



**FLOOR REPORT
FOR THE
2012-13 BUDGET ACT
AS ENROLLED IN AB 1464 AND AMENDED BY
SB1037 AND AB1497**

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CHAIR, ASSEMBLY BUDGET COMMITTEE

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TABLE OF CONTENTS

Overview	1
Health	5
Human Services.....	11
K-12 Education and Higher Education	18
Child Care and Development Services	26
Natural Resources and Transportation	28
State Administration and Local Government.....	37
Public Safety	42
Budget Hearings List.....	47

OVERVIEW

This report summarizes the final 2012-13 Budget Package. On June 15, 2012, the Legislature passed AB 1464, the 2012-13 Budget Act. This bill will be amended by either SB 1037 or AB 1497 to incorporate changes to the budget bill necessary to reflect the agreement reached between the Governor and the Legislature, as well as be accompanied by various trailer bills that make the necessary statutory changes to implement the budget.

In 2012, the Assembly Budget Committee and its Subcommittees conducted 75 hearings over a period of 5 months to develop the 2012-13 Budget. This report provides an overview of the budget package that was generated from that process.

The final 2012-13 budget:

- Eliminates California's structural budget deficit, creating a structural budget surplus that grows to over \$2.3 billion in 2015-16.
- Makes difficult and tough ongoing reduction to state expenditures.
- Assumes temporary voter-approved revenues with offsetting trigger reductions if the initiative fails.
- Protects essential funding for schools and provides growing funding that will increase by \$17 billion over the next four years.
- Prevents a 2012-13 fee increase at the UC System and rescinds the 2012-13 CSU Fee Increase.

Preliminary scoring of the Final Budget plan indicates that it will provide \$16.5 billion in overall solutions to fully bridge the May Revision budget gap of \$15.7 billion, resulting in a reserve level of \$788 million. Like both the May Revision and the June 15 versions of the budget, the final budget eliminates the structural deficit, resulting in balanced budget for each of the next three fiscal years.

The table below summarizes the differences between the three budget plans:

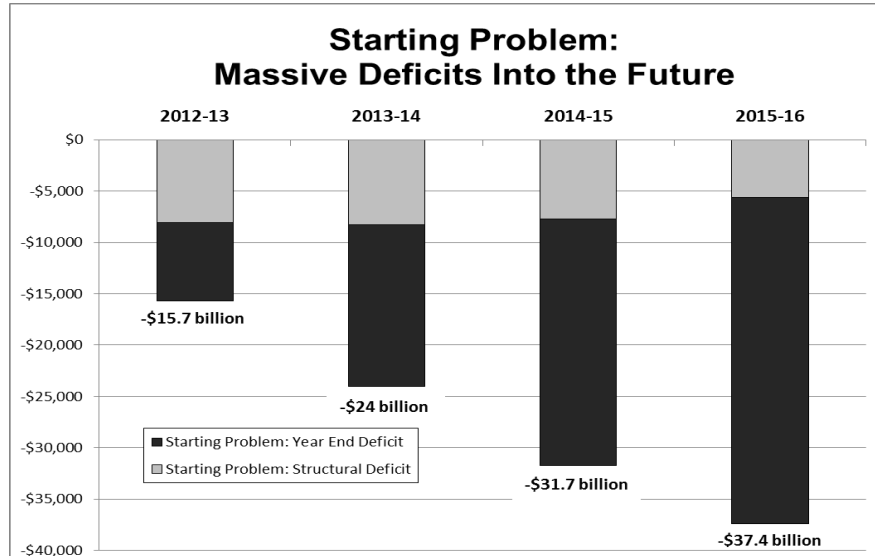
Comparison of Three Recent Budget (Billions)			
	May Revision	June 15	Final Budget
Starting Problem	-15.7	-15.7	-15.7
Solutions by Category			
Expenditure Reductions	8.3	8.0	8.0
Revenues	5.9	5.9	6.0
Other	2.5	2.3	2.5
Total Solutions	16.7	16.2	16.5
Year End Reserve	1.0	0.5	0.8

Summary of Key Changes from the June 15 Budget:

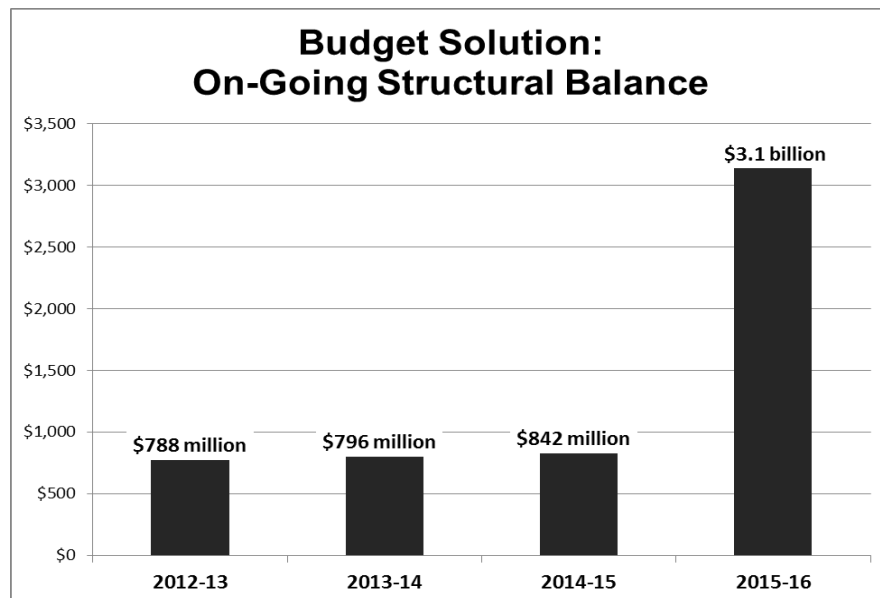
- **UC/CSU:** Provides a base funding increase of \$125 million each beginning in 2013-14 for UC and CSU to avoid having to increase student fees in 2012-13. The funds are contingent upon the Governor's tax initiative passing and upon the UC not increasing fees in 2012-13 and the CSU rescinding their approved fee increase for 2012-13.
- **Community Colleges:** Redirects \$50 million from deferral paydown to instead provide \$50 million in growth funds.
- **County Pass Throughs:** No longer reflects \$250 million cut to County Pass Throughs.
- **Charter Schools:** Provides \$50 million in growth funding for charter schools.
- **Mortgage Settlement:** Appropriates \$18 million to the Attorney General for mortgage assistance purposes, the balance of the state mortgage settlement funds provide General Fund relief.
- **Healthy Families:** Begins transferring children from Health Families to Medi-Cal, starting with plans that are part of both Healthy Families and Medi-Cal.
- **Child Care:** Adds \$30 million additional across the board cut.
- **CalWORKs:** Shifts to 24 month program to meet state requirements, with key provisions to extend services for recipients on track for employment. The overall welfare-to-work program remains a 48 month program, with 24 months being limited to those meeting federal requirements.
- **Cal Grants:** Restores cuts to Cal Grants for students at non-profit private schools. Grants will be reduced for new students to \$9,000 in 13-14 and to \$8,000 in 14-15 (instead of \$5,500 in earlier version of the budget agreement). Eliminates renewal Cal Grants for students at poorly performing for-profit private schools.
- **Other Updates:** Reflects updated costs for retiree healthcare costs and reflects anticipated settlement revenues.

The Final Budget Plan completely eliminates the structural budget gap.

BEFORE: The chart below illustrates the existing structural budget problem without solutions.



AFTER: The chart below illustrates the year end reserves after adoption of the Legislative budget that eliminates the structural problem.



The Final Budget is structurally balanced each and every year, with the reserve growing to over \$3 billion by 2015-16.

Summary of Final Budget				
	(in millions)			
	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Starting Problem	-\$15,692	-\$8,304	-\$7,740	-\$5,642
Solutions by Category				
Expenditure Reductions	7,929	4,317	3555	3,749
Revenues	6,033	4,266	4,429	4,723
Other	2,518	-272	-197	-539
Total Solutions	16,408	8,311	7,787	7,977
Year End Reserve	\$788	\$796	\$843	\$3,178

The Department of Finance has produced the following General Fund Update chart to illustrate the projected revenues, expenditures, and reserve for the State after this budget package is adopted:

2012-13 General Fund Summary		
	(in millions)	
	<u>2011-12</u>	<u>2012-13</u>
Prior Year Balance	-\$2,684	-2,882
Revenues and Transfers	\$86,829	\$95,887
Total Resources Available	\$84,145	\$93,005
Non-Proposition 98 Expenditures	\$53,938	\$54,649
Proposition 98 Expenditures	\$33,089	\$36,849
Total Expenditures	\$87,027	\$91,498
Fund Balance	-\$2,882	\$1,507
Reserve for Liquidation of Encumbrances	\$719	\$719
Final Reserve	-\$3,601	\$788

This report is intended to reflect the scoring and assumptions in place for the budget package for adoption on the floor. As the budget evolves and estimates are verified, this report will be updated.

HEALTH

Medi-Cal Major Issues:

- **Coordinated Care Initiative.** Reduces Medi-Cal expenditures by \$611.5 million GF in the budget year (and an estimated \$1 billion in out-years) by approving of a modified version of the Governor's proposal to integrate Medi-Cal and Medicare services for dual eligible beneficiaries and by integrating long-term care services, including In-Home Supportive Services and nursing home care, into managed care. Authorizes up to eight counties to participate in this Coordinated Care initiative Demonstration Project, and specifies that in order for the state to expand beyond these eight counties requires future legislative approval through a statutory change and an appropriation in the Annual Budget Act.
- **Managed Care Expansion.** Approves the Governor's proposal, with modified trailer bill language, to expand Medi-Cal managed care to the 28 remaining fee-for-service counties for \$2.7 million in GF savings in 2012-13. DHCS, in contracting, will be required to give special consideration to managed care health plans that: 1) have demonstrated experience in serving Medi-Cal beneficiaries, effectively partnering with public and traditional safety net health care providers, and working with stakeholders and others; 2) have the lowest administrative costs; 3) have support from local county officials; and 4) offer a quality improvement program for primary care providers.
- **Pediatric Managed Dental Care.** Approves trailer bill language developed by Senator Steinberg that addresses inadequate care being provided to Sacramento county children in Medi-Cal through dental managed care companies. Requires Department of Health Care Services (DHCS) to establish performance measures and benchmarks for dental health plans and to post each plan's performance on the DHCS website. Requires dental health plans to provide performance data to DHCS. Requires DHCS to review and approve dental health plan marketing plans and member services procedures. Requires DHCS to use an independent External Quality Review Organization.
- **Copayments.** Approves of the Governor's proposal to implement copayments in Medi-Cal for \$20.2 million in GF savings, pending federal approval. Includes a copayment of \$15 for non-emergency visits to emergency rooms, and copayments of up to \$3.10 for preferred drugs and \$5 for non-preferred drugs, excluding mail-order prescriptions. Includes trailer bill to clarify and make consistent various statutory definitions of non-emergency services.

