

THE 2010-2011 STATE BUDGET

2010-11 BUDGET UPDATE – REVIEW OF GOVERNOR'S VETOES

Update on Status of Budget Package:

As of October 12, 2010 only two bills of the 25 bill budget package have been signed, the main budget bill SB 870 and the cash management bill AB 1624. This document outlines the impact of the line item vetoes in SB 870 and includes a chart at the end that summarizes the status of all of the bills in the budget package. The Assembly Budget Committee will issue a final update to the floor report once final actions on the package are completed.

Summary of the Vetoes:

The Governor vetoed \$1,253 million (\$956 million General Fund) from SB 870. The chart below details the vetoes:

Major Vetoes

General Fund-Related Vetoes	\$ Millions
Elimination of Stage 3 Child Care Funding	256.0
Child Welfare Services	80.0
AB 3632 Mandate Funding	132.9
Office of AIDS	57.1
Medi-Cal Administrative Funding	22.0
Rural and Primary Clinics	10.0
Prostate Cancer Treatment	1.0
Maternal, Child and Adolescent Health	5.0
Aging Community Services	6.4
Offender Treatment Services	18.0
Residential Perinatal Drug Treatment	0.7
TANF Fund Shift	395.9
Timber Harvest Review Plans	1.5
Student Aid Commission Staff	0.5
Local Recreational Mandate	3.0
Other Vetoes (Special Fund)	
CalTrans State Operations	20.6
High Speed Rail	107.6
Agricultural Easements	4.5
Cal PADS	2.9
CalTIDES	0.6
EduFUND positions at CSAC	0.3

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Major Vetoes Detail:

♦ Elimination of Stage 3 Child Care Funding:

- Reduction of \$256 million to the CalWORKs Stage 3 program, effective November 1, 2010. \$128.8 million in federal funds remain but appears to be insufficient to support existing services until the end of the month. Impacts: 81,000 children served annually (60,000 families). The following provides some key information on this population:
 - Ages of Children:
 - 12% under 2 yrs
 - 8% 3 yrs
 - 9% 4 yrs
 - 10% 5 yrs
 - 62% 6 yrs and older
 - Type of Child Care Setting:
 - 31% served in licensed family homes
 - 23% served in licensed centers
 - 49% served in license-exempt homes
 - Eliminates subsidized 55,000 child care slots for working parents that have moved off of welfare and into the workforce. Without the child care subsidy, a working-poor parent will need to choose between staying in her/his job and caring for their children.
 - All of the savings from eliminating this program will be blown away by the new costs of people going back on welfare where they will receive cash grants and be required to spend hours to “job search” which is a waste of money since the person was already working—they just needed child care.
 - The absurd result of the Governor's veto is that instead of moving people from welfare to work, the Governor has essentially created the world's largest Work-to-Welfare Program.
- ♦ \$80 million Child Welfare Services Veto.**
- The Legislature restored this veto for the 2010-11 Budget from last year, when it was considered one of the most devastating of all the bad vetoes endured as part of the enacted 2009-10 Budget.

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- The Governor's repeated, total cut to Child Welfare Services is \$133.5 million, which includes \$53.5 million in lost federal funds.
 - The result of this reduction in the 2009-10 year was a loss statewide of more than 500 front-line social workers who investigate emergency reports of abuse and neglect, help families stay together or be reunited, and work to find children permanent homes so that they do not remain in foster care unnecessarily. Social worker caseloads, already failing minimal standards, will continue to be strained, resulting in further diminished services for abused and neglected children.
 - There was strong indication throughout the year that the Administration had regrets about vetoing these funds, and there was certain level of comfort that the Governor would sustain the Legislature's restoration. On the heels of the signing of Assembly Bill 12, which extends support to foster youth to age 21, this veto particularly stunned advocates who led a campaign this year to draw attention to the irreparable harm to foster children caused by this cut.
- ♦ **\$132 million AB 3632 Mandate Veto:**
- Eliminates \$132 million in General Fund support for county mental health departments to provide mental health services to students for 2010-11.
 - Eliminates \$69 million in federal special education funds that also supported the mandate. The Governor proposed to suspend the mandate in his January 2010 budget. That proposal was rejected by the Legislature.
 - Jeopardizes services for approximately 20,000 pupils with disabilities and mental health needs in special education, including children with autism spectrum disorders, children with other developmental disabilities, and mental health needs.
 - The Governor asserts that his elimination of funding for the AB 3632 Mandate results in a "suspension" of the mandate. This however is not the case. The Constitution (per Proposition 1A) requires the Legislature to either fund the mandate or suspend the mandate. Without the Legislature suspending the mandate, the mandate remains in place, even though the Governor eliminated funding for the mandate. Proposition 1A was carefully crafted to ensure that Governor could not single handedly determine which state laws were and were not in effect.

