



FLOOR REPORT

2011-12 BUDGET

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Bob Blumenfield

CHAIR, ASSEMBLY BUDGET COMMITTEE

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OVERVIEW

In November, 2010, the voters sent a clear message to the Legislature: Do your job and pass the budget by June 15.

For too long the Legislature has gone through the summer and even the fall without a budget in place. Since 2000, 10 of the 11 budget have been late – by an average of 48 days!

That has meant that for an average of 48 days, the state's bills went unpaid, health care and child care providers kept providing services without payment, schools opened without knowing what their school year budget would be, and the state's credit rating suffered more and more.

The era of late budgets is over. The *On-Time Budget* provides a balanced plan that closes the original \$26 billion shortfall with over \$12.5 billion in spending cuts and provides a reserve of roughly \$600 million.

While the Republicans blocked a key part of the Governor's solution by balking at maintaining existing revenues through an election, the *On-Time Budget* still makes billions on ongoing solutions and provides a pathway to eliminating the state's persistent structural deficit.

In summary, the *On-Time Budget* accomplishes the following:

- Finalizes California's budget on-time for the start of the fiscal year; which helps stabilize the state's fiscal health and economy;
- Maintains a balanced approach of tough budget cuts and necessary revenue solutions, as proposed by the Governor; and
- Eliminates over 60 percent of the persistent structural deficit and puts California on a path to eliminate the structural deficit and implement critical reforms through a statewide election.

This document provides key information on the changes from the budget plan passed by the Legislative Budget Committees to the *On-Time Budget*, which will be the final Budget Act of 2011.

Key Charts:

The On-Time Budget builds on the extensive spending cuts already approved by the Legislature in the March budget package and included in the budget approved by the budget committees. Those reductions are listed below:

Expenditure Reductions:	
• Health and Human Services (not including Prop 10)	\$5.0 billion
• Redevelopment Agencies	\$1.7 billion
• UC/CSU	\$1.1 billion
• Transportation Prop 22 Weight Fee Fix	\$1.0 billion
• Corrections	\$1.0 billion
• State Salaries / State Operations	\$0.7 billion
• Local Mandate Savings	\$0.2 billion
• Energy Efficiency Programs	\$0.2 billion
• Cal Grant Restrictions	\$0.2 billion
• Courts	\$0.2 billion
• Various Others (erosions)	-\$0.3 billion
Subtotal, Expenditure Reductions	\$11.0 billion

The following chart summarizes how the *On-Time Budget* closes the remaining shortfall:

Reserve with May Revision Plan Approved By Budget Committees	\$0.959
• Lost Revenues (Extensions, SSF, and EZ reforms)	-\$10.801
• Changes needed to replace Revenue Extensions:	
• No additional debt repayment	0.744
• Reflect Prop 98 Deferrals From March Budget Agreement	2.850
• Reflect Prop 10 Solution from March Budget Agreement	1.000
• Settlement of Building Sale Lawsuit to ensure public ownership	1.200
• Restoration of local sales tax rates	0.900
• Extend VLF to preserve local public safety programs	0.506
• Recognize 2-yr impact of higher revenues since May Revision	0.816
• Tax enforcement	0.200
• Receipt of owed Federal Medi-Cal Funds	0.700
• Additional reduction to UC/CSU	0.300
• Additional reduction to Courts	0.150
• Shift VLF from DMV to General Fund, fund DMV with MVA	0.300
• Shift fire protection costs to State Responsibility Area fees	0.160
• Offset excess property tax revenues	0.050
• 2-Month UC Deferral (if needed)	0.540
Final On-Time Budget Reserve	\$0.574

The *On-Time Budget* maintains the balanced approach of spending reductions and revenues solutions to close the budget shortfall for 2011-12. The following provides a breakdown of the solutions by category:

Description	Amount	% total
Expenditure Reductions:	\$12.5	46.0%
Revenue Related Solutions:	\$10.3	37.9%
• Restoration of local sales tax rates	(0.9)	
• 2/3 Vote for VLF extension for Local Public Safety	(0.5)	
• Revenues in March Package	(0.5)	
• May Revision "non-tax" Revenues	(0.4)	
• Additional enforcement and others	(0.6)	
• Updated Revenue Forecast, and higher revenues	(7.4)	
Other Solutions, net of offsets	\$4.4	16.1%
Total Solutions:	\$27.2	100.0%