- **California Children's Services (CCS) Medical Therapy Means Test.** Denies the Governor's proposal to institute an income-means test for physical and occupational therapy services, for \$9.1 million in GF savings.
- **Skilled Nursing Facilities Sunset and Rates.** Extends the sunset for two years on the skilled nursing facility (SNF) quality assurance fee. For GF savings of approximately \$87.8 million in 2012-13, approves of the following: 1) Eliminates any rate increase to SNFs in 2012-13; 2) Institutes an on-going payment deferral to SNF providers; 3) Suspends quality payments for 2012-13 and authorizes DHCS to look for alternative payment methodologies for quality payments; and, 4) Provides for a rate increase of up to 3 percent in 2013-14 and 2014-15.
- **Value Based Purchasing.** Denies the Governor's proposal to extend authority to DHCS to bypass legislative and regulatory processes in making various types of changes to the Medi-Cal program, for \$75 million in GF savings. Instead, recognizes \$30 million in GF savings to be achieved by implementing the federally-required prohibition on coverage of preventable hospital admissions.
- **Clinical Laboratory Rates.** Achieves \$7.7 million in GF savings from establishing a reimbursement rate methodology for setting Medi-Cal rates of reimbursement for clinical laboratory services provided to Medi-Cal beneficiaries. The proposed methodology would develop rates that are based on the lowest amounts other payers are paying for similar clinical laboratory services. Until the implementation of the new methodology, payments for clinical laboratory services would be subject to an additional 10 percent provider payment reduction, with an exemption for the Family Planning Access to Care and Treatment program. Requires laboratories to report rate data to the State to be utilized for developing the new rate methodology. Requires DHCS to seek stakeholder input in the development of the rate methodology.
- **Reductions to Hospitals.** Reduces \$387.4 million in funding to hospitals by: 1) Changing the reimbursement methodology for Non-Designated Public Hospitals (NDPH) for \$94.5 million in savings in 2012-13. DHCS will use the same reimbursement methodology for NDPHs as is used for Designated Public Hospitals, thereby eliminating the 50 percent State GF match, which is to be replaced by federal funds through the use of certified public expenditures, and by increasing Safety Net Care Pool Uncompensated Care and Delivery System Reform Incentive Pool funding available to NDPHs; 2), Splitting federal rollover unspent Health Care Coverage Initiative funding between the State and Designated Public Hospitals to achieve \$100 million in GF savings in 2012-13; 3) Redirecting \$150 million in hospital fee revenue in 2012-13 (previously intended to fund increased rates to managed care plans for them to increase payments to hospitals) to offset GF expenditures for providing health coverage to children, for \$95 million in General Fund savings; and 4) Redirecting \$42.9 million in unpaid private and non-designated public hospitals' stabilization funding for fiscal years

2005-06 through 2009-10 for \$42.9 million in GF savings. Includes trailer bill language to clarify accounting procedures related to CMS approval of the hospital fee and provides a 6 month extension (from March 2012 to September 2012) by which hospitals need to notify the state of seismic retrofitting plans and justification for requesting an extension.

- **Gross Premiums Tax.** Extends the sunset for two years on the Gross Premiums Tax on Medi-Cal managed care companies for \$183 million in GF savings in 2012-13 and approximately \$275 million General Fund savings in 2013-14. This revenue supports health coverage for children.
- **Clinic Payment Reform.** Denies the Governor's proposal to reform the payment system for Federally Qualified Health Centers and Rural Health Centers, which was expected to achieve \$27.8 million in General Fund savings in 2012-13.
- **Provider Rate Increase.** In compliance with the federal Affordable Care Act, requires Medi-Cal to increase certain physician primary care service rates to no less than 100 percent of the Medicare rate for specific services beginning January 1, 2013. This enhanced reimbursement applies to physicians with a primary specialty designation of family medicine, general internal medicine, and pediatric medicine. Sunsets this increase in payments on December 31, 2014.
- **Electronic Health Record Incentive Payment Program.** Allows up to \$200,000 in General Fund to be used as the required 10 percent match by the state in order to draw down a 90 percent federal funding match from the federal CMS for administration of the Medi-Cal Electronic Health Record Incentive Payment Program. Enables the continuation of substantial incentive payments from the federal government to hospitals and other health care providers.

Healthy Families Major Issues:

- **Healthy Families Program Elimination.** Approves of the transfer of all children in the Healthy Families Program to Medi-Cal, for \$13.1 million in GF savings. Requires DHCS to submit an implementation plan to the Legislature prior to transitioning children to Medi-Cal. Requires that children transition to Medi-Cal in four phases, beginning January 1, 2013 and estimated to be completed by December 31, 2013. Requires that children moving into Medi-Cal receive dental services through fee-for-service dental care, except in Sacramento County where they will receive dental care through managed care, and in Los Angeles where they will have the option of managed care or fee-for-service. Denies the Governor's proposal to reduce provider rates in the Healthy Families Program to Medi-Cal rates.

Mental Health Major Issues:

- **New Department of State Hospitals.** Approves of the Governor's proposal to eliminate the Department of Mental Health and create a new Department of State Hospitals. This reorganization is expected to achieve significant improvements to the oversight of mental health care in California by integrating out-patient mental and physical health care within one department (DHCS) and by creating a department that will have a singular focus on managing and operating the state's system of mental hospitals.
- **State Hospitals Cost Savings.** Adopts savings in the State Hospitals budget of approximately \$120 million in 2011-12 and \$184 million in 2012-13 by reducing psychology, therapy, housekeeping, health care physicians and other hospital staff, modifying treatment models, streamlining documentation, increasing use of generic pharmaceuticals, increasing the county bed rate, and making other changes to reduce costs in State Hospitals. Requires an audit of the State Hospitals budget and requires the Department to report detailed expenditures for each hospital to the Legislature.
- **State Hospitals Safety.** Establishes the Legislature's intent that staff-patient ratios shall vary to reflect safety and patient acuity, and that adult education in the state hospitals will not be eliminated. Approves of \$22.76 million in GF for Personal Duress Alarms at the State Hospitals.
- **Community Mental Health Programs.** Approves of the Governor's proposal to shift community mental health programs from the soon-to-be eliminated Department of Mental Health to other departments, primarily the Department of Health Care Services. Licensing functions will move to the Department of Social Services. The Workforce Education and Training Program, under the Mental Health Services Act, will move to the Office of Statewide Health Planning and Development.
- **Mental Health Services Act Administration (MHSA).** Approves of moving MHSA programs to other departments, conforming to the elimination of the Department of Mental Health, and implements changes to MHSA administration adopted in 2011 budget trailer bill. Specifically, shifts approval of the MHSA innovation programs from the Mental Health Services Oversight and Accountability Commission (MHSOAC) to the county board of supervisors; removes MHSOAC's authority to issue guidelines for MHSA innovation programs; and eliminates performance contracts between the state and counties.

- **Realignment.** Implements 2011 county realignment of Medi-Cal mental health programs – Early Periodic Screening Treatment and Diagnosis (EPSDT) and Mental Health Managed Care. Among other provisions, the mental health realignment trailer bill deletes obsolete statutes; updates language in current law; and establishes new requirements related to state-county contracts and processes for counties that refuse to contract with the state.
- **Caregiver Resource Centers.** Denies the Governor's proposal to eliminate GF support of \$2.9 million for Caregiver Resource Centers, which provide support to individuals caring for family members with brain injuries and illnesses. Moves this program to DHCS due to the elimination of the Department of Mental Health.
- **Community Treatment Facilities.** Denies the Governor's proposal to eliminate \$750,000 in GF for supplemental payments to community treatment facilities that provide residential care to severely emotionally disturbed minors, and instead reduces funding by \$250,000 GF.

Public Health Major Issues:

- **Chronic Disease Prevention.** Approves of \$1.6 million in 2011-12 and \$1.9 million in 2012-13 in federal funds resulting from the federal Affordable Care Act to create a State Chronic Disease Prevention and Health Promotion Plan to address the five leading causes of death and disability from chronic disease: heart disease, cancer, stroke, diabetes, and arthritis.
- **Office of Health Equity.** Approves of the Governor's proposal to create an Office of Health Equity within the Department of Public Health to focus on health disparities of all types and the interactions and overlapping dynamics between them. The Office of Health Equity will house functions and responsibilities of several existing programs within the Department of Public Health as well as those of the Office of Multicultural Services, currently within the Department of Mental Health, and the Office of Women's Health, currently within DHCS. Redirects \$15 million in MHSA funding per year for four years to the Department of Public Health for the Reducing Disparities Project.

- **Direct Services.** Approves of the Governor's proposal to move the Every Woman Counts Program, Prostate Cancer Screening Program, and the Family Planning Access Care and Treatment (FPACT) program from the Department of Public Health to DHCS in order to consolidate direct services within one department.
- **AIDS Drug Assistance Program (ADAP).** Denies the Governor's proposal to increase cost sharing for ADAP clients, for \$10.7 million in GF savings, and improves the transition of ADAP clients to Low Income Health Programs by creating a stakeholder process and designating a staff person at the DHCS to manage the transition.
- **Public Health Laboratory Directors.** Denies the Governor's proposal to eliminate all \$2.2 million in GF for the Public Health Laboratory Training Program and instead cuts \$1.7 million, leaving \$500,000 in the program. This program helps students attain the stringent state and federally required academic credentials to qualify to serve as laboratory directors.

Other Major Issues:

- **Department of Managed Health Care.** Approves of requested resources for premium rate review activities, increased managed care oversight associated with increasing number of Medi-Cal beneficiaries moving into managed care, and increased oversight of dental managed care.

HUMAN SERVICES

CalWORKs Major Issues:

The CalWORKs changes result, as a package, in General Fund savings of \$469.1 million for 2012-13, with on-going savings of \$423 million. The savings are net of the various components of the CalWORKs package as outlined below.

- **Continuation of the Single Allocation Reduction.** Continues, though phases out, the reduction of the county single allocation, or the block grant that funds CalWORKs employment services, Stage 1 child care, and administration, by \$444 million General Fund, which is a net reduction reflecting the sunset of the short-term extensions for parents of young children, adding a new one-time exemption for families with a child between 12 and 24 months, applying a new 24-month services time clock prospectively, and adding an extension to the 24-month clock for up to 20 percent of the caseload.
- **Time Limits and Work Requirements.** The current array of welfare-to-work services would be prospectively available for eligible adults for up to 24 months, which could be accessed anytime during the 48-month lifetime time limit. Participants would be able to access the remaining 24 months of the 48-month lifetime limit if meeting specified federal requirements. In addition, counties could extend services for up to 20 percent of those who would otherwise reach the 24-month time limit by six months at a time, not to exceed the 48-month time limit, under circumstances that indicate progress toward employment. The number of required work activity hours would conform to federal requirements.
- **Earned Income Disregard.** Effective October 1, 2013, the state would return to allowing a participant to retain \$225 and \$.50 of each dollar thereafter in monthly earnings, changing from a policy that went into effect in 2011 that allowed a participant to retain \$112 and \$.50.
- **Change-Reporting for Safety Net Cases.** Change the frequency of reporting from semi-annual to annual for CalWORKs Safety Net cases, serving cases without an aided adult. This produces savings of \$26 million General Fund in the program for 2012-13 and on-going.

