charles R. Drew Medical Program, Acquired Immune Deficiency Syndrome research, Student Academic Preparation and Education Programs, nursing programs, the Program in Medical Education, the California State Summer School for Mathematics and Science, the Science and Math Teacher Initiative, the California Subject Matter Projects, student financial aid, and the Labor Centers.
- Deletes provisions 16 in item 6440-001-0001 from AB 110, which stated legislative intent for the University of California to enroll at least 211,499 full-time equivalent students during the 2013-14 academic year. The Governor stated that this provision would make enrollment the primary driver of state budgeting for higher education. Instead, the Governor believes UC should focus on the timely graduation of students and on other performance measurements.
- Deletes Item 6440-301-0658 from AB 110, which provided \$375,000 in General Obligation Bond funding for the equipment phase of the UC Merced Science and Engineering Building 2 project. The funding for this item was provided instead in AB 94.

Hastings College of Law

- Approves \$455,000 in additional General Fund spending over the 2012-13 amount for Hastings College of Law.

California State University

- Approves a 5-percent state General Fund increase, totaling \$125.1 million, to California State University.
- Requires the university to begin providing data on nine separate performance measures, including graduation rates, community college transfer rates, graduation rates among low-income students, and number of degrees issued in the STEM (Science, Technology, Engineering and Mathematics) fields.

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- Approves the use of lease-revenue bonds to address seismic and structural issues at the four-building Classrooms, Laboratories and Administration complex on the CSU Pomona campus.
- Rejects the Administration's proposal to impose a cap on the number of units a student can take. Students exceeding the cap would be required to pay the full cost of instruction. This is a harsh penalty on students who might have excessive units due to difficulties in enrolling in classes.
- Approves trailer bill language that will require the university to provide biannual reports on the costs of education, broken down by undergraduate instruction, graduate instruction, and research activities, as well as by differing disciplines, such as liberal arts or STEM.
- Modifies the Administration's proposal to freeze the state's contribution to CSU pension costs based on the system's 2012-13 payroll by switching from 2012-13 – an artificially-low payroll year – to 2013-14.

Veto Action

- Deletes provisions 5, 8, 9, 10, and 12 in item 6610-001-0001 from AB 110, which required California State University to expend a small percentage of state support funds on specific programs. The Governor stated that eliminating the provisions will give CSU more flexibility to manage its resources. These provisions specified funding to the following programs: increasing the number of online courses, nursing programs, student academic and preparation and student support services programs, the Science and Math Teacher Initiative, and the ethnic and women's studies programs at California State University, Long Beach.
- Deletes provisions 11 in item 6610-001-0001 from AB 110, which stated legislative intent for California State to enroll at least 342,000 full-time equivalent students during the 2013-14 academic year. The Governor stated that this provision would make enrollment the primary driver of state budgeting for higher education. Instead, the Governor believes CSU should focus on the timely graduation of students and on other performance measurements.

California Student Aid Commission

- Approves the Middle Class Scholarship, which provides grants to families earning less than \$150,000 annually. The program will allow students with family income under \$100,000 who do not qualify for other financial aid programs to receive as much as 40 percent off of UC or CSU tuition, and provide smaller discounts to students with family income up to \$150,000. The program could eventually provide scholarships to more than 130,000 students and addresses the major tuition increases during the past decade that have had the most impact on the middle class. Per the agreement with the Governor, the program will begin administrative ramp-up in 2013-14 and offer scholarships for the first time in 2014-15, with incremental increases in funding for three years until full implementation in 2017-18.

- Makes no major changes to the Cal Grant program. Provides \$1.7 billion for Cal Grants in 2013-14.
- Creates a new fund that will allow the Student Aid Commission to assist other states in implementing the Dream Act. Through the use of this fund, the Commission will be able to improve its Dream Act services to California students.
- Adopts a transfer of approximately \$541.7 million in Temporary Assistance to Needy Families 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 in the May Revision).

Veto Action

- Deletes provision 4 in item 6980-101-0890 from AB 110, which allowed for state funding of the federal College Access Challenge Grant funds if federal funding was not provided. The Governor states that the state funding source in this provision – the Special Fund for Economic Uncertainties – should only be used for critical needs, emergencies and legal obligations, and that the administration anticipates continued federal funding for this program.

NATURAL RESOURCES

Secretary for Natural Resources

- Approves \$6.6 million (Timber Regulation and Forest Restoration Fund) and 49 permanent positions to implement the regulatory requirements of AB 1492 (Blumenfeld), Chapter 289, Statutes of 2012, which established new forest resource management funding through an assessment on lumber.
- Approves the shift of \$1,918 (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.
- Adopts trailer bill language to allow Legislators to appoint alternates to attend Resource Agency board or commission meetings in their absence.

California Conservation Corps

- Approves \$5 million (Proposition 40) annually for the next three years to support fire prevention activities.

Department of Forestry and Fire Protection

- Approves \$4.2 million from the State Responsibility Area Fund (SRA Fund) for the Civil Cost Recovery Program. Approves the conversion of ten positions from limited-term to permanent in the program.
- Approves \$500,000 (General Fund) one time for the disposal of seized illegal and dangerous fireworks.
- Approves \$11.7 million (SRA Fund) and 65 positions to address fire severity, treatment, education, prevention, and planning. Adopts budget bill language dealing with vegetation management and fuel breaks in high-risk communities.

Department of Fish and Wildlife

- Approves \$12.1 million (Salton Sea Restoration Fund) for monitoring and pilot studies related to the Salton Sea Habitat restoration. Approves \$28 million (Proposition 84 bond funds) to construct managed ponds to support area wildlife.
- Approves \$2.5 million (Wildlife Restoration Fund) for management and oversight of state-owned land. Approves 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.

California Coastal Commission

- Approves an augmentation of \$4 million (General Fund) including \$1 million local assistance and \$3 million state operations to increase the state's funding for local coastal plan updates.

Veto Action

- Reduces the two-year, legislative augmentation of \$3,000,000 for the California Coastal Commission to address the current backlog of Local Coastal Plans awaiting review to a one-time basis.

Department of Parks and Recreation

- Approves \$1 million (DPR Fund) for three years including budget bill language for Goat Canyon Sediment Basin maintenance. Directs the department to seek other funding for this project that is the result of polluted runoff from Mexico.
- Approves \$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.
- Approves the reappropriation of all Off-Highway-Vehicle (OHV) program requests.
- Approves \$1.2 million (Proposition 40) local assistance for Eastshore State Park.
- Approves the transfer of building ownership from Caltrans District 11 to the Department of Parks and Recreation to repurpose the property as part of the capital outlay plans for the State Historic Park.

Department of Water Resources

- Approves \$82.9 million (Proposition 1E bond funds) for continued implementation of the flood management system through the FloodSAFE Program.
- Approves \$37.7 million (Proposition 84 bond funds) over two years for the state's share of the restoration of Lake Perris Dam to maximize operational and recreational facilities and remediate seismic and public safety concerns.
- Approves \$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.
- Approves \$653,000 for three years (Proposition 40 bond funds) to support a real-time ground-based measurement network of snowpack, soil moisture, and vegetation state across watersheds.

Veto Action

- Eliminates the legislative augmentation of \$653,000 for the American River Water Information System.
- Eliminates the legislative augmentation of \$3,000,000 Salton Sea Restoration Fund for extension of the Salton Sea Financial Assistance Program.

Air Resources Board

- Approves a \$500 million loan from the Greenhouse Gas (GHG) Reduction Fund to the General Fund.
- Approves \$1.3 million and two positions from the GHG Reduction Fund to enhance oversight of Cap and Trade auction activities and budgetary administration.

Department of Pesticide Regulation

- Approves five positions to increase enforcement of the state's pesticide regulations and the speed of pesticide product re-referral reviews and approvals.
- Approves \$788,000 (Department of Pesticide Regulation Fund) and five positions to address the mitigation of pesticide use in the environment. Provides provisional language to require the department to provide five risk assessments by June 30, 2014.

