



2011-12 BUDGET FINAL ACTIONS

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OVERVIEW

On June 28, 2011, the Legislature approved the 2011-12 budget, with \$85.9 billion of expenditures and \$87.3 billion in revenues, with a budget reserve of \$543 million. The budget package included \$27.2 billion in overall budget solutions, including over \$15 billion in expenditure reductions. This report provides a summary of actions taken as part of that budget package.

The 2011-12 budget stands in contrast to the process of the year before. The 2010-11 budget was adopted 100 days late and projected a structural ongoing budget deficit of \$19 billion. However, on November 2, 2010, voters approved Proposition 25, allowing the Legislature to adopt a budget with a majority vote of members, instead of by 2/3rds vote of all members, as previously required. This measure allowed the 2011-12 budget actions to be adopted with a majority vote of the Legislature and that process change resulted in clear improvements to the state's budget.

The 2011-12 Budget:

- Eliminated about 75 percent of the structural budget deficit through ongoing budget solutions, mostly expenditure reductions. The projected structural deficit is now estimated to be between \$1.6 billion to \$5.2 billion.
- Maintained programmatic funding for K-12 Education at the same level as 2010, sparing education from the difficult reductions made in other expenditure areas in 2011-12 to balance the state's books.
- Included the historic realignment of state public safety responsibilities for low-level offenders to counties that will result in significant long-term savings in corrections and public safety costs.
- Reduced the State's role in subsidizing local redevelopment expenditures.
- Ended the 11-year streak of consecutive late budgets resulting in no July payment stoppages, deferrals or delays.

While great progress was made in 2011-12, the year itself was characterized in part, by what was not achieved. Soon after being elected, Governor Brown proposed a balanced approach for solving the entire State structural deficit by maintaining existing temporary taxes through a vote of the people and adopting a range of expenditure reductions. While Proposition 25 allowed the Democratic majorities in both houses to adopt budgets, thus the reductions, with a majority vote, the 2/3 bi-partisan vote was still required to allow voters to authorize continuation of the temporary tax rates. The Governor engaged in over six months of negotiations, both public and private, with the goal of crafting a 2/3 vote budget package that would allow a vote of the people to occur on revenue, but he was unable to get the two Republicans votes in both houses he needed to make such a package work.

Where voters had empowered the Democratic majorities to take responsibility and make decisions about the budget, the majority acted to adopt a budget that had real ongoing solutions, was adopted on-time, and provided major reforms aimed at lowering state costs. In the areas where a 2/3rd bipartisan agreement was still needed to act, the result mimicked the budget gridlock that had characterized the process over the last decade.

The net result of the remaining gridlock is evident in three elements of this budget. First, the budget did not fully bridge the structural budget deficit, resulting in more uncertainty and difficult choices for next year. Second, while state revenues reflected the modest recovery of the underlying economy, the schools were unable to see the full effect of this recovery and were instead left at 2010 levels. Finally, because of uncertainty in the overall economy, the budget contains trigger provisions for additional reductions if revenue projections are not met.

Budget Solutions

The budget included \$27.2 billion of total solutions including:

Expenditure Reductions	\$15,043	55.3%
Revenues	\$947	3.5%
Other	\$2,920	10.7%
Natural Changes	\$8,287	30.5%
Total Solutions and Changes	\$27,197	

Expenditure reductions were the largest solution and included:

EXPENDITURE REDUCTIONS

Health and Human Services Programs

Medi-Cal	\$2,036.3
Proposition 63 Community Mental Health Services	\$861.2
CalWORKs	\$837.0
Developmental Services	\$567.2
In-Home Supportive Services (IHSS)	\$413.0
Supplemental Security Income/State Supplementary	\$178.4
Payment Grants	
Other Health and Human Services Programs	\$106.8

Education

Proposition 98	\$2,082.9
UC and CSU	\$1,375.0
Cal Grant Program	\$153.0
Other Education	\$16.7

All Other Reductions

Realignment Savings	\$2,583.2
Transportation Debt Service	\$1,130.2
Courts	\$743.6
Employee Compensation and State	\$471.1
Operations Efficiencies 471	
Corrections and Rehabilitation	\$366.0
State Mandates	\$327.5
Other Reductions	\$793.5

Trigger Reductions

The “Great Recession” has hit California hard and while a slow and steady recovery has taken hold, it is highly sensitive to external factors in the international economy. The 2011-12 budget reflects modest revenue growth observed in 2010-11 and the small, but meaningful economic gains observed in the State, such as the 156,800 jobs the State added in the last year. However, the budget recognizes that such gains are fragile and could eliminate growth plateaus or even end because of a “double-dip” recession. Therefore, the budget includes over \$2.4 billion of “trigger” reductions that would be made in the event that the projected revenues fail to meet their expected levels in 2011-12.

These trigger cuts are tiered, with one set of reductions beginning to occur if revenues underperform by over \$1 billion and an additional second set of reductions that would begin if revenues degenerated by over \$2 billion. If the revenues fail to materialize, the reductions would be made proportionately, i.e. if revenues are short by \$1.1 billion then only 10 percent of Tier 1 cuts would be adopted, not the entire \$601 million of cuts in the Tier.

The Triggers Cuts are:**TIER 1**

If the December 15, 2011, updated forecast of revenues predicts revenues less than \$87.5 billion, the following additional “Tier I” reductions, which total about \$601 million, shall occur up to the amount specified. These reductions, if triggered, would take effect on or after January 1, 2012:

- \$100 million to the University of California.
- \$100 million to the California State Universities.
- \$100 million to the Department of Developmental Services.
- \$110 million to the In-Home Supportive Services program, including \$100 million in service hour cuts, and \$10 million for local anti-fraud efforts.
- \$92 million to the Department of Corrections and Rehabilitation (CDCR).
- \$72.1 million in increased county charges for youthful offenders sent to CDCR.
- \$30 million to the California Community Colleges backfilled with a \$10 per unit fee increase.
- \$23 million to the Department of Education related to childcare funding.
- \$16 million to the California State Library related to library grants.
- \$15 million to the California Emergency Management Agency related to local vertical prosecution grants.
- \$15 million to Medi-Cal from extending the March 2011 cuts to all managed care plans.

TIER 2

If the December 15, 2011, updated forecast of revenues predicts revenues less than \$86.5 billion, the cuts outlined above are still triggered, and the following additional reductions, which total about \$1.9 billion, would also occur up to the amount specified. These reductions, if triggered, would take effect on or after January 1, 2012; however, the reduction to the 2011-12 school year would take effect on or after February 1, 2012.

- \$1.5 billion from reducing the 2011-12 school year by up to 7 days.
- \$248 million from eliminating dedicated funding for home-to-school transportation.
- \$72 million to the California Community Colleges related to an apportionment decrease.

Public Safety Realignment

The final budget package of 2011 included a major realignment of funding and policy responsibility from the State to counties several public safety, health, and human services programs. The Public Safety Realignment will enable the State to save \$1.5 billion on the State prison system when realignment is fully implemented. It will also enable the state to meet the order set out by a recent U.S. Supreme Court decision that affirmed the lower court's decision to require the reduction of overcrowding in the state prison system. The State has two years to reduce the prison population by over 30,000 inmates. Realignment will allow the state to accomplish this reduction in a way that improves public safety by providing additional funding for local support services, rehabilitation programs, and law enforcement that enhance the safety of communities.

Realignment will also result in savings to state operations related to these realigned programs when fully implemented. The Governor has targeted a 25 percent reduction in the state operations related to the programs being realigned.

Funding

The 2011-12 budget includes \$5.5 billion to fully-fund a revised public safety realignment program that realigns programs and funding currently funded at the state to local government. The funding included in the final budget package to support realignment is as follows:

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

The chart on the next page articulates the program expenditures and revenues contained in the public safety realignment.

Realignment Funding - June Allocation Plan (\$'s in Millions)				
Program	2011-12	2012-13	2013-14	2014-15
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Vehicle License Fee Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction of Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	956.7	0.0	0.0	0.0
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	0.0	0.0	0.0
Mental Health Services				
EPSDT	0.0	629.0	629.0	629.0
Mental Health Managed Care	0.0	183.7	183.7	183.7
Existing Community Mental Health Programs	1,083.6	1,119.4	1,119.4	1,119.4
Substance Abuse Treatment	183.6	183.6	183.6	183.6
Foster Care and Child Welfare Services	1,567.2	1,567.2	1,567.2	1,567.2
Adult Protective Services	55.0	55.0	55.0	55.0
Existing Juvenile Justice Realignment	97.1	104.1	103.2	103.3
Program Cost Growth*	0.0	339.0	624.5	1,063.9
Total	\$5,559.1	\$6,024.8	\$6,467.9	\$6,841.3
VLF Funds Available	\$453.4	\$453.4	\$453.4	\$453.4
1.0625% Sales Tax	\$5,105.7	\$5,571.4	\$6,014.5	\$6,387.9

Major Realignment Legislation

The Legislature passed AB 109 (Budget Committee), Chapter 15, Statutes of 2011 in March and subsequent modifications in AB 117 (Budget Committee), Chapter 39, Statutes of 2011, and AB x1 16 (Committee on Budget), which does the following:

- Requires that certain felons—generally offenders that have never been convicted of a serious or violent crime, or are required to register as a sex offender—serve their felony sentences in local custody and not prison.
- Requires that some offenders released from prison that have historically been subject to a three-year parole period instead be subject to a three-year period of local post-release supervision according to plans implemented by local entities designated by the counties.
- Restricts persons who have been released from prison and are either on parole or local post-release supervision from being sent back to state prison for a violation of any condition of release, unless convicted of a new crime punishable in state prison.
- Requires that courts hear and decide petitions to revoke parole or post-release supervision rather than the Board of Parole Hearings beginning July 1, 2013.

These policy changes will go into effect October 1, 2011, except as noted above, with funding provided for a Community Corrections Grant Program. The final budget package fully funds the Community Corrections Grant Program with about \$1.6 billion. This funding is being provided and allocated to counties through formulas set out in AB 118 (Budget Committee), Chapter 40, Statutes of 2011 for one year. Additional funding is provided for realignment in SB 89 (Budget and Fiscal Review Committee), Chapter 35, Statutes of 2011 from the VLF. Future legislation will be needed to determine ongoing allocations beyond the 2011-12 fiscal year.

Assembly Bill 118 (Budget Committee) also includes the allocation of funding to the other public safety programs being realigned that are not directly related to the implementation of AB 109 (Budget Committee) this was further refined in AB x1 17 (Committee on Budget). These programs will generally continue with minimal changes until further legislation is enacted. The other public safety programs being realigned include funding for: (1) court security; (2) various law enforcement programs previously funded by 0.15 VLF; (3) child welfare services, foster care, and adoptions; (4) mental health services; (5) substance abuse treatment; (6) adult protective services; and, (7) funding related to an earlier juvenile justice realignment. These programs have historically been implemented primarily by the counties, with funding from the state. The public safety realignment fully funds the local public safety programs that had previously been funded by a dedicated 0.15 percent of the VLF (the 0.15 percent expired on June 30, 2011).

HEALTH

Department of Health Care Services

- Cuts Medi-Cal by \$557.2 million by mandating that beneficiaries pay co-payments as follows: 1) \$5 for every physician or clinic visit; 2) \$3 (generics) or \$5 per prescription; 3) \$50 for emergency room visits (for emergencies or non-emergencies), and \$100 per day, with a maximum of \$200 per admission, for inpatient services; and, 4) \$5 for every dental visit.
- Cuts Medi-Cal by \$729.6 million General Fund by reducing rates paid to Medi-Cal providers and skilled nursing facilities by 10 percent.
- Cuts Medi-Cal by \$62 million by eliminating coverage of over-the-counter cough and cold products, limiting coverage of enteral nutrition products to tube fed, imposing a "soft cap" of 7 visits to physicians and clinics, and imposing an annual dollar maximum on hearing aids of \$1,510 per year. Denies proposed caps on prescriptions, durable medical equipment and medical supplies.
- Cuts \$90 million General Fund by eliminating Adult Day Health Care (ADHC) as a Medi-Cal optional benefit, and adopts trailer bill language that expresses legislative intent to create a new, more narrowly-defined program under a new federal waiver, to be called the *Keeping Adults Free from Institutions* (KAFI) program. Provides \$85 million General Fund.
- Extends the quality assurance fee paid by skilled nursing facilities and expands it to stand-alone Pediatric Subacute facilities.
- Eliminates the California Medical Assistance Commission on June 30, 2012, and provides additional staff resources to the Department of Health Care Services to implement the Diagnosis Related Group hospital reimbursement system.
- Authorizes the Department to obtain federal approval for an amendment to the 1115 Waiver to enable the State to utilize Certified Public Expenditures (CPEs) from Designated Public Hospitals to draw federal funds from the Safety Net Care Pool to offset State General Fund expenditures up to \$400 million.
- Authorizes the Department to institute a 20 percent fee on each voluntary Inter-Governmental Transfer that is used to match federal funds to provide Medi-Cal Managed Care rate increases.
- Authorizes the Department to develop a new methodology for reimbursing counties for Medi-Cal eligibility determinations for applicants and enrollees.

- Authorizes the Department to develop a new Medi-Cal reimbursement methodology for pharmacies based on Average Acquisition Price.
- Depending on the outcome of a revenue trigger included in the overall budget, extends Medi-Cal reductions (rate reduction and actuarially-sound equivalent of co-pays and cap on physician visits), to Medi-Cal managed care organizations that were exempted, including the Program of All-Inclusive Care for the Elderly (PACE), the Senior Care Action Network (SCAN), and the AIDS Healthcare Foundation,.

Department of Managed Health Care

- Provides expenditure authority of \$3.9 million in federal grant funds for the Consumer Assistance Program, which informs and educates the public about changes to health care delivery resulting from the federal Affordable Care Act.
- Extends the sunset from January 1, 2012 to January 1, 2018 on the Consumer Participation Program, which provides compensation (non-General Fund) to consumer advocacy organizations for their substantial contributions of time and expertise to regulatory proceedings of the Department.

Department of Mental Health

- Cuts \$861 million General Fund by replacing it with \$861 million in Mental Health Services Act (MHSA/Proposition 63) funds for the AB 3632 program, EPSDT, and Mental Health Managed Care.
- Reduces state-level spending of MHSA dollars from approximately \$50 million to \$22 million by reducing the MHSA State Administrative cap from 5 to 3.5 percent, thereby sending an additional approximately \$28 million to counties for mental health services. Reduces state positions in various departments, particularly in the Department of Mental Health, and sustains statewide projects on housing, suicide prevention, stigma mitigation, and data analysis. Maintains the responsibility for evaluation of outcomes with the Oversight and Accountability Commission, and maintains several key state-community contracts.
- Provides the Department authority to retain 51 positions, and \$2.3 million in MHSA funds, to develop and execute a transition plan for the necessary reduction in staff that is a result of the reduction in the MHSA State Administration spending cap.
- Authorizes the transition of the Mental Health Managed Care Program and the EPSDT Program from the Department of Mental Health to the Department of Health Care Services.
- Establishes a substantial new safety and security system in the state mental hospitals that includes transfers of patients to correctional facilities, creation of "Grounds Presence Teams" and "Grounds Safety Teams," and support for a personal alarms pilot program.

- Provides baseline funding of \$250,000 for the 20/20 Psychiatric Technician Training and Education Program, in order to continue the training program as agreed to in the Collective Bargaining Agreement.
- Provides \$1.4 million General Fund and additional staff resources for the start-up of the new Stockton Healthcare Facility.

Department of Public Health

- Cuts \$77 million in General Fund to the AIDS Drug Assistance Program (ADAP) reflecting: \$7 million in administrative savings and an increase in federal funds; and a \$70 million allocation from the Safety Net Care Pool.
- Cuts \$5.8 million in General Fund for maintaining the state's medical supplies stockpile and mobile field hospitals for major public health emergencies.
- Cuts \$14.4 million General Fund from the Department by utilizing Proposition 99 (tobacco) and federal Title V reserves, increasing department efficiencies, reducing staff positions, and repaying a General Fund loan.
- Restores \$7.3 million General Fund to the Department for the purchase of vaccines for low-income, uninsured Californians.
- Provides expenditure authority of \$7.6 million in federal funds to the Department for State Operations of the WIC program.
- Distributes a balance of \$4.4 million in interest accumulated in the Breast Cancer Fund to the Every Woman Counts Program and cancer research programs.
- Reappropriates \$1.8 million in unspent 2010-11 General Fund for two years to cover storage costs of the Mobile Field Hospitals and medical supplies stockpiles.
- Provides expenditure authority of \$3 million in federal funds to implement a federal grant program that expands the number and types of criminal history databases to be used for processing criminal background checks for health facility providers and staff.
- Eliminates the Public Health Advisory Committee, which was established in 2007 to provide expert advice and recommendations to the Department on public health policies and programs.

Managed Risk Medical Insurance Board

- Cuts Healthy Families by \$22 million General Fund by increasing monthly premiums paid by families enrolled in the program.
- Cuts Healthy Families by \$5.5 million General Fund by increasing co-payments paid by families for hospital services, consistent with hospital co-pays in Medi-Cal.
- Cuts Healthy Families by \$3 million General Fund for vision coverage.
- Authorizes the use of the Medi-Cal Fee for Service system as a reimbursement funding basis to deliver services in the Access for Infants and Mothers (AIM) program which provides low-cost insurance coverage to uninsured and under-insured low-income pregnant women with family incomes up to 300 percent of the federal poverty level.
- Clarifies the use of the Medi-Cal Fee for Service system in the Healthy Families program in counties where there is only one commercial health plan option, as approved in SB 853 (Budget and Fiscal Review Committee), Chapter 717, Statutes of 2010, which brought California into compliance with federal law.

Office of Statewide Health Planning & Development

- Provides \$1.5 million in special funds to the Office of Statewide Health Planning & Development (OSHDP) to implement SB 90 (Steinberg), Chapter 19, Statutes of 2011, which provides OSHDP with increased flexibility to extend seismic safety deadlines for hospitals that meet specified criteria.
- Eliminates the California Health Policy and Data Advisory Commission, which was established in 1986 to advise the OSHDP on data collection and reporting and to hear appeals brought by healthcare facilities that have not met data reporting requirements.
- Eliminates the California Rural Health Policy Commission, which was created in 1996 to coordinate rural health policy development and to disburse grants for rural health projects.

HUMAN SERVICES

CalWORKs Major Issues

Approves the following reductions related to the CalWORKs program, which total approximately \$1 billion General Fund savings, and the adoption of trailer bill language to effectuate the changes.