- **Cal-Learn Phase-In.** Reduces the Cal-Learn appropriation by \$10 million General Fund on a one-time basis in 2012-13, allowing counties to ramp-up to full re-instatement of the program for pregnant and parenting teens by April 1, 2013. Cal-Learn state funding was eliminated in the 2011-12 Budget and the program was suspended for one year.
- **Rejects Governor's Proposal.** Rejects the Governor's proposal to apply federal rules regarding unsubsidized employment to the entire caseload and to dramatically reduce grants for basic aid for hundreds of thousands of families with children to 24 percent of the federal poverty level.
- **Other Changes.** Includes costs of \$8.5 million General Fund for automation associated with the CalWORKs changes outlined above and \$2.5 million General Fund for automation associated with implementing the Work Incentive Nutritional Supplement (WINS) program on January 1, 2014, which will provide an additional food assistance benefit to each eligible CalFresh household of \$10 per month. This change increases the CalWORKs state work participation rate by 20 percent.

In-Home Supportive Services (IHSS) Major Issues:

- **Governor's Proposals.** Rejects the Governor's proposals to limit Domestic and Related Services for recipients in shared living arrangements and to reduce authorized IHSS hours by 7 percent across the board, which would have decreased funding in the program by a net \$225 million General Fund.
- **Continuation of the 3.6 Percent Across the Board (ATB) Reduction in Hours.** Continues the 3.6 percent ATB reduction in authorized hours on an on-going basis, producing \$58.9 million General Fund savings in 2012-13. This cut originally went into effect in February 2011 and was set to expire on June 30, 2012.
- **Additional Savings.** Recognizes approximately \$31 million General Fund savings from other reductions and/or policy changes, which may include, but is not limited to, additional federal funds, savings resulting from veterans accessing greater federal benefits, and reduced administration costs that were included in the Governor's budget related to IHSS proposals.
- **Other Issues.** Adopts the Administration's proposal to repeal the Medication Dispensing Machine (MDM) Pilot Program and the associated across-the-board reduction in hours that was linked to the MDM Pilot's outcomes.

- **Duals Demonstration Project.** Incorporates and preserves the In-Home Supportive Services (IHSS) program into the Duals Demonstration Project. The demonstration project will enable individuals to receive a continuum of services that maximizes access to, and coordination of, benefits between the Medi-Cal and Medicare programs and access to the continuum of long-term services and supports and behavioral health services. The demonstration project will commence with an eight-county pilot and fold in IHSS as counties transition with the consumer empowered to direct and control care. As the Duals Demonstration Project is implemented and funding responsibility is shifted to the state, other related local responsibilities will gradually transition to the state. Gives discretion to the Director of the Department of Health Care Services to make these provisions inoperative based on certain criteria.
- **Universal Assessment Process.** Authorizes the Department of Health Care Services, the Department of Social Services, and the California Department of Aging to establish a stakeholder workgroup to develop a universal assessment process including a universal assessment tool for home and community based services.
- **County Share.** Stabilizes program funding and provides local relief from the county share-of-cost provisions in In-Home Supportive Services and instead creates a County Maintenance of Effort (MOE) to stabilize base funding for the IHSS program.

Developmental Services Major Issues:

- **2012-13 Trigger Reduction.** Adopts the Administration's proposals and trailer bill language to achieve the \$200 million General Fund reduction. This savings package includes maximizing federal funds, implementing provisions of Senate Bill 946, multiple changes to redesign services for individuals with challenging needs, redesigning supported living assessments, reducing the rate reduction to 1.25 and extending it for an additional fiscal year through 2012-13, and additional, smaller cost savings and efficiencies. In the area of changing services for individuals with challenging needs, the changes include limiting short-term acute crisis placements in developmental centers to six months, with the possibility of one six-month extension, and ensuring that the comprehensive assessments and reports for consumers residing in developmental centers on July 1, 2012 shall include input from the regional center, the consumer, and the consumer's family, legal guardian, or conservator, when appropriate, and identify the types of community based services and supports available to the consumer.

Also part of this package is approval of the assumption of \$40 million for Early Start Services from the California First 5 Commission (Proposition 10).

- **November Trigger.** Approves a \$50 million trigger cut for 2012-13 contingent on the passage of the November revenue initiative, and mirrors language that had been included in the 2011-12 trigger cut that provides the Department of Developmental Services (DDS) with methods and options for devising the savings, should they become necessary.

Multipurpose Senior Services Program:

- **MSSP.** Maintains the MSSP program, at its \$20.2 million General Fund funding level, while proposing a plan toward its inclusion ultimately as part of the Long-Term Supportive Services integration into managed care under the Coordinated Care Initiative. MSSP will remain its own discrete state program for a near two-year period before it begins a transition process toward integration, conforming to action taken in the Health more largely on the Coordinated Care Initiative.

Child Support Services Major Issues:

- **County Share.** Approves the Governor's proposal to suspend the county share of child support collections in 2012-13, for General Fund savings of \$31 million. This funding has been historically used in the CalWORKs program, so the loss of this funding at the county level is considered part of the resources taken from the CalWORKs program.
- **Reversion Savings.** Approves savings of \$5.49 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 at the end of the 2011-12 fiscal year.
- **Additional Reductions.** Approves a \$1 million General Fund decrease for the CCSAS and a \$5 million General Fund decrease to the Local Child Support Agencies, with Budget Bill Language to state that to the extent practicable, the cut shall not result in a reduction to caseworker staffing levels or collections.

Child Welfare Services (CWS) Major Issues:

- **CWS Programmatic Realignment.** Adopts trailer bill language to implement CWS programmatic realignment, pursuant to 2011 Realignment statute. The

language allows the Department to license THP-Plus-Foster Care placements, consistent with the licensure of other foster care placement types and leaves in place statutory provisions intended to enable foster youth to access federal Supplemental Security Income (SSI) benefits. The language also guides how the California Child & Family Services Reviews will work for state oversight purposes under realignment, creates outcome and fiscal reporting requirements for the Department of Social Services (DSS), and includes requirements for a transparent and accessible local public process that must be used before a county significantly changes its expenditures on optional programs.

- **CWS Fiscal Superstructure Issues.** Toward the interest of ensuring that counties do not disinvest from their existing CWS programs with the resources provided under realignment, make changes to the Fiscal Superstructure to provide counties with incentives to expend their full allocations and to assure that underperforming counties are required to make larger contributions toward any assessed penalties.
- **DSS Positions.** Approves in large part the Administration's May Revision reduction in a net 42 positions for the Child and Family Services Division at DSS, retaining 11.5 positions and repurposing two of these to focus on fiscal and outcome-related oversight stemming from CWS programmatic realignment and policy and program development related to the continuum of care and assessment of children's needs.
- **Group Home Moratorium.** Continues the moratorium on group homes and limits exceptions for any program with a rate classification level (RCL) below 10 to exceptions associated with a program change.

Alcohol and Drug Programs Major Issues

- **Proposed Department Elimination.** Effective, July 1, 2013, transfers the administrative and programmatic functions of DADP to departments within the Health and Human Services Agency. Requires that, in consultation with stakeholders and affected departments, the Health and Human Services Agency prepare a detailed plan for the reorganization of DADP's functions, as specified. The plan is to be submitted to the Legislature as part of the 2013-14 Governor's Budget and the ultimate placement of functions pursuant to the transfer is contingent upon the Budget Act of 2013 and implementing legislation.
- **Drug Medi-Cal (DMC) Transfer.** Adopts trailer bill language to implement the DMC Transfer, requiring continuing quarterly updates to the Legislature and key stakeholders as the DMC fully transitions to the DHCS. Additionally requires quarterly stakeholder meetings commencing no later than October 1, 2012.

- **ADP Programmatic Realignment.** Adopts trailer bill language to implement Substance Use Services realignment pursuant to 2011 Realignment statute. The language includes a requirement for ADP to annually provide a summary of outcome and fiscal data that allows for user-friendly tracking of changing Substance Abuse Services programs over time. The language additionally seeks to retain guiding, historical statute on substance use disorder services, while removing parts of current law that inappropriately reference state funds given the 2011 Realignment.
- **Women and Children's Residential Treatment Services (WCRTS) Program.** Creates a special account within the Behavioral Health Subaccount under the Realignment Fiscal Superstructure legislation for WCRTS funding for those counties in which a program site is in operation, assuring that the realigned funding of \$5.1 million is applied to the eight sites in six counties that currently operate this program. Trailer bill language also defines the program in statute and permits additional funds to be provided for this program and similar services at the discretion of the counties.

Automation Major Issues

- **SAWS Reduction.** Continues a \$5 million General Fund unallocated reduction to the Statewide Automated Welfare System (SAWS), which is the automation system for the CalWORKs, Medi-Cal, and CalFresh Programs.
- **CalHEERS.** Approves the May Revision proposals for 16 full-time positions and \$2.543 million in reimbursement authority for the Office of Systems Integration, Budget Bill Language, and Trailer Bill Language related to the development of the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), toward California's implementation of the federal Affordable Care Act.
- **CMIPS II.** Extends position authority for the Case Management, Information, and Payrolling System (CMIPS) II, the main automation system serving the IHSS program, Development, Design, and Implementation phase, adjusting timelines and costs due to delays in development of the project. Adopts Supplemental Reporting Language to seek clarification and accountability around the cause or causes of such delays.
- **LEADER Replacement.** Requires, in trailer bill language, the Administration to have a qualified third party conduct a cost reasonableness assessment of the costs proposed by the vendor to migrate the Consortium-IV counties to the

newly-developed Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System.

- **CWS/CMS.** Requires DSS to use funding included in the Budget related to the replacement of the Child Welfare Services Case Management System (CWS/CMS) for the next steps necessary to move forward with the recommendation of the Child Welfare Automation Study Team to proceed toward procuring a new system, with results to be reported to the Legislature by March 1, 2013.

Rehabilitation Appeals Board (RAB)

- **Repeal of RAB.** Approves the elimination of the RAB and replacement of this process with the use of impartial hearing officers, setting requirements in trailer bill to assure appellants' due process rights.

K-12 EDUCATION

Proposition 98 Package:

- **Overall 2012-13 Funding Level.** Provides a Proposition 98 minimum guarantee of approximately \$53.6 billion for 2012-13. This is roughly \$1 billion above the amount provided under the Governor's January proposal. Although revenues are down in 2012-13, the year-to-year change in revenues has increased and this results in a higher maintenance factor payment. This funding level also assumes passage of the Governor's tax initiative.
- **Maintains 2011-12 Spending Level.** Maintains the Governor's proposed current year level of spending for schools - \$47.8 billion. This provides schools with \$900 million above the revised minimum guarantee for 2011-12, which has fallen mostly due to a decline in anticipated state revenue. The budget repurposes this over appropriation to schools by designating \$671.8 million as a prepayment of 2012-13 and 2013-14 Quality Education Investment Act (QEIA) settlement obligations. Swaps the remaining ongoing General Fund dollars with one-time funds. These adjustments do not change funding levels for K-14 education in the current year but instead reclassify the funds.
- **Trigger Cuts if Governor's Tax Initiative Fails.** Adopts a trigger reduction of approximately \$5.4 billion for K-14 education in the event the Governor's initiative does not pass. This reduction comes in part from a reduction in the Proposition 98 minimum guarantee due to lower state revenues (\$2.9 billion). The remaining would result from a shift of General Obligation Bond Debt Service and the Early Start program (currently funded under the Department of Developmental Services) into Proposition 98 requiring programmatic savings to accommodate the shift.

