



FLOOR REPORT 2011-12 BUDGET

UPDATED AS OF MARCH 18, 2011

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OVERVIEW

Summary:

As of March 18, 2011, the Legislature has partially adopted the 2011-12 budget package, as envisioned by the Governor. The sixteen bills adopted so far achieve \$14.4 billion in solutions toward the \$26.6 billion budget problem. Four measures remain, representing \$13.7 billion in savings, to fully implement the budget package adopted by the budget conference committee and described in this document.

On January 10, 2011, Governor Brown presented the Legislature with a comprehensive budget proposal to close a \$25.4 billion General Fund shortfall. With the Governor's action blocking the state building sale/leaseback scheme, the shortfall grew to \$26.6 billion.

The Governor put forth bold and difficult proposals to close the gap, including over \$12.5 billion in expenditure reductions and \$12 billion in revenue solutions – and called on the Legislature to complete its work on the budget within 60 days.

Both the Assembly and the Senate Budget Committees immediately began tackling the challenge and has held dozens of subcommittee and committee hearings analyzing and reviewing the Governor's budget proposals. Both houses crafted nearly identical budgets that made modest changes to the Governor's original budget proposal – and the Conference Committee convened to hammer out the differences.

Both versions of the budget before the Conference Committee contained approximately \$12 billion in cuts and was balanced with a reserve. But, Governor Brown challenged the Conference Committee to go even further and to make more cuts and to increase the reserve.

The Conference Committee responded by adopting a budget that has over \$12.5 billion in cuts and a reserve of over \$1.1 billion. In addition to the cuts, the Conference Version reflects the Governor's proposed Public Safety Realignment constitutional amendment and other revenues for a total of \$12 billion in revenue solutions.

The Conference Version embraces an overall agreement with the Governor's budget priorities, including the following:

- Protects K-12 Education from devastating cuts on top of the massive cuts of recent years;
- Makes very tough cuts to all other areas of the budget, including the elimination of Redevelopment Agencies, cutting CalWORKs to 48 months and slashing grant levels, and cutting higher education by \$1.4 billion;

- Realigns Governmental services to the local level; and
- Requires temporary extension of current revenues to be approved by the voters.

The Conference Version also follows the Governor’s formula of a balanced mix of expenditure reductions and revenue solutions to close the \$26.5 billion budget gap and provide a \$1.1 billion reserve.

The following charts summarize the General Fund Solutions:

Starting Shortfall	-\$26.6 billion
Expenditure Reductions	\$12.5 billion
Revenue Solutions	\$12.0 billion
Other Solutions	\$3.2 billion
Total Solutions	\$27.7 billion
Final Reserve	\$1.1 billion

Expenditure Reductions:	
• Health and Human Services (not including child care)	\$6.0 billion
• Redevelopment Agencies	\$1.7 billion
• UC/CSU	\$1.1 billion
• Transportation Prop 22 Weight Fee Fix	\$1.0 billion
• Corrections	\$1.0 billion
• State Salaries / State Operations	\$0.7 billion
• Local Mandate Savings	\$0.2 billion
• Energy Efficiency Programs	\$0.2 billion
• Cal Grant Restrictions	\$0.2 billion
• Courts	\$0.2 billion
• Various Others (rounding)	\$0.3 billion
Subtotal, Expenditure Reductions	\$12.5 billion
Revenue Solutions:	
• 5-year PIT surcharge extension (voter approval)	\$3.3 billion
• 5-year Dependent Exemption reduction extension (voter approval)	\$2.0 billion
• 5-year VLF extension (voter approval)	\$1.4 billion
• 5-year Sales Tax extension (voter approval)	\$4.5 billion
• Mandatory Single Sales Factor	\$1.4 billion
• Repeal Enterprise Zones	\$0.9 billion
• Various other revenue solutions	\$0.5 billion
• (Prop 98 impact of Revenue Solutions)	(\$2.0 billion)
Subtotal, Revenue Solutions	\$12.0 billion
Other Solutions:	

• Special Fund Borrowing	\$1.4 billion
• Special Fund Borrowing in lieu of State Building Sale	\$1.1 billion
• Disability Fund Loan for UI interest Payments	\$0.4 billion
• Various others (rounding)	\$0.3 billion
Subtotal, Other Solutions	\$3.2 billion
Total Solutions:	\$27.7 billion

Revenue Extension Proposals

The Assembly Version adopts the Governor’s revenue, as proposed. This includes the proposal to continue the temporary taxes that were put in place in 2009. About one-half the revenue generated by extending these taxes will benefit public education and one-half used for program realignment purposes. Since these have been in place for some time, the continuation of these should not prove to be a disruption in terms of additional economic or administrative burden. The continuation for five years is timed to mesh with the gradual economic recovery that is forecast for the state.