Veto Action

- Reduces the legislative augmentation of \$633,000 Department of Pesticide Regulation Fund and 5 positions to increase enforcement of state pesticide regulations by \$250,000 and 2 positions.
- Eliminates a provision, which requires the Department of Pesticide Regulation to conduct a minimum of 5 risk assessments annually.

State Water Resources Control Board

- Approves an \$800,000 (Waste Discharge Permit Fund) augmentation to the Board for Beach Water Quality Monitoring.
- Approves seven positions to the Water Board to increase the oversight and enforcement of the state's laws and regulations dealing with agricultural wastewater discharges.
- Approves \$7 million for small disadvantaged community wastewater project grants to be funded by the State Water Pollution Control Revolving Fund, Small Community Grant Fund.

Veto Action

- Reduces the legislative augmentation of \$969,000 and 7 positions to increase enforcement under the Irrigated Lands Program by \$319,000 and 2 positions.

Department of Resources Recycling and Recovery

- Approves \$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.
- Approves a proposal to reform the Beverage Container Recycling Program funding structure and collection methods to provide structural stability and increased financial management oversight.

Office of Environmental Health Hazard Assessment

- Approves \$577,000 and three positions from the GHG Reduction Fund to identify disadvantaged communities in California that will benefit from investments made by the state from Cap and Trade allowance proceeds.

California Energy Commission

- Approves \$192.6 million and 55 positions from Investor Owned Utility ratepayer funds for the implementation of the Electric Program Investment Charge (EPIC) and adopted trailer bill language to set funding parameters.
- Approves a multi-year plan for the reduction of positions and expenditures related to the Public Goods Charge (PGC). This plan is necessitated due to the sunset of the PGC on January 1, 2012. The first year reduction includes a reduction of \$980,000 (PGC) and nine positions.
- Counts \$428 million of the energy efficiency portion of Proposition 39 revenues toward the Proposition 98 minimum guarantee except for \$8 million for workforce development. Counts other funding provided for non-98 programs. Allocated \$428 million for Proposition 39 energy programs; \$381 for schools; and, \$47 million for community colleges. Allocates \$28 million (6 percent) for a revolving loan program for schools and community colleges.

California Public Utilities Commission

- Approves trailer bill language to require the CPUC to conduct a zero-based budget for all of its programs by January 10, 2015. The language specifies that the zero-based budget shall be completed for the entire commission, rather than on a division-by-division basis.

- Requests the Joint Legislative Audit Committee direct the Bureau of State Audits to conduct an audit of CPUC's processes for auditing the accounts of those entities it regulates for regulatory and tax purposes. Requests the Department of Finance's Office of State Audits and Evaluations conduct a fiscal audit of the CPUC, paid for by the CPUC.
- Approves 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, as specified.
- Modifies a cyber-security project at the Lawrence Livermore National Lab to approve funding for research and development projects up to \$30 million over the five-year research period. Approves trailer bill language that prohibits the CPUC from creating new nonprofits with ratepayer funds.
- Approves five positions and \$391,000 for the Division of Ratepayer Advocates (DRA) for energy financial examiners, water auditors, and natural gas safety workload. Approval was granted provisionally such that DRA funds can be used solely for the support of the DRA activities. Approves trailer bill language to provide DRA autonomy from CPUC.

Department of Food and Agriculture

- Approves seven positions to increase the management, research, oversight, regulation, and enforcement of the state's laws and regulations related to fertilizer.
- Approves \$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.
- Approves \$2.5 million (Department of Food and Agriculture Fund) for two years and \$1 million (General Fund) 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.

TRANSPORTATION

- Adopts a proposal to combine three human-powered transportation programs, such as bicycle, and pedestrian programs into a single "Active Transportation Proposal."
- Approves the continued transfer \$67.0 million in special fund revenue to offset transportation debt service costs on a permanent basis.
- Appropriated \$258.2 million in Proposition 1B Bond Funding, reflecting the total amount anticipated for expenditure as of the May Revision.
- Approves a portion of Governor's January Budget reduction associated with the implementation of various efficiency measures, including the establishment of staffing levels that are consistent across 12 district offices. However, the Subcommittee restored positions that were proposed to be eliminated as part of the Active Transportation Program proposal.
- Adopts a Governor's January Budget proposal to increase by \$8.4 million and 10 positions to address additional workload and implement various efficiency measures, including streamlining and standardizing Caltrans' planning documents and reducing administrative costs for existing grant programs.
- Approves a May Revision reduction of \$36.3 million and 256 FTEs (184 state staff, 64 consultants, and 8 from overtime) resulting from an analysis of the needed workload for the program.
- Approves a May Revision increase of \$18.6 million special fund appropriations for the Pacific Surfliner AMTRAK line to reflect that due to a change in federal law, the State is now required to cover the federal share of cost for this service.
- Approves a \$2.2 million reduction to the equipment program as a result of a zero-based budgeting analysis of the program that was reflected in the May Revision.
- Approves a May Revision proposal to redirect 50 positions for Capital Outlay Support and Administration to the Stormwater program to address workload associated with the National Pollution Discharge Eliminate System Stormwater Permit. This action maintains the traditional split of 90 percent of work performed by state workers and 10 percent performed by contractors.
- Includes reporting language to require Caltrans to meet with experts and the community regarding the impact of certain construction projects in Sonoma County on migratory birds.

Department of Motor Vehicles

- Approves \$6.5 million to begin construction of a 7,583 square foot field office building in Grass Valley. This facility would replace the current 1,998 square foot facility that was formerly a California Highway Patrol building. The Assembly has previously approved funding for planning documents for this project in the 2012-13 budget.
- Approves \$980,000 and two limited-term positions for the implementation of SB 1298 (Padilla), Chapter 570 Statutes of 2012, which allows for the testing of autonomous vehicles. The bill requires DMV to adopt regulations to specify insurance requirements, testing, equipment, and performance standards for the safe operation of autonomous vehicles.

High Speed Rail

- Approves \$4.8 million and 44 positions for administrative support work associated with the ramp-up of the authority as project construction begins and \$265,000 and 41 positions to bring project management and oversight activities in-house. This request also includes provisional language to allow optional reimbursement to the authority and Caltrans to allow the Authority to use State staff for planning.
- Approves provisional language to allow for a one-time loan of \$26.2 million to the High Speed Rail Bond fund from the Public Transportation Account for the Authority's operating costs. The loan provides an alternative funding source for the Authority's support costs as the Authority seeks a validation action to affirm that the overall project is consistent with the funding requirements of the Proposition 1A bond act.
- Adopts statutory language to establish a process and rules for the relocations of utilities outside the right-of-way for the High Speed Rail project. The language is modeled after procedures already in place for Caltrans projects.
- Adopts budget bill language to allow unspent planning and acquisition funding to be reappropriated without reference to segment.

STATE ADMINISTRATION

Small Business and Economic Development Tools

- Approves \$27.6 million in federal funds for the Small Business Loan Guarantee Program for small business loans.
- Amends the California Constitution to allow a city, county, city and county, or special district to incur bonded indebtedness in order to fund specified public improvements and facilities, with 55 percent voter approval.
- Adds trailer bill language to prohibit the Honda Center, which is located in an enterprise zone in Southern California, from obtaining additional hiring credits if they lay off workers and later rehire workers for lower wages and benefits.

Franchise Tax Board

- Provides additional resources for the Enterprise Data to Revenue project to update and enhance the Franchise Tax Board tax systems and includes resources for improvements to the processing unit capacity to ensure that programs are administered successfully.
- Adopts trailer bill language that would require that any taxpayer who participates in an out-of-state Like-Kind Exchange (IRC Section 1031), and the accompanying deferral of California taxes, to file an informational form with the Franchise Tax Board. The language would provide an annual reporting requirement when the property acquired in the exchange is located outside of California.