To accommodate the \$5.4 billion reduction, the budget adopts the Governor's approach to rescind deferral buy-downs (\$2.3 billion). The remaining reduction would be achieved through programmatic cuts to K-14 education. Specifically, K-12 would see a reduction in revenue limits of \$2.7 billion and a reduction of \$338.5 million would be applied to community colleges.

In order to achieve savings, the budget includes trailer bill language to authorize K-12 schools to provide a school year of not less than 160 days in 2012-13 and 2013-14. This authorizes school districts, county offices of education, and charter schools to reduce the school year up to an additional 15 days in each school year should they chose to implement this option.

Other Major K-12 actions:

- Provides \$2.3 billion to reduce inter-year budgetary deferrals for K-14 education beginning in 2012-13, contingent upon passage of the Governor' November ballot initiative. This increase will provide \$2.1 billion for K-12 schools and over \$200 million for community colleges.
- Modifies the Governor's May Revise mandate block grant proposal to (1) establish a block grant for the majority of K-14 mandates; (2) suspend in 2012-13 those K-14 mandates that were suspended in 2011-12; and, (3) continue the claiming process but require school districts, county offices of education, charter schools, or community college districts to choose annually to either claim or utilize the block grant. Provides \$200 million, split between K-12 and community colleges based on the amount of historical claims for each over the past five years, resulting in a per pupil/student funding amount as follows: (1) K-12 districts, \$28 per pupil; (2) Community college districts, \$28 per student; (3) Charter schools, \$14 per pupil; and, (4) County offices of education, \$28 + \$1 "extra" per pupil.
- Maintains the Governor's proposal to restore \$496 million in funding for the Home-to-School Transportation funding in 2012-13 but does not make these funds flexible.
- Rejects the Governor's proposal to eliminate funding for the Transitional Kindergarten program and instead maintains existing law created pursuant to Chapter 705, Statutes of 2010.
- Does not initiate the Governor's weighted pupil formula proposal and maintains categorical and general purpose funding allocations per existing law.
- Restores the Advancement Via Individual Determination (AVID) by swapping \$8.1 million in non-98 General Fund dollars for one-time Proposition 98 funds. Additionally, requires the California Department of Education to select a county office of education to administer the program.
- Restores funding for the Indian Education Centers by replacing non-98 General Fund dollars with \$376,000 in ongoing Proposition 98 dollars.
- Restores funding to the State Special Schools by providing \$1.8 million in federal special education IDEA funds rather than non-98 General Funds.

- Restores \$15 million in ongoing Proposition 98 funding for the Early Mental Health Initiative (EHMI) and shifts the program to the California Department of Education to administer the program.
- Provides \$53.7 million in funding for charter school growth, \$5.5 million for new charter schools, and \$1.5 million for growth related to child nutrition. Growth was not provided for Special Education or Economic Impact Aid.
- Makes a number of changes in the education trailer bill related to charter schools. Specifically:
 - Authorizes County Offices of Education (COEs) and County Treasurers to loan funds to charter schools.
 - Allows a COE to issue Tax Revenue Anticipation Notes (TRANS) on behalf of all charters over which it has supervisory authority and authorizes charter schools to issue independent TRANS.
 - Authorizes a charter school to directly seek an exemption from the intra-year deferrals and requires the charter authorizer be notified of the request.
 - Requires the governing board of any school district seeking to sell or lease any real property designed to provide direct instruction or instructional support it deems to be surplus property to first offer that property for sale or lease to any charter school that has submitted a written request to the school district to be notified of any surplus property offered for sale or lease by the district.
- Modifies the Governor's proposal related to the federal Migrant Education Program to provide \$705,000 in federal Title I carryover funds to CDE to contract with the Bureau of State Audits (BSA) for a fiscal audit and program review of the migrant education program. Provides \$130,000 federal Title I carryover to support existing limited term positions.
- Provides the Governor's proposed funding level for mental health related services (\$421 million). Allocates the majority of those funds per ADA with the exception of \$69 million, which is split funded – 75 percent using a current year approach that reflects student mental health service counts, and 25 percent on a per ADA basis. Proposes to provide all funding on an ADA basis in 2013-14.
- Clarifies that nonpublic schools, charter schools and the state special schools are eligible to apply for state Workability Grant funding.
- Maintains \$886,000 for the California Student Information Services (CSIS) proposed to be reduced under the Governor's May Revise.

- Suspends, thru December 31, 2014, provisions of current law that authorize school districts to levy Level 3 developer fees if the State Allocation Board is no longer approving apportionments for new construction due to a lack of funds available for that purpose.

HIGHER EDUCATION

California State Library

- **Meeting Federal Matching and Maintenance of Effort Requirements.** Approves \$4.7 million in restoration funding to the California State Library, in order to continue to be able to draw down \$15 million in federal funding for library support programs.

University of California

- **Student Fee Buyout.** Appropriates \$125 million in General Fund support to the University of California to buyout student fees for fiscal year 2013-14. Funding is contingent on the passage of the Governor's tax initiative and the UC to maintain the 2011-12 system-wide tuition fee level of \$12,192 for the 2012-13 academic year.
- **Elimination of Programs Earmarked in UC's Base Budget.** Denies the Governor's January proposal to eliminate state prioritized programs and reinstates budget bill language with current year funding levels.
- **Elimination of Enrollment Targets.** Denies the Governor's January proposal to eliminate the budget bill language that sets the university's enrollment target for the budget year.
- **Long-Term Funding Flexibility Proposals.** Denies the Governor's January proposals to provide the university with extensive flexibility to: 1) create a new "Funding Agreement," and, 2) change the General Obligation bond payment and Lease Revenue Bond structure that would have made the budget year the last year in which the university received funding adjustments. Approve budget bill language expressing intent to approve future adjustments.
- **Funding Augmentation for the University's Retirement Plan.** Approves \$89.1 million in General Fund support to the university and budget bill language specifically to earmark contributions to the University of California Retirement Plan (UCRP) for state General Fund and tuition-funded employees, with the recognition that this funding does not constitute a state obligation to providing funding in future years and that any future funding, if any, will be determined by the Legislature.
- **Trigger Reductions.** Approves the Governor's May Revise proposal to increase the University of California's trigger reduction to \$250 million, in the event that the November tax initiative fails passage by voters.

Hastings College of the Law

- **Long-Term Funding Flexibility Proposals.** Denies the Governor's January proposals to provide the university with extensive flexibility to: 1) create a new "Funding Agreement," and, 2) change the General Obligation bond payment structure, that would have made the budget year the last year in which the university received funding adjustments. Approve budget bill language expressing intent to approve future adjustments.
- **Funding Augmentation for the University's Retirement Plan.** Approves \$865,000 in General Fund support to the university and budget bill language specifically to earmark contributions to the University of California Retirement Plan (UCRP) for state General Fund and tuition-funded employees, with the recognition that this funding does not constitute a state obligation to providing funding in future years and that any future funding, if any, will be determined by the Legislature.

California State University

- **Student Fee Buyout.** Appropriates \$125 million in General Fund support to the California State University to buyout student fees for fiscal year 2013-14. Funding is contingent on the passage of the Governor's tax initiative and the CSU to maintain 2011-12 system-wide tuition and fee level of \$5,472 for 2012-13 academic year.
- **Elimination of Programs Earmarked in CSU's Base Budget.** Denies the Governor's January proposal to eliminate state prioritized programs and reinstates budget bill language with current year funding levels.
- **Elimination of Enrollment Targets.** Denies the Governor's January proposal to eliminate the budget bill language that sets the university's enrollment target for the budget year.
- **Long-Term Funding Flexibility Proposals.** Denies the Governor's January proposals to provide the university with extensive flexibility to: 1) create a new "Funding Agreement," and, 2) change the General Obligation bond and Lease Revenue bond payment structure that would have made the budget year the last year in which the university received funding adjustments. Approve budget bill language expressing intent to approve future adjustments.
- **Changes to the CalPERs funding structure, and provide funds only for unfunded liability costs.** Denies the Governor's January proposal and deletes the related Budget Bill language.

- **Trigger Reductions.** Approves the Governor's May Revise proposal to increase the California State University's trigger reduction to \$250 million, in the event that the November tax initiative fails passage by voters.

California Community Colleges

- **Repayment of Deferrals.** Increases by \$159.9 million the funding appropriated to the California Community Colleges to pay down existing apportionment deferrals. This funding is contingent on the passage of the November tax initiative by voters.
- **Growth Funding.** Authorizes \$50 million to be used for the purposes of providing growth funding to community college districts, contingent on the passage of the Schools and Local Public Safety Protection Act of 2012.
- **K-14 Mandates Reform and Block Grant Funding.** Approves to: 1) establish a block grant for the majority of the K-14 mandates; 2) continue the suspension in 2012-13 those K-14 mandates that were suspended in 2011-12; and, 3) continue the claiming process but a school district, county office of education, charter school, or community college district has to choose each year to either claim or utilize the block grant. Community colleges will receive \$33 million for mandate costs, resulting in a \$28 per student funding amount.
- **Categorical Reform and Block Grant Funding.** Denies the Governor's proposal to consolidate \$411 million from 21 categorical programs into one block grant funding structure. Restores budget bill language to earmark all 21 categoricals based on current year funding levels.
- **Apportionment Funding Methodology and Enrollment Changes.** Denies the Governor's January proposal to provide the college system with greater flexibility by: 1) eliminating the apportionment funding and enrollment methodology; and, 2) creating a new "Funding Agreement" based on yet to be determined performance measures.
- **Neighboring State Student Enrollment Fee.** Approves trailer bill language to increase the neighboring state student enrollment fee by using a multiple of 2 beginning in the academic Summer of 2012 and a multiple of 3 beginning in the academic Summer of 2013.
- **Swap of General Fund support for Local Property Tax from the dissolution of Redevelopment Agencies.** Approves the Governor's General Fund reduction to reflect an increase in estimated local property tax revenues due to the dissolution of redevelopment agencies. Approves the Administration's trailer bill language to authorize the Director of Finance provide funding to backfill a

funding shortfall in the local property tax revenues for both the current fiscal year and budget year.

- **Trigger Reductions.** If the November tax initiative fails passage by voters, the California Community Colleges will be reduced by: 1) rescinding the deferral repayment of \$159.9 million; 2) rescinding the growth funding of \$50 million, and, 3) approving about \$338.6 million in programmatic reductions due to bringing General Obligation bond costs into Proposition 98.

California Student Aid Commission

- **Align Cal Grant Awards Methodology with Federal Pell Grant Methodology.** Denies the Governor's May Revise proposal to align the Cal Grant awards' methodology with the Federal Pell Grant Methodology.
- **Increase the G.P.A. Eligibility Requirements.** Denies the Governor's January proposal to eliminate students based on increased G.P.A. eligibility requirements.
- **Student Loan Operating Fund.** Approves an augmentation of \$84.6 million in Student Loan Operating Fund, which generates a General Fund offset.
- **Phase out of the Student Loan Assumption Programs.** Denies the Governor's January proposal to phase out the Student Loan Assumption Programs.
- **California Community College Transfer Entitlement Award.** Approves trailer bill language to require transfer students to be enrolled in a community college in the year prior to transfer as modified to provide one additional year of eligibility for students awarded a CCC transfer entitlement award in 2011-12.
- **New Restrictions for Institutional Eligibility.** Approves the Governor's proposal as modified with placeholder trailer bill language to: 1) set the Cohort Default Rate at 15.5 percent; 2) provide five years for institutions with a Cohort Default Rate less than 10 percent and graduation rates above 20 percent to increase their six year graduation rates to the 30 percent threshold; and, 3) require additional notification and disclosure to students. This generates about \$55 million in savings.
- **Out year Cal Grant Savings.** Reflects ongoing savings by reducing award levels for new Cal Grant recipients attending either a private for-profit or private, independent non-profit institutions, to achieve ongoing savings beginning in 2013-14 of \$103 million and growing in future years.
- **Other Significant Adjustments to the Cal Grant Program.** Approves the Governor's May Revise proposal to account for costs associated with the

November CSU Board of Trustees' decision to raise student fees by 9 percent in the Fall of 2012. Approve the trailer bill language and funding adjustment to permit co-eligible Cal Grant recipients to switch from Cal Grant B to Cal Grant A awards.