- Continues the 0.25 percent personal income tax (PIT) surcharge for all California taxpayers, generating \$1.2 billion in 2010-11 and \$2.1 billion in 2011-12;
- Continues the reduction in the dependent credit exemption under the PIT to equal the personal exemption credit of \$99 in 2010, generating \$725 million in 2010-11 and \$1.2 billion in 2011-12;
- Continues the current Sales and Use Tax (SUT) 1 percent temporary statewide rate, generating \$4.5 billion in 2011-12; and,
- Continues the current Vehicle License Fee (VLF) 0.5 percent temporary additional rate, generating \$1.4 billion in 2011-12.

Other Revenue Proposals

- Adopts the Governor’s proposal to eliminate apportionment factor options and make mandatory the single sales factor (SSF) apportionment for multistate corporations.
 - This will ensure the incentive effects associated with SSF but eliminate “gaming” that would occur with an elective apportionment method; and,
 - Also approves the sourcing of sales based on market, consistent with market-based SSF apportionment.
- Adopts the Governor’s proposal to eliminate tax incentives associated with Enterprise Zones and various other economic incentive areas.

- These programs have not proven to represent cost-effective means of increasing economic activity or employment opportunities on a state-wide basis.
- Adopts various tax compliance and enforcement measures including Voluntary Compliance Initiative II, Financial Institutions Records Match and Look-Up Table for Use Tax Payments.

Proposal (\$ millions)	2010-11	2011-12	2 Year Total
Personal Income Tax—0.25 Percent Surcharge	1,187	2,077	3,264
Personal Income Tax—Dependent Credit Reduction	725	1,248	1,973
Sales and Use Tax—1.0 Percent Rate	0	4,549	4,549
Vehicle License Fee—0.5 Percent Rate	0	1,382	1,382
Corporation Tax—Single Sales Factor/Market Sourcing	468	942	1,410
Enterprise Zones—Repeal	343	581	924
Targeted Amnesty—Voluntary Compliance Initiative II	270	-50	220
Other Compliance Measures	10	30	40
Other General Fund Offsets	160	97	257
Prop 98 Interaction	0	-1,990	-1,990
Total	3,163	8,866	12,029

Redevelopment

The Budget proposal for redevelopment represents a significant departure from the current approach to local economic development activities. As part of this new approach, the Budget proposal includes major changes the way in which local economic development is funded. The underlying basis of this approach is evidence that indicates that current redevelopment activities do little to generate new economic growth, but simply move activity around the State. Given this, the Budget proposal provides for a process and funding potential for local governments to continue various economic development efforts or initiate new ones.

Under the Budget proposal, redevelopment agencies would be eliminated and new tools and approaches would be established in the future to allow local governments to carry out valuable economic development efforts. As part of the Budget plan, existing obligations (such as outstanding debts and contractual obligations) would continue to be secured by the property tax. The remainder of the property tax that now goes to redevelopment agencies would be shifted to local schools, cities and counties to fund basic public services, including schools, police services and fire protection (in the budget year, \$1.7 billion would offset program costs borne by the General Fund).

The Budget plan recognizes that some redevelopment projects undertaken by redevelopment agencies represent valuable and significant investments that should be

completed for the benefit of the local economy and local governments. The Budget proposal allows for a process by which these projects can be undertaken or completed and also provides an opportunity to finance these projects using local revenues.

There are substantial benefits to the Budget proposal. Not only does the plan provide important budgetary savings in the form of offsets to General Fund expenditures, but the proposal also provides changes to the redevelopment program that align program costs more closely with the benefits of the economic investment activities and allows for the opportunity to complete and finance certain projects.

The Budget proposal includes the elimination of redevelopment agencies with language included to allow local jurisdictions to address transition issues through financial flexibility and other strategies. In addition the proposal expresses the intent of the Legislature to adopt a program that provides local governments with a means to further economic development and employment opportunities in economically distressed areas. Such efforts would include job creation, alternative, and green technology, and affordable housing programs.

Public Safety Realignment

The Conference Action adopts the framework of the revised Governor's Realignment proposal to dedicate \$5.9 billion in revenue to fund public safety programs. The Conference Action includes the adoption the constitutional provision that allows the realignment of these local programs to occur and dedicates the revenue to this purpose.

The long-term goal is not to reduce services, but rather to provide services more efficiently and at less cost.