- **Lifetime Time Limit Reduction.** Approves Governor's proposal to cut CalWORKs from 60-months to 48-months for adults effective June 1, 2011, without altering policies regarding those adults' exemptions, for a savings of \$102.6 million General Fund in 2011-12 (\$112.9 million General Fund annually), resulting in the removal of approximately 22,500 adults from aid.
- **Grant Cut.** Approves an eight percent grant cut effective June 1, 2011 to save approximately \$314.3 million General Fund in 2011-12 and on an ongoing annual basis. The Governor had proposed a deeper reduction of 13 percent. This change reduces the maximum grant for a family of three in a high cost county from \$694 per month to \$638 (lower in actual dollars than the grant level in 1987).
- **Single Allocation Reduction.** Extends a 2009-10 and 2010-11 reduction of \$376.9 million General Fund in funding for child care, employment services, and administration (contained in what is known as the counties' "single allocation") through 2011-12. Correspondingly, extends exemptions from welfare-to-work requirements for parents of very young children (i.e., one child between the ages of 12 and 23 months, inclusive, or two children under the age of six years), which erodes \$7.5 million of those savings. Also approves the proposed flexibility for counties to redirect between and among specified funding for employment assistance, substance abuse treatment, or mental health services during the same time period. As part of the March package, the reduction to the single allocation was reduced further by an additional \$50 million, which was later undone in the ultimate June agreement.
- **Earned Income Disregard.** Approves a change to disregard the first \$112 of relevant income, instead of the first \$225 pursuant to current law, and then 50 percent of all other relevant earnings. Savings from the earned income disregard change, effective June 1, 2011, is approximately \$83.3 million General Fund in 2011-12 (\$90.0 million General Fund annually).
- **Subsidized Employment Program.** Makes cost-neutral changes to expand the state's participation in an existing subsidized employment program and align the program more closely with operation of a related program that existed under the federal American Recovery and Reinvestment Act of 2009's (Public Law 111-5) Emergency Contingency Fund. As a result, the state will participate in half of the costs of the subsidized employment participant's wages, up to the amount that the state would instead have paid for the family's assistance grant.

- **CalLearn Program.** Suspends, for one year, case management services and sanctions otherwise available under the CalLearn program for pregnant and parenting teenagers. These teenagers will instead be eligible for regular welfare-to-work services that are available in their counties. They will also continue to be eligible for supplements or bonuses related to progress in school, as specified. These changes are anticipated to result in \$43.6 million General Fund savings in 2011-12.
- **Community Challenge Grants.** Eliminates \$20 million for these grants related to teen pregnancy prevention.
- **Additional Reductions.** Adopts a reduction of \$5 million for substance and mental health services for CalWORKs recipients and a \$5 million across the SAWS automation systems, with the allocation for this automation reduction to be determined through collaboration of the Administration, legislative committee staff, LAO, and the counties.
- **Stage 1 Child Care.** Approves savings of up to \$41 million for Stage 1 child care conforming to actions taken in the child care package.

Additional major budget actions in CalWORKs include the following.

- **Repeal of Adverse Program Changes.** Approves the Governor's proposal to delete revised time limit and sanction policies that would have otherwise taken effect on July 1, 2011, as enacted by AB 8 X4 (Evans), Chapter 8, Statutes of 2009-10. In addition, a change proposed by the Governor and adopted in a modified form to reduce grants for cases without aided adults after certain periods of time on aid, made as part of the March package, was rescinded and repealed in the ultimate June agreement.
- **Program Delays.** Delays to April 1, 2014 (from April 1, 2013), the date by which the Work Incentive Nutritional Supplement (WINS) program shall be fully implemented. Delays to October 1, 2014 (from October 1, 2011), the date by which the Temporary Assistance Program (TAP) must begin. The Governor proposed to repeal both of those programs. Further, approves the Governor's proposed delay of the statewide implementation of a CalWORKs county peer review process to no later than July 1, 2014.

In-Home Supportive Services (IHSS) Major Issues

Approves the following reductions to the IHSS program (some savings are embedded in the Medi-Cal budget), to achieve savings of \$420.2 million General Fund.

- **Health Care Certification.** Approves the Governor's proposal to require a certification that personal care services are necessary to prevent out-of-home care, with resulting General Fund savings of \$67.4 million in 2011-12. Allows services to be authorized temporarily, pending receipt of the certification, when there is a risk of out-of-home placement.

- **Community First Choice Options.** Saves \$128 million General Fund in the program due to expected approval of an additional 6 percent in FMAP as a result of IHSS qualifying under the new federal Community First Choice Option made available under section 1915(k) of the federal Social Security Act (42 U.S.C. Sec. 139n(k)). The new state plan option becomes available October 1, 2011.
- **Advisory Committees.** Cuts \$1.4 million from IHSS Advisory Committees and eliminates the mandate, while retaining \$3,000 for each of the 56 Public Authorities (PAs), for a total of \$168,000 General Fund, to support the continued operation of Advisory Committees for PAs.
- **Medication Dispensing Pilot.** Establishes a pilot project that requires the Department of Health Care Services to identify individuals who receive Medi-Cal benefits on a fee-for-service basis and who are at high risk of not taking their prescribed medications. The Department will then procure automated medication dispensing machines to be installed in participants' homes and monitored as indicated, and will subsequently report on and evaluate the pilot project. The Department is also authorized to terminate the pilot under specified circumstances. The pilot is anticipated to result in \$140 million General Fund savings in 2011-12.
- **Across-the-Board Trigger.** Creates a trigger mechanism for alternative reductions if the Department of Finance determines that data reported regarding the medication assistance pilot project described above does not demonstrate the ability to achieve annualized net savings of \$140 million General Fund (after offsetting administrative costs). Under these provisions, the director of the department shall notify the Legislature by April 10, 2012, and request the passage of legislation by July 1, 2012, that provides alternative options for achieving any additional savings needed to reach this target. If the pilot and any subsequent legislation are not anticipated to result in \$140 million annualized General Fund savings, the Department of Social Services is required to implement an across-the-board reduction in IHSS services beginning October 1, 2012, with specified exceptions.
- **Caseload Savings.** Recognizes savings of \$83.4 million General Fund due to caseload savings both in 2010-11 and 2011-12, adjusting caseload trends for the current and budget year based on demonstrated and more recent numbers of recipients and hours paid.

Additional major budget actions in IHSS include the following

- **Secondary Trigger Tied to Revenue.** Creates a second trigger mechanism, if specified revenues are not obtained and conditions specified in Section 3.94(b) of the 2011 Budget Act are met, for implementing an across-the-board reduction in IHSS services of 20 percent, beginning January 1, 2012, with specified notice requirements and exceptions. If this trigger is pulled, the resulting reduction would affect approximately 374,000 IHSS recipients and would generate approximately \$100 million General Fund savings in 2011-12 (growing to \$242.8 million General Fund annually).
- **Maintenance of Administrative Funding.** Rejects a May Revision proposal that would have reduced administrative funding for Public Authorities by \$7.7 million (\$3.2 million General Fund). With this action, requires Department of Social Services (DSS), in consultation with designated stakeholders, to develop a new rate-setting methodology for public authority IHSS administrative costs, which is intended to take effect beginning with the 2012-13 fiscal year. Additionally, rejects a May Revision proposal that would have reduced administrative funding for counties to implement the IHSS programs by \$12.6 million (\$5.2 million General Fund).
- **County District Attorney Activities.** Approves, subject to change by operation of a trigger mechanism, the Governor's January proposal to continue an augmentation of \$28.4 million (\$10.0 million General Fund) for additional county and district attorney anti-fraud activities related to IHSS. This funding was first included in the 2009-10 budget. If the trigger is pulled because specified revenues are not obtained and conditions specified in Section 3.94(b) of the 2011 Budget Act are met, the expenditure authority for these activities would be eliminated.
- **DSS Positions for IHSS Program Elements.** Approves approximately \$1.0 million (\$500,000 General Fund) and eight limited-term positions (two two-year limited-term positions related to provider exclusions, two two-year limited-term positions related to the establishment of the provider sales tax, and four one-year limited-term positions to support the final stages of development of a new Case Management Information and Payrolling (CMIPS II) system).

Rejects the following proposals from the Governor.

- **Reduction in Hours.** Rejects the Governor's proposals to implement, in 2011-12, an across-the-board reduction of IHSS hours by 8.4 percent, with specified exceptions, and to make permanent an existing, temporary reduction of 3.6 percent (for a total reduction of 12 percent proposed by the Governor in January).
- **Domestic and Related Services.** Rejects the Governor's January proposals to eliminate domestic and related services (e.g., heavy cleaning, meal preparation, and clean-up) for specified adults who live in shared living arrangements and children whose parents are their IHSS providers.

- **Provider Exclusion Policies.** Rejects the Governor's May Revision proposal for trailer bill language that would have broadened and made more generic the list of criminal offenses that serve as a bar to being an IHSS provider. Further, rejects proposed funding for a state-only program that would have supported IHSS services provided by individuals who are listed on the state's Suspended & Ineligible list for Medi-Cal providers (which is governed by laws that differ from those applicable to IHSS). Approves \$1.2 million General Fund in 2011-12 for a state-only program to support IHSS services provided by individuals who are included on a federally-managed list of providers who are ineligible to provide services supported by Medicaid funding.

Child Welfare Major Issues

- **Foster Care Rate Increases.** As required by a recent court order, increases by around 30 percent the monthly rates paid to foster families for the care and supervision of children in foster care. Beginning with 2011-12, the rates will also increase annually based on cost-of-living adjustments. These changes also impact the rates paid for other permanent family placements, including specified adoptions and guardianships. The total General Fund impact of these increases is \$17.4 million in 2011-12.
- **Seriously Emotionally Disturbed (SED) Students.** Transfers \$166.5 million (\$66.6 million General Fund) in funding for the board and care of SED students who are in out-of-home residential placements from the DSS budget to the budget for the California Department of Education (CDE). This change relates to a return of responsibility from counties to schools for mental health care that is determined to be necessary in order for students who are deemed to be SED to access a free, appropriate public education. The transferred amount did not include approximately \$2.0 million (\$1.4 million General Fund) that was previously budgeted for administrative costs incurred by county welfare departments (at a rate of close to \$95 per case).
- **Extension of Group Home Moratorium.** Extends, until January 1, 2013, an existing moratorium on the establishment of new or changed foster care rates for group homes. Continues to allow for case-by-case exceptions to the moratorium, as appropriate.

- **Program Delays.** (1) Further delays, until January 1, 2012, implementation of the resource family approval pilot established by AB 340 (Hancock), Chapter 464, Statutes of 2007; (2) Further delays, until July 1, 2013, the implementation of requirements, created by AB 2985 (Maze), Chapter 385, Statutes of 2006, for county welfare departments to engage in specified activities to identify and prevent the impacts of identity theft on foster youth, resulting in savings of \$0.3 million General Fund; and, (3) Delays, for one additional year, to July 1, 2012, implementation of provisions enacted by AB 2488 (Leno), Chapter 386, Statutes of 2006, related to disclosure of personal information between adoptees and their biological siblings. Declares intent for implementation to continue in the interim to the extent possible.
- **Resource Requests.** Rejects several requests from the Administration for additional state resources associated with workload, including requests specifically related to Field Monitoring and Oversight of County Operations, AB 12 (Swanson), Chapter 75, Statutes of 2011, and Foster Care Audits and Group Home Litigation. These requests would have amounted to costs of approximately \$5 million (\$3.4 million General Fund) and an additional 42.5 new or extended-term positions, mainly in the Children and Family Services and Adult Programs Divisions of DSS. A view of resources within the Department available for purposes like these suggests that the workload can be managed within existing resources.
- **Technical Change Regarding Sharing Ratio.** Makes technical changes to correct an inaccurate reference to the state/county sharing ratios used for repayment of overpayments in the foster care and adoption assistance programs.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

- **Grant Cut.** Approves the Governor's proposal to reduce monthly SSP grants for individuals to the federally required minimum payment standard, for General Fund savings of approximately \$177 million in 2011-12. As a result, maximum SSI/SSP grants for approximately one million individuals are reduced from \$845 to \$830 monthly (or from roughly 94 percent to 92 percent of the Federal Poverty Level).

Community Care Licensing

- **Solano County Transfer.** Approves an increase of \$43,000 (\$27,000 General Fund) and 0.5 of a position to address additional workload associated with Solano County returning responsibility for the licensing of its foster family homes to the Department. These increased state costs are more than offset by a reduction of \$94,000 (\$61,000 General Fund) in local assistance costs.

- **Enforcement of Nutrition Related Standards.** Rejects the Governor's May Revision proposal to suspend, in 2011-12, the requirements of AB 2084 (Brownley), Chapter 593, Statutes of 2010, which established nutrition-related standards for beverages served by specified child care facilities (e.g., limited servings of juice). This May Revision proposal replaced the request in the Governor's budget for \$69,000 General Fund and 1.5 Licensing Program Analyst positions to check during on-site inspections that these requirements are met. Instead directed the Department to absorb this minimal workload during its regularly scheduled inspections.

Disability Determination Services Division (DDSD)

- **Staffing Increase.** Approves proposal for \$20.5 million (all federal funds) to establish 245 new positions to process Social Security and Supplemental Security Income disability claims.
- **Branch Relocation.** Approves \$540,000 (\$270,000 General Fund) in anticipated costs for increased market-rate rent associated with a relocation of the Los Angeles branch of the DDSD. The move is necessary because the current location does not meet the state's seismic safety criteria.

Department of Developmental Services

- Adopts an unallocated reduction of \$577 million General Fund to the Department of Developmental Services (originally in SB 69). Of this reduction, alternative funding of over \$320 million is used to backfill the reduction, this includes Prop 10, General Fund and federal funds. Additional, reductions are achieved through administrative accountability and transparency at Regional Centers, reductions to Developmental Centers, and reductions to Purchase of Services and administrative functions.
- Of this reduction, the final proposal by the Department to achieve the \$174 million general fund "purchase of service best practices" is adopted. The plan to achieve the \$174 million reduction includes; \$124.9 million in department wide expenditure and contract reductions, and \$79.1 million achieved through 13 proposals, which include: additional federal funds, decreasing headquarter expenditures, reducing regional center operations and a series of "best practice" which include electronic billing, an annual family fee (to sunset 2013), and individual choice day services.
- Adopts a \$100 million General Fund trigger reduction in the event that revenue forecasts fall below \$85.9 billion. Should this occur, trailer bill language directs the Department to work with the stakeholder workgroups to develop reduction proposals.

Social Services Automation Projects Major Issues

- **LEADER Replacement System (LRS).** Approves a delay in the development of the LRS for 2011-12 for a savings of \$13 million General Fund. Accompanying this is a savings of \$14.1 million General Fund from the current year due to budgeted dollars that will be unspent as a result of current lack of federal approval of LRS.
- **Child Welfare Services/Case Management System (CWS/CMS) Web.** Approves the Administration's suspension of CWS/CMS Web project, for a General Fund savings of \$3.1 million in 2011-12. Also adopted placeholder trailer bill language directing the Department to provide an update by January 10, 2012 regarding the use of the existing CWS/CMS system and its adaptability in maintenance and operation to various current and prospective program requirements, as well as next steps on the restart of the CWS/CMS Web project pursuant to clarity on pending federal expectations. Correspondingly, rejects \$2.1 million (\$951,000 General Fund reflected in the DSS budget) for four positions and contract resources to support project management for the Child Welfare Services (CWS)/Web Project.

Aging Programs

- **Multipurpose Senior Services Program.** Adopts a reduction of up to \$2.5 million to MSSP and rejects the remainder of the Governor's proposal, with budget bill language directing the Administration to consult with the federal government about how to achieve the savings operationally and minimize any impacts on the number of clients served.
- **Long-Term Care Ombudsman Program.** Approves the Governor's proposal to shift funding for the Long-Term Care Ombudsman Program from the Federal Citations Penalties Account to a combination of the State Health Facilities Citation Penalties Account (\$1.2 million) and the Skilled Nursing Facility Quality and Accountability Fund (\$1.9 million). Also approved a corresponding statutory change to include the program as an allowable use of resources in the State Health Facilities Citation Penalties Account.

Alcohol and Drug Services

- **Drug Medi-Cal Transfer.** Approves the transfer of the Drug Medi-Cal program from the Department of Alcohol and Drug Programs to the Department of Health Care Services, effective July 1, 2012 in the interest of improving access and quality, as well as effectively integrating Medicaid services. Requires the departments to convene and consult with stakeholders in the formulation of a transition plan, including specified components, and present this plan to the Legislature by October 1, 2011, with updates on the transfer provided during subsequent budget hearings after that date. Authorizes transition activities to take place in the 2011-12 fiscal year in accordance with the transition plan with a 30-day notification to the Legislature.

Child Support Services Major Issues

- **County Share.** Approves the Governor's proposal to suspend the county share of child support collections in 2011-12, for General Fund savings of \$24.4 million.
- **Reversion Savings.** Approves savings of \$6.3 million General Fund associated with reversion of reappropriated funds originally allocated for the California Child Support Automation System (CCSAS). The reversion amount reflects the anticipated unencumbered balance as of June 30, 2011, in Item 5175-490.
- **Technology Refresh.** Approves savings from CCSAS Technology Refresh of \$1.297 million General Fund. This is achieved through a reduction in Item 5175-001-0001 by \$581,000; reduction in Item 5175-001-0890 by \$1,127,000; reduction in Item 5175-101-0001 by \$716,000; and a reduction in Item 5175-101-0890 by \$1,390,000 on a one-time basis to reflect the delay of a CCSAS technology refresh for state and local child support agencies.
- **Automation Savings.** Accepts May Revision changes to the Department of Child Support Services, including a \$5.24 million General Fund savings as a result of contract negotiations for the California Child Support Automation System (CCSAS).

Realignment of Programs

- **Child Welfare Services.** Realigns \$1.6 billion for child welfare services and foster care programs, including child abuse prevention and adoption programs, as well as emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care services, from the state to local governments. This realignment does not include responsibility for the state's automated case management and data collection systems, licensing of residential placements for children, or specified work related to independent adoptions, statewide training activities, and tribal-state agreements.
- **Substance Abuse Treatment Services.** Realigns \$183.6 million for substance abuse treatment programs, including the DMC program, non-DMC perinatal and other state funded treatment programs, as well as drug courts, from the state to local governments. The realignment does not include responsibility for licensure or certification of treatment programs or funding for community-based diversion programs (Proposition 36 and the Offender Treatment Program) that was eliminated in 2009-10 and 2010-11.
- **CalWORKs Grants.** Swaps specified 1991 realignment funding that was dedicated to community mental health for a higher share of CalWORKs grants.
- **Adult Protective Services.** Realigns \$55.0 million for Adult Protective Services from the state to local governments.

Administration's Reorganization Proposals

- **Health Care Quality Improvement and Cost Containment Commission.** Approves the elimination of the Health Care Quality Improvement and Cost Containment Commission in the Health and Human Services Agency, as proposed by the Administration.
- **Continuing Care Advisory Committee.** Approves the elimination of the Continuing Care Advisory Committee in the Community Care Licensing Division of the Department of Social Services, as proposed by the Administration.
- **Rehabilitation Appeals Board.** Rejects the elimination of the Rehabilitation Appeals Board as proposed by the Administration.