Board of Equalization

- Includes additional resources and staff for the online e-Services to facilitate the ease of registration and make account maintenance more cost-effective. Also adds staff and resources for the fuel tax swap and Joint Operations Center.
- Adopts Governor's trailer bill language to prepare for the end of the triple flip by outlining a process to provide compensation to cities and counties once the mechanism is no longer needed to pay for the Economic Recovery Bonds.

State Controller's Office

- Adopts the Governor's May Revision proposal, which supports multiple efforts to assist with the unwinding of the MyCalPays and the 21st Century IT project. Includes additional oversight of the project including two-months of funding until a legislative oversight hearing occurs.

Employment Development Department

- Approves the use of \$261.5 million from the General Fund to make interest payments on the debt owed to the federal government related to unemployment insurance payments.
- Approves the one-time use of \$29.7 million from the Contingent Fund to support 297 positions in the Unemployment Insurance Administration Unit that would otherwise be lost due to the federal sequester.

Agricultural Labor Relations Board

- Approves \$189,000 in 2012-13, and \$502,000 in 2013-14, to support four new administrative support positions to allow the Board to operate its Oxnard office and improve timely responses to enforcing the Agricultural Labor Relations Act.

Department of Industrial Relations

- Eliminates the sunset dates and increases the annual revenue caps of the Occupational Safety and Health Fund, and the Labor Enforcement and Compliance Fund.
- Shifts internal funds and provides a one-time loan from the Targeted Inspection and Consultation Fund to stabilize the operations of the Compliance Monitoring Unit.
- Eliminates the High Hazard Assessment and shifts the assessment into the Occupational Safety and Health Fund, streamlining assessment collection for both businesses and the department. Shifts remaining funds and positions related to this assessment to the Process Safety Management Unit.
- Approves \$152.9 million in 2013-14, and \$146.5 million in 2014-15, and 82 positions from the Workers Compensation Administration Revolving Fund to implement reforms required by SB 863 (De León), Chapter 363, Statutes of 2012.
- Directs the department to use its statutory authority to approve a fee to support an increase in funding and at least 15 new positions for the Process Safety Unit, which inspects oil refineries and chemical plants.

Department of Veterans Affairs

- Authorizes \$6 million General Fund to assist veterans in accessing federal benefits. Approves \$3 million to develop state employee "strike force" teams that will work with the U.S. Department of Veterans Affairs to address the backlog in processing veterans claims. Also approves \$3 million in additional funding for County Veterans Service Offices. These actions will help returning veterans file claims for federal disability, pension and education funds, and speed up the process for approving these claims.

- Approves \$1.5 million General Fund to help begin construction of California Central Coast State Veterans Cemetery at Fort Ord. Includes budget language stating that the funding is intended as a loan that will be repaid and that prevents the appropriation until the U.S. Department of Veterans Affairs rank places the project on its State Veterans Cemetery Grant Program priority list.
- Approves one-time funding of \$1.8 million General Fund to implement a new electronic medical records system at the Yountville Veterans Home.
- Approves \$24.5 million General Fund to continue the staffing ramp up at the Redding and Fresno veterans homes. Both homes are expected to admit their first residents in Fall 2013.
- Approves the reduction of \$3.2 million General Fund to reflect the conversion of 82 beds from Skilled Nursing Facility to Domiciliary Units. The change will reduce state costs and allow the facility to better serve the area's homeless veterans population.

Department of Housing and Community Development

- Adopts Governor's May Revise proposal to provide \$25 million for the Housing Related Parks Program for 2013-14.
- Adds the Secretary of Business, Consumer Services and Housing to the membership of the Strategic Growth Council.
- Extends the liquidation period for funds previously appropriated from the Regional, Planning, Housing and Infill Incentive Account and the Transit Oriented Implementation Fund under Proposition 1C. Requires the Department of Housing and Community Development to update criteria and the process for the liquidation, and adds a technical adjustment for disencumbered funds.

Secretary of State

- Increases funding for additional staff to decrease the Business Filings Backlog, in order to achieve and maintain a 5 business-day processing time. Includes language requiring the Secretary of State's office to report monthly to the Department of Finance and Joint Legislative Budget Committee regarding their progress.
- Continues funding for California Business Connect, an information technology project that will create a centralized database for all business records and automate the filing and retrieving of business documents. The project is critical to maintaining a 5 business-day processing time for business filings, and is scheduled to be online June 2016.

Department of Insurance

- Approves funding and additional personnel to establish a California Health Benefit Exchange Program, and implements Health Insurance and Health Care Coverage reforms in compliance with federal Affordable Care Act mandates.

Department of Consumer Affairs

- Continues funding for the information technology project BreEZe, which will support all of the Department of Consumer Affairs' applicant tracking, licensing, renewal, enforcement, monitoring, cashiering, and data management needs.

Veto Action

- Reduces the Veterinary Medical Board enforcement program's budget by \$359,000 (from \$3,530,000 to \$3,171,000), and deletes five enforcement program positions. The Legislature increased resources beyond the Administration's proposal to reduce case processing time.

Commission on the Status of Women and Girls

- Provides a one-time General Fund appropriation to the Commission in order to support partnerships formed with the California Department of Veterans Affairs, the California Research Bureau, and the California Department of Education. Establishes a special account to house private donations, and includes language requiring the Commission expend all private funds prior to using any general fund dollars.

Alfred E. Alquist Seismic Safety Commission

- Creates the Seismic Safety Account, within the Insurance Fund, to establish a permanent funding source for the Commission. Funds the Account with an annual property assessment not to exceed \$0.15 per property of the insured.

Department of Technology

- Includes Trailer Bill language to complete the implementation of the 2012 GRP, which created the Department of Technology and transferred responsibility for Information Technology procurement to the Department of Technology from the Department of General Services.

LOCAL GOVERNMENT

Local Government Finance

- Adopts the Governor's May Revision proposal to provide funding to Amador, Alpine, and San Mateo Counties to making the counties whole for a shortfall associated with the tax swap as part of the "Triple Flip" that provided funding for the 2004 Economic Recovery Bonds.

Mandates

- Adopts the Governor's proposal to hire additional staff to comply with statutory timeframes and provide timely mandate determinations.
- Suspends five new mandates in addition to the mandates currently suspended, resulting in a cost savings of about \$519 million.
- Repeals five mandates that have been suspended in the Budget Act since 1992 by making them permissive. These mandates have either been pre-empted by federal law/state constitutional amendments or are best practices that local governments have been providing citizens without state involvement for years.

PUBLIC SAFETY**California Department of Corrections and Rehabilitation**

- Approves \$5 million to support treatment services for non-high risk sex offenders (increasing to \$12.4 million in 2014-15). This will provide the California Department of Corrections and Rehabilitation (CDCR) with the resources to contract for sex offender treatment services for both high risk and non-high risk sex offender parolees, as required by “Chelsea’s Law.”
- Approves the Administration's request for the level of resources necessary to keep all of the state's 39 male fire camps open and operating at their maximum capability.
- Increases the amount of financial support directed to local probation departments by \$107 million (\$72 million more than proposed in the Governor's January proposal). This funding is specifically intended for crime reduction efforts.
- Increases the number of mentally ill parolees served by the Integrated Services for Mentally Ill Parolees (ISMIP) program from 300 to 1,000. This increase will be funded, in its entirety, by related decreases in CDCR's prescription drug costs.

Veto Actions

- Department of Justice Legal Costs. Deletes a provision in the CDCR's budget requiring the CDCR to report to the Legislature on cost containment efforts and cost drivers for legal services provided by the Department of Justice.
- Parolee Literacy Referrals. Deletes a provision in the CDCR's budget requiring parole agents to refer parolees to state-funded adult literacy programs based on a needs assessment.

Board of State and Community Corrections**Veto Actions**

- Juvenile Justice Research Position at the Board of State and Community Corrections. Deletes a provision in the Board of State and Community Corrections' budget requiring one research position to be dedicated to juvenile justice research.