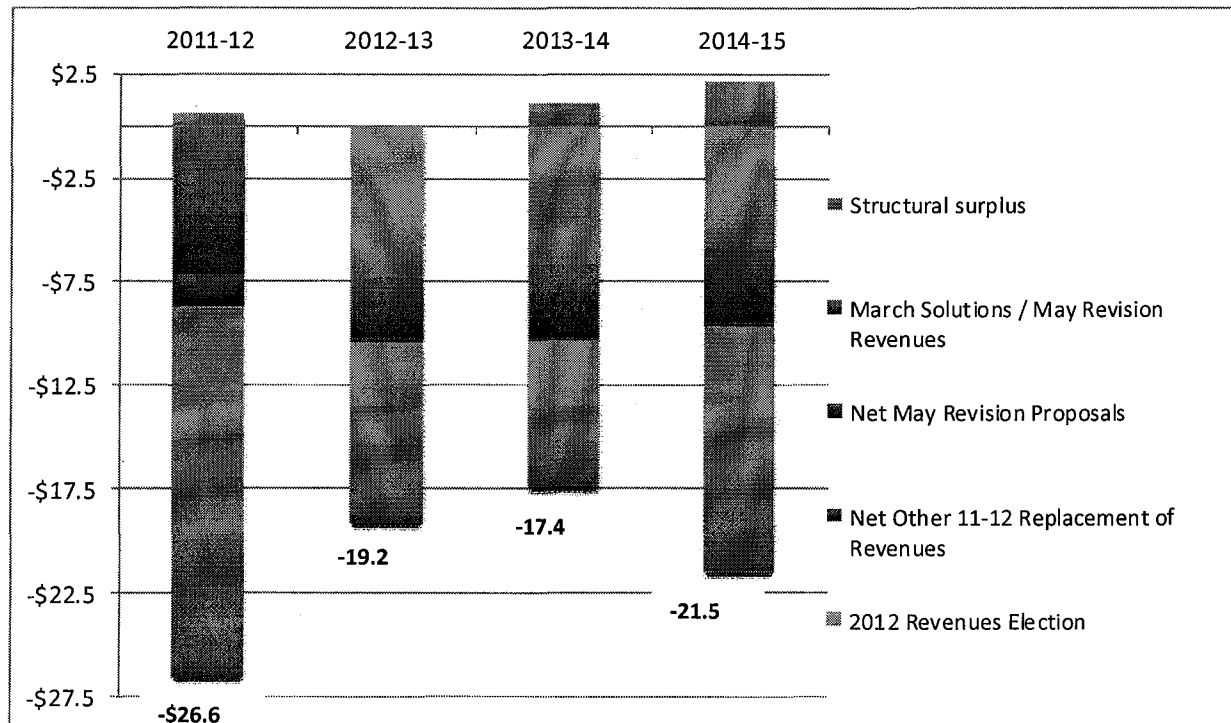
Summary of Solutions to Replace the Lost Revenues Extensions:

- **\$744 million – No Additional Budget Debt Payments.** The budget plan passed by the Budget Committees included \$744 million of budget debt payments. This payment restored \$744 million of the Proposition 98 "Settle-up" payment and would have allowed the Proposition 98 deferrals to be repaid. Without the revenue extensions, this budget debt payment to schools cannot be made.
- **\$2.85 billion – No Reduction of Proposition 98 Deferrals.** The budget plan passed by the Budget Committees included the reduction of \$2.85 billion in Proposition 98 deferrals, as proposed in the Governor's May Revision. Without the revenue extensions, the deferral repayments to schools cannot be made. This action will maintain school and community college funding at the March Budget Package level.
- **\$900 million – Restore Local Sales Tax Rates.** Restoring the local sales tax rate prior to the Economic Recovery Bonds, results in additional property tax revenues going to schools and therefore reduces the General Fund portion of the Proposition 98 requirement. This will free us General Fund savings and help ensure the local public safety realignment is fully funded.
- **\$300 million – Shift General Fund revenues from the DMV.** Shifting the General Fund revenues from the DMV to the General Fund will help offset the General Fund costs of the local public safety realignment costs. The DMV costs will instead be funded by their primary funding source, the Motor Vehicle Account.