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- Under the Governor's assertion that the county mandate is no longer in effect, the burden would then fall on schools to comply with federal law to provide these mental health services, without the funding to meet this requirement. Schools are not equipped to immediately take on this new responsibility, potentially leaving vulnerable special education students in limbo with regard to mental health care.
- ♦ **\$52 million Office of AIDS Local Assistance Programs Veto:**
 - This veto reinstates last year's veto that eliminated most of the HIV/AIDS treatment and prevention programs run through the State Office of AIDS. These programs collectively reduced HIV transmission rates, extended lives and improved the quality of life for people living with HIV and AIDS. These valuable programs include: HIV/AIDS Prevention and Education, HIV Counseling & Testing, Therapeutic Monitoring, Home and Community Based Care, and others.
- ♦ **\$22 million for County Administration of Medi-Cal Veto:**
 - This veto doubles the reduction approved by the Legislature to counties for their operation of the eligibility determinations for the Medi-Cal program.
 - The Counties were subject to three separate cuts in 2009-10, including a cut to the base funding, a suspension of the COLA, and an additional veto. Now in the 2010-11 budget, counties are taking three cuts again in the form of a COLA suspension, the Legislature's reduction to their base funding, and this veto. Since the 2008-09 budget year, the counties will have lost \$443 million in state and federal funds.
 - This huge reduction to counties comes at a time when many county budgets are as strained as the state's, and many local programs are being curtailed or eliminated. These reductions have a substantial impact on county workforce, and result in delays and inefficiencies in serving people applying for Medi-Cal
- ♦ **\$10 million for Health Clinics Veto:**
 - This veto reinstates last year's veto to programs that support community health clinics, a critical piece of California's safety net.

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These valuable programs include: Rural Health Services, Expanded Access to Primary Care (EAPC), and the Seasonal Migratory Worker program.

- This veto, combined with an additional \$10 million cut included in the Legislature's budget, eliminates the EAPC program.
 - According to surveys done by state associations of clinics, these cuts result in clinic closures, reduced hours, reduced staff, and elimination of services. An estimated 170,000 people felt the negative impacts of last year's vetoes and reductions.
- ◆ **\$1 million to Prostate Cancer Treatment Veto:**
- This veto denies and delays treatment to low-income, uninsured men who have been diagnosed with prostate cancer. This program provides the only treatment available to men in this situation.
 - Due to increasing costs of treatment, combined with increasing demand for the program, the program maintains a waiting list of men who are getting sicker in the absence and delay of treatment.
 - The Governor did not veto any of a \$20 million augmentation to the state's breast and cervical cancer screening program for low-income, uninsured women, yet at the same time he felt that a treatment program for men, with a waiting list, did not warrant any augmentation at all.
- ◆ **\$5 million Maternal, Child, and Adolescent Health Programs Vetoes:**
- This veto restores last year's veto, which according to the Administration, has the following impacts:
 - Black Infant Health Program: 7,049 clients no longer receive services; the General Fund reduction led to a loss of federal funds, which together result in reductions to health education, social support and coordination of services for African Americans.
 - Adolescent Family Life Program: 12,027 clients no longer receive services; the General Fund reduction led to a loss of federal funds, which together result in reductions in support services for pregnant and parenting teens.

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♦ **\$6.4 million Aging Programs Veto:**

- The Governor's veto reversed the partial restorations the Legislature made for funds that were stripped from local aging programs in the enacted 2009-10 Budget.
- As part of the July 2009 package, the Governor vetoed all remaining state General Fund from the Department of Aging programs that supported community-based efforts making up the increasingly torn safety net for the frail elderly in California.
- The Legislature restored components of the Governor's 2009 veto, including: \$3.7 million for the Linkages Program; \$1.7 million for the Alzheimer's Day Care Resource Centers (ADCRCs); \$358,000 for the Brown Bag Nutrition Program; and \$541,000 for local administration for these Community Based Services Programs. In addition, \$140,000 in state support was vetoed, for a total veto of all of the \$6.4 million that was attempted in funding for these programs.
- Prior to the elimination of state funding:
 - Linkages was a case management program for approximately 5,500 elderly and younger adults who have functional impairments and are at risk of institutionalization.
 - 57 ADCRCs received infrastructure support to serve 3,200 people suffering from dementia.
 - The Brown Bag program relied on the assistance of 3,900 volunteers and 600 sites to provide free surplus and donated fruits, vegetables, and other foods to 27,000 low-income seniors. The program's small state investment leveraged \$13 million in local matching funds.
- Local impacts in the 2009-10 year were significant with the loss of this General Fund, and this is expected to perpetuate in the 2010-11 year, resulting the loss of services for thousands of aging Californians in need.

