



COMMITTEE ON BUDGET & FISCAL REVIEW
Room 5019, State Capitol
Sacramento, CA 95814

SENATOR MARK LENO, CHAIR

MAJOR ACTION REPORT

May 27, 2013

The purpose of this Major Action Report is to provide a review of the budget proposal recommended by the Senate Budget and Fiscal Review Committee on May 24, 2013.

If you have additional questions, please contact the committee at (916) 651-4103.

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2013-14 Senate Budget

Executive Summary. The Senate Budget and Fiscal Review Committee adopted various actions on May 24, 2013 that, when combined with the actions taken in the 47 meetings of the five subcommittees, comprise the Senate version of the 2013-14 budget act. Some of the highlights of the Senate plan are listed below:

- Makes significant payments on the Governor defined “Wall of Debt” that the State has accumulated over the past several years. The Senate budget pays off more debt in the short and long run than the Governor’s 2013 May Revision plan.
- Makes small, targeted investments above the Governor’s budget levels in a handful of programs and services.
- Provides for a larger reserve than the proposed May Revision.
- Provides more money for all students in the Local Control Funding Formula than proposed in the May Revision, and supports disadvantaged students in both “concentrated” and “non-concentrated” districts.
- Provides additional resources for education through deferral payments, but only if revenues are sufficient.

This document provides a high level summary of major actions that are included in the Senate version of the 2013-14 budget, as adopted in the Senate Budget and Fiscal Review Committee on May 24, 2013.

The General Fund budget summary for the Senate version of the budget, compared to the Governor’s May Revision, is as follows:

General Fund Budget Summary (in Millions)

| | May Revision | | Senate Version | |
|---|--------------------|---------------------|--------------------|---------------------|
| | Revised 2012-13 | Proposed 2013-14 | Revised 2012-13 | Proposed 2013-14 |
| Prior Year Balance | -\$1,658 | \$850 | -\$1,980 | \$212 |
| Revenues and Transfers | 98,195 | 97,235 | 98,884 | 100,031 |
| Total Resources Available | 96,537 | 98,085 | 96,904 | 100,243 |
| Non-Proposition 98 Expenditures | 55,233 | 57,004 | 55,214 | 57,412 |
| Proposition 98 Expenditures | 40,454 | 39,349 | 41,477 | 40,739 |
| Total Expenditures | 95,687 | 96,353 | 96,692 | 98,151 |
| Fund Balance | 850 | 1,732 | 212 | 2,092 |
| Reserve for Liquidation of Encumbrances | 618 | 618 | 618 | 618 |
| Total Available Reserve | \$232 | \$1,114 | -\$406 | \$1,474 |

The Senate's version of the budget includes total General Fund expenditures of \$98 billion, which is still below 2006-07 expenditure levels and is only 1.9 percent greater than the Governor's May Revision General Fund spending.

The Senate's version of the budget adopts the LAO's revenue assumptions (\$3.2 billion higher than the May Revision), but provides for substantial additional reserves in the event that the revenues do not materialize in the 2013-14 fiscal year.

The Senate's version of the budget provides for a \$1.5 billion General Fund reserve (\$360 million higher than the May Revision). In addition, should the revenues not materialize as the LAO projects, up to \$1.7 billion in Proposition 98 expenditures (for deferral payments) would not be made. This will have the added benefit of not locking in a higher Proposition 98 guarantee. In addition, under the Senate's version of the budget, the state would have higher reserves and bigger operating surpluses in the out-years than projected in the May Revision.

Proposition 98 Education Expenditure Highlights. The Senate budget uses the LAO projections for the Proposition 98 guarantee, which are \$2.5 billion higher than the May Revision because of higher revenue estimates in the current and budget years.

The bulk of the additional Proposition 98 spending above the Governor's May Revision levels would be used to buy-down K-14 deferrals. The Senate's version of the budget provides approximately \$1.7 billion in additional resources in the budget year to buy down additional K-14 deferrals above the Governor's May Revision level. In order to provide additional protection for the state, the deferral payments would not be made if revenues are lower than projected. Under the Senate's plan, the state would only owe \$3.8 billion in deferral payments at the end of the budget year, which is lower than the Governor's projected \$5.5 billion level in the May Revision.

Outside of the deferrals, the Senate's version of the budget includes additional Proposition 98 expenditures for the Senate approach to the Local Control Funding Formula (\$471 million more than the Governor), career education and linked learning (\$250 million, one-time funds), preschool (\$30 million), and various community colleges categorical restorations (\$62 million) and targeted one-time investments (\$30 million) at the community colleges.

Other Expenditure Highlights. The Senate version of the budget spends about \$500 million more General Fund than the May Revision, but also saves about \$100 million more than the May Revision, for net additional spending of less than \$400 million. And because a significant portion of the Senate's additional spending is for one-time expenses, net spending in the out-years is less than \$300 million annually.

The additional General Fund spending is focused on *targeted investments*—totaling about \$530 million, as follows:

- Restoration of dental benefits for 3 million adult Medi-Cal recipients (\$131 million).