- **\$160 million – Key Fee Shifts.** Reducing forestry costs with a shift to a State Responsibility Area fee and a Timber Harvest Fee will reduce General Fund costs by \$160 million.
- **\$1 billion – Proposition 10 March Solution.** The March budget action included a solution of \$1 billion from Proposition 10 revenues. This action maintains that solution in place.
- **\$1.2 billion – Building Sale Settlement.** California is being sued to enforce the contract signed by the Schwarzenegger Administration to sale state assets. The lawsuit can be settled in terms much more financially beneficial to the state and ensure ultimate public ownership of the assets.
- **\$506 million – Maintain the .15% VLF for Public Safety Programs.** Removing the sunset date of the .15% VLF will maintain funding for important local public safety programs, including the COPS program, Juvenile Justice funding, and rural sheriffs. This action requires a 2/3 vote to maintain these programs.
- **\$816 million – Revenue Growth Above May Revision.** Revenues for the Month of May came in \$408 million above the projections of the May Revision. Over both the current year and budget year, this provides an additional \$816 million solution.
- **\$500 million – Programmatic Reductions.** Closing the shortfall left due to the revenue extensions not being provided has resulted in the need for additional programmatic reductions, including to the University of California (\$150 million), the California State University (\$150 million), the Courts (\$150 million), and by shifting excess property taxes from certain county offices of education to school districts (\$50 million).
- **\$200 million – Additional Tax Enforcement.** Requiring online retailers to collect California sales tax will result in the collection of \$200 million of currently owed tax revenues. This action will also result in additional funding for local governments from their sales taxes also having improved enforcement.
- **\$700 million – Receipt of Owed Medicare Funds.** Governor Brown and Governor Perry of Texas have requested the Federal Department of Health and Human Services approval of the federal government reimburse both California and Texas for what the states have spent due to eligibility errors made by the federal government. This will result in \$700 million for California.
- **\$540 million – UC Cash Deferral.** In order to ensure the cash flows for the state and help balance the budget, the final payment to the UC may be deferred until August of 2012. Efforts will be made to reduce the impact on the UC of any financing costs associated with this deferral.

Eliminating the Structural Deficit.

- Just as the Governor originally proposed, closing the persistent structural deficit will likely require revenues approved by the voters. The *On-Time Budget* provides a path to eliminating the structural deficit by eliminating more than 60% of the roughly \$20 billion ongoing problem this year, and setting the stage for a 2012 election to help close the remaining gap.



Maintaining a Financeable Budget:

- As with all budget solutions during difficult budget times, there are often risks associated with certain proposals. This is true with the Governor's May Revision, and it is also true with this solution. While there may be risks with some elements of any proposal, it is critical that the state's cash flows can support the budget and also ensure the repayment of cash flow borrowing that routinely occurs throughout the year.
- After taking the various risks into account, the *On-Time Budget* is a financeable budget, and will continue the progress and avoid the cash crisis that were prevalent in recent years.

HEALTH

Department of Health Care Services

- Creates the Keeping Adults Free from Institutions (KAFI) program to provide Adult Day Health Care services and directs the Administration to pursue a federal Waiver for implementation of KAFI.
- 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 GF expenditures up to \$400 million.
- Authorizes the Department to institute a new 20 percent fee on each voluntary Inter-Governmental Transfer (IGT) 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.
- Extends the sunset from July 1, 2011 to January 1, 2013 on the gross premiums tax on managed care plans for the purpose of raising additional revenue for children's health services.

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-GF) to consumer advocacy organizations for their substantial contributions of time and expertise to regulatory proceedings of the Department.

Department of Mental Health

- 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 the Department authority to retain 51 positions, and \$2.3 million in Mental Health Services Act (MHSA/Prop 63) funds, to develop and execute a transition plan for the necessary reduction in staff that is a result of a reduction in the MHSA State Administration spending cap, adopted in the March 2011 budget package.
- 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 GF and additional staff resources for the start-up of the new Stockton Healthcare Facility.

Department of Public Health

- Restores \$7.3 million GF to the Department of Public Health 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 GF 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

- 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 trailer bill, Statutes of 2010) which brings California into compliance with federal law.

Office of Statewide Health Planning & Development

- Provides \$1.5 million in special funds to the OSHPD to implement SB 90 (Chapter 19, Statutes of 2011), which provides OSHPD 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 OSHPD 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.

Department of Developmental Services

- Adopts the final proposal by the Department to achieve the \$174 million GF reduction adopted in SB 69. Of the \$174 million, \$124.9 million is achieved through department wide expenditure and contract reductions. The remainder \$79.1 million is 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.