Other Changes

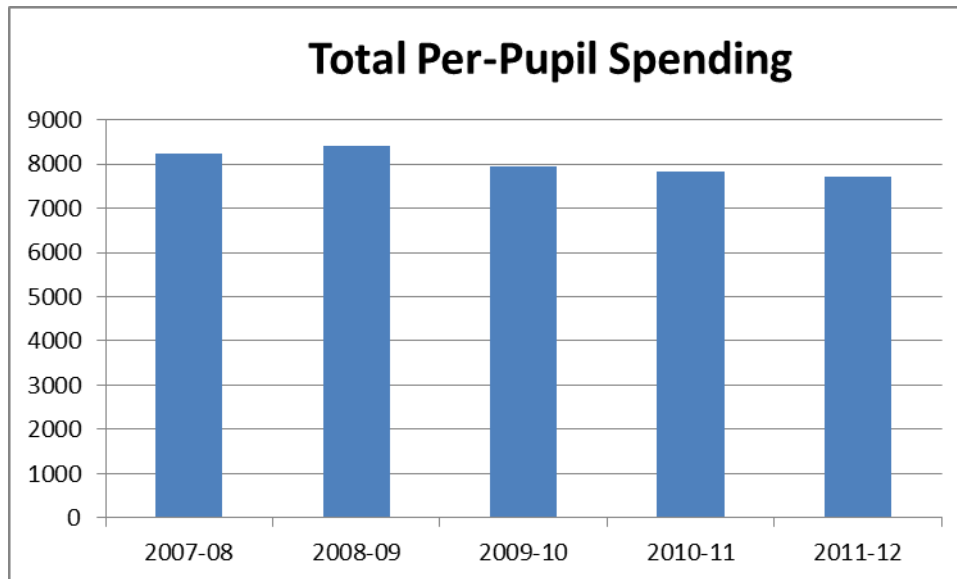
- **Special Fund Loan.** Approves a \$1.5 million loan in 2011-12 from the DIU Fund in the Department of Alcohol and Drug Programs to the General Fund pursuant to the Sales/Leaseback package from the Administration.
- **Special Fund Transfer.** Approves a one-time transfer in 2010-11 from the Foster Family Home and Small Home Fund of \$3 million to the General Fund pursuant to the Sales/Leaseback package from the Administration.

CHILD CARE & DEVELOPMENT SERVICES

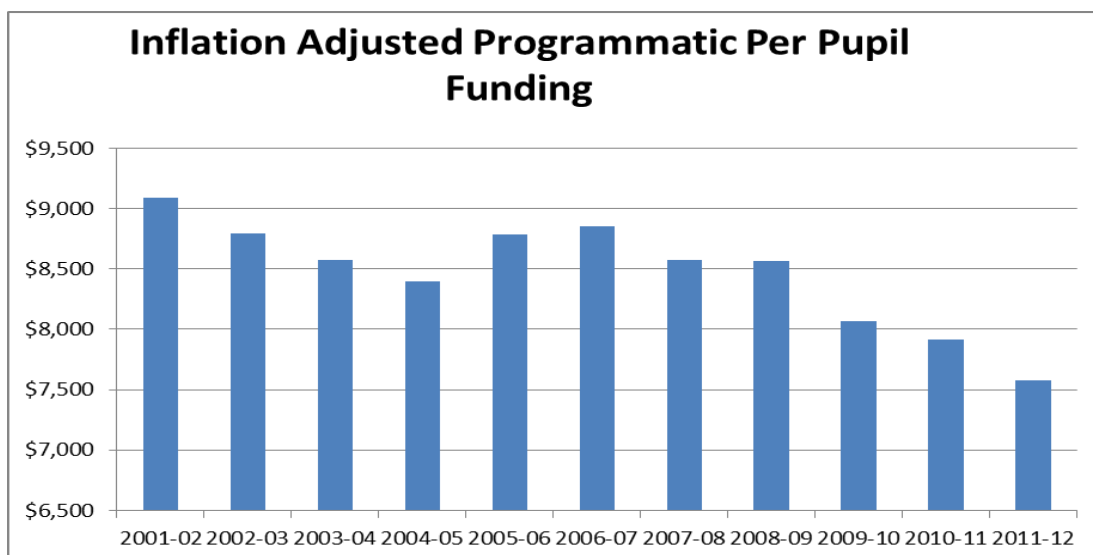
- Shifts funding for most child care programs from Proposition 98 General Fund to non-98 General Funds. The budget bill continues Proposition 98 funding for part-day preschool programs in 2011-12.
- Approves an 11 percent across-the-board reduction to child care and development programs for a savings of \$176.9 million in 2011-12.
- Lowers the income eligibility ceiling from 75 percent to 70 percent of State Median Income (SMI) for a savings of \$28.5 million in 2011-12.
- Decreases the license-exempt provider reimbursement rate from 80 to 60 percent of the 85th percentile of the Regional Market Rate (RMR), which provides a savings of \$37.4 million in 2011-12.
- Restores funding for cuts adopted in March 2011 for the 2011-12 fiscal year that would have: (1) decreased the Standard Reimbursement Rate (SRR) by 10 percent; (2) deprioritized child care for 11 and 12-year old children; and, (3) increased family fees by 10 percent.
- Rejects the Governor's May Revise proposal to eliminate the Early Learning Advisory Council in 2011-12.
- Provides approximately \$60 million for CalWORKs Stage 3 child care for the period of April through June 2011.
- Approves an additional across-the-board reduction to all child care programs of \$23 million in General Fund and Proposition 98 savings in 2011-12 that would be triggered if estimates of state revenues drop below specified levels. Pursuant to Control Section 3.94 of the 2011-12 budget act, this additional child care reduction would become effective January 1, 2012, if estimates of state revenues as of December 2011 are \$1 billion or more below current forecasts for 2011-12.

K-12 EDUCATION

K-12 Education was a top priority for funding in the 2011-12 budget. Overall the budget provides \$48.651 billion in ongoing Proposition 98 funding in 2011-12 in order to meet the minimum funding guarantee. This funds K-12 Education at roughly the same programmatic level as the prior two fiscal years, including the impact of federal funds, like ARRA. This chart below illustrates per-pupil funding for the last four fiscal years:



While overall funding has been held constant in total dollars, when adjusted for inflation, the overall funding for K-12 has deteriorated over the last decade. This has resulted in an erosion of the educational programs, increased classroom size, and other pressures on districts.



Major Changes to Education:

Shift of Mental Health Services AB 3632 Services To Schools: Shifts the responsibility for the provision of educationally related mental health services for students with disabilities from counties to local Special Education Local Planning Areas (SELPA's). This budget eliminated the state AB 3632 mandate program, which required counties to provide mental health services to student with disabilities, and shifted responsibility for providing educationally related mental health services – including out-of-state residential services – as required by federal law for students with disabilities, in 2011-12. As a part of this shift, the final budget package appropriates a total of \$423.6 million for educationally related mental health services in 2011-12, including the following new and existing funds directed for this purpose:

- \$218.8 million in new Proposition 98 funds allocated to Special Education Local Planning Areas (SELPA's) for educationally related mental health services. Funds are allocated to SELPAS using an equal per pupil formula.
- \$3 million in new Proposition 98 funds available to the California Department of Education (CDE) to administer an extraordinary cost pool associated with educationally related mental health services for necessary small special education SELPA's. Funding is provided to CDE – in collaboration with the Department of Finance (DOF) and Legislative Analyst's Office – and subject to final approval of DOF.
- \$31 million in existing Proposition 98 funds redirected to SELPA's for provision of educationally related mental health services. Funds are allocated to SELPA's on a onetime basis using an equal per pupil formula.
- \$69 million in existing federal special education funds allocated to SELPA's for educationally related mental health services. Funds are allocated on a one-time basis using a formula that reflects weighted student mental health service counts. It is the intent of the Legislature that in 2012-13 these funds be allocated to SELPA's on an equal per pupil formula.

- \$98 million in Proposition 63 funds allocated to counties via a formula developed by the state Department of Mental Health and local counties (County Welfare Director's Association), pursuant to AB 100 (Budget Committee), Chapter 5, Statutes of 2011. Counties shall use funds exclusively for educationally related mental health services within a pupil's individualized education program (IEP) during the 2011-12 fiscal year. Unused funding will be reallocated to other counties. In order to access funds, LEAs may develop a memorandum of understanding or enter into a contract with its county mental health agency to address the interagency service responsibility for the provision and transition of mental health services identified on a pupil's IEP during 2011-12.
- \$2 million in one-time federal special education carryover funds appropriated to the Office of Administrative Hearings on a one-time basis for mental health service dispute resolution services in 2011-12. CDE shall submit documentation to the DOF justifying the increased mental health services caseload and obtain written approval from DOF prior to spending these funds.
- \$800,000 in one-time federal special education funds appropriated to the CDE to provide oversight and technical assistance for LEAs as the responsibility for overseeing education related mental health services transitions from counties and to SELPAs.
- \$443,000 in existing ongoing federal special education funds and 3.0 positions at the CDE redirected for increased department monitoring associated with educationally related mental health services.

Trigger Reductions. Makes reductions to K-12 education if estimates of state revenues as of December 2011 are projected to be \$2 billion or more below the revenue forecasts in 2011-12 budget. Because the trigger reductions are not anticipated to occur, the budget package includes language that exclude these reductions for local district budget calculations including adjusting district financial reporting and making inoperative, in 2011-12, provisions of existing law that allow school districts to terminate employees for the period following budget passage through August 15th. Specific trigger reductions include:

- **Reduces length of school year.** Requires local education agencies to reduce the minimum instructional days and minutes by up to seven additional days – beyond the five days currently authorized – to the extent estimates of state revenues as of December 2011 are \$2 billion or more below current forecasts in 2011-12. Pursuant to implementing trailer bill language, this reduction would become effective February 1, 2012, if triggered, and would reduce LEA revenue limits by up to four percent, “scaled” in proportion to the General Fund shortfall. This reduction would generate up to \$1.5 billion in Proposition 98 savings in 2011-12.
- **Eliminates Home-to-School Transportation.** Reduces Proposition 98 funding by no more than \$248 million for the half year funding of Home-to-School Transportation, eliminating the program.
- **Limits District Ability to Re-Open Layoffs in 2011-12.** Makes inoperative, in 2011-12, provisions of existing law that allow school districts to terminate employees for the period following budget passage through August 15th, if per pupil revenue limit funds do not increase by at least two percent.

Changes to Proposition 98 Guarantee Level. Makes various changes that impact the overall Proposition 98 funding calculation, these are:

- **Child Care Funding Shift.** Shifts funding for most child care programs from Proposition 98 General Fund to non-98 General Funds. The budget bill continues Proposition 98 funding for part-day preschool programs in 2011-12. This adjustment decreases the Proposition 98 Guarantee by \$1.134 billion.
- **Fuel Tax Swap.** Provides an increase of \$578.1 million to reflect education trailer bill provisions SB 70 (Budget and Fiscal Review Committee), Chapter 7, Statutes of 2011, that extend previous law that specified the fuel tax swap shall have no negative effect upon the amounts that would otherwise be calculated under Test 1 of the Proposition 98 minimum education funding guarantee.
- **Offset for New RDA Related Local Revenues.** Provides a decrease of **\$1.7 billion** to reflect new local remittances for K-12 local education agencies related to redevelopment agencies (RDAs) pursuant to provisions of the education budget trailer bill SB 70 and another RDA budget trailer bill (AB 27 X1). These statutory provisions assure that there is no change in the combined amount of Proposition 98 funding that would otherwise be provided to K-12 LEAs without these local revenues. In effect, these provisions require that new local funds be used to offset state General Fund support of Proposition 98 through a rebenching of the Test 1 factor.

- **Shift of Mental Health Services AB 3632 Services To Schools:** The 2011-12 budget provides an additional \$221.8 million in Proposition 98 funding to K-12 schools to cover these services in 2011-12.
- **Dedication of State Sales Taxes for Local Realignment.** Reduces Proposition 98 by \$2.1 billion in 2011-12 to reflect the dedication of state sales tax revenues to local realignment pursuant to the 2011-12 budget package. These provisions will be operative beginning in 2011-12 only if: (1) these changes are authorized via ballot measures prior to November 17, 2012; and, (2) provide funding for K-12 schools and community colleges equal to the amount that would have otherwise been provided if specified sales tax revenues were General Fund. If these conditions are not met, funds that would have been provided to Proposition 98 in 2011-12 prior to this shift are calculated and will be repaid, to K-12 schools and community colleges, over a five year period.

Extension Local Funding Flexibility. Extends existing various district funding flexibility measures for an additional two years. These include:

- **Extends Instructional Materials Purchase Flexibility.** Extends for two additional years (through 2014-15) the suspension of statutory requirements that local educational agencies (LEAs) buy newly-adopted instructional materials and that the State Board of Education adopt new materials.
- **Extends Routine Maintenance Flexibility.** Extends for two additional years (through 2014-15) the suspension of a statutory requirement that school districts that meet the facility requirements of the *Williams* settlement deposit an amount equal to one percent of their General Fund expenditures into their deferred maintenance funds, on the condition that they maintain their facilities in good repair.
- **Extends Surplus Property Sale Flexibility.** Extends for two additional years (through 2014-15) existing statutory authority for schools to sell non-state funded surplus property and use the proceeds for any one-time general fund purpose.
- **Extends Deferred Maintenance Flexibility.** Extends for two additional years (through 2014-15) the suspension of previously required General Fund set-asides for LEAs receiving deferred maintenance funds for school facilities.

- **Extends K-12 Categorical Funding Flexibility.** Extends by two years (through 2014-15) existing categorical funding flexibility that allows K-12 schools to use funding for nearly 40 categorical programs for any educational purpose. Requires school districts to discuss proposed use of these funds at a public meeting and to report on how they actually spent the funds. Requires the Department of Education to report each year on districts' use of this flexibility.
- **Extends Relaxation of K-3 Class Size Reduction (CSR) Program Penalties.** Extends for two additional years (through 2013-14) the relaxation of penalties for school districts participating in the K-3 CSR incentive program that exceed the maximum class sizes allowable under the program.
- **Extends Instructional Time Flexibility.** Extends by two years (through 2014-15) the authority for LEAs to reduce the number of instructional days by five – from 180 days to 175 days per year – without losing longer-year incentive grants.

CalPADS Funding Restored. Restores \$6.636 million in federal Title VI and Title II funds for support of the California Longitudinal Pupil Achievement Data System (CALPADS) in 2011-12 and \$2.3 million of funding for 2010-11. As a condition of receiving funds, CDE shall ensure specified work has been completed. As a further condition of receiving funds, CDE shall not add additional data elements to CALPADS, requires local educational agencies to use the data collected through CALPADS for any purpose, or otherwise expand or enhance the system beyond the data elements and functionalities that are identified in the most recent CALPADS feasibility study, special project reports, and data guide.

CalTIDES Funding Vetoed. The Governor vetoed \$2.124 million in federal Title II and Institute of Education Sciences funds and 3.0 limited term positions to reflect elimination of California Longitudinal Teacher Integrated Data Education System (CALTIDES) funding. Per the Governor's Budget Summary, "CALTIDES was intended to provide a statewide longitudinal teacher database that would serve as the central state repository of information regarding the teacher workforce." However, per the Governor's veto message, "these reductions are necessary to avoid the development of a costly technology program that is not critical."

Eliminates Secretary of Education. Adopts the Governor's proposal to eliminate the Office of the Secretary of Education (OSE), which results in General Fund savings of \$400,000 in 2010-11 and \$1.6 million in 2011-12. Shifts another \$274,000 in General Funds in 2011-12 from OSE to the Department of Education for support of the State Board of Education.

Other Budget Changes

- Provides \$49.787 billion in ongoing Proposition 98 funding in 2010-11. This continues funding provided in the original 2010-11 Budget Act, as updated by various workload adjustments. The final budget also provides an additional \$156.6 million in one-time funds in 2010-11.
- Provides \$48.651 billion in ongoing Proposition 98 funding in 2011-12 in order to meet the minimum funding guarantee. (As summarized later in this report, the 2011-12 budget makes a number of changes in the calculation of the Proposition 98 minimum funding guarantee in 2011-12). Together with \$1.054 billion in non-Proposition 98 General Fund for child care, the 2011-12 budget provides a total of \$49.705 billion in ongoing funding for K-14 education and child care. The final budget also provides an additional \$161.2 million in one-time funds in 2011-12.
- Continues \$450 million in one-time General Funds for the Quality Education Improvement Education Act (QEIA) in 2011-12. These are one-time funds from prior year Proposition 98 savings and are utilized to satisfy Proposition 98 “settle-up” obligations.
- Disapproves \$53 million in settle-up funds proposed by the Governor in 2011-12 and instead funded K-12 programs – including child care – within Governor’s ongoing Proposition 98 funding level and one-time Proposition 98 savings.
- Continues \$89.9 million in Proposition 98 funding in 2011-12 for most K-14 mandates funded or suspended in 2010-11. Exceptions include two additional community college mandates that were added to the suspension list in 2011-12 with associated savings of \$4,000. The Legislature did not adopt the Governor’s May Revise proposal to reduce funding by \$38.2 million to reflect the adoption of specific recommendations of the K-14 workgroup on mandate reform created by Chapter 724; Statutes of 2010, including pursuing additional long-term reform options in collaboration with the Legislative Analyst’s Office to streamline future funding of K-14 mandates through a block grant approach.

- Authorizes the State Controller's Office to delay specified K-12 and community college payments in 2011-12. Provisions of the state short-term cash management budget trailer bill (SB 82) make the following changes to the payment schedule for K-12 local educational agencies (LEAs):
 - \$1.4 billion in both July 2011 and August 2011 payments deferred.
 - \$2.4 billion in October 2011 payments deferred.
 - \$700 million of the July deferral paid in September 2011.
 - \$4.5 billion from the remaining July, August, and October deferrals paid in January 2012.
 - \$1.4 billion in March 2012 payment deferred and paid in April 2012.

The new K-12 payment deferrals include a hardship waiver process for LEAs who might not be able meet financial obligations if payments are deferred. In order to be eligible for a hardship waiver, charter schools would need to demonstrate that they would become insolvent and school districts and county offices of education would need to qualify for an emergency apportionment absent an exemption from the enacted deferrals. Required payments of temporary revenue anticipation notes or other short-term debt issued for cash flow purposes in 2010-11 shall be considered expenditure obligations.

- Defers an additional \$2.1 billion in payments for K-12 revenue limits from 2011-12 to 2012-13. More specifically, the deferral moves \$1.3 billion in March 2012 and \$763 million in April 2012 payments to August 2012. The deferral reduces 2011-12 appropriations, but allows schools to retain programmatic expenditure levels in 2011-12. The deferral allows local educational agencies (LEAs) facing financial hardship to apply for an exemption from June apportionment payments scheduled to be deferred to July.
- Make changes to current statute to extend the repayment period for inter-year deferrals for 2010-11 in order to meet state cash needs.
- Reappropriates \$80.8 million in one-time Proposition 98 savings to address a funding shortfall for mental health related services for special education students in 2010-11. Funds are appropriated on a one-time basis based upon the relative costs of services provided.
- Approves \$74 million reduction in special education funding in 2011-12 to reflect repeal of the Special Disability Adjustment formula on July 1, 2011.