In addition to providing services at the most appropriate level of government, it is critical that these services be funded with a dedicated statewide source of funding.

As outlined by the Governor, the goals of this realignment are to:

- Protect California's essential public services;
- Create a government structure that meets public needs in the most effective and efficient manner;
- Have government focus its resources on core functions;
- Assign program and fiscal responsibility to the level of government that can best provide the service;
- Have interconnected services provided at a single level of government;
- Provide dedicated revenues to fund these programs;
- Provide as much flexibility as possible to the level of government providing the service;

- Reduce duplication and minimize overhead costs; and,
- Focus the state's role on appropriate oversight, technical assistance, and monitoring of outcomes.

The Conference Action provides the mechanism to allow voters to establish the public safety realignment proposal in the June special election. It also adopts some preliminary implementation language to begin the process of transitioning state responsibilities to locals. Most subsequent detail, including implementation issues, allocations, and funding levels, will be determined through future Legislative deliberations.

HEALTH

Medi-Cal Major Issues:

- **Mandatory Co-pays.** Cuts Medi-Cal by \$557.2 million by mandating that beneficiaries pay co-payments as follows: 1) \$5 for every physician or clinic visit; 2) \$3 (generics) or \$5 per prescription; 3) \$50 for emergency room visits (for emergencies or non-emergencies) and \$100 per day, with a maximum of \$200 per admission, for inpatient services; and 4) \$5 for every dental visit.
- **Rate Reductions.** Cuts Medi-Cal by \$729.6 million General Fund by reducing rates paid to Medi-Cal providers and skilled nursing facilities by ten percent.
- **Utilization Controls.** Cuts Medi-Cal by \$62 million by eliminating coverage of over-the-counter cough and cold products, limiting coverage of enteral nutrition products to tube fed, imposing a "soft cap" of 7 visits to physicians and clinics, and imposing an annual dollar maximum on hearing aids of \$1,510 per year. Denies proposed caps on prescriptions, durable medical equipment and medical supplies.
- **Adult Day Health Care.** Cuts \$90 million General Fund by eliminating ADHC as a Medi-Cal optional benefit, and adopts budget and trailer bill language to express the Legislature's intent to pursue additional legislation to provide transition support for ADHC beneficiaries and to create a new, more narrowly-defined benefit under a new federal waiver, to be called the *Keeping Adults Free from Institutions* (KAFI) program. Provides \$170 million (\$85 million General Fund) to fund the KAFI program.
- **Medi-Cal Managed Care Tax.** Secures on-going revenue by making permanent (with a 3-year sunset) the tax on Medi-Cal managed care organizations.

Healthy Families Major Issues:

- **Healthy Families Premiums.** Cuts Healthy Families by \$22 million General Fund by increasing monthly premiums paid by families enrolled in the program.
- **Healthy Families Co-pays.** Cuts Healthy Families by \$5.5 million General Fund by increasing co-payments paid by families for hospital services, consistent with hospital co-pays in Medi-Cal.
- **Healthy Families Vision Coverage.** Cuts Healthy Families by \$3 million General Fund for support of vision coverage, without eliminating the benefit.

Developmental Disabilities Major Issues:

- **Unallocated reduction.** Adopts alternative funding to backfill the reduction by adopting: \$13 million in Federal Funds for Porterville DC consumers, \$50 million in Prop 10 funds, \$60 million in Federal 1915 (i) Waiver funds, \$10 million in Money Follows the People Federal Grant, \$15 million savings from rejecting Medi-Cal hard caps on physician visits and General Fund. Also approves budget savings of \$91.5 million GF by adopting trailer bill language to extend the 4.25 percent reduction to Operations and Purchase of Service reimbursements, \$13.2 million general fund from Developmental Center reductions and \$11.2 million general fund from Regional Center savings. Lastly, approves budget savings of \$109.6 million from increase Administrative Accountability and Transparency at Regional Centers through trailer bill language. Placeholder language to achieve this savings is approved for Regional Center Conflict of Interest, Third Party Liability, Audits, Contracts and Direct Services and Regional Center Accountability and Transparency.
- **Statewide Purchase of Service Standards.** Adopts trailer bill language to delineate the parameters and process to achieve the \$174 million General Fund reduction from Statewide Purchase of Service best practices, rather than standards. This includes: allowing the Department to use subject area workgroups to develop recommendations, submitting a report to both fiscal committees no later than May 15, 2011 and implementing statewide best practices pending Legislative approval.
- **Additional System-wide Adjustment to Developmental Services.** Adopts an additional system-wide reduction of \$50 million from the Conference Budget Bill (SB 69) as follows: delay the Sonoma Developmental Center capital outlay project, reduce State Developmental Centers by an additional \$15 million General Fund achieved through population decreases and program consolidation, reduce the Prevention Program by \$8 million General Fund and adopt an additional reduction of \$24 million General Fund for Purchase of Service adjustment (a total of \$174 million General Fund).