- Targeted investments in mental health wellness (\$142 million General Fund— one-time for infrastructure investments; and \$64 million special and federal funds to support ongoing crisis residential and treatment services)
- \$100 million to bolster the Judiciary for trial court operations and to keep courtrooms open.
- \$100 million, for restoration of services for children with autism, certain nursing homes that received greater cuts in previous years, and family planning services.
- About \$50 million in various, small, restorations and investments, including additional rehabilitation services for prison inmates, environment protection, veterans' services.

Long Term Outlook. The Senate's version of the budget is conservative on new spending and, as a result, is expected to result in substantial additional monies in the budget year. These monies can be used to buy down the "wall of debt", add to the reserve, and make additional targeted investments in future budget years. Preliminary calculations show that, if the Senate budget is adopted and the LAO revenue projections materialize, billions of additional dollars could be available for debt payments, reinvestment in services, and reserves in 2014-15 through 2016-17. Since the taxes approved this past November are temporary and start expiring at the end of 2016, this is a responsible way in which to fiscally position the state once the temporary taxes end.

K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

K-14 -- Proposition 98 Overall

- **Revenue Assumptions.** Adopts LAO revenue estimates, which increases the Proposition 98 minimum funding guarantee by **\$2.5 billion** over two years compared to the Governor's May Revise. Of this amount, the package uses **\$1.7 billion** for deferral buydowns, **\$578 million** for ongoing program increases, and **\$280 million** for one-time programs and expenses for K-12 schools and community colleges (K-14 education). Many of these expenditures are detailed in this document.
- **Current Year Funding.** Approves Proposition 98 spending of **\$57.4 billion** in 2012-13 for K-14 education, which reflects the estimated minimum guarantee. This level of funding is **\$899 million** above the Governor's May Revise.
- **Budget Year Funding.** Approves Proposition 98 funding of **\$56.9 billion** for K-14 education in 2013-14, which reflects the estimated minimum guarantee. This level of funding is **\$1.6 billion** higher than the Governor's May Revise.
- **Deferral Paydowns.** Retires an additional **\$1.7 billion** in ongoing Proposition 98 payment deferrals for K-14 education in 2012-13 and 2013-14, relative to the May Revise, as follows:
 - ✓ **Additional Current Year Paydowns.** Increases deferral paydowns by **\$619 million** for K-14 education. This brings total deferral buydowns to **\$2.4 billion** for K-14 education in 2012-13.
 - ✓ **Additional Budget Year Paydowns.** Increases deferral paydowns by **\$1.06 billion** for K-14 education. This brings total deferral buydowns to nearly **\$2.0 billion** for K-14 education in 2013-14.
 - ✓ **Ongoing K-14 deferrals** – utilized to mitigate programmatic reductions for K-12 schools and community colleges – reached an all-time high of **\$10.4 billion** in 2011-12. The 2012-13 budget act reduced K-14 deferrals to **\$8.2 billion**. The Governor's May Revise reduces K-14 deferrals to a total of **\$5.5 billion** in 2013-14. The Senate budget further reduces outstanding K-14 deferrals to **\$3.8 billion** in 2013-14.

Proposition 39 Energy Efficiency Programs for K-14 Education.

- Approves a total of **\$464 million** in Proposition 98 funding for energy efficiency programs for K-12 schools and community colleges resulting from additional Proposition 39 revenues in 2013-14. This level of funding conforms to the Governor's May Revise. Funding is allocated as follows in 2013-14:
 - ✓ **\$413 million** to the California Department of Education (CDE) for K-12 school districts, charter schools and county offices of education, as well as the State Special Schools in 2013-14. Per the Senate Plan, these funds would be allocated to K-12 local agencies and state schools pursuant to legislation passed in the 2013-14 session. The Senate adopts May Revise trailer bill language to implement a \$15,000 minimum grant for exceptionally small schools (less than 200 ADA) and \$50,000 for all other small schools.
 - ✓ **\$51 million** to the Community College Chancellor's Office for community colleges allocated on the basis of full-time equivalent students pursuant to the Governor's proposal.
- Approves the Governor's January budget proposal of **\$109,000 GF and 1.0 position** for the Department of Education to implement and oversee the Proposition 39 energy efficiency program in 2013-14, per the Governor's January budget.
- Rejects the Governor's May Revise proposal to provide **\$4 million and 8 positions** from the Energy Resources Programs Account for the California Energy Commission to provide technical assistance to small local educational agencies in identifying cost-effective energy savings and establishing baselines and tracking performance.

Proposition 98 – Other Major Changes for K-12 Education. Compared to the Governor's January budget, here are some of the major changes proposed by the May Revise:

- **Implementation of Common Core Standards.** Provides **\$1 billion** in one-time Proposition 98 funding in 2013-14 to assist K-12 school districts, charter schools and county offices of education in implementing the new Common Core standards. As proposed by the Governor's May Revise, this investment will allow school districts, charter schools and county offices of education to make significant one-time investments in professional development, instructional materials, and enhancements to technology, in order to better implement Common Core standards. The \$1 billion in one-time funds will provide an average of \$170 per pupil, outside of the Local Control Funding Formula. Funding would be available over a two year period. In approving the Governor's proposal, the Senate will modify trailer bill to assure that these one-time funds are used for intended purposes.