♦ **\$18 million Offender Treatment Program Veto:**

- The Governor vetoed the remaining state investment of \$18 million for non-violent drug offenders after a downward funding spiral that

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eliminated all support for Proposition 36 programs last year, an action which will shift costs to counties to meet Prop 36 required treatment for low level substance abusers.

- The veto of \$18 million was made to the Offender Treatment Program (OTP), which serves the same individuals as Prop. 36, the law that passed in 2000 for certain adult offenders who use or possess illegal drugs allowing them to receive drug treatment and supervision in the community rather than being sentenced to prison or jail, supervised on probation, or going without treatment.
 - OTP's programmatic differences are that it requires counties to provide a ten percent local match and to meet specified eligibility requirements, including dedicated court calendars and the presence of drug courts that accept felony defendants.
- ◆ **\$700,000 Perinatal Drug Treatment Veto:**
- The Legislature had raised the total allocation from \$5.1 million in the Governor's January 2010 Budget to \$5.767 million for Women's and Children's Residential Treatment Services, to allow for the full pot of funding to be utilized by the network of service providers, despite a decrease in the number of these sites from nine to eight. The Governor vetoed the difference in this funding to reduce it to the \$5.1 million level, disallowing any sharing of the remaining funding to the existing sites, despite high demand and need for these services in the perinatal treatment services network.
- ◆ **\$365.9 million Shift to Federal Funds for TANF/CalWORKs Veto:**
- The Governor reduced the Temporary Assistance for Needy Families (TANF)/GF dollars in the CalWORKs program by \$365.9 million and instructed the Director of the Department of Social Services to request a corresponding advance of TANF Block Grant funds from the federal government for the quarter ending June 30, 2011.
 - The Governor states that this one-time advance in federal funds, representing 10 percent of the TANF block grant, will provide one-time General Fund relief without any adverse program impacts.
- ◆ **Resources Vetoes:**

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- Eliminates \$1.5 million (General Fund) for the field reviews of timber harvest plans in the Central Sierra Nevada Mountains. This cut will result in a near elimination of field reviews of timber harvest plans in these areas.
- Eliminates reporting requirements for the Department of Fish and Game on the use of tasers by Wardens.
- Eliminates a \$4.5 million legislative augmentation from Proposition 1E for collaborative work between the Department of Water Resources and the Department of Conservation on multi-benefit flood control projects.

◆ Transportation Vetoes:

- Eliminates \$20.3 million (Special Funds) and 296 Caltrans positions that were augmented by the legislature to support \$1.7 billion in capital outlay projects that were not supported by the Governor's Budget. This veto will reduce the state's transportation project capacity and will contract out.
- Reduces funding for Project Initiation Documents by \$7.4 million and 63.7 positions, eliminating state support for the initial design documents for projects that are locally funded and are not on the state highways system.
- Reduces statewide mass transportation funding by \$132 million. This reduction leaves many statewide mass transit infrastructure and safety needs unfunded.
- Eliminates requirements that the High Speed Rail Authority report to the legislature on the performance of principle contractors as well as a requirement that the Authority review their underlying financing plan to address criticism raised by the public.

◆ California Longitudinal Pupil Achievement Data System (CALPADS) Veto:

- Eliminates \$2.9 million in federal support for CALPADS in 2010-11 due to concerns that the resources allocated for this purpose lack accountability for a high quality longitudinal educational data system.

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The Administration leaves funding adequate to support activities through December 6, 2010.