- Establishes a zero percent COLA for K-12 programs – revenue limits and categorical programs – in 2011-12. While COLA is estimated at 2.24 percent, it is not funded 2011-12.
- Adds \$56 million in order to restore full funding – aligned to estimated workload levels – for the Economic Impact Aid program in 2011-12. This action corrects an over-reduction in the Governor’s January budget proposal and reflects \$2.0 million in growth for EIA above the 2010-11 budget appropriation. Provided adjustments to reflect growth in student attendance or caseload for three programs in 2011-12, including \$35.6 million for Charter School Categorical Block Grants; \$7.8 million for Special Education; and, \$3.7 million for Child Nutrition.
- Provides \$11.0 million in Proposition 98 funds to allow new schools that began operation in 2008-09 through 2011-12 to access “supplemental” categorical block grant funding that can be used for any education purpose. These supplemental categorical funds give new schools – limited to new charter schools – access to categorical funds included in the categorical flexibility program. Conversion charter schools are not eligible for this supplemental funding.
- Implements an 8.921 percent reduction to categorical programs for Basic Aid districts in 2010-11 and 2011-12, which generates approximately \$145 million in savings in each of these two years. This reduction is commensurate to the base revenue limit reduction rate for non-Basic Aid school districts in 2010-11 and 2011-12. States intent that categorical funding reductions for Basic Aid districts be restored as base revenue limit reductions are restored for non-Basic Aid districts. Basic Aid districts are defined as districts that do not receive state funding for revenue limits.
- Redirects up to \$50 million in county office of education property tax balances that are currently restricted, to offset state General Fund costs for trial courts in 2011-12.
- Provides an unspecified amount of funding for the K-3 CSR program through a statutory appropriation in 2011-12 as determined by the Superintendent of Public Instruction. This statutory appropriation is provided in lieu of a budget act appropriation for this program. The final budget package assumes \$1.316 billion in funding for the K-3 CSR program in 2011-12, which includes an augmentation of \$42 million in budget set-asides to better meet the anticipated costs of the continuous appropriation in 2011-12. The 2010-11 budget added a statutory program for the K-3 CSR program for one year. This was extended for one-additional year only in 2011-12.
- Disapproves \$54 million in ongoing Proposition 98 funds proposed by the Governor in 2011-12 for the Emergency Repair Program. Makes statutory changes conforming to zero funding for the Emergency Repair Program in the 2011-12 budget bill.

- Appropriates \$5 million from the General Fund to augment the Charter School Revolving Loan Fund, which makes low-interest, start-up loans of up to \$250,000 to new charter schools in order to meet the purposes of their charters.
- Adds \$3.2 million in Proposition 98 funds for a new program – the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program. This program creates school-business partnerships that provide occupational training for at-risk high school students in areas such as conservation, renewable energy, and pollution reduction.
- Adds \$84,000 and 1.0 limited-term position from the Test Development and Administration Account, Teacher Credentialing Fund, and \$150,000 in Reimbursements and 2.5 limited-term positions to support CALTIDES development in 2011-12. *The Governor vetoed all of these funds and 2.5 positions in 2011-12. Per the Governor's veto message, "these reductions are necessary to avoid the development of a costly technology program that is not critical."*
- Approves \$21.3 million in federal Title I carryover funds for allocation to all Title I local educational agencies and schools in 2011-12. These one-time funds will be distributed using the state's standard distribution methodology for the federal Title I, Part A Basic Program.
- Approves \$3.5 million in federal Title I carryover funds pursuant to legislation enacted in the 2011-12 legislative session to support initial implementation of the Common Core Standards that includes revising the English language Development Standards for alignment with the Common Core Standards in English language arts, providing professional development on Common Core Standards, and establishing a state level process for approval of supplemental instructional materials aligned to the Common Core Standards.

HIGHER EDUCATION**California State Library**

- Approves \$15.2 million in General Fund reduction for public libraries provided through the following programs in 2011-12: Public Library Foundation, California English Acquisition and Literacy Program, and the California Library Services Act.
- Approves an additional \$15.4 million reduction for State Library programs in 2011-12 if mid-year state revenue forecasts fall below specified levels pursuant to subdivision (b) of Section 3.94 of the Budget Act of 2011.
- Approves \$890,000 from bond funds for the California Cultural and Historical Endowment.
- Approves \$707,000 General Fund for the fourth year of the California State Library relocation during the on-going renovation of the historic Library and Courts building.
- Approves \$490,000 General Fund for 2011-12 and \$225,000 on-going for the Sutro Library relocation to a new library building on the California State University San Francisco campus.

California Postsecondary Education Commission (CPEC)

- Approves \$1.927 million in General Fund to support the Commission in 2011-12 and Supplemental Reporting Language (SRL) to require the Legislative Analyst's Office to evaluate the structure and activities of CPEC and make recommendations for improvements to the policy committees of the Legislature. The Governor vetoed all General Fund support for CPEC in order to achieve statewide savings by reducing state operations. The Governor's veto message requested that the three public higher education segments and stakeholders explore alternative ways to more effectively improve coordination of higher education policy. CPEC will continue to administer a component of the federal Improving Teacher Quality Grants Programs in 2011-12.
- Approves \$8.195 million federal funds for the Improving Teacher Quality Grant Program.

University of California

- Approves a General Fund budget reduction of \$650 million, or 23 percent, for the University of California in 2011-12. The university's General Fund support totals \$2.097 billion.
- Approves an additional \$100 million reduction for UC that is triggered if mid-year state revenue forecasts fall below specified levels pursuant to subdivision (b) of Section 3.94 of the Budget Act of 2011.
- Approves a \$106 million General Fund backfill for one-time ARRA funds.
- Establishes intent language that UC minimize enrollment impacts or raise student fees, but decrease instructional and administrative costs to meet the General Fund budget reductions. Required the university to report by June 1, 2011, on how the UC Board of Regents intend to reduce the system's budget and report by September 1, 2012, on the actual reductions implemented.
- Establishes an enrollment target of 297,977 full-time equivalent students (FTES). This is the same enrollment target for 2010-11. Due to the additional \$150 million reduction from the March budget package, the Legislature approved budget bill language that states that the university will not lose funding if it does not meet its state-supported enrollment goal.
- States that the reduction to the Student Academic Preparation and Education Programs (SAPEP) could not be greater than the overall General Fund reduction to UC.
- Allows for reductions proportional to the UC General Fund reduction to the COSMOS, Science and Math Teacher Initiative, and specialty nursing programs.
- Prohibits the use of General Fund for intercollegiate athletics and auxiliary enterprises.
- Earmarks \$3 million General Fund for scheduled personnel costs pursuant to the memoranda of understanding effective on February 12, 2009, between the University of California and Service Unit (SX).
- Approves two capital outlay construction projects from lease-revenue bond funds: UC San Diego Scripps Institute of Oceanography and UC Irvine Business School. In addition, approved four equipment-only capital outlay projects from general obligation bond funds.

California State University

- Approves a General Fund budget reduction of \$650 million, or 23 percent, for the University of California in 2011-12. The university's General Fund support totals \$2.072 billion.
- Approves an additional \$100 million reduction for CSU that is triggered if mid-year state revenue forecasts fall below specified levels pursuant to subdivision (b) of Section 3.94 of the Budget Act of 2011.
- Approves a \$106 million General Fund backfill for one time ARRA funds.
- Approves an increase of \$75.2 million General Fund for CSU retirement costs.
- Establishes an enrollment target of 331,716 state supported full-time equivalent students (FTES). This is 8,157 FTES lower than the enrollment target for 2010-11. Due to the additional \$150 million reduction from the March budget package, the Legislature approved budget bill language that states that the university will not lose funding if it does not meet its state-supported enrollment goal.
- Establishes intent language that CSU minimize fee and enrollment impacts by targeting actions that decrease instructional and administrative costs to meet the General Fund budget reductions. Require that CSU report by June 1, 2011, on how the Board of Trustees intend to reduce the system's budget and report by September 1, 2012, on the actual reductions implemented.
- Approves budget bill language stating that aggregate reductions to student academic preparation and outreach programs could not be greater, proportionally, than the overall General Fund reduction to the CSU.
- Adopts the Governor's May Revise proposal to eliminate duplicative audits at CSU campuses.
- Approves five capital outlay projects all from lease-revenue bond funds: CSU East Bay, CSU Fresno, CSU Channel Island, CSU San Jose, and CSU Chico. Also, approved two equipment only phase capital outlay projects from general obligation bond funds: CSU San Francisco, and CSU Los Angeles.
- Recognizes a General Fund reversion of \$75 million in 2010-11 because CSU did not meet its state-supported enrollment target for that year.

Hastings College of the Law

- Approves a reduction of \$1.5 million to the Hastings College of the Law in 2011-12.

California Community Colleges

- Approves a \$400 million General Fund reduction to the California Community Colleges in 2011-12.
- Approves a \$10 per unit fee increase, which raises student fees from \$26 per unit to \$36 per unit in 2011-12, and generates \$110 million in additional fee revenues. Approved language to decouple fee revenue from financial aid support only for 2011-12.
- Approves an additional \$30 million reduction in apportionment that would be triggered if mid-year state revenues fall by \$1 billion, or more, below current forecasts in 2011-12, pursuant to subdivision (b) of Control Section 3.94 of the 2011-12 Budget Act. As specified in budget trailer bill, this reduction is tied to an additional \$10 per unit student fee increase. If triggered, this fee increase would become effective in the winter term of the 2011-12 academic year and would bring student fees to \$46 per unit in 2011-12.
- Approves an additional \$72 million reduction in apportionment that would be triggered if mid-year state revenues forecasts fall by \$2 billion, or more, below current forecasts in 2011-12, pursuant to subdivision (c) of Control Section 3.94 of the 2011-12 budget act. This reduction would be implemented in January 2012.
- Approves \$129 million in new inter-year payment deferrals, which bring total community college deferrals to \$961 million General Fund from 2011-12 to 2012-13. Provided a hardship waiver for small community college districts from the apportionment deferral, with the approval of the Director of Finance.
- Extends categorical program flexibility through 2014-15.
- Suspends two small mandates that are currently required by federal law. Rejected shifting the cost of two financial aid mandates into the financial aid categorical program.
- Allows sharing of student data consistent with the federal Family Educational Rights and Privacy Act (FERPA) in order to participate in the K-20 student data system.
- Approves three capital outlay projects funded with General Obligation bond funds at Santa Clarita, San Francisco, and Coast Community College.

California Student Aid Commission

- Provides an increase of \$388 million for higher financial aid program costs, primarily for Cal Grants. This increase covers higher participation levels in entitlement programs, and tuition and fee increases at UC and CSU for Cal Grant recipients.
- Requires renewing Cal Grant recipients to meet the same income and asset limits as new applicants, resulting in General Fund savings of \$100 million in 2011-12. These changes were implemented through budget trailer bill language, which allows renewing students to use the higher of the income ceilings for either the budget year or the year the student first received a Cal Grant.
- Disqualifies institutions with a 24.6 percent (or higher) three-year student loan cohort default rate from participating in Cal Grant programs for new awards, resulting in General Fund savings of \$10.7 million in 2011-12. These changes were implemented through budget trailer bill language, which sets the disqualification rate at 30 percent (or higher) in 2012-13. In addition, the trailer bill language permits existing Cal Grant recipients attending disqualified institutions to receive renewal awards, but the awards will be reduced by 20 percent.
- Approves \$62.25 million in Student Loan Operating Fund support for Cal Grant to offset the same amount in General Fund appropriation.
- Rejects the Governor's proposed shift of \$947 million of General Fund Cal Grant costs to the federal Temporary Assistance for Needy Families (TANF) Program associated with CalWORKs reductions proposals.
- Approves \$130,000 and a two-year term-limited position from the General Fund to oversee federal policies and programs.
- Approves eliminating funding for the Robert C. Byrd Honors Scholarship program, because the federal government cancelled its support of this program.
- Approves increasing the General Fund appropriation for Cal Grants by \$10.6 million and decreasing federal funds by the same amount to reflect the federal government's elimination of two federal grant programs.

NATURAL RESOURCES & ENVIRONMENTAL PROTECTION**Department of Fish and Game**

- Extends the moratorium on the issuance of suction dredge permits for an additional five years, or until such time as new regulations that fully mitigate all identified significant environmental impacts, and a proposed fee structure that will fully cover all program costs, are in place.

Public Utilities Commission

- Approves \$393,000 in reimbursement from Pacific Gas and Electric (PG&E) to fund an Independent Review Panel that will review PG&E's seismic studies of Diablo Canyon Power Plant.
- Approves 10 positions and \$2.1 million from the Public Utilities Reimbursement Account to implement the 33 percent Renewables Portfolio Standard statute. Also, includes a new Governor's initiative for a Clean Energy Jobs Plan which includes a commitment to increase the quantity of renewable distributed generation in California by 12,000 Mw of localized renewable energy.
- Approves 9 positions and \$1.6 million from the Public Utilities Reimbursement Account to improve safety of natural gas distribution systems in California. This action was taken in response to the September 9, 2010 pipeline failure in San Bruno. Five positions will be used to complete audits and inspections of natural gas utilities and pipelines.

Department of Forestry and Fire Protection

- Assumes \$12.8 million in savings to Cal FIRE's Fire Protection Program resulting from the department's risk reduction strategy reviews.
- Cuts \$30.7 million General Fund from CAL FIRE's budget, resulting in the reduction of staffing on fire engines from 4 firefighters to 3.
- Adopts a State Responsibility Area Fee to cover some costs of state fire prevention on privately-owned lands. Reduces General Fund support for CAL FIRE by \$50 million and replaces with fee revenue.
- Authorizes up to a \$150 fire prevention annual fee on structures located in the State Responsibility Areas for fire prevention activities.

- Approves permanent funding of \$42.8 million General Fund and 73 positions related to the Aviation Management Unit, the Very Large Air Tanker, Victorville Air Attack Base, San Diego Helitack, Aviation Asset Coordinator, Lake Tahoe Basin Fire Engine and Staffing, Defensible Space Program and CAL Card Support. The Budget Act of 2010 provided one-time funding for these activities within CAL FIRE base budget rather than the Emergency Fund, where they had been previously funded.
- Approves \$1.7 million and 10 one-year limited-term positions to augment the Department's current program to recover state General Fund costs of fighting wildfires from responsible parties.

Department of Parks and Recreation

- Cuts Department of Parks and Recreation's General Fund budget by \$11 million in the budget year and \$22 million ongoing. These cuts will result in the closure of 70 State Parks starting in 2012.
- Approves \$750,000 from the State Parks and Recreation Fund to institute a park entrance pilot project. This proposal will allow the Department to use creative fee collection, such as simple signage noticing the public that an entrance fee is due, with an appropriate "iron ranger" collection facility, even if people park on the roadside and walk into the park.
- Cuts \$10 million from the Department of Parks and Recreation Off-Highway Vehicle Trust fund expenditures and transfers those funds to the General Fund. This reduction is proportionate to the cut being made to non-vehicle parks.

Department of Food and Agriculture

- Reduces General Fund support by \$19 million in the budget year and \$31 million ongoing. The recently passed Resources Trailer Bill implements \$15 million in funding reductions. Includes \$3 million cut to support for Pierce's disease, a plant disease that kills grapevines by clogging their water-conducting vessels.
- Eliminates \$32 million in General Fund support for the California Network of Fairs.

State Water Resources Control Board

- Shifts \$11.5 million of General Fund support for preparing Total Maximum Daily Loads (a written plan that describes how an impaired water body will meet water quality standards) to fees paid by dischargers under the National Pollutant Discharge Elimination System and Storm Water Programs.
- Raises and expands various Water Board fees to shift \$12.4 million in funding from the General Fund to new revenues.
- Assumes \$11 million in savings from new water quality fees, and assumes an additional \$11.5 million in State Water Resource Control Board programs is shifted from General Fund to special funds supported by fees.

Proposition 1E

- Shifts \$16 million to Proposition 1E funds in 2011-12 to support flood management activities. Proposition 1E authorizes \$4.09 billion in general obligation bonds to improve flood protection in California.

Department of Water Resources

- Shifts \$1.23 million to reimbursements in 2011-12 to support the Watermaster Program. The Department of Water Resources currently administers the Watermaster Program to ensure that water is allocated by an impartial third party according to legal water rights established by the courts. This proposal will eliminate General Fund support for the Watermaster Program and instead would fully support the program through fees paid by those who benefit from the service, consistent with existing statute.
- Reduces General Fund support by \$1.8 million in 2011-12 for water data collection, support for the Central Valley Flood Board, and flood control activities.
- Approves \$600,000 and 4 positions (State Water Project off-budget funds) for mercury and methylmercury monitoring and control studies. Also, approved \$300,000 from the Environmental License Plate Fund for the state-share of this regulatory compliance.
- Approves \$11 million and 90 positions (State Water Project off-budget funds) for meeting new and expanded operational requirements mandated by various State and federal regulatory agencies and helping DWR maintain the aging SWP infrastructure and improving public and employee safety. An annual savings of at least \$10,000,000 will be realized by reversing the declining operational performance of the SWP.

Department of Conservation

- Increases by \$2.3 million the Oil, Gas, and Geothermal Administrative Fund and 18 positions in 2011-12. California oil and gas operators have been experiencing significant delays in project approval, permitting, and construction site review. This proposal will enable the Department of Conservation to address additional permitting workload and enhance the Department's existing regulatory oversight of oil and gas development in the state. It also directs the Department to collect and disseminate information to the public regarding hydraulic fracking activities in the state.

California Energy Commission

- Approves 1 position and \$100,000 from the Renewable Resources Trust Fund to implement a 33 percent Renewable Portfolio Standard (RPS) by 2020. Also shifted 4 positions from AB 32 activities for such purposes. The enabling legislation requires the CEC to adopt regulations specifying enforcement of renewable energy procurement requirements for publicly owned utilities (POU), and to monitor POU planning and compliance with renewable energy procurement requirements.

Tahoe Conservancy

- Eliminates General Fund support for the Conservancy.

Department of Toxic Substances Control

- Reduces General Fund spending of \$802,000 for the Clandestine Drug Lab Cleanup Program, one-time, in 2011-12. The Department has sufficient illegal Drug Lab Cleanup Account expenditure authority in the pending budget bill to cover these costs.

Department of Resources Recycling and Recovery

- Redirects \$681,000 from the Beverage Container Recycling Fund to prevent and investigate fraud in the Beverage Container Recycling Program. Internal fund audits are important to reduce fraud following reporting by the Department of greater than 100 percent recycling rates.