Mental Health Major Issues:

- **Mental Health Services Act (MHSA/Prop 63) Fund Shift to State Mental Health Programs.** Cuts \$861 million General Fund primarily from Medi-Cal by replacing it with \$861 million in Proposition 63 funds for: AB 3632, EPSDT, and Mental Health Managed Care.
- **MHSA State Administrative Spending.** Reduces the MHSA State Administrative cap from 5 to 3.5 percent, thereby reducing state spending of

MHSA dollars from approximately \$50 million to \$22 million, thereby sending an additional approximately \$28 million to counties for mental health services. Reduces state positions in various departments, particularly in the Department of Mental Health, and sustains statewide projects on housing, suicide prevention, stigma mitigation, and data analysis. Maintains the responsibility for evaluation of outcomes with the Oversight and Accountability Commission, and maintains several key state-community contracts.

Public Health Major Issues:

- **AIDS Drug Assistance Program Cost Savings.** Cuts \$77 million in General Fund reflecting: \$7 million in administrative savings and an increase in federal funds; and a \$70 million allocation from the Safety Net Care Pool. Directs the administration to expand eligibility in the CARE/HIPP Program and facilitate enrollment of ADAP clients into the HIPP Program, the Pre-Existing Condition Insurance Program, and Low-Income Health Insurance Programs for additional General Fund savings in ADAP. Achieves equivalent savings without increasing cost sharing for ADAP clients.
- **Emergency Preparedness Reductions.** Cuts \$5.8 million in General Fund for maintaining the state's medical supplies stockpile and mobile field hospitals for major public health emergencies.
- **Department of Public Health Reductions.** Cuts \$14.4 million General Fund from the Department of Public Health by utilizing Proposition 99 (tobacco) and federal Title V reserves, increasing department efficiencies, reducing staff positions, and repaying a General Fund loan.

Other Health Major Issues:

- **Proposition 10 Fund Shift to Medi-Cal.** Cuts Medi-Cal by \$1 billion General Fund by replacing it with \$1 billion in Proposition 10 funds. Directs First 5 local commission to provide \$950 million and the state commission to provide \$50 million in reserves to cover Medi-Cal services for children 0-5 years of age. Denies proposal to shift fifty percent of local funding to the state on an on-going basis.

HUMAN SERVICES

CalWORKs Major Issues:

Approves the following reductions to the CalWORKs program, which total approximately \$1.1 billion GF savings, and the adoption of trailer bill language to effectuate the changes.

- **Lifetime Time Limit Reduction.** Approves Governor's proposal to cut CalWORKs from 60-months to 48-months for adults effective June 1, 2011, without altering policies regarding those adults' exemptions, for a savings of approximately \$13 million in 2010-11 and \$158 million in 2011-12, and approves the Governor's proposal related to the 2009 reforms.
- **Grant Cut.** Approves an eight percent grant cut effective June 1, 2011 to save approximately \$300 million. This will reduce the maximum grant for a family of three in a high cost county from \$694 per month to \$638.
- **Additional Grant Reductions.** Approves additional grant cuts to cases without aided adults after certain periods of time on aid, for savings of approximately \$100 million.
- **Single Allocation Reduction.** Cuts funding of the Single Allocation for child care, welfare-to-work, and administration costs by \$427 million, approximately \$50 million higher than proposed by the Governor. Correspondingly, extend the statutory changes and exemptions for parents of young children that were enacted in 2009-10. Expands upon the existing statutory exemptions to provide direction regarding the implementation of this reduction.
- **Earned Income Disregard.** Approves a change to disregard the first \$112 of relevant income, instead of the first \$225 pursuant to current law, and then 50 percent of all other relevant earnings and to expand the state's participation in the subsidized employment program created by AB 98. Savings from the earned income disregard change, effective June 1, 2011, would be approximately \$110 million, and the subsidized employment program changes would be cost neutral.
- **Additional Reductions.** Adopts reductions of: 1) \$45 million in the CalLearn Program, 2) \$5 million for substance and mental health services for CalWORKs recipients, and 3) \$5 million across the SAWS automation systems (allocation for automation reduction to be determined through collaboration of the administration, legislative committee staff, LAO, and the counties).
- **Stage 1 Child Care.** Approves savings of up to \$69 million for Stage 1 child care conforming to actions taken in the child care package.