CHILD CARE & DEVELOPMENT PROGRAMS

Realignment of Child Care Services

- **County realignment "ramp up" costs.** Denies the Governor's January proposal to provide \$26 million to counties for administrative "ramp up" costs attributed to the proposal to realign the administration of child care and development services from the Department of Education to the Department of Social Services. This rejection of an expansion provides General Fund savings of \$26 million. This action also denies the Governor's January proposal to consolidate the child care programs into a separate child care block grant funding.
- **Funding shift of state operations for child care transition from the Department of Education to the Department of Social Services.** Denies the Governor's May Revise proposal to allow the Director of Finance to shift up to 30 percent of the funds from the Department of Education to the Department of Social Services. This proposal would have required that county welfare departments put together plans on how they would implement child care for a mid-year transfer of services, without any recognition of the massive disruption such a poorly crafted proposal would have on the child care infrastructure.
- **Require county welfare departments to contract with Title 5 centers as a condition of receiving child care block grant funds.** Denies the Governor's May Revise proposal to require county welfare departments to contract with Title 5 centers for three years for the same number of slots that will be funded under the General Child Care program in 2012-13. This action also denies the Governor's January and May Revise proposal to realign and make changes to the federally funded Quality Improvement expenditure plan.
- **Consolidation of CalWORKs Stage 2 and 3 with the Alternative Provider Program.** Denies the Governor's January proposal that consolidates the CalWORKs Stage 2 and 3 programs into the Alternative Provider Program.

Programmatic Reductions & Restorations

- **Standard Reimbursement Rate reduction of 10 percent.** Denies the Governor's January proposal to reduce the Standard Reimbursement Rate by 10 percent to both the General Child Care Program and the California State

Preschool Program. This action would reinstate the rates at the current year levels.

- **Reimbursement Market Rate reduction to 40th percentile of the 2005 RMR survey.** Denies the Governor's May Revise proposal to reduce the Reimbursement Market Rate to the 40th percentile of the 2005 RMR survey, which would be equal to about a 35 percent cut to the value of the child care voucher system. This action would reinstate the rates at the current year levels.
- **Reduce the State Median Income eligibility from 70 percent to 62 percent.** Denies the Governor's January proposal to reduce the State Median Income eligibility.
- **Preschool & General Child Care Interactions.** Streamlines the part-day/part-year programs by recognizing this component of the program into the California State Preschool Program, which is funded with Proposition 98 General Fund monies. Aligns the preschool eligibility with the new Kindergarten start date. This proposal generates \$165 million non-Proposition 98 General Fund savings.
- **Across the Board Reductions.** Approves an across the board reduction to the General Fund supported child care programs: General Child Care, Migrant Day Care, Alternative Payment Program, CalWORKs Stage 3, and Allowance for Handicapped. This reduction will generate \$80 million in non-Proposition 98 General Fund savings.
- **Caseload and Technical Adjustments.** Approves the baseline caseload and technical adjustments made to the CalWORKs Stage 2 and Stage 3 programs.
- **Quality Programs.** Approves reinstating budget bill language on the allocation of the federally funded Quality Improvement Programs based on the 2011-12 fiscal year expenditure plan.
- **Child Nutrition.** Denies the Governor's elimination of \$10.4 million non-Proposition 98 General Fund support that provides 0.15 cent per meal reimbursement to private, non-LEA child care centers, schools, and family daycare homes. This proposal would have affected about 17,500 sites and about 312,000 children.
- **Suspension COLA.** Approves to suspend the cost of living adjustment for all the child care and developments for three fiscal years, until 2014-15.

RESOURCES AND ENVIRONMENTAL PROTECTION

Department of Forestry and Fire Protection

- **Trigger Cuts.** Establishes trigger cuts to reduce by \$30 million (General Fund), the Department's firefighting capabilities, including emergency air response program reductions and fire stations closures if the Governor's tax proposal is not approved by voters in November.
- **State Responsibility Area Fire Prevention Fee.** Increases by \$9.3 million (General Fund) in 2012-13 and ongoing funding of \$6.1 million, and 29 positions to implement AB 29 X1 (Blumenfeld), Chapter 8, Statutes of 2011-12 First Extraordinary Session. This legislation authorizes a fee to be assessed on structures located within State Responsibility Areas (SRA) in order to pay for fire prevention activities in the SRA that specifically benefit owners of structures within the SRA. The State Board of Forestry and Fire Protection (BOF), as required by AB 29 X1, adopted emergency regulations to establish the fire prevention fee. The pending BOF regulations establish a \$150 fee for all habitable structures, as defined, with a \$35 credit for those applicable structures within a local fire protection district. The proposal is consistent with statements made by CalFIRE when the fee legislation passed in 2011.

Department of Parks and Recreation

- **Assembly/Senate On-going Sustainable Funding Proposal for State Parks.** Increases by \$4.3 million (State Parks and Recreation Fund) and shifts \$11 million from its base budget to a continuous appropriation to provide the Department additional flexibility to implement new projects and/or new programs that generate additional revenues and help keep parks open to the public. A key feature of the proposal is to give the Department as many tools as possible to increase revenue generation, such as installing credit card machines, moving kiosks, and installing iron rangers. Specifically, the proposal: shifts \$10 million from bond funds to pay for capital costs; appropriates \$10 million annually (for five years) as long-term loans from the Clean Water Revolving Loan Fund to replace the State Parks and Recreation Funding for water quality and septic system repairs; authorizes \$10 million be made available from the Off Highway Vehicle Trust Fund balance for high priority law-enforcement related local assistance grants; and transfers \$10 million from AB 118 Alternative and Renewable Fuel and Vehicle Technology Fund.

In the 2011 budget, the Legislature approved a reduction to the Department of Parks and Recreation of \$11 million in the current year and a \$22 million ongoing starting this year. To implement the reduction, the Department submitted a list of 70 parks slated for closure.

Rather than look for one-time solutions solely, the Assembly and Senate Budget and Policy Committee propose a suite of changes designed to address the structural funding problem and promote cultural shift within the Department, including authorizing a specialty license plate and an opt-in vehicle license fee check-off.

- **Trigger Cuts.** Establishes trigger cuts to reduce 20 percent of park rangers and eliminate all seasonal lifeguards (General Fund) if the Governor's tax proposal is not approved in November.

Department of Conservation

- **Underground Injection Control Program Compliance.** Increases by 18 positions and baseline appropriation of \$2.5 million (Special Fund) to enhance onshore and offshore regulatory programs at the Division of Oil, Gas, and Geothermal Resources (DOGGR).

Department of Resources Recycling and Recovery

- **Beverage Container Recycling Fund Redemption Payments.** Requires beverage container distributors to submit beverage container redemption payments to CalRecycle by the last day of the first month following sale, rather than the last day of the second or third month following sale. CalRecycle makes payments from the Beverage Container Recycling Fund to container recyclers and processors within 20 days, but under current law distributor payments to the Fund have to be made within 60 to 90 days. This proposal will better align the state's cash flows with container recyclers and processors.

The proposed trailer bill language includes July 1, 2012, as the effective date. This means the first month impacted by this change is July. Thus, sales in July 2012 would have payments due on August 31, 2012. Sales from May and June 2012 would still be under the 60 day payment schedule established with ABX8 7. The changing the payment schedule would not result in any extra revenue to the state. Rather, it would only get money owed the state in 30 days sooner.

Department of Fish and Game

- **Trigger Cuts.** Establishes trigger cuts to reduce 20 percent of game wardens (General Fund) if the Governor's tax proposal is not approved in November.

Timber Harvest Plan Reform Package

- Proposes to reform the timber harvest plan (THP) process by (1) implementing an assessment on the sale of lumber products sold at retail stores in the state, (2) extending the length of time that THP's are effective from three to five years, (3) modifying current law in regards to civil cost recoveries, (4) implementing a year-long pilot project to test procedures to improve the efficiency of a multi-agency THP review team, and, (5) reviewing the current THP document with the intent to improve it.

In the budget year, the assessment is estimated to generate \$15 million in revenue, which will replace 50 percent of the funding for four departments-CAL FIRE, the Department of Fish and Game (DFG), the Department of Conservation, and the State Water Control Board-that participate in administration of the THP process. Beginning in 2013-14, revenues are estimated to be \$30 million annually and would be used to fully fund these four departments efforts related to the THP process and in addition to some other activities. The proposal includes a reduction of \$7.8 million in General Fund expenditures for these four departments in 2012-13 and beginning in 2013-14 and \$15.5 million in reduced General Fund expenditures on an annual ongoing basis. In addition, the Board of Equalization (BOE) would receive \$1.9 million in funds from the new tax to fund 17 positions in the budget year and \$1.7 million annually on an ongoing basis to implement this assessment.

State Lands Commission

- **Royalty Recovery and Lease Compliance.** Increases by \$1 million (General Fund) and 9 positions for the Commission to increase financial audit activities related to management of oil, gas, and other mineral resources owned by the State, as well as to ensure compliance and prompt payment of rentals from surface leasing. The positions will focus on leases that have historically generated the most revenues and recoveries, as well as those that have had the most problems. With a potential 10:1 return for each Auditor position, these additional audits are expected to annually generate \$6.6 million in General Fund. This proposal addresses the findings of the recent audit by the Bureau of State Audits.

Department of Water Resources

- **Delta Habitat Conservation & Conveyance Program.** Increases position authority (off-budget) by 75 positions (37 permanent and 38, limited term) for preliminary engineering work to support the Delta Habitat Conservation and Conveyance Program's (DHCCP) plan to promote the recovery of endangered, threatened, and sensitive fish and wildlife and their habitats in the Sacramento-San Joaquin Delta in a manner that will also ensure water supply reliability.

The Governor's budget requested 117 new positions to work on the DHCCP. However, given the current uncertainty regarding the number of temporary and permanent positions needed, the Subcommittee approved a limited mix of temporary and permanent positions and adopted BBL to direct the Department to move forward with "preliminary design and construction work associated with the DHCCP after:

- the public draft of the DHCCP Environmental Impact Report/Environmental Impact Statement is released;
 - the Department has provided notice to the Joint Legislative Budget Committee of the release of the public draft and the Department's intent to begin filling the positions: and
 - 30 days has passed from the date of the notice.
- **Davis-Dolwig Act.** Proposes a \$10 million continuous appropriation (Harbors and Watercraft Revolving Fund) to fund the state's obligations under the Davis-Dolwig Act. The Davis-Dolwig Act, of 1961, declared that the reservoirs and facilities of the State's water system were to be of a benefit to Californians - specifically in the form of recreational opportunities and actions to enhance fish & wildlife species that were beyond mere mitigation. In calling for these additional duties of the state facilities, it also acknowledged that these "enhanced" actions as being the responsibility of state and not any other users of the facilities.