Judicial Branch

- Includes \$63 million intended to reduce the impact of past reductions and maintain and/or improve public access to justice. Access to this funding stream is contingent on courts meeting specified accountability measures.
- Includes the Governor's proposal to exempt certain funds from the previously imposed one-percent cap on the amount of reserves an individual court is allowed to carryover from year-to-year.
- Allows the AOC to transfer cash from specified court funds (State Court Facilities Construction Fund, Immediate and Critical Needs Account, Judicial Branch Workers' Comp Fund) to local courts, if local court cash balances are insufficient to support trial court operations. The total amount of the outstanding loans, statewide, cannot exceed \$150,000,000.
- Implements several measures intended to provide additional public access to Judicial Branch fiscal and policy decisions.

Veto Action

- Judicial Branch Transparency. Deletes a provision in the Judicial Branch's budget requiring the Judicial Council to develop and adopt a set of rules for granting public access to meetings.

Department of Justice

- Approves \$3.2 million to support background checks associated with new firearm purchases. According to DOJ reports, this program has prevented over 27,000 firearms from being transferred to violent criminals, domestic batteries, and other dangerous individuals.
- Includes funding to support an upgrade of the state's electronic prescription drug monitoring system. The current problem-plagued and antiquated system is ineffective due to low utilization rates by doctors and pharmacists. Consequently, diversion prevention and intervention efforts have been less than stellar.

California Highway Patrol

- Provides the California Highway Patrol (CHP) with \$17 million to support the replacement of department's four aircraft with the highest number of flight hours. CHP's aircraft play numerous roles California's health and safety system including search and rescue, emergency medical services, traffic enforcement, and assisting other law enforcement agencies.

**TRAILER BILLS
BUDGET ACT 2013-14****Bills of the 2013-14 Budget Act****Health****AB 82 (Committee on Budget)
Omnibus Health**

Chaptered June 27, 2013, Chapter 23, Statutes of 2013. Enacted June 15, 2013.

This is the omnibus health trailer bill. This bill reinstates a minimum level of dental care for adults in Medi-Cal, and removes the restrictions on the enteral nutrition benefit, beginning May 1, 2014. This bill extends Medi-Cal coverage to former foster youth who are enrolled and reach their 21st birthday between July 1 and December 31, 2013. This bill exempts preventative services and adult vaccines from cost-sharing in order to make the state eligible for an FMAP increase per the ACA. This bill requires DHCS to accept a grant from The California Endowment and seek federal matching funds for the support of application assistors and community-based organizations. This bill eliminates the physician seven visit cap in Medi-Cal. This bill extends the time period for which laboratory service providers have to submit data reports and eliminates the sunset on specialty pharmacy provider contracting. This bill transfers mental health facility licensing from the Department of Social Services to DHCS. This bill transfers AIM-linked infants from Healthy Families to DHCS. This bill clarifies and further defines the Safe Cosmetics website and requires its completion by December 31, 2013.

**SB 78 (Committee on Budget and Fiscal Review)
Managed Care Organization Tax**

Chaptered June 27, 2013, Chapter 33, Statutes of 2013. Enacted June 15, 2013.

This bill reinstates a tax on Medi-Cal managed care organizations by imposing a gross premiums tax (2.35%) in 2012-13, for \$128.1 million General Fund savings in the Healthy Families Program, and imposing the sales and use tax rate (3.9375%) in 2013-14 and beyond for approximately \$342.9 million General Fund savings. The savings in budget year and beyond are to be used to offset General Fund expenditures for Medi-Cal managed care rates for children, seniors, and persons with disabilities, and dual eligibles.

**SB 82 (Committee on Budget and Fiscal Review)
Mental Health Wellness Act**

Chaptered June 27, 2013, Chapter 34, Statutes of 2013. Enacted June 14, 2013.

This bill establishes the Investment in Mental Health Wellness Act of 2013 including findings and declarations regarding the need for a renewed investment in community-based mental health treatment options. The bill authorizes the California Health Facilities Financing Authority to administer a competitive grant program for counties to implement capital capacity and program expansions in order to increase capacity for mobile crisis support, crisis intervention, crisis stabilization services, crisis residential treatment and personnel resources. The bill authorizes the Mental Health Oversight and Accountability Commission to allocate funding to cities and counties for the deployment of triage personnel to assist individuals in gaining access to needed medical, mental health, substance use disorder and other community services. This bill increases the cap on state administration of Mental Health Services Act funds from 3.5 percent to 5 percent.

**SB 89 (Committee on Budget and Fiscal Review)
Supplemental Appropriations**

Chaptered June 27, 2013, Chapter 36, Statutes of 2013. Enacted June 14, 2013.

This bill is a deficiency bill for current year expenses. Most of this money will be used to account for higher than expected Medi-Cal caseloads, and the costs are reflected in the 2013-14 Budget.

**SB 101 (Committee on Budget and Fiscal Review)
Clean-Up to Omnibus Health Trailer Bill (AB 82, Chapter 23, Statutes of 2013)**

Chaptered September 26, 2013, Chapter 361, Statutes of 2013. Enacted September 10, 2013.

This bill appropriates funds that The California Endowment (TCE) is providing to the State, as approved through the 2013 Budget Act and AB 82. Specifically, the bill appropriates \$14 million in TCE funds and \$14 million in federal matching funds for compensating Medi-Cal application assisters. It also appropriates \$12.5 million in TCE funds and \$12.5 million in federal matching funds for grants to counties to conduct outreach to Medi-Cal-eligible populations. The bill also authorizes DHCS to expend up to \$500,000 of this funding in 2013-14, 2014-15, and 2015-16 to administer this funding. This bill also authorizes DHCS and DPH to liquidate DADP prior years' encumbrances, reflecting the elimination of DADP and transfer of DADP programs to DHCS and DPH.

Human Services

AB 74 (Committee on Budget) Human Services

Chaptered June 27, 2013, Chapter 21, Statutes of 2013. Enacted June 14, 2013.

This bill is the Human Services Omnibus trailer bill. It includes provisions intended to limit the use of group homes for young children in the child welfare system, clean-up provisions related to the In-Home Supportive Services Statewide Authority, and necessary statutory changes to implement semi-annual reporting in the CalWORKs and CalFresh programs. It also changes the allowable value of a vehicle retained by an applicant or recipient in the CalWORKs program and modifies the program's welfare to work flow. To align with current law on CalWORKs and budgetary changes in CalWORKs, the bill includes a statutory framework for components intended to make the program more effective, including a robust appraisal, family stabilization, and expanded subsidized employment.

AB 75 (Committee on Budget) Alcohol and Drug Programs

Chaptered June 27, 2013, Chapter 22, Statutes of 2013. Enacted June 14, 2013.

This bill authorizes the elimination of the Department of Alcohol and Drug Programs and authorizes the transfer of its programs and functions to other departments in state government. States that it is the intent of the Legislature that substance use disorder programs within the Department of Health Care Services, and the Office of Problem Gambling within the Department of Public Health, have input in policy decisions at the both department and agency level and continue to utilize system stakeholders for input on public policy issues. Requires that the impacts of these programmatic transitions are identified and evaluated, with annual reporting to the Legislature, to assess year-over-year changes that demonstrate how and why service delivery was improved, or otherwise changed as a result of this transition.

**AB 85 (Committee on Budget and Fiscal Review)
County True Up Mechanism & CalWORKs Five Percent Grant Increase**

Chaptered June 27, 2013, Chapter 24, Statutes of 2013. Enacted June 15, 2013.