- **Community Challenge Grants.** Eliminates \$20 million for these grants related to teen pregnancy prevention.

In-Home Supportive Services Major Issues:

Approves the following reductions to the IHSS program, to achieve the Governor's combined savings level of \$486.1 million General Fund.

- **Health Care Certification.** Approves the Governor's proposal to require a certification that personal care services are necessary to prevent out-of-home care, with resulting General Fund savings of \$120.4 million.
- **Caseload Savings.** Cuts \$83.4 million General Fund from the program due to caseload savings both in 2010-11 and 2011-12, adjusting caseload trends for the current and budget year based on demonstrated and more recent numbers of recipients and hours paid.
- **Community First Choice Options.** Saves \$128 million General Fund in the program due to expected approval of an additional six percent in FMAP as a result of IHSS qualifying under the new federal Community First Choice Options.
- **Advisory Committees.** Cuts \$1.4 million from IHSS Advisory Committees and eliminates the mandate, while retaining \$3,000 for each of the 56 Public Authorities (PAs) to support the continued operation of Advisory Committees within the budget for PAs.
- **Additional Savings.** Adopts net annual savings of \$153.1 million first from a pilot program to assist with more accurate medication dispensing for identified Medi-Cal recipients, and if the savings are not realized at this level through this pilot, the Legislature has an opportunity to pass legislation to arrive at those savings in the 2012-13 fiscal year. If no further mechanism is put in place to achieve savings, and if the pilot fails to achieve all of the savings, the administration may impose an across the board reduction in authorized IHSS hours in order to achieve the balance of the 2012-13 savings.
- **Other Issues.** Defers without prejudice additional proposals forwarded by advocates for consideration during the usual Spring Subcommittee process, including, but not limited to, methods to reduce program costs by successfully transitioning consumers to similar or higher models of care, such as the creation of a pilot program with the Veterans Health Administration for eligible veterans.

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

- **Grant Cut.** Approves the Governor's proposal to reduce monthly SSP grants for individuals to the federally required minimum payment standard, for General Fund savings of \$14.7 million in 2010-11 and \$177.3 million in 2011-12.

Multipurpose Senior Services Program:

- **MSSP.** Adopts a reduction of up to \$2.5 million to MSSP and rejects the remainder of the Governor's proposal, with budget bill language directing the administration to consult with the federal government about how to achieve the savings operationally and minimize any impacts on the number of clients served.

Child Support Services Major Issues:

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

Child Welfare Major Issues:

- **Transitional Housing Program Plus.** Defers the issue of funding for THP-Plus to the overall discussion on realignment of Child Welfare Services proposed by the administration.

Other Changes:

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

CHILD CARE & DEVELOPMENT SERVICES

- **Alternative to 34.6 percent Subsidy Reduction.** Approves alternative to the Governor's proposal for a 34.6 percent subsidy reduction to instead reduce all contracts, including pre-school, by 15 percent, generating \$267 million in Proposition 98 savings.
- **Eliminate Eligibility for 11-12 Year-Olds.** Approve the de-prioritization of services for 11-12 year olds during traditional hours, while protecting services during non-traditional hours and exempting children who are disabled, at risk of abuse, or homeless. This proposal generates \$38.5 million in Proposition 98 savings.
- **Reduce Family State Median Income to 60 Percent.** Approves reducing the family State Median Income to 70 percent, generating \$30 million in Proposition 98 savings.
- **Eliminate Centralized Eligibility List.** Approves the elimination of funds to the Centralized Eligibility List and the transfer of funds to direct child care services.
- **Restore CalWORKs Stage 3.** Approves the restoration of CalWORKs Stage 3 without any policy changes enacted during the current year.
- **Reduce License-Exempt Provider Rates.** Reduces License-Exempt providers' rates from 80 percent of the licensed rate to 60 percent, generating \$44.1 million in Proposition 98 savings.
- **Standard Reimbursement Rate Reduction.** Reduces the Standard Reimbursement Rate Reduction by up to 10 percent, generating \$109 million in Proposition 98 savings.
- **Family Fee Increase.** Approves a 10 percent across the board increase to the family fee schedule.
- **Quality Programs.** Approves \$16 million in federal funds reduction to account for the loss of one-time American Recovery and Reinvestment Act (ARRA) funds, in a manner that is consistent with legislative intent and prioritization of programs.
- **Child and Dependent Care Tax Credit.** Approves the elimination of "refundable" portion of the Child and Dependent Care Expense Credit and allocates the savings to direct provision of child care for eligible households. Retains the core tax credit program.