For many years, the costs of this public benefit was supported by the Tidelands Oil Revenues while those funds were available, it has been supported by General Fund appropriations by past Legislatures, and has relied upon other surplus revenue of the State Water Project – none of which are currently options for sustained funding. Specifically, the proposal:

- Provides a dedicated \$7.5 million from the Harbors & Watercraft Revolving Fund to support the State's Davis-Dolwig costs based on a recalculated cost-allocation to water users;
- Provides \$2.5 million from the Harbors & Watercraft Revolving Fund to begin repayment of past State obligations attributable to the Davis-Dolwig mandate; and

- Ensures annual review by the Legislative of the expenditures of the funding.

The proposal before the Legislature comes from nearly four years of effort between the Administration and the Legislature, and has involved numerous legislative hearing, working groups, and countless hours of work.

- **Trigger Cuts.** Establishes trigger cuts to reduce \$6.6 million to the Departments flood control programs (General Fund) if the Governor's tax proposal is not approved in November.

Energy Commission

- **Electricity Program Investment Charge Program (EPIC).** Increases by \$1 million (Special Funds) and 4 positions for the creation of an EPIC fund for the sole purpose of creating an investment plan for proceeds of the EPIC proceeding at the California Public Utilities Commission. No funding from this item is proposed or allowed to be used for any existing or new policies in the California Energy Commission. The trailer bill provides for the elimination of defunct statutes funded under the previous Public Goods Charge.

In December 2011, funding for the state's Public Goods Charge (PGC) on electricity ratepayers expired. Efforts to continue the surcharge weren't successful. The PGC funded energy efficiency research and development and renewable energy programs. The charge constituted about a quarter of the total energy efficiency programs funded by the state and energy utilities. In September 2011, the Governor sent a letter to the CPUC requesting that the Commission take action under the Commission's authority to ensure that programs funded like those funded under the PGC would be continued. In December 2011, the CPUC initiated a rulemaking to attempt to continue the programs of the PGC with a sole focus on the investor-owned utilities (IOUs). The CPUC selected the Energy Commission to be the administrator for the majority of the EPIC program.

Concerns were raised about the Legislative oversight and priorities given the new policy direction by the Administration to fund programs that were previously authorized under the PGC. As a compromise, the Budget would approve half the proposal (funding and positions) which gives the Legislature time to work with the Administration on a final EPIC policy.

- **New Solar Homes Program (NSH).** Removes existing barriers on the funding of the NSH program thereby providing a steady stream of funding and a signal to multiple markets that California values clean solar electricity and the attendant good paying jobs. These changes also support the California Solar Initiative (CSI) as they help ensure that the NSH program does not cannibalize the CSI.

Air Resources Board

- **Cap and Trade Program.** Recognizes the auctioning of greenhouse gas (GHG) emission allowances, through the Cap and Trade program, as a market-based compliance mechanism authorized by AB 32 (Nunez, Pavley) Chapter 2006, Statutes 2005-2006, (The California Global Warming Solutions Act of 2006). The auctions will generate substantial funds to support existing and new efforts to address the causes of GHG emissions. Fee proceeds from the Cap and Trade auctions are expected to be \$1 billion in the first year of the program. In the coming years, the auctions will generate substantially more in fees as the program phases in other major GHG emitters.

The Budget authorizes at least \$500 million be used to offset existing General Fund costs of GHG mitigation activities. It also specifies that any additional expenditures related to GHG emissions reductions be made pursuant to future legislation. The Budget also includes budget bill language and trailer bill language to provide ongoing legislative oversight over the Cap and Trade Program and Cost of Implementation Fee. Further, it stipulates Investor Owned Utilities auction revenues be rebated to certain customers and allows up to 15 percent to be used for clean energy projects.

Department of Toxic Substance Control

- **Funding Reductions and Shifts.** Decreases by \$9.1 million (Special Funds), and 24 positions in 2012-13 and \$12.6 million (Special Funds) and 59.8 positions ongoing to align expenditure authority with projected revenues. The Department is also shifting \$6.2 million and 52.3 positions to federal funds, reimbursements, and other state funds. These actions will bring the account into structural balance while redirecting resources to implement high-priority activities under the Safer Consumer Products Program.
- **Green Chemistry.** Redirects 39 positions and \$6.2 million in funding for the Department to implement the Green Chemistry Program, which requires DTSC to adopt regulations to identify and prioritize chemicals of concern in consumer products, to evaluate alternatives, and to specify regulatory responses to reduce exposure to chemicals of concern in products. The Green Chemistry Program, established by AB 1879 (Feuer, Huffman) Chapter 559, Statutes of 2008, creates a scientific, regulatory forum to analyze safer alternatives to toxic chemicals in consumer products. Passed without a funding source, DTSC is in the process of implementing the program, which will review the 80,000 chemicals in commerce and establish a process for prioritizing chemicals and products that present the greatest potential for human and environmental harm and establishing a process

to analyze safer alternatives and impose appropriate regulatory responses. DTSC has proposed a modest program that will possibly allow for the review of 3-5 chemicals per year.

California Public Utilities Commission

- **Global Safety and Enforcement.** Increases by \$3.4 million and 19 positions (Various Special Funds) in the gas and rail safety program to strengthen safety oversight and enforcement over gas and rail public utilities. The requested positions would conduct safety field work and enhance risk assessment and enforcement functions.

Department of Food and Agriculture

- **General Fund Reduction.** Establishes a permanent, unallocated reduction of \$2.5 million (General Fund). This builds on the \$31 million General Fund reduction already adopted. The Department will work with its stakeholders to prioritize its resources in determining which programs will be reduced to achieve the savings.

Last year, the Legislature approved a General Fund reduction to the California Department of Food & Agriculture of \$19 million in 2011-12 and an additional \$12 million (total of \$31 million) in 2012-13 and ongoing. One component of the additional \$12 million reduction in 2012-13 is a \$1.028 million General Fund cut to the Milk and Dairy Food Safety program. The 2012-13 Budget includes \$1.028 million Agriculture Fund to offset this reduction. To collect the additional revenue in the Agriculture Fund, the Trailer Bill raises specified fees sufficient to cover the additional \$1.028 million Agriculture Fund appropriation.

TRANSPORTATION

Caltrans

- **Gas Tax Swap.** Transfers funding from the Motor Vehicle Fuel Account to the General Fund, resulting in a General Fund savings of \$312.2 million in 2012-13 and \$128.8 million in savings in ongoing fiscal years.
- **Weight Fee Revenue Transfer.** Transfers additional weight fee revenues to the General Funds, resulting in a \$385.2 million in General Savings in 2012-13 and \$47.5 million in General Fund savings 2013-14. Current law permanently directs truck weight fee revenue to the General Fund for eligible debt service in a given fiscal year. However, since annual truck weight fee revenue currently exceeds eligible debt service, excess truck weight fee revenue has been transferred to the General Fund in 2010-11 and 2011-12 as a pre-funding of out-year bond debt. Both types of transfers to the General Fund – either for current-year or for out-year GO bond debt - provide a General Fund budget benefit in the year the transfer is made. This provision provides the authority in 2012-13 and ongoing to pre-fund out-year debt, to realize additional savings.
- **Project Initiation Documents (PIDs).** Restores State Highway Account funding for PIDs staffing, in lieu of using local reimbursement funds.
- **Public-Private Partnerships.** Rejects Administration proposal to allow Caltrans to seek additional reimbursement if additional Public-Private Partnership move forward in the budget year.
- **Special Fund Loan Repayment Delays.** Adopts the Governor's May Revision proposal to delay \$307.1 million of certain special fund loan repayments.
- **Cool Pavement.** Includes reporting language for Caltrans to update the Legislature on existing sustainable pavement efforts.
- **Caltrans Project Advertising.** Allows Caltrans to post advertising for projects on the Department's website in lieu of trade publications and newspapers.

Department of Motor Vehicles

- **Motor Vehicle Account Loan.** Adopts a \$432.2 million loan to the General Fund from the Motor Vehicle Account, resulting in a budget solution of that amount. The language specifies that the loan be repaid by June 30, 2016.

High Speed Rail Authority

- **High Speed Rail Initial Operating Segment Construction.** Appropriates \$5.8 billion to begin the construction of the Initial Operating Section of the High Speed Rail system, as proposed by the Governor. Of the \$5.8 billion, \$3.2 billion is Federal Funds and \$2.6 billion is Proposition 1A funding. This funding is not included in the budget bill and will be adopted in a separate vehicle at a later date, when both houses have reached an agreement on High Speed Rail.
- **Funding for "Bookend" Projects.** May include a \$1.1 billion appropriate for High Speed Rail construction proposed in the High Speed Rail Authority Business Plan. These funds will provide \$600 million for the electrification of the Caltrain corridor and \$500 million for projects in the Los Angeles basin to improve existing rail corridors as part of the blended approach to constructing the system. This funding is not included in the budget bill and will be adopted in a separate vehicle at a later date when both houses have reached an agreement on High Speed Rail.
- **"Connectivity" Funds.** Appropriates \$819 million funding for Proposition 1A Connectivity activities, as proposed by the Governor. This funding is not included in the budget bill and will be adopted in a separate vehicle at a later date when both houses have reached an agreement on High Speed Rail.
- **Reporting Requirements.** Includes language to specify certain oversight and reporting requirements including a programmatic update of the progress of the High Speed Rail Authority and a management plan.
- **Two-Track Approach for Blended Segment.** Includes both budget bill and trailer bill provisions that stipulate that construction along the "blended" segment of the High Speed Rail corridor will be using a two-track alignment, as proposed in the High Speed Rail Authority Business Plan.

STATE ADMINISTRATION

Employment Development Department

- **Unemployment Insurance Federal Interest Loan Payment.** Approves the transfer of \$312.6 million from the Unemployment Compensation Disability Fund to the General Fund to make interest payments on a federal loan.
- **Unemployment Insurance Appeals Board.** Reforms the board by reducing its size, implementing new qualification requirements for board members and achieves \$600,000 in savings in 2012-13 and \$1.2 million in 2013-14 and beyond.

State Operational Savings

- **Rate Reductions and Efficiencies.** Reduces rates charged by the California Technology Agency for data center services and reduces the Department of General Services' budget by \$33 million, reflecting increased efficiencies in several offices within DGS.

Position, Budget Adjustments

- **Eliminate Positions and Improve Budget Transparency.** Eliminates more than 11,000 historically vacant positions and makes other changes to more accurately display departments' spending patterns, improving state government transparency and accountability.

Citizens Redistricting Commission

- **Retain the Commission.** Retains the Commission by funding a half-time position to maintain the Commission's website and handle public inquiries, and provides for a process to reconvene the Commission under specific circumstances, such as new litigation.

Employee Compensation

- **Reduce Employee Costs by 5 Percent.** Reduces compensation for state employees by an average of 5 percent, for a total savings of \$401.7 million General Fund and \$437.4 million in special funds and other funds. Allows the Administration to achieve the savings through collective bargaining or furloughs if collective bargaining is unsuccessful, and other reductions for non-represented employees.