California Energy Commission

- Approves 1 position and \$100,000 from the Renewable Resources Trust Fund to implement a 33 percent Renewable Portfolio Standard (RPS) by 2020. Also shifts 4 positions from AB 32 activities for such purposes.
- Approves a cut of \$155 million in energy efficiency programs funded by the Gas Consumption Surcharge Tax.
- Sweeps \$155 million from the 2011-12 Gas Consumption Surcharge Fund, exempting funding for the Energy Low Income Program (CARE) and the low income energy efficiency programs. This reduction leaves over \$345 million for natural gas efficiency energy programs for the budget year.

GENERAL GOVERNMENT**Labor and Workforce Development**

- Reduces the interest payment by \$42.8 million, which was authorized in the March budget process to borrow from the Unemployment Compensation Disability Fund to the General Fund to pay for the UI interest expense that had been estimated at \$362.3 million.
- Increases by \$620.6 million the Unemployment Fund in 2010-11 in the UI benefit payments, primarily due to recently enacted federal incentives. With the adjustment, total benefit payments in 2010-11 will be \$22.2 billion. No changes are proposed for 2011-12.
- Approves trailer bill language to amend the 2010 Budget Act is required to appropriate funds from the American Recovery and Reinvestment Act incentive funds tied to implementation of an Alternative Base Period (ABP) methodology for calculating UI benefits. These funds will be used to support program operations through fiscal year 2014-15.
- Increases by \$15.6 million Unemployment Fund in 2011-12 to provide continued support for the Single Client Database Conversion and the ABP Project.
- Rejects the proposal to eliminate the separate OSH Standards Board and transfer responsibility to the Division of Occupational Safety and Health within the Department of Industrial Relations.
- Decreases by \$677,000 reimbursement and 3.8 personnel years in 2011-12 to reflect a net reduction of four positions within the Labor and Workforce Development Agency and the relocation of the office from leased space to existing space within the Employment Development Department. This reduction includes one position currently assigned to support the Economic Strategy Panel. The relocation from leased space to state-owned space will also result in rental savings of \$210,000 other funds in 2011-12 within the Department of Industrial Relations.
- Approves the transfer of the Governor's Committee on Employment of Persons with Disability to the Department of Rehabilitation, and adopts trailer bill language as modified to retain the Senate Rules Committee and Speaker of the Assembly appointment authority.

Housing and Community Development

- Adopts \$20.0 million for the Building Equity and Growth in Neighborhoods (BEGIN) Program, \$25.0 million for the Housing Urban-Suburban-and-Rural Parks Program, and \$18.0 million for the Transit-Oriented Development Program to provide bond financing to assist affordable housing. Extends liquidation dates for the 2005-06 and 2006-07 appropriations, from June 30, 2011 to June 30, 2013, and for the 2007-08 appropriation from June 30, 2012 to June 30, 2013.
- Increases the Neighborhood Stabilization Program by \$11,282,000. Providing federal funding for local agencies to purchase abandoned or foreclosed homes and rehabilitate them for resale or rental to low-or-moderate income families.
- Extends liquidation period to June 30, 2014 in Litigation settlements for HCD to complete the repayment process prescribed by *the Vega v. Mallory*.
- Shifts \$1.1 million in State Operations to the Local Assistance federal budget authority and reduces 10 positions for the Community Development Block Grant program (CDBG)
- Eliminates the Child Care Monitoring Support in the Department of Housing and Community Development.
- Eliminates Redevelopment Housing Funds Oversight and Preservation Technical Assistance.
- Adopts a \$1 million reduction to Housing Policy Funding

Department of General Government

- Accepts \$5,951,000 for working drawing and construction phases of the structural retrofit project for the Walker Clinic and infirmary Buildings at the California institution for Women (CIW) in Corona, Riverside County.
- Extends 437,000 to the encumbrance and expenditure period for the construction funds for renovation of Office Building 10 in Sacramento.
- Extends liquidation in the amount of \$851,000 for the construction phase of the Marysville Office Replacement project.
- Authorizes the Department of Finance to augment DGS' budget for additional workload costs related to construction inspection services for the California Health Care Facility (CHCF) project in Stockton.

STATE ADMINISTRATION

Franchise Tax Board

- Approves permanent funding for additional tax compliance and enforcement audit activities associated with workload growth, resulting in additional revenues of \$13 million annually.
- Approves the Financial Institutions Records Match, a tax compliance activity that matches the records of taxpayers with overdue tax liabilities with financial resources at financial institutions. It will generate revenues of \$30 million annually.
- Approves a limited amnesty—the Voluntary Compliance Initiative—for taxpayers who participated in abusive tax shelters or sheltered income in off-shore accounts. This policy will result in accelerated revenues of \$270 million.
- Approves the Department's benefits-funded Enterprise Data to Revenue Project that will address return processing and utilization of data as well as provide connections among various systems. The project will result in additional revenues of \$4.7 billion over 9 years.

Board of Equalization

- Imposes additional compliance measures for the sales and use tax. The measure would require certain out-of-state companies with a California presence or "nexus" to collect the tax just as in-state companies do. The measure includes:
 - Affiliate Nexus;
 - Reporting Group Nexus; and,
 - Long-Arm Nexus.
- Makes permanent one of the Department's successful tax compliance activities that ensures that all retailers are registered with the state and collect and remit the sales tax. The program will generate additional annual revenues of about \$70 million.

State Controller's Office

- Adopts proposal to provide additional resources to conduct audits of local governments' use of federal funding for transportation. This action will ensure oversight and protection of federal funds.
- Continues funding for the development and deployment of 21st Century Project, which will result in a single unified payroll and leave system for all state employees.

- Provides additional funding for increased oversight of local governments through annual audits, financial transaction reports, and accounting and audit guidelines. This increased activity will improve financial performance and accountability of local governments.
- Increases funding for unclaimed property compliance, a program that seeks to unite abandoned property with its lawful owner. The additional resources will shorten the timeline for locating property owners and increase the efficiency of the program.
- Allows additional flexibility in the funding of the 21st Century Project, the state's new payroll and personnel system. This will allow the system to be developed in a timely fashion.

Department of Motor Vehicles

- Adjusts the formula for cost-sharing of Department of Motor Vehicles Administrative costs away from the vehicle license fee (VLF) and toward vehicle registration fee to accurately reflect actual costs. VLF savings are directed to the funding of realigned public safety activities.

Employee Compensation

- Realizes saving in retirement benefits and compensation based on agreements reached with various bargaining units.
- Denies the request to account for lower contributions to PERs by the California State University. Enacting this measure would have resulted in a further reduction in support to the system.

Reducing State Government

- Eliminates certain boards, commissions, task forces, office, and departments funding, including the Office of the Insurance Advisor, GF support for the Tourism Office, and GF support to the State and Consumer Services Agency.

Veteran's Affairs

- Adopts \$6.1 million GF in savings from staffing and service level delays at the Greater Los Angeles Ventura County Veterans Homes.
- Adopts the Governor's February proposal, which continues to fund County Veteran Service Offices (CVSO's) at their historical \$2.6 million General Fund level.
- Adopts a \$20.2 million GF savings by postponing the opening of the California Veterans Homes in Redding and Fresno beyond the 2011-12 fiscal year.

California Science Center

- Adopts a \$1.7 million General Fund unallocated reduction and approves an increase of \$850,000 in expenditure authority to the Exposition Park Improvement Fund. Additionally, budget language is approved to specify that the California African American Museum not be reduced by more than \$95,000 and stating legislative intent that parking rate increases are preferred to general admission changes.

Other

- Rejects the Governor's proposal to suspend the open meetings act mandate regarding posting of public meeting agendas and closed session actions.
- Adopts the Governor's proposal to alter the Williamson Act program and eliminate the state subventions in the current year and on-going while allowing for the continuation of a locally supported program.
- Shifts a portion of revenues from the vehicle license fee (VLF) to the Local Revenue Fund 2011, in order to provide resources for realigned public safety activities of local governments.

LOCAL GOVERNMENT

The 2011-12 Budget provides an opportunity for cities and counties to continue redevelopment activities based on a somewhat revised program. The proposal was adopted by the Legislature through its approval of AB 26 X1, and AB 27 X1. The legislation creates the Voluntary Alternative Redevelopment Program, under which redevelopment agencies (RDAs) will be able to retain localized decision-making and receive some state support. The proposal will also result in state budget year savings of \$1.7 billion, and ongoing amounts thereafter. The intent of the budget package is to offer an attractive alternative to communities so that there will be very few agency eliminations. There are two bills associated with the revised program.

AB 26 X1

- RDAs would be dissolved under this bill effective October 1, 2011. In addition, as of the effective date of the bill, activities of RDAs would be curtailed and an orderly wind-down of their activities instituted.
- If a community chooses to continue its RDA under the Voluntary Alternative Redevelopment Program set forth in AB 27 X1 (described below) the provisions of AB 26 X1 would not apply.

AB 27 X1

- Communities (cities or counties with an RDA) opt into the Voluntary Alternative Redevelopment Program by adopting an ordinance by November 1, 2011. RDAs of participating communities continue in existence and receive their full amounts of tax increment revenue.
- Communities agree to make annual payments to their county auditor-controller, distributed primarily to school districts serving the community. RDAs would be able to transfer funds to their community, up to the amount of the community payment.
- Community payments will total \$1.7 billion in 2011-12, generating budget savings equivalent to the Governor's proposal for this year. The payments are reduced to \$400 million in 2012-13, which becomes the base for future annual payments.

- Low and Moderate Income Housing 20 percent set-aside are to be fully restored in 2012-13 and subsequent years. RDAs could reduce their set-aside allocation for 2011-12, but only to the extent that they make a finding of necessity.
- State costs for new debt issued by RDAs are reduced, with the basic subsidy reduced to 20 percent of the school share of the property tax (after pass-through payments). The subsidy could be larger—potentially up to 80 percent—for projects that meet the highest state priorities.
- State subsidies for redevelopment activity decline, but projects that meet state goals and priorities will be able to receive larger subsidies through reductions in the community payment. Subsequent legislation will specify the project priorities that qualify for higher levels of state subsidy.

TRANSPORTATION

Significant Changes contained in the 2011-12 Budget Package:

- **Fuel Tax Swap.** Through various mechanisms, provided a total General Fund solution of \$2.1 billion. The General Fund solution came from the following categories and amounts are combined totals for 2010-11 and 2011-12.
 - \$962 million from bond debt service funded from truck weight fees.
 - \$851 million from loans to the General Fund from truck weight fees.
 - \$135 million from deferring a General Fund loan repayment from 2011-12 to 2012-13.
 - \$101 million from redirecting specified tribal gaming revenues from transportation funds to the General Fund.
 - \$72 million from bond debt service from miscellaneous transportation revenues.
- **VLF Fee Increase.** Recalculates the cost shares for Department of Motor Vehicles (DMV) administration funded from different fees and taxes collected on vehicles. The administrative costs paid by Vehicle License Fee (VLF) tax would be reduced, and the administrative costs paid from vehicle registration fees would be increased. As a result, the amount of VLF directed to local governments would increase by \$300 million to support public safety realignment. Vehicle registration fees will be increased by \$12 per vehicle to cover the new cost share from registration fees.
- **Prop 1B Bond Funding.** Approves a total of \$3.8 billion in Prop 1B appropriations, including reappropriation, across multiple departments. Approved Prop 1B bond funding of \$3.4 billion for the following bond categories that are budgeted directly in Caltrans budget (figures include state operations, local assistance, and capital outlay).
 - \$1.2 billion for Corridor Mobility Improvement Account (CMIA)
 - \$1.2 billion for Trade Corridors Improvement Fund
 - \$527 million for State Route 99
 - \$165 million for State Local Partnership
 - \$117 million for Intercity Rail
 - \$48 million for the State Highway Operations and Protection Program (SHOPP)
 - \$14 million for Local Bridge Seismic Retrofit
 - Other Prop 1B bond appropriations are in the budgets of State Transit Assistance (Transit); the Office of Emergency Services (Security); and the Air Resources Board (Air Quality and School Bus Retrofit).
- **Prop 1A Bond Funding.** Augments proposed bond funding from \$28 million to \$252 million from Proposition 1A bond funds for intercity rail and connector rail that will provide connectivity to the high-speed rail system. The additional amount is tied to a program of projects adopted by the California Transportation Commission after public hearings were held and local input received. The Governor vetoed the \$234 million in Proposition 1A bond augmentation adopted by the Legislature.

- **High Speed Rail Authority.** Approves appropriations for the High-Speed Rail Authority (HSRA) that totaled \$156.3 million (\$89.7 million Proposition 1A bond funds and \$66.6 million federal funds). A total of \$47.4 million in 2010-11 capital funds was unexpended and will carry-over for expenditure in 2011-12 budget resources total \$203.7 million. Other HSRA Authority changes included:
 - Approves the Governor's request to add 15 positions for HSRA at a cost of \$1.4 million, which brings the total number of authorized positions to 56.5 positions.
 - Approves capital outlay funding of \$138.6 million which includes the following: (1) \$74 million for engineering and design work on the "Phase I" segments that run from San Francisco to Anaheim (carry-over funds of \$47.4 million are also available for this segment); and, (2) \$58.5 million for the ongoing program management contract; \$5.5 million for the "Phase II" segments of Sacramento to Merced, and the Altamont Pass (carry-over funds of \$1 million are also available for the Sacramento to Merced segment). Added budget bill language that limits right of- way purchase and construction contracts until after legislative reporting and review.
 - Approves funding of \$3.0 million for the ongoing program management oversight contract.
 - Approves \$2.3 million for the communication contract – added budget bill language requiring the HSRA to report to budget committees during hearings next spring on the progress in transitioning from contract staff to state staff for public outreach.
 - Approves \$750,000 for the financial consultant.
 - Approves an augmentation of \$1.1 million (relative to a base of \$359,000) to fund interagency agreements with Caltrans, the Department of General Services, and the Department of Justice.
 - Approves a one-time augmentation of \$750,000 for information technology service contracts.
 - Adds funding of \$1.1 million for the 2011-12 cost of the 2009 memorandum of understanding between HSRA and CalTrain. The Governor vetoed this augmentation.
 - Approves trailer bill language that requires the HSRA to report to the Legislature with information on fiscal, management, and planning issues. Approved trailer bill language that authorizes the Governor to appoint six management-level exempt positions. The positions are specified as: a chief program manager; up to three regional directors; a chief financial officer; and a director of risk management and project controls.
 - Appropriates \$1.06 billion of additional Proposition 1B bond funding for transit and transportation projects in 2011-12.

Other budget changes in transportation**California Transportation Commission**

- Approves total funding of \$28.5 million for the California Transportation Commission, including \$25 million in Clean Air and Transportation Improvement bond funds.
- Rejects funding of \$400,000 from the State Highway Account for California Transportation Commission consulting services related to the evaluation of any Public Private Partnerships (P3s) that the Department of Transportation or local agencies may propose. Instead, approved budget bill language that authorizes the Director of Finance to augment budget funding by up to \$400,000 if workload materializes and with notification to the Joint Legislative Budget Committee.
- Approves funding of \$330 million from the Public Transportation Account to maintain state funding for transit agency operations, at the level adopted with the 2010 fuel tax swap.
- Approves expenditures of \$500 million from Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding. The expenditures utilize bond funds appropriated in prior budgets.
- Adopts trailer-bill language that directs that loan repayment from truck weight fees be directed to bond debt and be repaid as needed to fund bond debt.

CalTrans

- Approves the Administration's May Revision zero-based budget for the Capital Outlay Support (COS) staffing, which increased workload from the January budget by a total of 122 positions, resulting in a grand total of 10,756 positions (including overtime and contract resources). However, changed the 122 positions from the contract resources requested to 61 state positions and 61 units of state position overtime. This action reduced costs by \$17.7 million, and this savings was directed to investment in pavement maintenance.
- Approves the Administration's May Revision zero-based budget for transportation-planning workload related to Project Initiation Documents (PIDs), which are preliminary planning documents. However, rejected an Administration proposal to shift the costs of PIDs for locally funded highway projects (projects where the construction phase is primarily funded with local monies) from State funds to local-government reimbursement. The total number of positions approved and funded for PIDs was 314 positions, with 50 of those for locally-funded highway projects. The Governor vetoed \$6.4 million and eliminated the 50 positions associated with locally-funded highway

projects. His veto message indicated: "State funds should be reserved to fund state projects and not to subsidize locally funded projects on the state highway system."

- Approves \$1.7 million (special funds) for increased fuel costs.
- Approves \$1.3 million (federal funds) and 9 new positions to address bridge-inspection workload for locally-owned bridges. The new staff would complete load ratings on these bridges to comply with new federal requirements.
- Approves a reduction of \$3.0 million (State Highway Account) and the elimination of 35 positions for efficiency savings in the accounting area that are due to the Enterprise Resource
- Approves reappropriation of up to \$8.3 million (State Highway Account) to complete the Project Resource and Scheduling Management System (PRSM) IT project. The total cost for the project is estimated to be \$11.6 million and its expected completion is February 2012. This project will improve the Department's management and tracking of State employee time recording- by-project in the Capital Outlay Support Program.
- Approves the revised expenditure schedule for the multi-year Construction Management System (CMS) IT project. The total cost for the project is estimated to be \$22.8 million and its expected completion is in 2013-14. This project will allow better expenditure tracking for construction projects and should produce cost avoidance of about \$19 million annually from reducing bad payments to contractors and reducing federal ineligibility notices.
- Approves a net-zero shift of funding across Proposition 1B bond programs to reflect audit activities planned for 2011-12.
- Approves construction funding of \$8.7 million (State Highway Account) for the Eureka district office building repair project.
- Approves \$2.8 million in reimbursements from local planning entities and the California Energy Commission to complete the California Household Travel Survey, which is completed once every decade using United States Census data as an input. Caltrans is absorbing the baseline survey cost of \$7.2 million (State Highway Account) within its existing budget.
- Approves \$3.8 million in redirected federal funds to continue 21 limited-term positions performing workload related to various audit, accounting, and reporting, of federal funds allocated to local governments.
- Approves \$1.6 million in local reimbursements to review locally-sponsored public-private partnership (P3) project proposals. P3s generally involve new highway tolls and a lease of the public highways to private operators.

- Approves a \$63 million (State Highway Account) funding request for equipment and vehicle replacement and retrofit for air quality compliance. Added budget bill language that requires the Director of Finance to reduce funding for this purpose if the Governor's fleet reduction proposal results in cost savings. The language directs any savings achieved to increased investment in pavement maintenance.
- Approves a one-time increase of \$10.3 million (Public Transportation Account) to baseline funding of \$5.8 million for the 2011-12 cost of railcar maintenance for the Intercity Rail Program.
- Approves \$274,000 (federal funds) and continuation of 3 temporary positions to administer federal funding for the Job Access Reverse Commute (JARC) and New Freedom transit programs.
- Approves a funding shift for one position in the Rail Program from Public Transportation Account to Proposition 1A bond funds.
- Approves \$7.2 million in local assistance grants from the Bicycle Transportation Account – the same amount of funding as provided in 2010-11.
- Approves \$10 million in local assistance grants from the Environmental Enhancement and Mitigation Program Fund – the same amount of funding as provided in 2010-11.
- Approves a reappropriation to utilize the remaining \$2 million from the \$20 million in Clean Energy Renewable Energy Bonds (CREBs) initially authorized in the 2008-09 budget. CREBs are a federal energy program that helps finance solar-generated electricity projects – Caltrans is using these funds to install solar panels on its facility rooftops.