K-12 EDUCATION

Proposition 98 Package:

- **Overall Funding Level.** Maintains the same level of funding as the Governor's Budget for 2010-11. Provides \$102 million above the Governor's ongoing Proposition 98 level for 2011-12 for a total of \$49.4 billion. This is the revised minimum guarantee based on Conference Committee revenue adjustments.
- **New Deferral.** Adopts the Governor's proposal to defer \$2.1 billion in K-12 funds from 2011-12 to 2012-13 and adopts trailer bill language to shorten the length of the deferral while still providing comparable cash solution to the Governor's budget proposal.
- **Mental Health Services.** Provides \$80 million in one-time funds for 2010-11 to schools for mental health related services.
- **Mandates.** Adopts the Governor's proposal to provide \$89.9 million to fund the K-14 state-mandated local programs costs for 2011-12. Sustains all other mandate reforms enacted as part of the 2010-11 Budget Act. Mandate reform will be revisited in the spring to review the recommendations of the mandate working group created as part of the 2010-11 Budget Act.
- **Economic Impact Aid.** Restores \$56 million to the Economic Impact Aid (EIA) program based on updated workload estimates.
- **Special Disabilities Adjustment.** Adopts Governor's proposal to provide no funding for the Special Disabilities Adjustment (SDA) for 2011-12. This issue will be revisited in the spring when CDE releases the results of their study of the issue.
- **Emergency Repair Program.** Rejects Governor's proposal to provide \$42.8 million in ongoing Proposition 98 funding and \$10.777 million in one-time funds for the Emergency Repair Program. Funding is used to mitigate other reductions within Proposition 98.
- **Basic Aid Districts.** Includes an 8.9% "fair share" reduction to basic aid school districts for 2010-11 and 2011-12. This reduction is intended to be comparable to the ongoing revenue limit reductions applied to school districts.

Other K-12 actions:

- **CALPADS.** Provides a total of \$2.3 million (\$1.5 million in Title VI and \$781,000 in Title II) for 2010-11 for the California Longitudinal Pupil Achievement Data System (CALPADS). Adopts trailer bill language that requires first priority for the funds to support the transfer of knowledge from the CALPADS contractor to staff of the department and any other relevant state agency. Adopts trailer bill language to require CDE, as a condition of receiving funds to administer CALPADS, to provide local education agencies (LEAs) with the standardized templates and data necessary for LEAs to meet the requirements established in the School Accountability Report Card.

With regard to funding for 2011-12 and the future of CALPADS, the Legislature will continue to participate in the interagency working group to discuss issues related to California's education data system.

- **Secretary of Education Elimination.** Approves the elimination of the Office of the Secretary of Education (OSE). This results in a net decrease of \$1.6 million to the General Fund (non-Proposition 98) for 2011-12 and \$400,000 for the current year. Approves the transfer of \$274,000 from the General Fund to fund three position shifts from the California Department of Education (CDE) to the State Board of Education (SBE). The Governor's proposal will be reassessed when final workload and staff analysis are available at May Revise.
- **Categorical Flexibility.** Approves the Governor's proposal to extend various flexibility options to school districts for an additional two years, including categorical flexibility, routine and deferred maintenance requirements, class size reduction, instructional minutes and local budget reserve requirements. The budget subcommittee and education policy committee will revisit these issues in more depth during spring hearings.
- **Class Size Reduction.** Provides \$1.25 billion for the K-3 Class Size Reduction Program or \$15 million less than the Governor's budget. Although the conference funding level underfunds the program, the conference committee adopted trailer bill language that authorizes a statutory appropriation for the program. This language authorizes the Superintendent of Public Instruction to certify the funding needed for the program in 2011-12 and ensures full funding for the program. This action is consistent with action taken in the 2010-11 Budget Act.

HIGHER EDUCATION

California State Library

- **Reduction of Local Assistance Programs by \$30.4 million.** Reduces the magnitude of reductions to preserve the English Acquisition & Literacy Program, the Public Library Foundation and California Library Services Act by \$15 million.

University of California:

- **Unallocated Reductions.** Approves the \$500 million in unallocated reductions, with reporting requirements on how the university will meet funding reductions while minimizing impact on students.
- **Academic Preparation & Outreach Programs.** Approves budget bill language to protect academic preparation and outreach programs from disproportionate reductions.
- **Capital Outlay Projects.** Denies without prejudice any new lease-revenue bond projects, to be discussed during the Spring Budget Process.