- Makes conforming reductions of \$3.8 million General Fund (Proposition 98) to the California School Information Services (CSIS) for administrative activities related to CALPADS and \$3.5 million in federal funds for the California Teachers Integration Data System (CALTIDES). The Governor intends to set this funding aside until “an appropriate entity completes the project and provides a data system that will successfully supply student-level achievement data to assist teachers, district administrators, and policy makers with reliable information.”
 - According to the Governor’s veto message, while California has struggled with this project for over seven years and spent over \$150 million since 1997 on longitudinal data systems, other states have allocated far less funding and achieved their databases in much less time. The Governor also cites lack of this data system as a significant factor in California’s loss of federal Race to the Top funding.
- ♦ **Curriculum Commission authority to complete the History/Social Science and Science Frameworks Veto:**
- Reduces the “legislative augmentation” of \$144,000 General Fund by \$1,000 and deletes the provisional language directing the Curriculum Commission to complete the History/Social Science and Science frameworks. Instead, the Governor expresses intent that the remaining \$143,000 be used for “higher priority activities related to the California Common Core Standards, as directed by the State Board of Education.”
 - This funding was added by both the Assembly and Senate Education Subcommittees to finish the frameworks for these two areas. Work on these frameworks was halted as a result of the 2009-10 veto of funding supporting all activities of the Curriculum Commission.
- ♦ **Elimination of the Alternative Schools Accountability Model Veto:**
- ♦ **Edward Byrne Memorial Justice Assistance Grant Veto:**
- Vetoed provisional language, which requires the California Emergency Management Agency to distribute federal Edward Byrne Memorial

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Justice Assistance Grant (Byrne/JAG) funding according to a specific methodology.

- This federal grant is approximately \$32 million. Similar to what the Legislature did last year for the Byrne/JAG ARRA funding, this provision would have provided half for prevention efforts (offender treatment programs/drug courts) and the other half for suppression efforts (anti-drug task forces and other law enforcement programs).
 - Prevention and treatment funding has been significantly impacted these last couple of fiscal years and this is one funding source that could be used to mitigate this impact.
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- ◆ **California Department of Corrections and Rehabilitation (CDCR) Population Budgeting Veto:**
 - Vetoed provisional language, which would restrict the CDCR from using the Inmate Activation Schedule (IAS) for purposes of budgeting and to instead use a ratio of one staff for every 5.6 inmates.
 - The IAS takes the inmate population projections, as broken down by gender and security level, and specifies which housing units at each prison will have to activate or deactivate beds each month in order to accommodate the change in population in both the current and budget years. Once staff at each institution know how many inmates are projected to be sent to them at various points in the year based on the IAS, they identify how many and what type of positions they would need to provide security and operate other services.
 - The IAS usually provides little useful information about how the funding provided under the budget would actually be distributed among institutions while making the budget request unnecessarily complicated. Contrary to the Governor's veto message, eliminating the IAS would free up resources and staff time that are currently devoted to this unnecessary process.
 - ◆ **University of California Veto:**
 - Veto eliminates provisional language adopted by the Legislature during the Conference Committee that requested the University of

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California to report on its proposal for long-term state funding for the UC Retirement Plan (UCRP), including any alternative funding plans that might be proposed. The Governor deemed this accountability report as unnecessary, failing to recognize that UCRP is experiencing a financial structural problem that will impact future State Budgets.

- ◆ **Prevailing Wage Language Veto**

- The Governor vetoed the language prohibiting the Central Valley Wage survey. His veto message also says he is ordering the survey to be done within existing resources.

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Update on Budget Package

24 bills were included in the budget package of 2010-11, of those 22 were adopted by the Legislature. The Governor has signed two bills and has until October 25th to take action on the remaining 20 bills.

Budget Package Bill List

Bill Number	Subject	Status
SB 870	2010-11 Budget	Chaptered
AB 1610	Education	Enrolled
SB 851	P98 Suspension	Enrolled
AB 1612	Human Services	Enrolled
SB 853	Health	Enrolled
AB 1614	Transportation	Failed
SB 855	Resources	Enrolled
SB 856	General Government	Enrolled
SB 857	Judicial	Enrolled
SB 858	Revenues	Enrolled
AB 1619	Elections (Budget Reform)	Enrolled
AB 1620	Public Works Board	Enrolled
AB 1621	FI\$CAL	Enrolled
SB 863	Local Government	Enrolled
AB 1624	Cash	Chaptered
SB 867	Transparency Only	Enrolled
SB 868	Public Safety	Enrolled
SB 869	DDS Bay Area Housing	Enrolled
SB 6X 22	Pension Reform	Enrolled
AB 1632	Small Business Bill	Enrolled
ACA 4	Budget Reform	Enrolled
SB 866	JPA Mandates	Enrolled
SB 848	Transient Occupancy Tax	Failed
AB X6 10	Secretary of Volunteerism	Enrolled
OTHER BILLS		
AB 342	1115 Waiver	Enrolled
SB 208	1115 Waiver	Enrolled
SB 865	MOU - SEIU	Enrolled