Department of Motor Vehicles

- Approves a February 15, 2011, Finance Letter that deferred repayment of a prior MVA loan of \$20.5 million from 2011-12 to 2013-14.
- Approves \$511,000 (special funds) to continue 9 limited-term positions, which administer the Ignition Interlock Device (IID) Program. The program provides for the installation of IIDs in specified circumstances when the car owner has a conviction for Driving Under the Influence (DUI).
- Approves \$369,000 (special funds) to continue 7 limited-term positions, which administer the Temporary Operating Permit (TOP) Program. The program provides for a temporary operating permit when a certificate of smog compliance is required.

- Approves \$2.3 million (special funds) to fund third-party contractors to monitor the Traffic Violator School (TVS) Program. Pursuant to AB 2499 (Portantino), Chapter 599, Statutes of 2010, this program is being shifted from the courts to DMV.
- Approves a federal grant of \$918,000 for privacy and security enhancements to the DMV information technology systems.
- Approves a total of \$668,000 (special funds) for specified phases of the following facility capital outlay projects: Grass Valley Field Office Replacement (\$648,000 for preliminary plans), and the Southern Los Angeles Commercial Driver License Test Center (\$20,000 for initial planning for a leased facility).
- Approves reappropriations totaling \$23.7 million for the field office capital outlay projects in the following locations: Redding, Oakland, and Fresno.
- Approves a reversion of \$359,000 for the Palmdale and Lancaster consolidated field office capital outlay project which is now scheduled for 2012-13.
- Approves trailer bill language that requires DMV to place on driver license applications a voluntary check-box that allows veterans to self-identify if they want to be connected by the Department of Veterans Affairs to obtain federal veterans benefits.

PUBLIC SAFETY***Major changes to Public Safety*****Public Safety Realignment:**

- Approves a shift of \$239.9 million in 2011-12 (growing to \$762.2 million in 2014-15) from the General Fund to the 2011 Local Revenue Fund as part of the 2011 Public Safety Realignment plan related to housing of non-serious, non-violent, and non-sex offender inmates, as well as short-term parole violators, in county jails rather than in state prisons. The enacting trailer bill included additional implementing language related to the expansion of existing authority for county sheriffs to use alternative custody, application of “good time” credits, and designation of the courts as responsible for conducting revocation proceedings (majority of courts activities begin in 2013-14). The state is projected to save \$376.2 million in 2011-12 (growing to \$1.3 billion in 2014-15) due to these shifts in responsibility. However, these savings estimates may be impacted by the recent U.S. Supreme Court decision on prison over-crowding.
- Approves a shift of \$127.1 million in 2011-12 (growing to \$187.7 million in 2014-15) from the General Fund to the 2011 Local Revenue Fund as part of the 2011 Public Safety Realignment plan related to shifting community supervision of offenders released from state prison for non-serious, nonviolent crimes to the counties rather than state parole. Under this plan, the state would continue to supervise serious and violent parolees, as well as those who are on their 3rd strike and High Risk Sex Offender caseloads. The state is projected to save \$77 million in 2011-12 (growing to \$170.3 million in 2014-15) due to this shift in responsibility.
- Approves \$33.9 million General Fund to assist counties in covering the costs associated with implementing public safety realignment.
- Approves supplemental report language to ensure quarterly reporting on actions and savings related to realignment for the 2011-12 budget year.
- Approves a shift of \$97 million in 2011-12 (growing to \$103 million in 2014-15) from the General Fund to the 2011 Local Revenue Fund related to two existing juvenile justice grant programs (Youthful Offender Block Grant and Juvenile Reentry Fund). This is part of the 2011 Public Safety realignment plan.
- Approves the Governor's proposed technical clean-up trailer bill language to authorize the Division of Juvenile Justice to transfer wards under their jurisdiction to county probation departments, pursuant to Chapter 729, Statutes of 2010 (AB 1628), regardless of the committing court.

Other budget changes:**Corrections and Rehabilitation**

- Provides an additional \$30 million for the California Community Corrections Performance Incentive Act. The Act established a system of performance-based funding that shares state General Fund savings with county probation departments when they demonstrate success in reducing the number of adult felony probationers going to state prison for committing new crimes or violating the terms of probation. As of May Revision, approximately 6,200 felony probationers were successfully kept out of state prison as a result of this program. In total, the state achieved savings of approximately \$178.4 million and will provide counties approximately \$87.5 million.
- Provides an additional \$134.4 million (\$379.6 million total) to address structural issues within the California Department of Corrections and Rehabilitation's (CDCR) budget, such as; Correctional Officer compensation, Medical Guarding and Transportation, and legal costs. These structural issues have contributed to an ongoing shortfall in CDCR's budget that has led to significant deficiency requests in recent years.
- Provides \$11.9 million and 211.3 limited-term Licensed Vocational Nurse (LVN) position for the inmate medical Receiver to perform medication management functions. These positions will reduce the use of overtime and registry, which can be more costly and are currently relied upon due to a shortage of LVNs.
- Provides \$19.2 million, on a one-time basis, to repay a loan from the Pooled Money Investment Board, which funded the design of the San Quentin Condemned Inmate Complex project. The Administration is not moving forward with this project and, as such, the CDCR must repay loans associated with the design of the project.
- Restores \$49 million to continue contracts for services (including; Substance Abuse Coordinating Agencies Contracts, Living and out-Patient Services, Parolee Services Network and Bay Area Services Network) that the CDCR had set to cancel as part of a \$150 million unallocated reduction to rehabilitation programs.
- Provides \$279,000 for sign language interpreter contract services pursuant to the *Armstrong* court order.
- Provides \$391,000 to extend the Enhanced Out Patient program to seven days a week for condemned inmates at San Quentin State Prison.

- Approves the Governor's proposal for \$359.5 million – almost all General Fund – to reflect the projected inmate, parole, and juvenile caseloads in 2011-12. \$200 million of this increase reflects the restoration of an unallocated reduction in the 2010-11 budget that the department was not able to achieve and for which no specific policy changes were enacted by the Legislature. Other adjustments were made for changes related to local assistance, the number of mentally ill inmates, and revised projections of the impacts of previously enacted policy changes, among other adjustments.
- Inmate health care:
 - Approves \$163 million in unallocated reductions to the budget for inmate medical care.
 - Approves Governor's request for \$1.2 million General Fund to provide court-ordered training sessions to custody and mental health staff at select institutions for the purpose of better collaboration.
 - Approves the Governor's proposal of \$603,000 General Fund to extend the Enhanced Outpatient Program to seven days a week for condemned inmates at San Quentin State Prison.
 - Approves the Governor's request for \$1 million General Fund in 2011-12 (growing to \$18.9 million in 2012-13) for activation of a 50-bed licensed Mental Health Crisis Bed unit at the California Men's Colony (San Luis Obispo) in compliance with a *Coleman* court order.
 - Approves \$9.4 million of the Governor's proposal for \$10.1 million General Fund to activate a Correctional Treatment Center at the California Institution for Women (Frontera).
 - Reduces by \$714,000 the Governor's request for \$2.0 million for the custody staff necessary to activate the Intermediate Care Facility at the California Medical Facility (Vacaville), which is otherwise operated by the Department of Mental Health. The Legislature approved the reduction to reflect offsetting custody savings in other parts of the system.
 - Approves the Governor's proposal for \$948,000 in 2011-12 (growing to \$1.9 million in 2012-13) to provide resources for a core pre-activation team for the Correctional Health Care Facility (Stockton).
 - Rejects the Administration's request for \$5.1 million General Fund and 17 headquarters positions to support the activations of new healthcare and infill facilities funded through AB 900 (Solorio), Chapter 7, Statutes of 2007.

- Approves the Governor's request for \$11.9 million General Fund and 211 Licensed Vocational Nurse (LVN) positions to perform medication management functions in outpatient clinics and adopted supplemental report language that requests that the Receiver report on the savings attributed to the LVN resources hired over the past two years.
- Approves the Governor's proposed trailer bill language (TBL) to authorize the Receiver, on behalf of CDCR, to process and pay for all medical claims for inmates placed on medical parole from funds available in the Medical Services Program.
- Approves the Governor's proposed TBL to allow the Receiver to recover overpayments made to medical providers and apply the recoveries to the fiscal year in which they were collected.
- Approves TBL to allow the Receiver's medical staff to sign on behalf of inmates to obtain Medi-Cal eligibility. This trailer bill language also makes technical changes to the law enacted last year related to obtaining Medi-Cal reimbursements for inmates in inpatient hospital care per subsequent changes in state law related to the Medi-Cal program.
- Approves budget bill language requiring that CDCR submit three times each fiscal year a report to the Department of Finance and the Legislature detailing how each adult institution's expenditures are tracking compared to approved allotments. For any institutions with expenditures tracking higher than allotments, the language further requires that the department detail the reasons why, as well as list actions to bring expenditures back in line with allotments.
- Approves \$101 million of the Governor's proposal to reduce funding for prison and parole rehabilitation programs by \$150 million General Fund. Restored \$49 million to continue contracts for services in the community that were set to be canceled. Programs restored by this action include: Residential Multi-Service Center Contracts, Substance Abuse Services Coordination Agencies Contracts, Sober Living and Out-Patient Services, Parolee Service Network, Bay Area Services Network, and Other Remedial Sanction Contracts. The Governor vetoed budget bill language that limited reductions to rehabilitative programming to just these reductions for the budget year.
- Approves budget bill language to require data collection and performance metrics be a part of renewed rehabilitation contracts and the department's efficacy review of these programming contracts to determine the most effective models for achieving parolee success should not be discontinued.
- Approves \$379.6 million General Fund to address ongoing structural imbalances within CDCR's budget driven by: correctional officer salary increases, medical guarding and transportation, swing space needs, security staff overtime, and legal settlements and outside counsel.

- Approves budget bill language requiring that all funds appropriated for inmate and parole rehabilitation programs only be used for those purposes, and any unexpended funds be reverted to the General Fund at the end of the year.
- Approves the Governor's proposal for \$279,000 General Fund for sign language interpreter contract services for hearing impaired inmates participating in education and substance abuse treatment programs.
- Approves the Governor's request for \$1 million (\$98,000 General Fund and \$925,000 Special Deposit Fund) and six three-year limited-term positions for CDCR to meet the provisions of Chelsea's Law, AB 1844 (Fletcher), Chapter 219, Statutes of 2010. The funding will allow CDCR to develop standards for certification of sex offender management professionals, fingerprint treatment providers, train staff on the use of the sex offender assessment instrument, and contract for measuring program performance.
- Approves the Governor's request for \$85 million General Fund to be paid to counties for successful implementation of the California Community Corrections Performance Incentive Act of 2009 (SB 678, Leno). This funding reflects a share of the state savings achieved due to the reduction in felony probation failures sent to state prison. In addition, trailer bill changes were adopted that are designed to affect the program's funding formula.
- Denies the Governor's proposal for \$13 million General Fund to increase the number of correctional officer cadets and process applications to be hired as correctional officers. The administration stated its intent that this proposal would not be necessary if the 2011 Public Safety Realignment plan was approved.
- Approves the Governor's proposal for a net increase of \$97.2 million General Fund to reflect a recalculation of CDCR's workforce cap reduction target. The CDCR's new workforce cap target is based on 5 percent of its projected personal services costs after realignment is fully implemented, which decreases CDCR's workforce cap reduction target from \$292.4 million to \$194.5 million. Lastly, the workforce cap savings were moved from CDCR's budget to a new Control Section 3.93 in the budget.
- Approves supplemental report language to ensure quarterly reporting on actions and savings related to the workforce cap for 2011-12.
- Approves the Governor's proposal to realign existing budget authority among various CDCR budget programs to more closely align with operations. This action resulted in no net costs.
- Approves the Governor's proposal to add new items to the budget bill to reschedule contract bed funding and allow the Administration to clearly schedule savings resulting from realignment to the appropriate program area.

- Approves the Governor's proposal to abolish 1,019.7 unfunded positions. The unfunded positions are a result of various position reduction drills in which position authority was reduced but not taken from the CDCR in the formal budget process.
- Approves trailer bill language to establish a new Board of State and Community Corrections separate from CDCR that will help guide the state and local governments through realignment and provide ongoing leadership in the area of criminal justice policy. The creation of this new board will result in the termination of the Corrections Standards Authority currently within CDCR.
- Reverts \$8 million from the balance of the General Fund appropriation for prison infrastructure projects authorized under AB 900 (Solorio), Chapter 7, Statutes of 2007. This action created \$8 million in General Fund savings.
- Approves the Governor's proposal to put the Northern California Reentry Facility on warm shutdown pending further analysis of prison capacity needs in light of the 2011 Realignment proposals. Reduced the requested funding level by \$1 million as a technical adjustment to reflect existing funding authority for the facility.
- Approves the Governor's proposal for \$2.7 million General Fund in 2011-12 (growing to \$42 million in 2012-13) to support the pre-activation, activation, and ongoing operation of the new Estrella Correctional Facility (Paso Robles).
- Approves the Governor's proposal for \$15.3 million from lease-revenue authority for completion of the central kitchen replacement project at the California Men's Colony (San Luis Obispo).
- Approves Governor's proposal for \$19.2 million General Fund to repay a loan provided to CDCR from the Pooled Money Investment Board, which funded the San Quentin Condemned Inmate Complex project. In addition, a \$1.3 million General Fund loan plus any accrued interest will be forgiven. These actions were necessary because the Administration has terminated the project.
- Approves Governor's proposal to reappropriate \$471,000 General Fund for two CDCR capital outlay projects, (1) California Men's Colony, San Luis Obispo: Central Kitchen Replacement (\$258,000), and (2) Correctional Training Facility, Soledad: Solid Cell Fronts (\$213,000).

Office of the Inspector General

- Reduces by \$7.7 million General Fund based on the elimination of peace officer status OIG personnel and reducing the Office of the Inspector General (OIG) investigative workload. Converted 26 positions currently classified as peace officers to non-peace officer classifications and added budget bill language that allows the OIG to provide subsequent justification for continuing a limited number of peace officer positions at the Department. Also approved TBL to narrow the duties of the OIG to: (1) the existing functions of the Bureau of Independent Review; (2) reviews requested by the Governor, Senate Rules Committee, or the Speaker of the Assembly; and, (3) conducting medical inspections, consistent with the current medical inspection program conducted by the office. The Governor vetoed the funding sustained in the budget by \$1.2 million related to special reviews, audits, and investigations. The Governor indicates these reviews could be handled internally at CDCR.

Judicial Branch

- Approves Governor's proposal to reduce the General Fund appropriation to the Judicial Branch by \$200 million ongoing. In order to offset the operational impact of this reduction to the trial courts in the budget year, the Legislature approved the following:
 - Allocates \$22.6 million of the reduction to state operations and local assistance.
 - Authorizes a one-time transfer of \$130 million from two trial court construction fund balances – State Court Facilities Construction Fund (SCFCF) and Immediate and Critical Needs Account (ICNA) – with the specific amounts transferred from each fund to be determined by the Judicial Council.
 - Reduces \$20 million from the program for facility modifications with \$10 million, each from the SCFCF and ICNA.
 - Transfers \$20 million from the Judicial Administration Efficiency and Modernization Fund.
 - Redirects \$10 million from the Court Case Management System.
 - Adopts budget bill language specifying intent that these transfers and redirections, along with any other available court funding, including local reserves, be used to prevent court closures or reductions in court service hours. However, the additional reductions subsequently made may prevent this from occurring.
- Reduces trial court funding by \$150 million General Fund and provided budget bill language that allows the AOC to transfer funding from various other items within the judiciary's budget to offset the impact to trial courts.

- Approves Governor's proposal to reduce the Judicial Branch budget by \$17 million General Fund by not implementing the Conservatorship and Guardianship Act of 2006. Approved trailer bill language stating that provisions of the Act are not required to be implemented unless an appropriation is provided for that purpose.
- Approves all budget requests to provide funding for courthouse construction projects. These actions provided funding for projects needing approval of the next phase of design and construction to begin in the budget year. Specifically, this included courthouse projects in the following counties: Butte, Fresno, Imperial, Kern, Kings, Lake, Merced, Monterey, Riverside, Sacramento, San Diego, San Joaquin, Santa Clara, Shasta, Siskiyou, Sutter, Tehama, Tuolumne, and Yolo.
- Approves Governor's proposal to reappropriate lease revenue, Immediate and Critical Needs Account, and State Court Facilities Construction Fund funding for eight capital outlay projects (Madera, Stockton, Fairfield, Hollister, San Andreas, Riverside, San Bernardino, Porterville).
- Transfers \$310.3 million from the Immediate and Critical Needs Account to the General Fund.
- Approves Governor's proposed \$350 million loan from the SCFCF to the General Fund, to be repaid with interest within three years.
- Approves Governor's proposed \$90 million loan from the ICNA to the General Fund, to be repaid with interest.
- Approves trailer bill language extending the sunset on a previously enacted \$10 increase in the court security fee from 2011 to 2013. In addition, this fee was converted to a general court operations fee.
- Approves Governor's budget bill language to support the implementation of the Civil Representation Pilot Program, authorized under 590 (Feuer), Chapter 457, Statutes of 2009. The language further authorizes up to \$500,000 to be retained for administrative activities by the Administrative Office of the Courts.
- Approves Governor's proposal to adjust the Court Facilities Trust Fund by \$8.2 million (\$3.1 million reimbursement authority) to reflect the additional amount of funding coming from counties related to supporting the ongoing operations and maintenance of court facilities transferred to state responsibility.

- Denies the Governor's proposed budget bill language authorizing the Judicial Branch to submit a deficiency request to address a shortfall in the Courts of Appeal Court Appointed Counsel Program should a deficiency occur in 2011-12. The language would also have allowed the Branch to accrue current-year claims when the appropriated funding is insufficient.
- Approves trailer bill language requiring the Administrative Office of the Courts (AOC) to retain an independent consultant to complete an assessment of the Court Case Management System, an information technology project designed to provide a statewide-consolidated information system for the courts. The trailer bill language also requires that the assessment be completed prior to acceptance of the product from the vendor and prior to its deployment to any courts. The language also requires the AOC to work with its vendor to ensure that any flaws or defects identified in the independent assessment are addressed during the products warranty period.
- Approves trailer bill language creating a new part of the Public Contract Code requiring the Judicial Branch to comply with provisions of the Public Contract Code that apply to state agencies and departments related to the procurement of goods and services, including information technology goods and services. The trailer bill exempts from this requirement procurements related to trial court construction. The trailer bill further exempts the Judicial Branch from state oversight by the Department of General Services or the State Technology Agency, except as otherwise required under state law, and it requires the Judicial Council to adopt a Judicial Branch Contracting Manual. It also requires regular reporting by the Judicial Branch, regular auditing by the Bureau of State Audits, and an analysis by the Legislative Analyst's Office comparing Judicial Branch contracting practices, timeliness, and costs for construction projects with those managed by the Department of General Services.
- Approves the Governor's proposal to reduce the administrative costs associated with the Community Corrections Performance Incentive Program to reflect actual expenditures. This reduced funding for the courts by \$1.2 million General Fund.
- Approves a shift of \$496.4 million from the General Fund to the 2011 Local Revenue Fund as part of the 2011 Public Safety Realignment plan related to realigning funding for trial court security. See the Realignment section of this update for mandates.
- Provides \$41.8 million General Fund to support the revocation workload that the courts will be assuming as part of the 2011 Public Safety Realignment. The Governor vetoed \$22.9 million because the courts' assumption of revocation hearing responsibilities have been delayed. Additionally, the Governor vetoed budget bill language (BBL) that would require the Judicial Branch to provide a report to the Legislature related to the 2011 Public Safety Realignment because there would not be sufficient data due to the delay and vetoed BBL requiring any unspent resources for this purpose revert to the General Fund, because it is unnecessary.