This bill implements the mechanism for calculating county savings that result from the implementation of federal health care reform (per the ACA). The bill provides two options for most counties: 1) option 1 provides a formula for measuring actual county health care costs and revenues, the difference of which is to be considered savings from which 80 percent will be returned to the state; and, 2) option 2 requires all County Medical Services Program (CMSP) counties to provide 60 percent of their health realignment dollars with the state. The bill details what costs and revenues are to be included in the option 1 formula, and creates a cost cap. The bill details certain exceptions and variations for Los Angeles County. This bill also provides for the CalWORKs five percent grant increase in 2013-14, effective March 1, 2014, and describes the process for providing future grant increases. Finally, the bill specifies that the grant increases will be funded through the new Child Poverty and Family Supplemental Support Subaccount, which consists of redirected 1991 Realignment general growth funds.

**AB 89 (Committee on Budget)
Developmental Services**

Chaptered June 27, 2013, Chapter 25, Statutes of 2013. Enacted June 14, 2013.

This bill on Developmental Services requires that the administration submit a master plan for the future of developmental centers (DC), with a report due to the Legislature on by January 10, 2014, and requires the closure of Lanterman Developmental Center by December 31, 2014. Clarifies the existing restrictions on Institutions for Mental Disease (IMDs) and clarifies provisions regarding comprehensive assessments of the needs of DC and IMD residents. Ensures the presence of clients' rights advocates in proceedings and in individual program planning team meetings. Establishes authority for regional centers to pay the costs of health insurance copays and coinsurance payments that are associated with a consumer accessing services identified in a clients' Individual Program Plan and extends the Family Fee program by removing the sunset date.

**SB 67 (Committee on Budget and Fiscal Review)
In-Home Supportive Services (IHSS) Litigation Settlement**

Chaptered May 30, 2013, Chapter 4, Statutes of 2013. Enacted May 21, 2013.

This bill codifies the terms of the IHSS Litigation Settlement as achieved between the plaintiffs and the State in the spring of 2013. Changes authorize an eight-percent across-the-board reduction to recipient hours, which is an increase of 4.4 percent to the 3.6 percent reduction that has been in effect since 2010-11, to begin July 1, 2013 and to last for one year. In 2014-15, and on an on-going basis, there would be a reduction of seven percent, unless it is partially or fully "triggered off" by the state obtaining federal approval for an assessment on home care services that draws down federal funds. The bill also repealed the prior reductions to services, hours, and provider wages that were the subject of the legal settlement. This bill was a trailer bill to the Budget Act of 2012.

**SB 68 (Committee on Budget and Fiscal Review)
Budget Act of 2012**

Chaptered May 30, 2013, Chapter 5, Statutes of 2013. Enacted May 21, 2013.

This bill amends the Budget Act of 2012 (Chapters 21 and 29 of the Statutes of 2012) by amending Items 4140-001-3085, 4140-101-3085, 4140-490, 4300-003-0001, 4300-101-0001, and 5180-111-0001 of, and by adding Item 0250-491 to, Section 2.00 of, and by amending Section 39.00 of, that act, relating to the State Budget, and making an appropriation therefor.

**SB 94 (Committee on Budget and Fiscal Review)
Coordinated Care Initiative**

Chaptered June 27, 2013, Chapter 37, Statutes of 2013. Enacted June 17, 2013.

This bill implements changes to the Coordinated Care Initiative (CCI), which was adopted as part of the 2012 budget package. The bill replaces the current provision that governs whether the CCI is fiscally beneficial to the state, for purposes of continuing the program, with a revised provision that requires the fiscal analysis to include savings associated with the MCO tax. The bill "de-links" the integration of long term support services from the dual eligible pilots in the eight authorized counties such that the implementation of these different components of the CCI are not interdependent and therefore do not all have to be implemented at the same time with each other. This bill also requires the Department of Health Care Services to offer contracts to Medicare Advantage Special Needs Plans, as specified, so that they can continue to serve beneficiaries.

**SB 98 (Committee on Budget and Fiscal Review)
Clean-Up to County True-Up Mechanism**

Chaptered September 26, 2013, Chapter 358, Statutes of 2013. Enacted September 10, 2013.

This bill adopts a "Historical Allocation" methodology to fairly allocate available revenues proportionally for all unreimbursed costs incurred by county public hospital health systems, by determining the historical amounts or percentages of three specified revenue sources. This methodology was developed, and agreed to, by DHCS and the California Association of Public Hospitals & Health Systems, as required by AB 85. This methodology will determine the sources and amounts of each of the following three historical revenue sources that are currently used by counties to fund Medi-Cal and uninsured costs: 1) unrestricted special local health funds; 2) one-time and carry-forward revenues; and 3) county general purpose funds. The bill also provides additional time to establish the historical amounts and for counties to elect the 60/40 option or the formula. The bill also changes dates regarding 1991 Realignment General Growth dollars so as not to artificially inflate the base amounts and makes changes with respect to the use of sales tax and vehicle license fee (VLF) funds. The bill also makes other technical, nonsubstantive changes to provisions enacted by AB 85 to correct errors and comply with administrative norms requested by the Department of Finance (DOF), State Controller's Office (SCO), and counties and makes minor changes to previously-enacted CalWORKs and LIHEAP program policies to align with legislative intent and correct nonsubstantive errors in the original drafting.

Education

**AB 86 (Senate Budget and Fiscal Review)
Education**

Chaptered July 1, 2013, Chapter 48, Statutes of 2013. Enacted June 15, 2013.

This bill provides the necessary statutory changes in the area of K-14 education and child care in order to enact modifications to the 2012-13 and 2013-14 Budget Acts. The bill includes provisions to effectuate the payment of \$3.9 billion towards deferral obligations. The bill also provides \$1.25 billion to assist LEAs with implementation of the Common Core State Standards. For child care, includes language to simplify family fees paid by certain families that receive state-funded child care. For community colleges, shifts the apprenticeship categorical program in the K-12 system into a similar program within the community college system and requires the Community College Chancellor's Office and state Department of Education to work together to distribute \$25 million in planning grants for regional consortia to improve adult education programs.

**AB 94 (Senate Budget and Fiscal Review)
Higher Education**

Chaptered July 1, 2013, Chapter 50, Statutes of 2013. Enacted June 15, 2013.

This bill provides the necessary statutory changes in the area of higher education to support the Budget Act of 2013. The bill includes provisions to create the Middle Class Scholarship program, allow the University of California to use new authority to manage its capital infrastructure costs and needs, and enacts new reporting requirements that will require the University of California and California State University to provide information on the costs of undergraduate and graduate education and educational outcomes, including graduation rates. The bill also requires the University of California to use \$15 million of its General Fund appropriation to support costs associated with the Medical School at the University of California Riverside. The bill also creates a new fund for the California Student Aid Commission allowing it to improve Dream Act services for students.

**AB 97 (Committee on Budget)
Education – Local Control Funding Formula**

Chaptered July 1, 2013, Chapter 47, Statutes of 2013. Enacted June 14, 2013.

This bill contains the necessary statutory changes to implement the Local Control Funding Formula. Provisions include formulas for providing base grant funding to K-12 schools and County Offices of Education as well as supplemental and concentration grant funding based on the number of low income and English learners in each district. The bill also includes various fiscal and academic accountability measures.

**SB 73 (Budget and Fiscal Review Committee)
Proposition 39**

Chaptered June 27, 2013, Chapter 29, Statutes of 2013. Enacted June 15, 2013.

This bill contains statutory provisions related to implement Proposition 39, the California Clean Energy Jobs Act, necessary to enact the June budget package. It includes provisions specifying the allocation of Proposition 39 revenues that are appropriated in the budget act for energy efficiency projects for K-12 local educational agencies (LEAs) and community college districts, appropriates \$28 million in Proposition 39 revenues to the State Energy Conservation Assistance Account at the California Energy Commission in 2013-14, and appropriates \$3 million in Proposition 39 revenues to the California Workforce Investment Board to develop and implement a competitive grant program for eligible community-based organizations and other training workforce organizations preparing disadvantaged youth or veterans for employment.