HUMAN SERVICES

CalWORKs and Child Welfare

- Approves the Administration's requested changes to the CalWORKs-related provisions of SB 72 (Committee on Budget), Chapter 8, Statutes of 2011 including refinements to the AB 98 Subsidized Employment statute, changes to simplify the implementation of the new 48-month time limit, corrections to provisions regarding the suspension of the Cal-Learn program so that recipients can avoid interruptions and can continue to receive welfare-to-work services, clarification of eligibility for pregnant teens, and corrections to language related to county recovery of overpayments.
- Approves the May Revision request for an increase in funding Foster Care rates by about 31 percent, pursuant to a recent court decision. This will also increase rates for prospective Adoption Assistance Payment, Kinship Guardianship Assistance Payment (Kin-GAP), and Non-Related Legal Guardian payments. The GF portion for the increase is \$17.39 million in 2011-12. As part of this action, approves trailer bill language to codify the rate increases.
- Revises the reduction amount to the single allocation funding for CalWORKs administration, child care, and welfare-to-work services from the \$427 million reduction that was included in the March budget to \$376.9 million, essentially holding the reduction level that was in effect for 2009-10 and 2010-11 steady for 2011-12. Correspondingly, makes statutory changes to delete extended exemptions that were associated with the previous, deeper reduction level.
- Adopts trailer bill language to rescind the policy adopted in SB 72 (Committee on Budget), Chapter 8, Statutes of 2011, as part of the March 2011 Budget package on escalating grant cuts to cases serving only children in the CalWORKs program.

In-Home Supportive Services

- Rejects the proposed May Revision reductions to Public Authorities' (PA's) administrative funding. Funding for PAs would thus remain at the level included in SB 69 as it was passed by the Legislature in March (approximately \$24.7 million total funds, with \$8.9 million GF). Adopts trailer bill language directing the Department, in consultation with stakeholders, including at least the counties and PAs, to develop a new rate-setting methodology for public authority administrative costs, beginning with the 2012-13 fiscal year.
- Approves holding county IHSS administrative funds harmless from caseload changes in 2011-12 by rejecting the portion of the proposed May Revision reduction of \$4.5 million GF to counties that is attributable to those changes.

- Approves and revises components of the administration's requested changes to the IHSS-related provisions of SB 72 (Committee on Budget), Chapter 8, Statutes of 2011, including changes to the potential additional across the board reduction in IHSS authorized hours, exempting recipients of specified other home and community-based waiver programs from the reduction, and rescinding a previous policy on disallowing restoration of lost IHSS hours through the Waiver of Personal Care Services program. Additionally rejects the administration's proposed trailer bill regarding exclusion of federally ineligible providers and refers examination of this proposal to the policy process.

Drug Medi-Cal

- 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.

Social Services Automation Projects

- Approves a delay in the development of the LEADER Replacement System (LRS) for 2011-12 for a savings of \$13 million GF. Accompanying this is a savings of \$14.1 million GF from the current year due to budgeted dollars that will be unspent as a result of current lack of federal approval of LRS.
- Approves the administration's suspension of the Child Welfare Services/Case Management System (CWS/CMS) Web project, for a corresponding GF 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.
- Approves the May Revision requests related to CMIPS II and CWS/CMS M&O.

May Revision Estimate Changes

- Accepts May Revision changes to the Department of Child Support Services, including a \$5.24 million GF savings as a result of contract negotiations for the California Child Support Automation System (CCSAS).

- Accepts the May Revision changes in the Alcohol and Drug Programs estimate, including caseload and cost changes in the Drug Medi-Cal program.
- Approves the May Revision changes in the Department of Social Services' estimate due to caseload, a change in implementation timing, and corrections to the appropriations included in the March 2011 Budget package.

Requests for State Support and Program Changes/Implementation Extensions

- 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, Assembly Bill 12 (Statutes of 2011), and Foster Care Audits and Group Home Litigation. A view of resources within the Department available for purposes like these suggests that the workload can be managed within existing resources.
- Approves resources requested for workload associated with the major changes adopted for the In-Home Supportive Services Program, related to policies adopted regarding provider exclusions and a new provider fee in the program, as well as programming changes required of the CMIPS II system that serves the program and its providers.
- Adopts and revises trailer bill language from the Administration on a variety of subjects, including a delay of both the Foster Youth Identity Theft Program and the Resource Family Approval Pilot, as well as an extension of the Moratorium on Group Home Applications.