Department of Justice

- Approves a reduction of \$35 million General Fund (\$71.5 million ongoing) to support for the DOJ's Law Enforcement Division. This reduction leaves the Division with \$10 million GF for forensic labs, \$4.9 million General Fund for the armed prohibited persons program, and \$2 million General Fund for special investigations to assist the legal services division. In addition, the Division has roughly \$167 million in funding from a variety of other sources (DNA ID fund, Gambling Control Fund, Dealer's Record of Sale Account, Gambling Control Fund, Federal Trust).
- Transfers \$10.0 million from the General Fund to the DNA Identification Fund, and restores \$4.1 million for lease revenue payments on regional forensic laboratories. These actions are necessary to ensure regional forensic laboratories are able to continue to perform critical public safety work and were taken because revenues to the DNA Identification Fund have not come in as projected. In addition, approved trailer bill language to increase the priority with which the penalty assessment revenue deposited in the DNA Identification Fund is collected. Also approved budget bill language authorizing the Department of Finance to reduce the amount of the General Fund transferred based on revenues and to require the DOJ to conduct a zero based analysis of program costs and report those findings to the Administration and the Legislature.
- Approves Governor's proposal to shift General Fund departments to a system where they are billed for legal services provided by Department of Justice (DOJ). Currently, DOJ provides these services to General Fund client departments utilizing a direct General Fund appropriation. The budget reduced DOJ's General Fund appropriation by \$50.1 million, allocated that funding to other state departments, and increased DOJ's Legal Services Revolving Fund appropriation by \$53.7 million in order to effectuate this change.
- Approves Governor's proposal to loan a total of \$47.1 million to the General Fund from special funds administered by DOJ - the Fingerprint Fees Account (\$24 million), Dealers' Record of Sale Special Account (\$11.5 million), Firearms Safety and Enforcement Special Fund (\$4.9 million), Missing Person DNA Data Base Fund (\$4 million), and Registry of Charitable Trusts Fund (\$2.7 million).
- Approves the Governor's proposal to loan \$19 million from the Gambling Control Fund to the General Fund.
- Approves trailer bill language providing an extension for counties to submit reports related to the use of Indian Gaming Special Distribution Fund grants provided for mitigation purposes.

California Victim Compensation and Governance Claim Board

- Approves Governor's proposal to reduce Restitution Fund expenditures by \$5.8 million and increase Federal Fund authority by \$500,000 in order to bring the Restitution Fund into solvency in 2011-12. Changes to achieve solvency include reducing operating expenditures, limiting the growth in claim payments by reducing the rate of reimbursement for mental health interns, shifting some claim payment expenditures to federal funds, reducing claims processing and restitution specialist contracts, and reducing the baseline budget for the county rebate program to more closely align with actual expenditures.

California Emergency Management Agency

- Reduces \$1.8 million, on a one-time basis, to reflect the planned purchase of fire engines using federal funds.
- Reduces \$779,000 by eliminating General Fund support for the annual Golden Guardian Exercise and state agency training, which will now be offered on a reimbursement basis.
- Reduces \$20.0 million to reflect historical funding levels associated with disaster assistance, as well as additional analysis and evaluation that the Agency will undertake before recommending disaster declarations.
- Accepts the elimination of the following entities; 1) Office of Gang and Youth Prevention; 2) California Council on Criminal Justice; 3) Governor's Emergency Operations Executive Council; and, 4) California Emergency Council.

Military

Approves Governor's proposal to shift a total of \$490 million in local public safety grant programs to the 2011 Local Revenue Fund as part of the 2011 Public Safety Realignment plan. There are a total of 15 programs funded through this realignment, including the Citizens Options for Public Safety (COPS) program, the Juvenile Justice Crime Prevention Act (JJCPA) program, the Juvenile Camps and Probation Funding programs, and booking fees.

Local Public Safety Funding

- Extends the 0.15 percent vehicle license fee set to expire July 1, 2011 for an additional two years. The revenues from the fee of about \$400 million will go to local public safety activities.

California Highway Patrol

- Approves total expenditures for the California Highway Patrol (CHP) of \$1.9 billion (special funds).
- Approves trailer bill language that places in statute the CHP's internal policy for privacy protection in the use of data obtained from license-plate-reader cameras.
- Approves a reappropriation of funding of up to \$27.8 million (special fund) for the Computer Aided Dispatch (CAD) replacement project, which is nearing completion. . Approved \$12.8 million (special funds) for radio tower replacement projects related to the CHP Enhanced Radio System (CHPERS) project, which is nearing completion.
- Approves reappropriations for unexpended CHPERS funds of \$24.7 million to carry over into 2011-12.
- Approves a total of \$37.9 million (special funds) for specified phases of the following facility capital outlay projects: Santa Fe Springs Area Office (\$19.6 million for construction), and Oceanside Area Office (\$18.3 million for construction).

Budget Bills

2011-12 Budget Bills

SB 87 (Leno); Chaptered June 30, 2011 - Chapter 33, Statutes of 2011. Enrolled June, 28, 2011

This budget bill contained the final 2011-12 budget.

SB 69 (Leno); Enrolled March 17, 2011. **Vetoed by Governor** on June 16, 2011

This budget bill reflected the March budget package, which would have required 2/3 vote to fully enact all of the trailer bills. While the bill was passed in March, the bill was not sent to the Governor until June 15, 2011. While the Governor vetoed the budget bill itself, several trailer bills from this budget package were signed.

AB 98 (Blumenfield); Enrolled June 15, 2011. **Vetoed by Governor** on June 16, 2011

The budget bill reflected the majority-vote package adopted by the Legislature in June. The bill made changes to the March budget bill, SB 69 to reflect the updated budget package.

2010-11 Budget Bills

SB 84 (Committee on Budget and Fiscal Review); Chaptered March 24, 2011—Chapter 13, Statutes of 2011. Enrolled March 22, 2011

This bill amended the current year, 2010-11 budget bill, to increase the amount of budgetary loans by \$544 million in 2010-11.

AB 112 (Committee on Budget); Chaptered June 28, 2011—Chapter 30, Statutes of 2011, Enrolled June 24, 2011

This bill amended the current year, 2010-11 budget bill to appropriate \$48 million from the American Recovery and Reinvestment Act incentives funds tied to the implementation of an Alternate Base Period (ABP) methodology for calculating unemployment insurance benefits.

Trailer Bills

Public Safety Realignment

AB 109 (Committee on Budget); Chaptered April 4, 2011—Chapter 15, Statutes of 2011, Enrolled March 22, 2011

This bill establishes public safety realignment by shifting fiscal responsibility for low-level offenders to the counties from the State. One of the key features of the bill was the creation of Penal Code Section 1170(h), which defined the types of convictions would be considered low-level offenders that would be subject to local jurisdiction (non-serious, non-violent, non-sex crime convictions). This bill also shifted most parole responsibility to counties. It required county plans to implement public safety realignment and was effective upon appropriation of funding.

AB 118 (Committee on Budget); Chaptered June 30, 2011—Chapter 40, Statutes of 2011, Enrolled June 28, 2011

This bill provides the statutory framework, allocation methodology, and most of the dedicated revenue to implement the Governor's Public Safety Realignment for the 2011-12 fiscal year. This bill also articulated the broader range of realigned programs that became county fiscal responsibilities including mental health, alcohol drug program, foster care, adult protective and child welfare services. When combined with companion measure AB 108, this bill provides local funding for \$5.6 billion of public safety responsibilities that shifted to counties. With this funding, AB 109 became operative.

Although the responsibility for costs for the realigned program became a county responsibility, the funding for 2011-12 essentially mimicked the existing funding allocations that existed prior to the shift, as part of the transition year, with the intent to move to a more permanent "super structure" in future years.

AB 111 (Committee on Budget); Chaptered April 4, 2011—Chapter 16, Statutes of 2011, Enrolled March 22, 2011

This bill makes it easier for locals to access \$132.9 million in jail construction bond funding provided in AB 900, Chapter 7, Statutes of 2007. The bill removed requirements under AB 900 that the state give funding preference to those counties seeking jail funding that assist the state in citing facilities and instead gives preference to counties that have the largest percentage of inmates in state prison in 2010.

AB 94 (Committee on Budget); Chaptered May 10, 2011—Chapter 23, Statutes of 2011, Enrolled May 6, 2011

This bill lowers the required county match for AB 900 facility funds to 10 percent and additionally requires the CDCR and CSA to give funding preference to those counties that relinquish those specified local jail construction conditional awards and agree to continue to assist the state in siting reentry facilities, as specified. This bill caps at \$100,000,000 the amount a county may receive in proceeds from SPWB's issuance of bonds, notes, or bond anticipation notes under those specified provisions.

AB 117 (Committee on Budget); Chaptered June 30, 2011—Chapter 39, Statutes of 2011, Enrolled June 29, 2011

This bill reflects changes needed to implement the public safety realignment, as envisioned in AB 109. The bill delays the shift of responsibility for low-level offenders to counties from July 1, 2011 to October 1, 2011. It also delays the shift of court jurisdiction for parole until July 1, 2013. This bill also refines the list of criminal convictions that would subject to local custody. The bill updates AB 109 provisions regarding which offenders could be sentenced to local custody and how local post-release supervision functions.

AB 116 (Committee on Budget); Chaptered July 27, 2011—Chapter 136, Statutes of 2011, Enrolled July 15, 2011

This bill addressed chaptering issues with Penal Code Section 830.5 because of changes made in AB 117 and SB 92. It also reflected the exclusion of juvenile justice from public safety realignment and clarifies the Board of Parole Hearing jurisdiction.

ABX1 16 (Blumenfield); Chaptered September 21, 2011—Chapter 13, Statutes of 2011-12 First Extraordinary Session, Enrolled September 12, 2011

This bill makes additional changes to the funding structure for public safety realignment, as established in AB 118. These changes mostly reflected the feedback of counties regarding technical changes to the funding structure and accounts necessary for the 2011-12 realignment transfer. The bill states legislative intent that child welfare receive adequate funding to meet performance goals.

ABX1 17 (Blumenfield); Chaptered September 21, 2011—Chapter 12, Statutes of 2011-12 First Extraordinary Session, Enrolled September 12, 2011

This bill reflects the input from local public safety, counties, and other stakeholders and adds more specificity regarding the implementation of this shift in responsibility, which will occur on October 1, 2011. Much of the bill is intended to address specific concerns from these stakeholders that parts of the current statute regarding local custody and post release programs could be misinterpreted. As a result, the bill includes several provisions to clarify and define elements of these new programs, to address these concerns.

SBX1 4 (Committee on Budget and Fiscal Review); Chaptered September 21, 2011—Chapter 14, Statutes of 2011-12 First Extraordinary Session, Enrolled September 14, 2011

This bill reenacts Government Code Section 30061, as was amended by AB 16 X1 (Blumenfield), to remove the language that had required cities as a condition of the receipt of funds from the Local Law Enforcement Services Account in the Local Revenue Fund 2011 to maintain their overall funding for frontline municipal police services at or above the 2010-11 fiscal year level.

Redevelopment

ABX1 26 (Blumenfield); Chaptered June 29, 2011—Chapter 5, Statutes of 2011-12 First Extraordinary Session, Enrolled June 28, 2011

This bill directs the wind-down and dissolution of redevelopment agencies whose sponsoring communities choose not to participate in the alternative voluntary redevelopment program authorized under AB X1 27. The bill provides that the property tax increment continues to be used to pay principal and interest on outstanding debt until all debt is retired.

ABX1 27 (Blumenfield); Chaptered June 29, 2011, 2011—Chapter 6, Statutes of 2011-12 First Extraordinary Session, Enrolled June 28, 2011

This bill provides for an alternative voluntary redevelopment program for sponsoring communities that wish to continue such redevelopment activities. The bill directs that an annual payment be made to local educational entities (and certain other local governments) that corresponds to a percentage of the property tax that would go to local governments absent the existence of the redevelopment agency. Thus, the bill results in state savings as it reduces the amount of General Fund support for education.

SBX1 8 (Committee on Budget and Fiscal Review); Vetoed by Governor on October 3, 2011—Enrolled September 21, 2011

The bill addresses certain issues pertaining to ABX1 26 and ABX1 27. This bill includes provisions that would allow for some fiscal flexibility for communities that wish to participate in the alternative voluntary redevelopment program established by ABX1 27. The bill addresses certain aspects of AB X1 27 with respect to third-party credit enhancements, tax increment caps, loans from the sponsoring communities, reduction in property tax increment, the effect of the Supreme Court stay, and various employment contracts. The bill also addresses the use of low- and moderate-income housing fund assets and the make-up of Oversight Boards under ABX1 26.

Budget Trigger

SB 73 (Committee on Budget and Fiscal Review); Chaptered June 28, 2011—Chapter 34, Statutes of 2011, Enrolled June 28, 2011

This bill implements health and human service reductions if the budget trigger, Section 3.94 of the budget, is implemented because State revenues were over \$1 billion below the amount assumed in the budget. These triggered provisions: eliminates certain exemptions from the reduction to Medi-Cal rate reductions; requires an additional \$100 million reduction in developmental services; and implements a 20 percent across-the-board reduction to In Home Supportive Services hours.

SB 93 (Committee on Budget and Fiscal Review); Chaptered August 1, 2011—Chapter 143, Statutes of 2011, July 19, 2011

This bill made a technical correction to the IHSS trigger provision, enacted in SB 73.

AB 121 (Committee on Budget); Chaptered June 28, 2011—Chapter 41, Statutes of 2011, Enrolled June 28, 2011

This bill contains the budget trigger provisions as part of the 2011 July budget package. If the projected revenue is below \$87,452,500,000 then Section 3.94 (b) of the budget act will become operative and if the projected revenues is below \$86,452,500,000 then Section 3.94 (c) will become operative, and on or after January 1, 2012.

SBX1 6 (Committee on Budget and Fiscal Review); Vetoed By Governor on September 16, 2011, Enrolled September 14, 2011

This bill would have updated the budget trigger to require the Director of Finance to notify the Legislature and consult with the Speaker of the Assembly and Pro Tem of the Senate about possible alternatives to the trigger cuts identified in the 2011 budget. This bill also would have delayed the possible increase in community college student fees to the summer term of 2012 if the trigger provisions were operationalized.

Education

SB 70 (Committee on Budget and Fiscal Review); Chaptered March 24, 2011—Chapter 7, Statutes of 2011, Enrolled March 22, 2011.

This bill makes education-related statutory revisions consistent with the 2011-12 budget package: establishes for a new inter-year deferral payment for the K-12 education and community college systems, reappropriations of Proposition 98 savings for selected programs, and extends current program flexibility proposals until 2014-15.

AB 108 (Committee on Budget); Chaptered July 26, 2011—Chapter 135, Statutes of 2011, Enrolled July 14, 2011

This bill makes technical revisions to implement education provisions of the 2011-12 Budget Act. Specifically, this bill makes changes to the education budget item to reflect additional one-time Proposition 98 funds and property taxes in 2011-12, funds which were assumed as part of the 2011-12 budget package, but not fully scored. Also, this bill makes a correction to the community college implementation of the student fee increase if the "trigger" is operative pursuant to subdivision (b) of Section 3.94 of the 2011-12 Budget Act, to commence in the "winter" term of the 2011-12 academic year.

AB 114 (Committee on Budget); Chaptered June 30, 2011—Chapter 43, Statutes of 2011, Enrolled June 28, 2011

This bill makes education-related statutory revision consistent with the 2011-12 Budget package. Specifically, this bill provides direction as to the implementation of the "trigger" pursuant to Control Section 3.94 of 2011-12 Budget bill.

ABX1 32 (Blumenfield); Chaptered September 21, 2011, 2011—Chapter 15, Statutes of 2011-12 First Extraordinary Session, Enrolled September 12, 2011

This bill makes additional statutory revisions affecting K-12 and higher education consistent with the 2011-12 budget. Specifically, this bill updates the Proposition 98 reappropriation savings, provides continuation of funds for necessary small schools, and makes a technical correction to Proposition 98 sales tax to hold harmless.

Health

AB 97 (Committee on Budget); Chaptered March 24, 2011—Chapter 3, Statutes of 2011, Enrolled March 21, 2011.

This bill makes various changes to the Medi-Cal program, the Healthy Families Program, and the Department of Developmental Services in order to achieve necessary savings in the 2011-12 budget. Specifically, this bill makes the following changes to the Medi-Cal program: implements a rate reduction to Medi-Cal providers of up to 10 percent; institutes a "soft cap" of seven physician visits per year; eliminates coverage for over-the-counter cough and cold products and nutrition products for adults; creates mandatory co-payments for most Medi-Cal services; and eliminates the adult day health care benefit. This bill also increases monthly premiums and copays within the Healthy Families Program.

AB 99 (Committee on Budget); Chaptered March 24, 2011—Chapter 4, Statutes of 2011, Enrolled March 22, 2011.

This bill shifts \$1 billion in Proposition 10 (tobacco tax) revenue from the First 5 Commissions to the state for support of core health services for children 0-5 years of age and to achieve \$1 billion in savings in the 2011-12 budget. The bill stipulates that of the \$1 billion, \$50 million is to be transferred from the State Children and Families Commission, and \$950 million is to be transferred from the County First 5 Commissions, exempting the smallest, rural counties.

AB 100 (Committee on Budget); Chaptered March 24, 2011—Chapter 5, Statutes of 2011, Enrolled March 22, 2011.

This bill achieves \$862 million in savings in the 2011-12 budget by shifting this amount in Proposition 63 (Mental Health Services Act) funds from counties to the state to support the Mental Health Managed Care, Early Periodic Screening Diagnosis and Treatment, and the AB 3632 programs. This bill also reduces state-level spending of Proposition 63 funds by reducing the state administrative cap from 5 to 3.5 percent and makes corresponding state staff reductions and modifications to state oversight responsibilities.

AB 102 (Committee on Budget); Chaptered June 28, 2011—Chapter 29, Statutes of 2011, Enrolled June 28, 2011.