**SB 91 (Senate Budget and Fiscal Review)
Education – Local Control Funding Formula (Clean-up)**

Chaptered July 1, Chapter 49, Statutes of 2013. Enacted June 44, 2013

This bill makes technical and clarifying changes to the Local Control Funding Formula as authorized through AB 97, Chapter 47, Statutes of 2013. Specifically, this bill corrects references to the Home-to-School Transportation program to clarify that the statutory references relate to the expenditure of funds rather than the source of funding; deletes requirements related to expenditure of funds for college and career readiness as well as mandate offset language related to these reporting requirements; and corrects a budget bill provision to appropriate \$10 million to the "California Collaborative for Educational Excellence" rather than the "California Local Control Accountability Support Network."

**SB 97 (Senate Budget and Fiscal Review)
Education – Local Control Funding Formula (Clean-up)**

Chaptered September 26, 2013. Chapter 357, Statutes of 2013. Enacted September 23, 2013.

This bill makes technical and clarifying changes to the Local Control Funding Formula as authorized through AB 97, Chapter 47, Statutes of 2013. Key K-12 education provisions include: clarification of requirements for districts and counties related to their local control accountability plan (LCAP), including local collective bargaining requirements; clarification of the fiscal agent for purposes of allocating funding for the California Collaborative for Educational Excellence (CCEE) and creation of a governing board to inform expenditures related to the CCEE. The bill also allows the Department of Finance to authorize up to \$100 million Proposition 98 General Fund for community colleges if the department determines that property taxes related to the dissolution of redevelopment agencies are not received as estimated for 2012-13.

Resources and Transportation

**SB 85 (Committee on Budget and Fiscal Review)
Transportation**

Chaptered June 27, 2013, Chapter 35, Statutes of 2013. Enacted June 14, 2013.

This bill contains statutory provisions related to transportation necessary to enact the June budget package. It includes a provision that continues the dedication of certain special fund revenues associated with transportation to debt service payments associated with transportation projects, resulting in an ongoing General Fund savings of \$67 million. This bill also provides the High Speed Rail Authority with authority to establish a process and rules for the relocations of utilities outside the right-of-way for the High Speed Rail project; creates a direct payment account for debt service from weight fees, rather than using weight fees to reimburse the General Fund; and includes language to specify cash accounting methods for special funds.

**SB 96 (Author:Budget and Fiscal Review Committee)
Resources**

Chaptered September 26, 2013, Chapter 356, Statutes of 2013. Enacted September 12, 2013.

This bill contains statutory provisions related to resources necessary to enact the June budget package. It includes provisions that consolidates ocean programs under the Secretary for Natural Resources, allows revenues from agricultural leases be directed to the management of those leases, reforms the Beverage Container Recycling Program at CalRecycle, requires the California Energy Commission, in administering the Electric Program Investment Charge, to develop and administer this program with a focus on ratepayers and with annual reporting to the Legislature, and makes several changes to the California Public Utilities Commission.

(NOTE: Prior to the final passage of SB 96 by both Houses, the Omnibus Resources Trailer Bill was contained in several vehicles voted on by the Senate and Assembly, including SB 72, AB 77, SB 84, and AB 102.)

**SB 99 (Committee on Budget and Fiscal Review)
Active Transportation Program**

Chaptered September 26, 2013, Chapter 359, Statutes of 2013. Enacted September 12, 2013.

This bill implemented a Governor's Budget proposal to combine various human-powered transportation programs into a singular Active Transportation program. The new program combines funding for bicycle, trail, and pedestrian programs into a single program that will be divided half for statewide distribution by the California Transportation Commission (CTC), forty percent for urban regions, and ten percent for rural and small urban regions. The funding must meet certain guidelines to be created by CTC that must reflect certain goals, like insuring underserved communities receive the funding. This bill also retains the Environmental Enhancement and Mitigation Program as a stand-alone program. As part of the agreement to adopt this program, the Safe-Routes-to-Schools is provided a guaranteed funding minimum for three years, which is contained in the budget act.

General Government/Local Government

**AB 76 (Committee on Budget)
General Government 1**

Vetoed by Governor on June 27, 2013

This bill contains statutory provisions related to general government necessary to enact the June budget package. It includes a provision that creates the Women and Girls Fund for all fundraising efforts by the Commission on the Status of Women and Girls, directs the Department of Industrial Relations to use existing statutory authority to implement a fee to support at least 15 new positions in the Process Safety Management Unit, transfers the Public Safety Communications Office from the Department of Technology to the Office of Emergency Services, creates a Victim Compensation and Government Claims Board grant programs, and requires the Department of Human Resources to report to the Legislature on the use of additional appointments. Made certain portions of the California Public Records Act and Local Government Ethics mandates permissive rather than mandatory.

**AB 81 (Committee on Budget)
Public Safety: Domestic Abuse**

Chapter August 27, 2013, Chapter 161, Statutes of 2013. Enacted August 15, 2013.

This bill restores statutory language related to domestic violence compliance by law enforcement that was eliminated by SB 71 (Budget Committee) Chapter 28, Statutes of 2013, a 2013-14 Budget trailer bill.

**AB 92 (Committee on Budget)
General Government 2**

Chaptered June 27, 2013, Chapter 26, Statutes of 2013. Enacted June 14, 2013.

This bill contains statutory provisions related to general government necessary to enact the June budget package. It includes a provision that extends the liquidation period for funds previously appropriated from the Regional, Planning, Housing and Infill Incentive Account and the Transit Oriented Implementation Fund under Proposition 1C by two years to June 30, 2017, requires any taxpayer who participates in an out-of-state Like-Kind Exchange to file an informational return form with the Franchise Tax Board when the property acquired in the exchanges is located outside of California, and makes a technical modification to be consistent with AB 1585 (Pérez, 2012) to have disencumbered and redeposited funds in the Transit-Oriented Development Account during 2013-14.

AB 93 (Committee on Budget)

Economic development: taxation: credits, deductions, exemptions, and net operating losses

Chaptered July 11, 2013, Chapter 69, Statutes of 2013. Enacted July 3, 2013.

This bill institutes two new tax programs – a Sales and Use Tax (SUT) exemption for manufacturing and bio-tech equipment and similar purchases, and a hiring credit under the Personal Income Tax (PIT) and Corporation Tax (CT) for employment in specified geographic areas. Additionally, this bill would result in phasing-out and ending certain tax provisions related Enterprise Zones (EZs) and similar tax incentive areas, and ending the current New Jobs Credit tax incentive program. The bill also provides for allocating income tax credits through the Governor's Office of Business and Economic Development (GO-Biz) to assist in retaining existing and attracting new business activity in the state.

AB 98 (Committee on Budget)

Alfred E. Alquist Seismic Safety Commission - Permanent Funding Source

Chaptered June 27, 2013, Chapter 27, Statutes of 2013. Enacted June 14, 2013.

This bill creates the Seismic Safety Account within the Insurance Fund to support the Alfred E. Alquist Seismic Safety Commission. This bill imposes an annual property assessment fee, not to exceed fifteen cents (\$0.15), to support the Commission and any administrative costs incurred by the Department of Insurance.

AB 106 (Committee on Budget)

Economic Development: Taxation: Credits

Chaptered September 26, 2013, Chapter 355, Statutes of 2013. Enacted September 25, 2013.

This bill provides additional clarification to the two Enterprise Zone bills that were passed in June of 2013 to ensure that concerns were addressed prior to the implementation in January. This bill revises the provisions to allow a taxpayer to apply for a voucher to claim a hiring credit until January 1, 2014, for tax incentive programs that are scheduled to end by December 31, 2013; requires a taxpayer to apply for and the local agency to issue the voucher no later than January 1, 2015; clarifies that the hiring tax credits for Enterprise Zones and Local Agency Military Base Recovery Areas (LAMBRAs) shall not be allowed with respect to any employee starting employment on or after January 1, 2014; and clarifies that a taxpayer may carry forward existing tax credits for a period of 10 years, beginning with the 2013 taxable year.