Adjustments for Federal Grants

- Approves various requests in connection with the receipt of federal funds, including those associated with the Federal Aging and Disability Resource Connection (ADRC) and the Medicare Improvements for Patients and Providers Act (MIPPA) grants.

Administration's Reorganization Proposals

- 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.
- 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.
- Rejects the elimination of the Rehabilitation Appeals Board as proposed by the Administration.

CHILD CARE & DEVELOPMENT SERVICES

- Restores \$200 million of the child care and development programs' reductions made in the March budget package. Specifically, the changes:
 - Restores the Standard Reimbursement Rate 10 percent reduction, which is the method use to reimburse Title 5 child care and preschool programs.
 - Rescinds the 10 percent family fee increase, as many of these families would be unable to afford a fee increase on top of a co-payment for child care services, which potentially would lead to loss of services.
 - Restores Child care services to 11 to 12 year old children, which had been eliminated during the March budget package.
 - Reduces the across the board reduction from 15 percent to 11 percent. This restoration will protect early childhood education programs and avoid the needless loss of tens of thousands of jobs across the state.

K-12 EDUCATION

- Maintains the same level of funding as the March budget package, including the \$2.1 billion in K-12 funds from 2011-12 to 2012-13. Does not include funding to repay prior-year Proposition 98 Settle-up obligations.
- Adopts the shift of mental health services from counties to school districts by repealing the AB 3632 mandate. The budget includes \$221.8 million of ongoing Proposition 98 funding, \$69 million of federal funds, and \$98.6 million of Proposition 63 funds for mental health and residential services for these children in 2011-12. The State Proposition 98 level will be re-benched to reflect the transfer of program responsibility to schools. This action includes measures to ensure transition of children and families from counties to schools, recognizing the difficulties faced by families due to the 2010 veto of AB 3632 funding by Governor Schwarzenegger.
- Provides full funding for the CALPADS data system, but ends development of the CALTIDES system.
- Allocates \$3.5 million of federal Title I funding to provide funding for Common Core standards legislation.
- Funds \$32.3 million of K-12 Mandates in 2011-12, allowing the existing policy bills to determine mandate reform.
- Provides \$3.2 million to begin the Clean Technology Partnership Academies program.
- Provides \$3.7 million funding for growth in the child nutrition programs.

HIGHER EDUCATION

- Approves all of the Governor's lease-revenue funded capital outlay projects for the three higher education systems, which will stimulate the economy and address serious seismic and health safety issues due to aging buildings and outdated health codes.
- Increases the California Community Colleges property tax funding by \$57.8 million in 2010-11 and \$75.1 million in 2011-12 due to an increase in estimated local property tax and other local revenues.
- Reappropriates \$2 million of SB 70/Career Technical Education for use towards these vocational and technical programs.
- Suspends two mandates (Response Procedures and Student Records), both of which are already required by federal law.
- Approves an additional reduction of \$150 million to both University of California and California State University, bringing their total funding reduction from \$500 million to \$650 million. In addition, it provides discretion to the Director of Finance to augment both systems' funding in the event that state General Fund support improves to restore up to \$150 million.
- Authorizes the state Controller to defer the University of California's June 2012 payment until no later than August 31, 2012, for purposes of cash management.

NATURAL RESOURCES

Department of Water Resources

- Approves \$4.2 million from the Salton Sea Restoration Fund for reimbursement authority for “no regrets” restoration projects.
- Appropriates \$7.5 million from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 to the State Department of Public Health for grants to public agencies to improve drinking water infrastructure in communities served by mutual water companies in the cities of Maywood and Santa Ana.

Department of Conservation

- Increases by \$2.3 million the Oil, Gas, and Geothermal Administrative Fund and 18 positions in 2011-12. 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 shifts 4 positions from AB 32 activities for such purposes.

Department of Fish and Game

- Directs the spending down of funds from the Hatchery and Inland Fisheries Fund as follows: \$1.5 million for Timber Harvest Planning activities that impact fisheries; \$6 million, over two years, to maximize fish production at the Department's trout hatcheries; \$500,000 one-time funding for the Heritage and Wildlife Trout program; and, \$500,000 one-time funding for state forestry nurseries that support healthy forests and reduce runoff into state fisheries.
- 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 10 positions and \$2.1 million from the Public Utilities Reimbursement Account to implement the 33 percent Renewables Portfolio Standard statute.

- 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.

Department of Forestry and Fire Protection

- Authorizes an annual \$150 fire prevention fee on structures located in the State Responsibility Areas for fire prevention activities.