This bill makes various changes to the Medi-Cal and mental health programs, thereby increasing state government efficiencies and achieving savings in the 2011-12 budget. Specifically, this bill eliminates the California Medical Assistance Commission, requires the Department of Health Care Services to develop and implement a new budgeting methodology for reimbursing counties for the administration of Medi-Cal eligibility functions, and authorizes the Department to develop a new Medi-Cal reimbursement methodology for pharmacies. Finally, this bill shifts the Mental Health Managed Care and the Early Periodic Screening Diagnosis and Treatment Programs from the Department of Mental Health to the Department of Health Care Services.

ABX1 19 (Blumenfield); Chaptered June 29, 2011—Chapter 4, Statutes of 2011-12 First Extraordinary Session, Enrolled June 28, 2011.

This bill reauthorizes the quality assurance fee paid by skilled nursing facilities for one additional year, through July 31, 2013, and expands it to stand-alone Pediatric Subacute facilities, thereby protecting substantial General Fund savings in the budget and increased Medi-Cal reimbursement rates to skilled nursing facilities.

ABX1 21 (Blumenfield); Chaptered September 16, 2011—Chapter 11, Statutes of 2011-12 First Extraordinary Session, Enrolled September 12, 2011.

This trailer bill allowed 350,000 children to continue to receive coverage under Healthy Families by continuing the Managed Care provider tax for one additional year to fund this coverage, as assumed in the 2011-12 budget.

ABX1 30 (Blumenfield); Chaptered September 21, 2011, 2011—Chapter 16, Statutes of 2011-12 First Extraordinary Session, Enrolled September 12, 2011

Amends the 2011-12 budget so that funds derived from extension of the Managed Care provider tax, as contained in ABX1 21, could be used to continue funding Healthy Family Coverage for children.

Adult Day Health Care

SB 91 (Committee on Budget and Fiscal Review); Chaptered July 25, 2011—Chapter 119, Statutes of 2011, Enrolled July 19, 2011.

In response to the elimination of adult day *health* care (ADHC) as a Medi-Cal benefit, this bill will make it easier for ADHC providers to operate as adult day care providers by removing the requirement that an applicant for initial licensure as an ADHC center also apply for Medi-Cal certification. This bill also removes the prohibition against issuing or renewing a license for an ADHC that is not approved as a Medi-Cal provider.

AB 96 (Committee on Budget); Vetoed by the Governor on July 25, 2011, Enrolled July 14, 2011.

This bill would have created a new adult day health care program, to be called Keeping Adults Free from Institutions (KAFI). The bill directed the Department of Health Care Services to apply for a federal waiver in order to create this program with sufficient flexibility to operate it within the \$85 million General Fund budget included in the 2011-12 budget.

Developmental Services

SB 74 (Committee on Budget and Fiscal Review); Chaptered March, 24, 2011—Chapter 9, Statutes of 2011, Enrolled March 22, 2011

This bill adopts changes to statute necessary to achieve, in part, the target of \$174 million in General Fund savings for the Department of Developmental Services, including adoption of parameters to develop purchase of service best practices, nine Regional Center accountability and transparency measures, and the extension of the 4.25% reduction to Regional Centers.

AB 104 (Committee on Budget); Chaptered June 30, 2011—Chapter 37, Statutes of 2011, Enrolled June 29, 2011.

This bill extends the liquidation period for Intermediate Care Facilities for the Disabled, amends the Porterville population, and adopts 13 statutory changes necessary to achieve, in part, the \$174 million General Fund reduction.

Human Services

SB 72 (Committee on Budget and Fiscal Review); Chaptered March 24, 2011—Chapter 8, Statutes of 2011, Enrolled March 22, 2011

This bill made statutory changes in the human services area necessary to achieve savings assumed by the March budget package, including major changes to the CalWORKs program (e.g. shortening of time limits, reduction of grants, and suspension of the CalLearn program), to the In-Home Supportive Services (IHSS) program (e.g. certifying need by a health care professional, requiring a medication dispensing pilot program, and facilitating additional federal support), and reduction to the grants for individuals receiving aid in the Supplemental Security Income/State Supplementary Payment program.

AB 106 (Committee on Budget); Chaptered June 29, 2011—Chapter 32, Statutes of 2011, Enrolled June 28, 2011

This bill made additional statutory changes in the human services area necessary to comply with the June budget agreement, including providing for a rate increase for specified foster care payments, extending CalWORKs work participation exemptions per a continuation of the Single Allocation reduction, and authorizing the transfer of the Drug Medi-Cal program to the Department of Health Care Services.

Natural Resources

AB 95 (Committee on Budget); Chaptered March 24, 2011—Chapter 2, Statutes of 2011, Enrolled March 22, 2011

This Resources Trailer Bill enacted various statutory changes as part of the March budget package. These changes included eliminating state support for the California Network of Fairs and reductions to the Off-Highway Vehicle program and the State Park System.

AB 107 (Committee on Budget); Chaptered July 26, 2011—Chapter 134, Statutes of 2011, Enrolled July 14, 2011

This bill enacted various statutory changes related to Resources, as part of the June budget package. These changes include implementing budget reductions to the California Department of Food and Agriculture and providing clarification on liability issues related to the closure of parks, as adopted in AB 95.

AB 120 (Committee on Budget); Chaptered July 26, 2011—Chapter 133, Statutes of 2011, Enrolled July 14, 2011

This bill contained several resource provisions corresponding to the July budget package including the extending the moratorium on issuance of suction dredge permits and implementing the elimination of three Advisory Committees/Review Panels at the Department of Fish and Game.

ABX1 29 (Blumenfield); Chaptered July 8, 2011, 2011—Chapter 8, Statutes of 2011-12 First Extraordinary Session, Enrolled June 29, 2011

This bill imposed an annual \$150 fire prevention fee on structures located in State Responsibility Areas.

General Government

SB 80 (Committee on Budget and Fiscal Review); Chaptered March 24, 2011—Chaptered 11, Statutes of 2011, Enrolled March 22, 2011

This bill implements the General Government portion of the March 2011 budget package. This bill makes changes to the law concerning the Accountancy Fund, Small Business Loan Guarantee Program, Government Claims notification, the Oil Spill Response Trust Fund, tribal gaming, Williamson Act Open Space Subvention, budgetary loans, the CalPERS Health Benefit Program, federal extended unemployment benefits, and the Consolidated Work Program Fund. It also adopts uncoded language to authorize the Director of the Department of Finance to reduce appropriations in 2010-11 to reflect a reduction in building rental rates charged to the Department of General Services.

AB 119 (Committee on Budget); Chaptered June 28, 2011—Chapter 31, Statutes of 2011, Enrolled June 28, 2011

This bill makes various General Government statutory changes needed to implement the June budget package. These changes include extending the sunset for the Consumer Participation Program, improve reporting and information sharing for the California Technology Agency, extending the deadline for implementation of the Unemployment Insurance Alternate Base Period Program to April 2, 2012. The bill also eliminates the Economic Strategy Panel and transfers the Governor's Commission on Employment of People with Disabilities to the Department of Rehabilitation. Finally⁷ the bill repeals a provision of SB 80 that required the California Victim Compensation and Government Claims Board to provide notice to the Joint Legislative Budget Committee, to pay claims for prior year costs of \$500,000.

Cash Management

SB 82 (Committee on Budget and Fiscal Review); Chaptered March 24, 2011—Chapter 12, Statutes of 2011, Enrolled March 22, 2011

This bill makes various changes to state laws in the area of cash management and cash deferrals in order to ensure adequate cash availability during 2011-12.

SB 79 (Committee on Budget and Fiscal Review); Chaptered August 1, 2011—Chapter 142, Statutes of 2011, Enrolled July 19, 2011

This bill creates the State Agency Investment Fund (SAIF) in the State Treasury. The SAIF will receive moneys from state agencies not currently required by law to be deposited in the Pooled Money Investment Account (PMIA). State agencies includes any state office, officer, department, division, bureau, board, commission, organization, or agency, including, but not limited to, the University of California, the California State University, the California Community Colleges, and the Judicial Council. By creating a new fund for the deposit of cash by state agencies, the state can reduce its external borrowing by an amount up to \$1.7 billion. This will add additional flexibility for cash flow management and result in savings equal to the differential between borrowing from SAIF and borrowing through the credit markets through the issuance of Revenue Anticipation Notes (RANs).

Revenue

SB 86 (Committee on Budget and Fiscal Review); Chaptered March 24, 2011—Chapter 14, Statutes of 2011, Enrolled March 22, 2011

This bill adopts certain compliance and enforcement policies with respect to state personal income taxes administered by the Franchise Tax Board and the sales and use tax administered by the Board of Equalization. The bill adopts a "look-up" table for calculating use tax owed, institutes a data match program for tax enforcement purposes, and establishes a voluntary compliance initiative, or targeted amnesty, for taxpayers who participated in questionable tax avoidance activities. The bill also eliminates the refundable portion of the child care credit under the personal income tax.

ABX1 28 (Blumenfield); Chaptered June 29, 2011, 2011—Chapter 7, Statutes of 2011-12 First Extraordinary Session, Enrolled June 28, 2011

This bill imposes a duty to collect the California use tax on certain out of state sellers based on their sales into the state. The requirement to collect the tax is based on establishing and maintaining a certain presence in the state, provided that specified sales thresholds are met. Subsequent legislation delayed the imposition of the collection requirement until 2012 and made certain other changes (AB 155, Calderon, and Skinner).

ABX1 34 (Blumenfield); Vetoed by Governor July 7, 2011, Enrolled June 29, 2011

This measure would have restored the Property Tax Postponement program, which provided loans to low-income seniors to pay for property taxes that are repaid when the property is sold. This program was suspended as part of the 2009 budget.

Transportation

SB 89 (Committee on Budget and Fiscal Review); Chaptered June 30, 2011—Chapter 35, Statutes of 2011, Enrolled June 28, 2011

This bill moves \$453 million of Vehicle License Fee revenue to counties to fund public safety realignment. This funding was previously used to support DMV's operation (\$300 million) and \$153 million from cities and Orange County. This bill also increases the amount of the vehicle registration fee (VRF) by \$12, from \$31 to \$43, beginning July 1, 2011, to backfill the lost VLF revenue at the DMV.

SB 94 (Committee on Budget and Fiscal Review); Chapter May 4, 2011—Chapter 21, Statutes of 2011, Enrolled May 3, 2011

This bill requires DMV to reduce the time between the mailing of the car registration bill, and the due date of that bill for July 2011 to January 2012. The intent of the bill was to preserve the ability of the Legislature to extend the Vehicle License Fee in a June budget package and avoid erroneous billing, multiple billing, or other confusion.

AB 115 (Committee on Budget); Chaptered June 30, 2011—Chapter 38, Statutes of 2011, Enrolled June 29, 2011

This bill contained statutory provision related to transportation necessary to enact the June budget package. It includes provisions that modify the repayment of outstanding loans from transportation special-fund loans to the General Fund. These provisions provide General Fund relief in the 2012-13 and subsequent fiscal years totaling about \$1 billion. It also modifies existing statute for supplemental reporting for the Caltrans Capital Outlay Support (COS) budget, which is the program and allows California Highway Patrol's (CHP) data from automated License Plate Reader (LPR) technology to be retained up to 60 days. The bill also expands reporting requirements for the High-Speed Rail Authority (HSRA) established in AB 105.

AB 105 (Committee on Budget); Chaptered March 24, 2011—Chapter 6, Statutes of 2011, Enrolled March 22, 2011

This bill contains Transportation-related statutory provisions necessary to implement the March budget package. To comply with Proposition 26, it re-enacts the fuel tax swap, which was originally enacted in early 2010 as AB 6 X8 (Budget Committee), Chapter 11, Statutes of 2010 Eighth Extraordinary Session and SB 70 (Budget and Fiscal Review Committee), Chapter 9, Statutes of 2010. The 2010 tax swap was revenue neutral overall, but increased some taxes and reduced others. Proposition (Prop) 26 on the November 2010 ballot was approved by voters, and amended the Constitution to require a two-thirds vote for such tax neutral measures. The bill also contained other statutory provisions relating to the payment of special fund loans, reporting by High Speed Rail Authority and the California Transportation Commission. The bill also requires the Department of Motor Vehicles (DMV) to update application forms to provide a space for an applicant to indicate whether they served in the armed forces. Data collected from willing veterans will be shared with the Department of Veteran's Affairs in order to identify if they are eligible for federal benefits.

Courts**AB 110 (Blumenfield);** Chaptered August 8, 2011—Chaptered 193, Statutes of 2011, Enrolled August 18, 2011

This bill provides various measures to mitigate the \$350 million reduction to the Judicial Branch in the 2011-12 Budget. These measures are intended to avoid disruptions and help keep courts open.

Public Safety

SB 78 (Committee on Budget and Fiscal Review); Chaptered March, 24, 2011—Chapter 10, Statutes of 2011, Enrolled March 22, 2011

This bill grants the Attorney General authority to bill General Fund departments for legal services provided, limits Office of the Inspector General peace officer status, and requires the Administrative Office of the Courts to report to the Legislature on the Court Case Management System.

This bill also delays the expiration of some court fees and requires the Judicial Branch to comply with the Public Contract Code related to the procurement of all goods and services except procurements related to trial court construction.

SB 92 (Committee on Budget and Fiscal Review); Chaptered June 30, 2011—Chapter 36, Statutes of 2011, Enrolled June 28, 2011

This bill made various changes to various Public Safety statutes to implement the June 2011 budget package. This bill changes the priority for the penalty assessment revenue deposited into the DNA Identification Fund. The bill also allows the medical receiver to collect overpayments and apply for federal Medicaid participation. This bill also provides that the Board of State and Community Corrections will assume many of the responsibilities of the California Council on Criminal Justice (CCCJ) and the Governor's Office of Gang and Youth Violence Policy (OGYVP). This bill also reduces the number of commissions of the Board of Parole Hearings that must be present to meet, from nine to seven. This bill includes trigger reduction to juvenile justice. On or after January 1, 2012, requires counties to pay an annual rate of \$125,000 for each ward committed to CDCR, Division of Juvenile Facilities. This change only becomes operative if the Director of Finance reduces an appropriation pursuant to subdivision (b) of Section 3.94 of the 2011 Budget Act.

Deficiency Bill

AB 122 (Blumenfield); Chaptered June 30, 2011—Chapter 42, Statutes of 2011, Enrolled June 29, 2011

This bill was the 2010-11 supplemental appropriations bill (deficiency bill). It appropriated \$1.2 billion from the General Fund (GF) to the State Controller for allocation to the Department of Corrections and Rehabilitation (CDCR) (\$1.15 billion), the Department of Mental Health (DMH) (\$50 million), CAL FIRE (\$12,600), the Department of Finance (DOF) (\$145,000), and \$1.1 million for Mariposa, Modoc and Shasta Counties for homicide trial reimbursement.

BUDGET HEARINGS

Full Budget Committee

August 24, 2011-SB 14 and SB 15

June 8, 2011-Overview of Assembly and Senate United Budget Plan

February 18, 2011-Subcommittee Reports

February 4, 2011-Overview of Governor's Realignment Proposal

January 13, 2011-Overview of Governor's 2011-2012 Budget Proposal

December 9, 2010-Special Session Proposal and Fiscal Outlook

Conference Committee

March 3, 2011-Conference Committee Report

February 25, 2011-Major Conference Issues

February 24, 2011-Major Conference Issues

February 23, 2011-Major Conference Issues

Subcommittee No.1 Health and Human Services

May 27, 2011-DHCS, MRMIB

May 26, 2011-DPH-DMHC-DMH

May 25, 2011-Joint Hearing for Sub 1 & 2 part 1 Child Care

May 25, 2011-DDS

May 24, 2011-Dept of Social Services May Revision

May 24, 2011-Joint Sub 1 and Sub 2 AB 3632

May 23, 2011-May Revise Human Services

May 11, 2011-DDS

May 4, 2011-DDS

February 10, 2011-CDA-DPH-DDS-CDR-DSS-OSI-DMH

February 3, 2011-DDS

February 2, 2011-Joint Hearing-Child Care and Development Overview

February 1, 2011-MRMIB-CCFP-DHC

January 27, 2011-DSS

January 26, 2011-Joint Sub 1 & 2

January 25, 2011-Dept. of Aging

Subcommittee No.2 Education and Finance

May 27, 2011-UC- Dept. of ED

May 25, 2011-Higher Education

May 25, 2011-Joint Hearing for Sub 1 & Sub 2 part 1 Child Care

May 24, 2011-Joint Hearing Sub 1 and Sub 2 AB 3632

May 24, 2011-Dept of ED-Revision

May 10, 2011-Dept. of ED& Cal State Library

May 4, 2011-UC-CSU-CCC

May 3, 2011-Dept. of Education

February 7, 2011-CDE-UC-CSU-CCC

February 7, 2011-CA State Library- CDE

February 2, 2011-Joint Hearing-Child Care and Development Overview

February 1, 2011-ED

January 26, 2011-Joint Sub 1 & Sub 2

January 26, 2011-Higher ED

January 25, 2011-Prop 98 and Realignment

Subcommittee No.3 Resources and Transportation

May 25, 2011-Part I Transportation
May 25, 2011-Part II-DPR-DWR-DFFP-CPUC
May 11, 2011-DFG-DFA-DPR-HSRC
May 4, 2011-CCC-DWR-PUC
April 27, 2011-CalTrans-DMV-CTC
February 10, 2011-Department of Transportation
February 7, 2011-Resources and Transportation
February 2, 2011-Resources and Transportation
January 26, 2011-Trans-HSRA-DMV-CTC-CARB

Subcommittee No. 4 State Administration

May 26, 2011- All Depts. - All Issues
May 24, 2011-May Revision
May 3, 2011-Franchise Tax Board- California Technology Agency- FI\$CAL
Feb. 10, 2011-DVA- Dept. of Gambling Control- DGS- DOF- BSA- Dept. of Consumer Affairs, SCO, Sec of Business, Transportation and Housing- Cal Science Center
February 7, 2011-Joint Hearing on Enterprise Zones and Redevelopment
February 3, 2011-Labor and Workforce Development
February 1, 2011-Tax Agencies
January 31, 2011-BTH- State Controller- Dept. of Insurance- SOS- Cal Tax Credit Allocation- Dept. of Real Estate- DHCD- Dept. of Consumer Affairs
January 24, 2011-CTA-FI\$CAL-DOF-SCO

Subcommittee No. 5 on Public Safety

May 25, 2011-Courts part 2

May 25, 2011-CDCR

February 10, 2011-Addendum

February 10, 2011-Open Issues

February 2, 2011-DOJ-CDCR

January 26, 2011-CDCR

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

July 14, 2011-Budget Oversight and Performance Evaluation

May 5, 2011-Overview of Performance Evaluation and Performance Based Budgeting Work Plan

February 14, 2011-Overview of the Governor's Realignment Proposal and Comments from California State Association of Counties

February 4, 2011-Overview of the Governor's Realignment Proposal