**AB 113 (Committee on Budget)
Budget Act of 2012**

Chaptered May 1, 2013, Chapter 3, Statutes of 2013. Enacted April 30, 2013.

This bill amends the Budget Act of 2012 to increase the appropriation for the Secretary of State by \$1.6 million only to be used to decrease business filing return times to 5-business days by November 1, 2013.

**SB 71 (Committee on Budget and Fiscal Review)
General Government 1**

Chaptered June 27, 2013, Chapter 28, Statutes of 2013. Enacted June 24, 2013.

This bill contains statutory provisions related to general government necessary to enact the June budget package. It includes a provision that creates the Women and Girls Fund for all fundraising efforts by the Commission on the Status of Women and Girls, directs the Department of Industrial Relations to use existing statutory authority to implement a fee to support at least 15 new positions in the Process Safety Management Unit, transfers the Public Safety Communications Office from the Department of Technology to the Office of Emergency Services, creates a Victim Compensation and Government Claims Board grant programs, and requires the Department of Human Resources to report to the Legislature on the use of additional appointments.

**SB 90 (Senate Budget and Fiscal Review)
Economic Development: Taxation: Credits**

Chaptered July 11, 2013, Chapter 70, Statutes of 2013. Enacted July 3, 2013.

This bill makes a number of changes to the provisions of AB 93 (Committee on Budget) of the 2013-14 Regular Session, and will become operative if AB 93 is chaptered and becomes operative. The bill extends the sales tax exemption for both the manufacturing credit and bio-tech credits to July 1, 2022. Additionally the bill replaces the term "former enterprise zone" with the term "economic development area" and expands the definition of "economic development area" to mean either a former enterprise zone or a LAMBRA. This bill also makes a number of changes to the provisions contained in AB 93 related to hiring credits by removing provisions related to the small business set aside, expanding the definition of "qualified employee" groups to include recipients of CalWORKs or general assistance, revising the definition of "ex-offender," and revising language related to the eligibility of veterans.

This bill creates up to five pilot areas, as specified, and requires GO-BIZ to designate those pilot areas, and sunset provisions related to the pilot areas as of December 31, 2020. This bill also prohibits a sexually oriented business from receiving the hiring credits proposed in AB 93, and creates definitions to implement those provisions.

**SB 100 (Committee on Budget)
General Government**

Chaptered September 26, 2013. Chapter 360, Statutes of 2013. Enacted September 19, 2013.

This bill makes technical corrections to the budget trailer bills adopted in June 2013. It includes updates to the Enhancing Law Enforcement Activities Subaccount allocation (ELEAS) percentages to ensure that all funds are allocated as intended; extends the sunset for the Juvenile Interstate Compact from July 1, 2014, to July 1, 2016 to ensure the supervision and placement of juvenile offenders living outside of California; revises the provisions allowing an eligible taxpayer to claim an income tax credit for the sales or use tax paid in connection with the purchase of qualified property to be used in an enterprise zone and a targeted tax area prior to January 1, 2014; clarifies that an officer or employee of nonprofit entities subject to taxation Section 501(c)(5) are subject to the same exemptions as an officer or employee of entities subject to taxation pursuant to Government Code Section 1090 (b)(1); and makes an appropriation to the Governor's Office of Business and Economic Development (GO-Biz) for the administration of the California Competes Tax Credit Committee.

**SB 102 (Budget and Fiscal Review Committee)
Side Agreements**

Chaptered September 27, 2013, Chapter 397, Statutes of 2013. Enacted September 12, 2013.

This bill approves side agreements entered into by the Administration and state bargaining units 1, 3, 4, 5, 7, 8, 11, 12, 15, 17, 18, 19, and 20. These agreements amend existing Memoranda of Understandings (MOU's), but do not constitute new MOUs. Authorizes salary increases for some members of Bargaining Unit 12, employees of the Department of Water Resources, requiring \$18.3 million in 2013-14. Also authorizes salary increases for some members of Bargaining Units 1, 4, and 7, employees of the Department of Motor Vehicles, requiring \$26.8 million in 2013-14.

Public Safety

SB 74 (Committee on Budget and Fiscal Review) Corrections

Chaptered June 27, 2013, Chapter 30, Statutes of 2013. Enacted June 14, 2013.

This bill contains statutory provisions related to corrections necessary to enact the June budget package. It includes a provision that creates an undersecretary for Health Care Services within the CDCR, adds a thirteenth member to the Board of State and Community Corrections (BSCC), allows persons to serve on committees created by the BSCC without having their respective agencies excluded from receiving grant and bond funding, makes the co-location of Inspector General Staff and specified CDCR Internal Affairs staff permanent.

SB 75 (Committee on Budget and Fiscal Review) Courts

Chaptered June 27, 2013, Chapter 31, Statutes of 2013. Enacted June 14, 2013.

This bill contains statutory provisions related to courts necessary to enact the June budget package. It includes a provision that provides several tools intended to mitigate court cash flow issues, permits courts to leverage resources managed by other state entities to aid in collecting delinquent court fees and fines, increases court fees for specific legal mailings and certifications to a level sufficient to support court costs, makes the public presentation of trial court budgets permanent, restructures the Judicial Branch contract auditing program to address numerous Legislative concerns, allows family court staff to waive court costs that impede family reunification, requires the Judicial Council to perform an evaluation of the Long Beach Courthouse Project, and restructures the Community Corrections Performance Incentive Act in a manner that considers the nuances of the Public Safety Realignment of 2011.

SB 76 (Committee on Budget and Fiscal Review) Public Safety

Chaptered June 27, 2013, Chapter 32, Statutes of 2013. Enacted June 14, 2013.

This bill contains statutory provisions related to public safety necessary to enact the June budget package. It includes a provision that provides for permanent monthly (instead of quarterly) disbursement of realigned funds to local law enforcement, transfers regulatory responsibilities for Remote Caller Bingo to the Department of Justice, clarifies several jurisdictional issues pertaining to persons subject to community supervision, requires the CDCR to transfer medical/mental health information on persons subject to community supervision to local law enforcement agencies, permits county correctional administrators to award additional time credits to jail inmates who participate in work and/or job training programs, Requires the CDCR to provide written notification of the opening, closing, or changing of location of a parole office or reception center that accepts prisoners from county facilities.

**SB 105 (Committee on Budget and Fiscal Review)
Corrections – Prison Population**

Chaptered September 12, 2013, Chapter 310, Statutes of 2013. Enacted September 11, 2013

This bill contains statutory provisions necessary to procure additional inmate housing capacity in order to comply with a Federal Court order to reduce California's prison population to 137.5 percent of system-wide design capacity by December 31, 2013. This bill also includes provisions added to ensure the state's ability to quickly pivot if the court modifies the aforementioned capacity limit and/or deadline. Specifically, the added provisions require the state to pinpoint savings realized from a reduced need to procure additional inmate housing capacity and redirects those resources toward efforts to reduce California's prison population, including reducing recidivism. This bill also:

1. Requires the Administration to immediately begin working with stakeholders, including the Legislature, in developing long-term cost effective solutions that protect public safety while reducing the prison population;
2. Requires the Administration to provide the Legislature with a report on viable population reduction solutions no later than April 1, 2014, followed by a more comprehensive report no later than January 10, 2015; and,
3. Updates the California Community Performance Incentive Act of 2009, SB 678 (Leno, Chapter 608, Statutes of 2009) to address significant reductions in prison diversion program funding levels triggered primarily by the Public Safety Realignment of 2011. This change is expected to provide approximately \$100 million to the state's probation departments supporting increased utilization of evidence-based probation practices intended to minimize prison commitments.