Retirement Costs

- **Full Payment of Employee Retirement Costs.** Adopts the Governor's May Revise proposal to pay the full cost of employee retirement, which rose due to lower-than-expected investment rate of returns and higher-than-expected retirement rates.

Department of Veterans Affairs

- **Open Veterans Homes.** Appropriates \$4.3 million to begin the process in 2012-13 to open new Veterans Homes in Fresno and Redding.
- **Improve Efforts to Aid Veterans in Obtaining Federal Benefits.** Directs the Department of Veterans Affairs to provide incentives encouraging County Veterans Service Offices to increase efforts to aid veterans in obtaining federal compensation and pension benefits and directs the Department to produce a best-practices manual for County Veterans Service Offices.

Mortgage Settlement Proceeds

- **Use Proceeds for Housing-Related Programs.** Uses \$410.6 million from the National Mortgage Settlement to fund housing-related programs, including paying debt-service on bond-funded homeowner programs, Department of Justice programs that include mortgage fraud investigations, work by the Department of Fair Employment and Housing to investigate and prosecute housing discrimination, and includes a \$50 million loan from the settlement proceeds to offset other General Fund expenses at the Department of Justice. In addition, \$18.4 million will go toward two programs sponsored by the Attorney General to address the state's foreclosure crisis: \$8 million will be used for the Office of the California Monitor to oversee the performance of the National Mortgage Settlement in California during the next three years; and \$10.4 million will be used for homeowner counseling to help homeowners avoid foreclosure.

Fair Employment and Housing Commission

- **Eliminate the Commission.** Eliminates the Fair Employment and Housing Commission and requires mandatory dispute resolution on employment and housing discrimination cases before they reach court. Allows the Department of Fair Employment and Housing to recover attorney's fees in a similar manner as the Attorney General. The solution improves efficiencies in the state's efforts to uphold the Fair Employment and Housing Act and achieves \$391,000 in General Fund savings.

Secretary of State

- **Fund California Business Connect.** Continues funding for this vital information technology project, which will automate the filing and retrieving of business documents and create a centralized database for all business records. The project will allow new businesses to open their doors more quickly and improve other services to businesses throughout the state.

Commission on the Status of Women

- **Reform the Commission.** Continues funding for the Commission and adopts reforms, such as changing the name to the Commission on the Status of Women and Girls and focusing its studies and advocacy on issues such as gender equity in education and business and women veterans and their families.

Department of Insurance Settlement Proceeds

- **Use AIG Settlement Proceeds.** Uses \$15.6 million from a settlement between the California Department of Insurance and American International Group, Inc. for General Fund relief. AIG agreed to pay the penalty to settle allegations that its insurance companies underreported workers' compensation premiums.

Department of Housing and Community Development

- **Support Housing Element Review.** Uses bond funds to support five new positions at the Department of Housing and Community Development dedicated to housing element review. The department's role in reviewing and approving local government housing element is expanding due to SB 375, which ties land use and transportation planning.

State and Consumer Services Agency

- **Retain the Office of Privacy Protection.** Rejects the Governor's proposal to eliminate the Office of Privacy Protection and restores funding for the office. The office is the only state agency charged with aiding consumers, businesses and other state agencies in handling identify theft and a myriad of other complex privacy issues.

Seismic Safety Commission

- **Create a New Funding Mechanism.** Includes trailer bill language requiring the Department of Insurance to assess a fee up no more than 15 cents per exposure to fund the Alfred E. Alquist Seismic Safety Commission, which works to develop

strategies to reduce earthquake risk, analyzes losses after an earthquake, and develops earthquake response plans. Also includes budget bill language that would use \$923,000 in General Fund to support the Commission in 2012-13 if the trailer bill does not receive the 2/3 vote needed for passage.

Local Government Finance

- **Mono County.** Adopts Governor's Proposal to provide funding to Mono County to make the county whole for a shortfall associated with the tax swap provided as part of the "Triple Flip" that provided funding for 2004 Economic Recover Bonds.

Mandates

- **Mandate Suspensions.** Suspends, in lieu of repealing, 56 mandates, resulting in a savings of \$828 million in the budget year. Delay repayment of pre-2004 mandate costs in 2013-14 and 2014-15.

Redevelopment

- **Redevelopment Trailer Bill.** Includes trailer bill language to provide protections to successor agencies while also providing additional authority for the State to capture tax increment funding for schools. The trailer bill will provide for repayment of certain loans made to redevelopment agencies in certain circumstances, allow the use of unspent bond funds, and provide for the transition of certain assets to successor agencies, including housing assets. The bill would also provide for a meet-and-confer process for successors agencies and the state to resolve disputes. Schools will receive an additional \$1.74 billion in property tax increment that was once part of redevelopment, which will not include distributed pass-through funds under current law. This amount will offset General Fund costs.

FI\$Cal

- **FI\$Cal Project Implementation.** Begins the implementation of the FI\$Cal project in the budget year.

California Technology Agency

- **Alternative Procurement.** Extends authority to the California Technology Agency to conduct alternative procurements of information technology and telecommunications goods and services, as currently authorized in Public Contract Code Section 6611.

- **Expands Project Management.** Designates that the California Technology Agency (CTA) as the lead in providing project oversight of information technology projects and requires other departments to get CTA approval to contract for such oversight.

Cash Management

- **Additional Cash Management Provisions.** Adopts additional cash management provisions to improve the State's cash position.

State Treasurer's Office

- **Scholarshare.** Reverts \$63.1 million of Scholarshare funds to the General Fund. Currently \$85 million of unused funds from scholarship grants provided to high school students for performance on standardized tests in 2000 through 2002 remain in accounts managed by the Treasurer. This proposal will result in \$20 million remaining in the reserve to assure funding for participants

Franchise Tax Board

- **Tax Compliance Measures.** Adopts two Governor's May Revision proposals to improve tax enforcement and language to remove California from interstate compacts.

Board of Equalization

- **Centralized Revenue Opportunity System (CROS).** Begins implementation of the CROS, with an alternative implementation plan that has less cost in the Budget Year than the May Revision proposal

PUBLIC SAFETY

Judicial Branch:

- **Judicial Branch Reduction.** Decrease of \$544 million General Fund (GF) for the Judicial Branch. This reduction will be implemented in a manner that minimizes the impact on court operations as follows:
 - One-time, \$240 million reduction in construction funds. The reduction will allow for the continuation of court projects in Butte, Kings, Sutter, Yolo, San Joaquin, San Diego, Alameda, and Santa Clara Counties. All remaining court construction projects will be suspended and reassessed prior to moving forward in out-years.
 - One-time, \$235 million reduction from local reserve balances shared based on the distribution of local court reserves. (ex. If court X holds 10% of the statewide reserve, then court X will take 10% of this reduction)
 - One-time \$50 million reduction to be distributed based on the existing allocation methodology. (ex. If court X receives 5% of the statewide trial court allocation, then court X will take 5% of this reduction)
 - One-time \$15 million reduction from the AOC in 2012-13 and \$10 million ongoing (not to be shared with the state courts).
 - Ongoing \$4 million reduction to be shared between the AOC and the state courts.
- **Local Court Reserves.** A trial court may carry over all unexpended funds from prior fiscal years until June 30, 2014. Commencing June 30, 2014, trial courts will only be allowed to carry over unexpended funds in an amount not to exceed one percent of their operating budget.
- **Statewide Court Reserves.** Establishes a statewide reserve of two percent of trial court funding to be distributed to courts throughout the year, as specified.
- **Court Case Management System.** All spending on the Court Case Management System has been terminated. This will result in the redirection of over \$50 million to trial court operations, on an annual basis.
- **Court Fees.** Eliminates sunset on some court fees and increase other court fees, generating revenues of about \$166 million (\$110 million from removing sunsets and \$56 million in fee increases) as follows:

- Eliminates sunsets on court fee increases imposed in 2010 [SB 857, (Committee on Budget and Fiscal Review), Chapter 720, Statutes of 2010] resulting in continued revenue of about \$110 million per year. The affected fees are the: first paper filing fee, summary judgment motion fee, pro hac vice fee, court operations assessment (previously the security fee), and telephone appearance fee.
- Increases court fees as follows: increases the complex case fee from \$550 to \$1000, generating about \$7.1 million per year; increases the motion fee from \$40 to \$60, generating about \$8.3 million per year; increases the new first paper filing fee from \$395 to \$435, generating about \$21.1 million per year; and increases appellate court filing fees by 20%, generating about \$1 million per year.
- Makes the jury deposit fee nonrefundable and moves up in time when it needs to be paid, generating about \$11.7 million per year; implements a new will deposit fee of \$50, generating about \$2.2 million per year; and implements a new court reporter fee of \$30 for services under an hour generating about \$5.5 million per year.

California Department of Corrections and Rehabilitation:

- **The Future of California Corrections.** A comprehensive plan for the future of the CDCR which includes the following:
 - Reclassification of inmate housing and supervision conditions based on an updated set of criteria. The reclassification is expected to result in increased access to rehabilitative programs, reduced costs, and avoid the criminogenic influences associated with over-classification, thereby aiding in success upon release.
 - A comprehensive plan to move toward ending the court imposed oversight of the state prison medical system. In order to advance toward this goal, the CDCR is planning to activate the California Health Care Facility in Stockton during the summer of 2013. The facility is designed to house inmates requiring long-term medical care and intensive mental health treatment. The DeWitt Nelson facility will also open during the summer of 2014 to create a unified Stockton medical complex. This will allow for both facilities to efficiently transition inmates-patients between the two, while avoiding transportation and security costs as well as the need for expensive services in community hospitals and clinics.
 - Return of out-of-state inmates as appropriate in-state beds become available. This will bring California's tax dollars and associated jobs back to California. Upon full implementation, the complete elimination of out-of-state beds will result in General Fund savings of \$400 million per year.

- Implementation of a new standardized prison staffing model. Specifically, the new standardized staffing model recognizes the need for a specific staffing complement based on housing unit design and achieves long-term savings while maintaining a safe prison environment.
- Increase in the percentage of inmates served by rehabilitation programs. In meeting this goal, the department will employ programs to address particular needs such as criminal thinking, anger management, and family relationships. The department will also establish "Reentry Hubs" to facilitate the provision of inmate services in the areas of career technical education, cognitive-behavioral therapy, substance abuse, academics, and a variety of other areas that prepare inmates for successful reentry into society.
- Reduce 200 administrative staff and \$68 million based closely on declining population.
- **The Future of California Corrections – Construction.** The plan includes the following new construction changes:
 - Three new dormitories at existing facilities to be funded by approximately \$810 million in Lease Revenue Bonds. Upon completion, the CDCR will deactivate the California Rehabilitation Center in Norco. The end result will be a slight loss of capacity coupled with a significant gain in the flexibility and humaneness of inmate housing. This approach will also allow the CDCR to leverage existing administrative staffing at the facilities where these dormitories are sited.
 - Elimination of approximately \$4.1 billion in AB 109 (Chapter 7, Statutes of 2007) lease revenue bond authority. This change will avoid approximately \$7.4 billion in future debt service payments.
 - Up to \$500 million in revenue bonds, notes, or bond anticipation notes to fund the acquisition, design, construction, and renovation of approved adult local criminal justice facilities, as specified.
 - Shift of \$171 million in AB 900 (Chapter 7, Statutes of 2007) funding from Phase I of the program to Phase II of the program allowing participating counties to benefit from an enhanced level of state financial participation.
 - Authorizes the expenditure of AB 900 funding for the design and construction of improvements to medication distribution facilities at state prison facilities.