California State University:

- **Unallocated Reductions.** Approves the \$500 million in unallocated reductions, with reporting requirements on how the university will meet funding reductions while minimizing impact on students.
- **Academic Preparation & Outreach Programs.** Approves budget bill language to protect academic preparation and outreach programs from disproportionate reductions.
- **Capital Outlay Projects.** Denies without prejudice any new lease-revenue bond projects, to be discussed during the Spring Budget Process.

Hastings College of the Law:

- **Unallocated Reductions.** Approves the \$1.5 million in unallocated reductions.

California Community Colleges:

- **Unallocated Reduction.** Approves the \$400 million in unallocated reductions to apportionments, with reporting requirements on funding priorities to mitigate impact to students.

- **Student Fee Increase.** Approves a \$10 per unit fee increase from \$26 per unit to \$36 per unit. This will generate the community colleges \$110 million in fee revenue to mitigate reductions.

California Student Aid Commission:

- **Participating Institutions Requirements.** Approves trailer bill language that specifies that for all new Cal Grant awards, participating institutions will have to meet a specified "Student Default Risk Index" threshold, as a condition of eligibility to participate. This action generates \$24 million in savings.
- **Cal Grant Renewal Awards Requirements.** Requires that all Cal Grant renewals recipients meet the same income and asset ceilings and minimum need as new recipients. This action generates \$100 million in savings.

NATURAL RESOURCES AND TRANSPORTATION

Resources Major Issues:

- **Fire Protection.** Cuts \$30.7 million General Fund from CAL FIRE's budget, resulting in the reduction of staffing on fire engines from 4 firefighters to 3.
- **State Parks.** Cuts the Department of Parks and Recreation's General Fund budget by \$11 million in the budget year and \$22 million ongoing. This cut will result in the closure of a significant number of State Parks.
- **Off Highway Vehicle Parks.** Cuts \$10 million from the Department of Parks and Recreation Off-Highway Vehicle Trust fund expenditures and transfers those funds to the General Fund. This reduction is proportionate to the cut being made to non-vehicle parks.
- **Gas Consumption Surcharge Fund Transfer.** Sweeps \$155 million from the 2011-12 Gas Consumption Surcharge Fund, exempting funding for the Energy Low Income Program (CARE) and the low income energy efficiency programs. This reduction leaves over \$345 million for natural gas efficiency energy programs for the budget year.

Environmental Protection Major Issues:

- **Water Resource Control Board Fees.** Raises and expands various Water Board fees to shift \$12.4 million in funding from the General Fund to new revenues.

Transportation Major Issues:

- **Transportation Gas Tax Swap Fix.** Swaps revenues from weight fees for excise tax revenues to maintain funding for transportation and transit as well as preserve \$1.6 billion in General Fund savings achieved in last year's Gas Tax Swap proposal.
- **High Speed Rail Authority.** Denies without prejudice all High Speed Rail Authority proposals so that they can be reviewed in the spring.

Other Major Issues:

- **Department of Food and Agriculture Baseline Reduction.** Cuts \$15 million from the Department's General Fund budget.
- **Local Fairs and Agricultural Districts.** Eliminates support, \$30 million in General Fund, for statewide fairs and Agricultural districts.

STATE ADMINISTRATION AND LOCAL GOVERNMENT

State Operational Savings.

- **Contracting Out Savings.** Increases the Governor's state operations savings by \$50million to \$250 million total, to reflect additional savings from the review of contracting-out of state services.

Employment Development Department:

- **Unemployment Insurance Federal Interest Loan Payment.** Approves the transfer of \$362.3 million from the Unemployment Compensation Disability Fund to the General Fund to make interest payments on a federal loan.
- **Federal Extended Unemployment Benefits.** Approves statutory changes for the "Three Year Look Back," which allows California to remain eligible for FedEd extended unemployment benefits.

State Controller's Office.

- **21st Century Project.** Continues funding for this vital project that will result in a single unified payroll and leave system for all state employees.
- **Audit Activities.** Commits funding for additional audits that are necessary for federal purposes or will result in the generation of additional revenue to the state.

Board of Equalization.

- **Tax Compliance Activities.** Makes permanent one of the department's successful tax compliance activities that ensures that all retailers are registered with the state and collect and remit the sales tax. The program will generate additional annual revenues of about \$70 million.

Franchise Tax Board.