2013 BUDGET HEARINGS

Conference Committee

May 31, 2013

June 3, 2013

June 4, 2013

June 5, 2013

June 10, 2013

Full Budget Committee

January 31, 2013-Overview of the Governors 2013-14 Budget

March 18, 2013-AB 113 (Committee on Budget)

May 9, 2013-AB 111 (Budget Committee), AB 112 (Budget Committee) AB 716 (Quirk-Silva)

May 28, 2013-Adoption of Subcommittee Reports

Subcommittee No. 1 Health and Human Services

February 28, 2013-Healthy Family Transitions, Medi-Cal Hearing Aids, Adult Services Transitions

March 4, 2013-DPH, DCSD, EMSA

March 6, 2013-Affordable Care Act Medi-Cal Expansion

March 13, 2013-CalWORKs Program Overview

March 18, 2013-DHCS

March 20, 2013-Child Care

April 3, 2013-DSH, DSS, SCHHS CalFresh

April 8, 2013-DHCS

April 10, 2013-DSS, OSI, HHSA, Department of Alcohol and Drug Programs, DCHS, DPH

April 15, 2013-OSHPD, DPH

April 17, 2013-DOR, DDS

April 22, 2013-DHCS-MRMIB

April 24, 2013-CDA, DCSS

May 1, 2013-OSI, HHSA

May 6, 2013-DSH, OSHP, DPH, DHCS

May 8, 2013-Open Issues

May 20, 2013-DSS, OSI, DPH, OSHPD, DSH, MHSAOAC

May 22, 2013-DMHC, DHCS, MRMIB, DOA, DCSS, DDS, DOR,

May 24, 2013-DHCS, MRMIB, DPH, MHSAOAC, DDS, DSS, OSI

Subcommittee No. 2 Education and Finance

February 20, 2013-Higher Education Overview

March 5, 2013-Overview of the Governors 2013-14 Budget: Prop 98

March 12, 2013-Overview of the Governors 2013-14 Budget: Local Control Funding Formula

March 13, 2013-Cal Grants: Past Actions and Impacts

March 19 2013-CDE

March 20, 2103-Child Care

April 9, 2013-DOE

April 10, 2013-CCC

April 16, 2013-DOE- Charter Schools

April 23, 2013-CDE, CTC

April 24, 2013-UC, CSU, Hastings, CA State Library

May 7, 2013-FCMAT- sped- Mandate

May 20, 2013-May Revise Overview

May 21, 2013-May Revise- State Ops/ Charter

May 22, 2013-CSL, UC, CSU, CCC, CSAC, Hastings

May 23, 2013-DOE, CCC, CSAC

Subcommittee No. 3 Resources and Transportation

March 6, 2013-CPUC Oversight

March 13, 2013-Secretary of Transportation, CTC, Caltrans

March 20, 2013-Secretary of Natural Resources, Department of Conservation, PR

April 3, 2013-DFW, DFFP, Native American Heritage Commission

April 10, 2013-CalTrans, DMV, HSRA

April 17, 2013-DFA, DWR, SWRCB, DTSC, DRRR, OEHHA, CPUC, DPR,

April 24, 2013-EPA, ARB, CEC, CCC, CPUC

May 8, 2013-NRA, Tahoe Conservancy, CEC, Department of Conservation, DFW, WCB, CCC, DPR, Santa Monica Mountains Conservancy, San Joaquin River Conservancy, San Gabriel and Lower Los Angeles Rivers and Mountains, Coachella Mountain Conservancy, DWR, DTC, CPUC, DTSC

May 15, 2013-ARB, ERCDC, DFFP, CPUC, DFA, CCC, OEHHA,

May 22, 2013-CalTrans, HSRA, Secretary for Transportation, CCC, ERCDC, DPR, DWR, ARB, SWRCB, DTSC, OEHHA, DFA,

Subcommittee No. 4 State Administration

March 12, 2013-SOS, EDD, ALRB

March 19, 2013-FTB, SBE, State Controller

April 2, 2013-SOS, FPPC, DGS

April 9, 2013-SGO, SPB, Health and Dental Benefits for Annuitants, DHCD, CA Science Center, DHR, CalPERS, CSTRS

April 17, 2013-Department of Veterans Affairs

May 7, 2013-All Departments/ Open Issues

May 21, 2013-May Revise

May 22, 2013-May Revise

May 23, 2013-SOS, CAC

Subcommittee No. 5 on Public Safety

March 13, 2013-CHP, DOJ, BSCC

April 3, 2013-Judicial and OES

April 10, 2013-OIG, CDCR, Military Department

April 17, 2013-CDCR

May 8, 2013-CHP, DOJ, OES

May 21, 2013-CDCR, DOJ, OES, BSCC

May, 23, 2013-Judicial Branch, CHP

Subcommittee No. 6 on Budget Process, Oversight and Program Evaluation

February 11, 2013-Overview of Implementation Follow Up to AB 26 X1 and AB 1484

April 11, 2013-AB 24 (Buchanan), AB 70 (Morrell), AB 289 (Nestande)

April 30, 2013-ACA 4 (Olsen), and AB 716 (Quirk-Silva)

The 2013-14 BUDGET ACT

MEASURE	SUBJECT	CHAPTER
AB 101	BUDGET ACT OF 2013	354
AB 110	CONFERENCE REPORT	20
	HEALTH AND HUMAN SERVICES	
AB 74	HUMAN SERVICES	21
AB 75	ALCOHOL AND DRUG PROGRAMS	22
AB 82	HEALTH OMNIBUS	27
AB 85	COUNTY TRUE UP MECHANISM & CALWORKS FIVE PERCENT GRANT INCREASE	24
AB 89	DEVELOPMENTAL DISABILITIES SERVICES	25
SB 67	IN-HOME SUPPORTIVE SERVICES LITIGATION SETTLEMENT	4
SB 68	BUDGET ACT OF 2012	5
SB 78	MANAGED CARE ORGANIZATION TAX	33
SB 82	MENTAL HEALTH WELLNESS ACT	34
SB 89	2012-13 SUPPLEMENTAL APPROPRIATIONS	36
SB 94	COORDINATED CARE INITIATIVE	37
SB 98	CLEAN-UP TO COUNTY TRUE-UP MECHANISM	358
SB 101	CLEAN-UP TO OMNIBUS HEALTH TRAILER BILL	361
	EDUCATION FINANCE	
AB 86	EDUCATION	48
AB 94	HIGHER EDUCATION	50
AB 97	EDUCATION – LOCAL CONTROL FUNDING FORMULA	47
SB 73	PROPOSITION 39	29
SB 91	LOCAL CONTROL FUNDING FORMULA	49
SB 97	EDUCATION – LOCAL CONTROL FUNDING FORMULA CLEAN-UP	357
	RESOURCES AND TRANSPORTATION	
SB 85	TRANSPORTATION	35
SB 96	RESOURCES	356
SB 99	ACTIVE TRANSPORTATION PROGRAM	359
	STATE ADMINISTRATION	
AB 76	GENERAL GOVERNMENT	VETOED
AB 81	PUBLIC SAFETY: DOMESTIC ABUSE	161
AB 92	GENERAL GOVERNMENT II	26
AB 93	ECONOMIC DEVELOPMENT: TAXATION: CREDITS, DEDUCTIONS, EXEMPTIONS, AND NET OPERATING LOSS	69
AB 98	ALFRED E. ALQUIST SEISMIC SAFETY COMMISSION – PERMANENT FUNDING SOURCES	27
AB 106	ECONOMIC DEVELOPMENT: TAXATION: CREDITS	355
AB 113	BUDGET ACT OF 2012	3
SB 71	GENERAL GOVERNMENT	28
SB 90	ECONOMIC DEVELOPMENT: TAXATION: CREDITS	70
SB 100	GENERAL GOVERNMENT – PUBLIC FINANCE	360
SB 102	SIDE AGREEMENTS	397
	PUBLIC SAFETY	
SB 74	CORRECTIONS	30
SB 75	COURTS	31
SB 76	PUBLIC SAFETY	32
SB 105	CORRECTION – PRISON POPULATION	310