- **Division of Juvenile Justice (DJJ).** The elimination of the DJJ has been withdrawn and the following changes to the DJJ will be implemented:
 - A base Fee of \$24,000 per year for each offender committed by a juvenile court to the DJJ will be charged to counties prospectively.
 - Discharge of all Remaining Juvenile Parolees on January 1, 2013 instead of July 1, 2014, will result in savings of \$2.1 million and 20.4 positions.
 - Reduction of the DJJ's age of jurisdiction from 25 to 23 will result in savings of \$1.5 million and 15.1 positions beginning in 2014-15.

Board of State and Community Corrections:

- **Creation of the Board of State and Community Corrections (BSCC).** Legislation associated with the 2011 Budget Act abolished the Corrections Standards Authority (CSA) and established the new Board of State and Community Corrections (BSCC) as an independent entity, effective July 1, 2012. The BSCC will absorb the previous functions of the CSA as well as other public safety programs previously administered by Cal EMA. The BSCC will have 12 members including state, local, judicial, and public stakeholders. The 2012-13 budget includes the resources necessary to support the new Board's mission.

California Military Department:

- **The California Assembly's "Work for Warriors" program.** The California State Assembly provided the CMD with a \$500,000, multiyear, grant to help establish the new National Guard employment pilot program called "Work for Warriors." The program will match the skills of unemployed and underemployed National Guard members with the hiring needs of employers. The goal of the program is to reduce unemployment and underemployment among California National Guard members by 25 percent within a year and below five percent in the long-run. Several employers have committed to supporting the Work for Warriors program including the California Chamber of Commerce, Comcast, Granite Construction, Dollar General, Lawrence Berkeley National Laboratory, JP Morgan Chase, Solar City, and the California Conservation Corps.
- **Expansion of the Sunburst Community High School.** Sunburst is a program run by the California National Guard in partnership with the Orange County Department of Education. The Sunburst is a 5 1/2 month long residential "military style" academy structured to promote an academic environment where students earn 55 High School credits, develop leadership, cooperation, and academic skills, while improving self-esteem, pride, and confidence. In 2011-12, the academy received more than 800 applications; but was forced to turn away more than fifty percent of the eligible candidates due to the lack of available

capacity. The expansion increases the number of available program slots from 350 to 450, on an annual basis.

- **Expansion of the Science and Technology Academics Reinforcing Basic Aviation and Space Exploration (STARBASE).** The STARBASE academy was established in 1993 with the goal of adding value to communities through a focus on science, technology, engineering, math, team building, goal setting, and personal growth. California's existing STARBASE academy is located in Sacramento and serves more than 3,000 students annually from nine surrounding school districts. Over 44,000 students and 1345 teachers have participated in the program to date. The expansion increases the number of students served by 9,000, on an annual basis.

BUDGET HEARINGS

Full Budget Committee

January 31, 2012 – SB 98, SB 95, and SB 81

March 27, 2012 – AB 83

May 7, 2012 – AB 103

May 15, 2012 – May Revision: Overview

June 12, 2012 – Subcommittee Reports Informational Hearing

Subcommittee No.1 Health and Human Services

February 1, 2012 – Joint Informational Hearing of Sub & Senate Human Services

February 21, 2012 – Joint Oversight Hearing: Restructuring the Behavioral Health System

February 29, 2012 – DSS: CalWorks

March 7, 2012 – Joint Hearing of Sub. 1 & Committee on Aging and Long-Term Care

March 14, 2012 – Joint Hearing of Sub. 1 & Sub. 2: Child Care & CalWorks

March 21, 2012 – HHSA, OSI, and DSS

March 26, 2012 – DPH

March 28, 2012 – DDS

April 9, 2012 – DMH

April 11, 2012 – Dept. of Aging, DSS, DCSD, Dept. of Rehabilitation

April 16, 2012 – Managed Risk Medical Insurance Board

April 18, 2012 – DCSS, DSS

April 25, 2012 – ADP

April 30, 2012 – DHCS, DMHC, OSHPD

May 2, 2012 – DSS, DADP, DHCS, and Realignment of HSS

May 7, 2012 – DPH, DMH, and DHCS

May 9, 2012 – Open Issues

May 17, 2012 – May Revision

May 23, 2012 – DHCS and DMHC

May 24, 2012 – May Revision/Open Issues

May 24, 2012 – May Revision/Open Issues, DPH, and MRMIB

May 25, 2012 – May Revision/Open Issues

May 31, 2012 – DADP, DSS, DCSP, DSS, and OIS

May 31, 2012 – DHCS, DPH, DMH, and OSHPD

Subcommittee No.2 Education and Finance

January 25, 2012 – Prop 98 and Realignment

January 26, 2012 – Higher Education

January 26, 2012 – Joint Hearing of Sub. 1 & Sub. 2: DMH, Dept. of Ed., and DADP

February 1, 2012 – Department of Education

February 2, 2012 – Joint Hearing of Sub. 1 & Sub. 2: Overview Child Care and Development

February 7, 2012 – CA State Library, Department of Education

February 7, 2012 – Presentations of UCs, CSUs, and CCCs

February 22, 2012 – Joint Hearing of Sub. 2 & Higher Education: Improving Oversight

March 6, 2012 – Overview of Governor's Prop 98 Funding Proposal

March 7, 2012 – Higher Education Overview

March 13, 2012 – Transitional Kindergarten and Preschool

March 14, 2012 – Joint Hearing of Sub. 1 & Sub. 2: Child Care and CalWorks

April 10, 2012 – State Special Schools, School Facilities, and Teacher Credentialing

April 11, 2012 – UC and CSU

April 24, 2012 – Charter Schools

April 25, 2012 – Community Colleges

May 3, 2012 – Department of Education

May 4, 2012 – Presentations of UCs, CSUs, and CCCs

May 8, 2012 – K-12

May 9, 2012 – UC, CSU, CA State Library, and Hastings College

May 10, 2012 – Dept. of Ed. & CA State Library

May 21, 2012 – May Revision Overview

May 24, 2012 – May Revision: Dept. of Ed.

May 24, 2012 – Joint Hearing of Sub. 1 & Sub. 2: AB 3632

May 25, 2012 – May Revision/Open Issues

May 25, 2012 – Joint Hearing of Sub. 1 & Sub. 2: Child Care

May 25, 2012 – Higher Education

May 27, 2012 – UC and Dept. of Education

Subcommittee No.3 Resources and Transportation

January 26, 2012 – HSRA, DMV, CTC, and CARB

February 2, 2012 – Sec. of Nat. Resources, DPR, CCC, DOC, DRRR, DFFR, SLC, DFG, DBW, and CC

February 7, 2012 – Regional Conservancies & WCB, DPR, DWR, DFA, DPR, CEC, and CPUC

February 10, 2012 – Caltrans, HSRA, DMV, DFA, DFFR, DFG, and DPR

February 29, 2012 – Cap and Trade

March 7, 2012 – DOT, CTC, and BT&H

March 14, 2012 – Energy Commission

March 21, 2012 – Caltrans and DMV

March 28, 2012 – DWR, DB&W, Conservation

April 11, 2012 – CAL EPA and Energy

April 18, 2012 – HSRA

April 25, 2012 – CTC, CCC, WCB, SCC, Santa Monica Mountains Conservancy, San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, San Joaquin River Conservancy, Coachella Mountains Conservancy, Sierra Nevada Conservancy, DTSC, Sec. of Nat. Resources, DFFR, DPR, DFG, and CARB

April 27, 2012 – Caltrans, DMV, and CTC

May 2, 2012 – Caltrans, CAW, and ATFA

May 4, 2012 – CCC, DWR, and CPUC

May 9, 2012 – Resources Agency, CCC, DRRR, DFFR, DFG, DB&W, DPR, Santa Monica Mountains Conservancy, Baldwin Hills Conservancy, DWR, Delta Stewardship Council, and DFA

May 11, 2012 – DFG, DFA, DPR, HSRA

May 16, 2012 – May Revision/Open Issues

May 23, 2012 – May Revision

May 25, 2012 – Caltrans

May 25, 2012 – DPR, DWR, DFFP, and CPUC

May 31, 2012 – DFG, DB&W, DPR, DTSC, DWR, CARB, and State Water Resources Control Board

Subcommittee No. 4 State Administration

January 24, 2012 – CTA, FI\$CAL, DOF, and SCO

January 31, 2012 – BTH, State Controller, DOI, SOS, Cal Tax Credit Allocation, Dept. of Real Estate, DHCD, and DCA

February 1, 2012 – Tax Agencies

February 3, 2012 – Labor and Workforce Development

February 7, 2012 – Joint Hearing of Sub. 4 & Revenue and Taxation: Enterprise Zones and Redevelopment

February 10, 2012 – DVA, DGC, DGS, DOF, BSA, DCA, SCO, Sec. of BT&H, and CA Science Center

February 21, 2012 – Oversight Hearing: Overview of Contracting Out

February 28, 2012 – Oversight Hearing: Improving Services to Veterans

March 7, 2012 – EDD, ALRB, and DIR

March 7, 2012 – CalPERs, CalSTRs, DHR, and DPA

March 13, 2012 – Commission on State Mandates

March 14, 2012 – Joint Hearing of Sub. 4 & Sub. 5: Judicial Branch and CCCMS

March 20, 2012 – BOE, FTB, and SCO

April 18, 2012 – DGS, DABC, FPRC, DVA, DIR, DVA, SOS, SCSA, and Governor's Office of Business and Economic Development

May 1, 2012 – FI\$CAL, DCC, FTB, CTA, DHCD, DFEH, and FEHC

March 9, 2012 – SCO, FTB, DIBE, and STO

March 21, 2012 – May Revision/Open Issues

March 23, 2012 – May Revision/Open Issues

March 24, 2012 – May Revision/Open Issues

March 26, 2012 – All Departments/All Issues

March 31, 2012 – May Revision/Open Issues

Subcommittee No. 5 on Public Safety

January 26, 2012 – CDCR

February 2, 2012 – DOJ and CDCR

February 10, 2012 – Open Issues

February 29, 2012 – CDCR Population Overview

March 7, 2012 – CHP, OIG, C-ROP, CA Military Department

March 14, 2012 – Joint Hearing of Sub. 4 & Sub. 5: Judicial Branch and CCCMS

March 28, 2012 – CalEMA and BSCC

April 18, 2012 – BSCC, CalEMA, CHP, and Judicial Branch

April 25, 2012 – BSCC, CHP, and DOJ

May 9, 2012 – CDCR and CMD

May 22, 2012 – May Revision/Open Issues

May 24, 2012 – May Revision: CDCR and BSCC

May 25, 2012 – May Revision: CDCR and OIG

May 25, 2012 – May Revision: CalEMA, CHOP, CA Military Department, and Judicial Branch

May 31, 2012 – May Revision: CDCR, CalEMA, DOJ, and Judicial Branch

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

February 2, 2012 – Performance Base Budgeting: Caltrans

May 7, 2012 – AB 1556 and AB1690