- **Tax Compliance Activities.** Approves permanent funding for additional audit activities associated with workload growth, resulting in additional revenues of \$13 million annually.
- **Financial Institutions Records Match.** Approves the Financial Institutions Records Match, a tax compliance activity that matches the records of taxpayers with overdue tax liabilities with financial resources at financial institutions. It will generate revenues of \$30 million annually.

- **Voluntary Compliance Initiative.** Approves a limited amnesty for taxpayers who participated in abusive tax shelters or sheltered income in off-shore accounts. This policy will result in accelerated revenues of \$270 million.

Housing and Community Development.

- **Housing Bond Pause.** Adopts Governor's spring bond pause, but allows HCD to resume issuing housing bonds for new loans and grants in the Fall.

Secretary of Business, Transportation and Housing.

- **Small Business Loan Guarantee Expansion.** Adopts an increase of \$84.4 million in federal funds to the Small Business Loan Guarantee Program and reverts \$20 million in General Fund, appropriated in the 2010-11 Budget. Additionally, a \$1 million in General Fund savings is adopted by converting the program administration to 50-percent General Fund and Trust Fund interest, and 50-percent federal funds. Lastly, budget language is approved to allow the transfer of \$20 million General Fund to the Trust Fund, if loan defaults reduce the Trust Fund balance or funds that are necessary to maintain a 5:1 reserve ratio for outstanding loans.

California Science Center.

- **Unallocated Reduction.** Cuts the California Science Center by \$1.7 million in an unallocated reduction and approves budget bill language in lieu of trailer bill language.

California Department of Veteran Affairs.

- **Veterans Home Delay.** Achieves an \$8.1 million General Fund savings by delaying the Veterans Homes of California in Redding and Fresno by three months and phasing in levels of care.
- **County Veteran Service Offices.** Adopts the Governor's February proposal, which funds County Veteran Service Offices (CVSO's) at their historical \$2.6 million General Fund level.

Sale-Leaseback of State Buildings.

- **Rescind Sale-Leaseback.** Adopts the Governor's plan to substitute \$1.2 billion in internal borrowing and other solutions in lieu of Governor Schwarzenegger's plan to sell state buildings.

Local Government

- **Open Meetings Act Mandate.** Rejects the Governor's proposal to suspend the open meetings act mandate regarding posting of public meeting agendas and closed session actions.
- **Williamson Act.** Adopts the Governor's proposal to alter this program and eliminate the state subventions in the current year and on-going while allowing for the continuation of a locally supported program.

PUBLIC SAFETY

Courts Major Issues:

- **Trial Court Funding.** Reduces funding for trial courts by \$176.8 million (\$23.2 million will be reduced from State Operations). This reduction will be implemented in a way that is intended to avoid court closures and minimizes the impact on court operations.
- **Court Case Management System.** Requires the Administrative Office of the Courts to have an independent audit of the Court Case Management System performed as recommended by the State Auditor.
- **Public Contract Code.** Requires the Judiciary to comply with the provisions of the Public Contract Code with an exception for trial court construction.

Correction's Major Issues:

- **Local Jurisdiction for Low Level Offenders.** Achieves \$390.6 million in state savings by implementing a change in mission for the state's prison system, which includes local jurisdiction for specified low level offenders.
- **Local Jurisdiction for Juvenile Offenders.** Realigns responsibility for the state's juvenile offenders to local jurisdictions. However, allows locals to contract with the state to house this population.

Trailer Bill List

BILL #	SUBJECT	DATE ADOPTED
SB 69	BUDGET CONFERENCE REPORT	MARCH 17
SB 70	EDUCATION	MARCH 17
AB 95	RESOURCES	MARCH 17
SB 72	HUMAN SERVICES	MARCH 16
AB 97	HEALTH	MARCH 16
SB 74	DEPARTMENT OF DEVELOPMENTAL SERVICES	MARCH 16
AB 99	PROPOSITION 10	MARCH 16
AB 100	PROPOSITION 63	MARCH 16
SB 77/AB 101	REDEVELOPMENT	
SB 78	PUBLIC SAFETY	MARCH 17
SB 79/AB 103	REVENUES	
SB 80	GENERAL GOVERNMENT	MARCH 16
AB 105	TRANSPORTATION	MARCH 16
SB 82	CASH	MARCH 16
SB 83/AB 107	ELECTIONS	
SB 84	LOANS	MARCH 17
AB 109	PUBLIC SAFETY REALIGNMENT	MARCH 17
SB 86	TAX COMPLIANCE	MARCH 17
AB 111	AB 900 LOCAL JAIL FUND	MARCH 17
ACA 2 X1/SCA 1 X1	REALIGNMENT	