Department of Parks and Recreation

- Approves \$750,000 from the State Parks and Recreation Fund to institute a park entrance pilot project.

TRANSPORTATION

- 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 would be increased by \$12 per vehicle to cover the new cost share from registration fees.
- Adopt full funding of High Speed Rail Authority project of \$192 million, as proposed by the Governor, but includes additional reporting and oversight measures that must be met as a condition of expending the funding.
- Appropriates \$1.06 billion of additional Proposition 1B bond funding for transit and transportation projects in 2011-12.
- Provides 64 additional positions for Caltrans Project Initiation Documents (PIDS) resulting in a total staffing of 314 to develop these documents for state and local projects.
- Increase staffing for Capital Outlay Support by 61 positions.

STATE ADMINISTRATION**Employment Development Department**

- 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 GF 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, which 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.
- 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.

Franchise Tax Board

- Approves the departments 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 to collect the tax just as in-state companies do.
- Ends the process that suspends the local sales tax in exchange for property taxes. This will allow the state to shift those property taxes back to schools, and realize additional General Fund savings of \$900 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.
- 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.
- Reinstates the Property Tax Postponement program which provides a means for elderly and disabled individuals to stay in their homes through a state revolving fund. The state is later made whole when the home is sold or transferred.
- 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.

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.
- Eliminates the Child Care Monitoring Support in The Department of Housing and Community Development.
- Rejects the elimination of Preservation Technical Assistance
- Eliminates Redevelopment Housing Funds Oversight and the reduction to Housing Policy Funding.

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.

Housing and Community Development

- Accepts \$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)

Department of General Services

- 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.

LOCAL GOVERNMENT

The plan provides an opportunity for cities and counties to continue redevelopment activities based on a somewhat revised program. The proposal creates the Alternative Voluntary 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.

- Communities (cities or counties with an RDA) opt into the 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 would 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 subsidies for redevelopment activity will be reduced, but projects that meet state goals and priorities will be able to receive larger subsidies through reductions in the community payment.
- State costs for new debt issued by RDAs would be reduced on a sliding scale, with the basic subsidy reduced to 20 percent of the school share (after pass-through payments). The subsidy would be larger—potentially up to 80 percent—for projects that meet the highest state priorities.
- A fiscal structure for redevelopment reform is established, with the policies of that reform addressed in subsequent legislation through an open process that includes consideration of the reforms included in pending legislation. Subsequent legislation also will specify the project priorities that qualify for higher levels of state subsidy.

PUBLIC SAFETY**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 GF 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.

Judicial Branch

- Provides \$41.8 million for court workload resulting from the shift of responsibility for parole and post-release supervision revocation hearings to the Judicial Branch. Of this amount, \$2.5 million is added to the amount provided for court security realignment. This shift of responsibility to the courts is pursuant to AB 109 (Committee on Budget), Chapter 15, Statutes of 2011.
- Provides \$10.7 million to adjust trial court security funding for inflation.
- Reduces court funding by \$150 million, with provisional language allowing the Director of Finance to restore this funding if sufficient General Fund is available.

Department of Justice

- Transfers \$10.0 million from the GF 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.

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 GF 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

- Reduces \$1.2 million to reflect lower costs associated with military retirements and redirected \$300,000 from this program to expand the California Cadet Corps.

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.

The 2011-12 Budget Package

BILL #	SUBJECT
SB 71 / AB 98	BUDGET BILL CHANGES
AB 96	ADULT DAY HEALTH CARE
AB 102	HEALTH
AB 104	DEPARTMENT OF DEVELOPMENTAL SERVICES
AB 106	HUMAN SERVICES
AB 112	FEDERAL FUNDS FOR EDD
SB 85 / AB 114	EDUCATION
AB 115	TRANSPORTATION
AB 119	GENERAL GOVERNMENT
AB 120	RESOURCES
AB 122	SUPPLEMENTAL APPROPRIATION
AB 19X1	NURSING HOME FEE
SB 10X1/AB 22X1	MOTOR VEHICLE ACCOUNT
SB 11X1/AB 23X1	SINGLE FLIP
SB 14X1/AB 26X1	REDEVELOPMENT PART 1
SB 15X1/AB 27X1	REDEVELOPMENT PART 2
SB 17X1/AB 29X1	STATE RESPONSIBILITY AREA
AB 34X1	PROPERTY TAX POSTPONEMENT