- **Senate Alternative to Governor’s Local Control Funding Formula.** Approves a total of **\$2.3 billion** in new base and categorical funding for K-12 schools in 2013-14. This provides an additional **\$471 million** beyond the **\$1.9 billion** in base and categorical funding augmentations proposed under the Governor’s Local Control Funding Formula, as updated at May Revise.

The Senate adopts an alternative to the Governor’s Local Control Funding Formula, which is contained in SB 69 (Liu). The Senate alternative adopts much of the Governor’s LCFF proposal, it includes several major modifications, as follows: (1) commences implementation in 2014-15 rather than 2013-14; (2) redirects concentration grant funding to enhanced base and supplemental grant funding; and (3) includes a different set of accountability provisions.

- **Career Technical Education Innovation Grants.** Approves **\$250 million** in the 2013 -14 to capitalize the **California Career Pathways State Revolving Fund**. This is a Senate proposal directed to building stronger connections between K-12 schools and businesses and placing a greater emphasis on career-based learning in order to better prepare students for the jobs of the 21st century. The Senate proposal provides state assistance to local educational agencies through competitive grants, with priority given to proposals that attract capital and in-kind contributions from business and serve distressed communities with high dropout rates. The goal of the program would be to leverage the \$250 million by a factor of two or three, which would vastly expand the resources available for career pathways programs.
- **Special Education Sequestration Backfill.** Approves **\$36 million** in Proposition 98 funding to backfill the loss of federal special education funding authorized under the Individuals with Disabilities Education Act (IDEA), due to federal sequestration reductions effective in 2013-14. Of these total backfill funds, **\$2.1 million** is provided to fully backfill the loss of federal IDEA funding for infants and preschoolers with disabilities. The remaining **\$34 million** is provided to backfill more than half of the federal cuts to school age student with disabilities.
- **Special Education Equalization.** Approves \$30 million to begin the process of equalizing state special education funding among Special Education Local Program Areas (SELPA) in 2013-14 recommended by the LAO.
- **Adult Education Partnership Funding.** Approves placeholder trailer bill language to implement the Governor’s May Revise proposal to provide **\$30 million** in 2013-14 to provide planning grants for coordinating and integrating adult education services in community colleges and school districts (through their adult schools). Grant awards will be provided to regional consortia of community colleges and school districts, as selected by the California Community Colleges Chancellor’s Office and the California Department of Education. Regional consortia participants could include local correctional facilities, other public entities, and community-based organizations. Beginning in 2015-16, the Administration proposes to provide **\$500 million** to the regional consortia to deliver adult education.

- **Expands K-12 Mandate Block Grant.** Provides an additional **\$100 million** to the K-12 Mandates Block Grant – for a total of **\$266 million** in 2013-14 -- to fund two remaining state mandates – High School Science Graduation Requirements and Behavioral Intervention Plans – which were not included in the new K-12 education block grant in 2012-13.

Child Care & Development

- **Restoration of State Preschool Program Funding.** Provides \$30 million in Proposition 98 funds in 2013-14 above the Governor's budget to begin the process of restoring reductions to the State Preschool Program (part-day/part-year) for low-income three- and four-year old children. The State Preschool program has sustained approximately \$120 million in cuts since 2009-10. The LAO recommends that the Legislature begin the process of restoring these reductions over multiple years starting in 2013-14.
- **CalWORKs Child Care.** Approved LAO adjustments to CalWORKs Stage 2 and Stage 3 child care caseload to fund Stage 2 at \$339 million and Stage 3 at \$200 million. This maintains funding for Stage 3 in the budget year at approximately 2012-13 levels. Also approved budget bill language to capture contract under earnings to apply toward sequestration reductions.

HIGHER EDUCATION

HIGHER EDUCATION CROSSCUTTING ISSUES

- Approved placeholder trailer bill language to require the California State University (CSU) and University of California (UC) to report the following information annually starting in March 2014, with 2012-13 data as follows:
 - Number/Proportion of Transfers
 - Number/Proportion of Low-Income Students
 - 4-year Graduation Rates for both UC and CSU and 6-year Graduation Rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
 - Degree Completions (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
 - First-Years On Track to Degree (i.e. what percent of first years earned a specified number of units)
 - Spending Per Degree (Core Funds)
 - Units Per Degree
 - Degrees Per 100 FTE (Undergraduate)

- Approved revised budget bill language related to technology funding earmarks for UC, CSU and the California Community Colleges that ensures that online-only courses have transferability among campuses and allow for cross-campus enrollment.

- Approved enrollment targets for both UC and CSU at their current full-time equivalent student (FTES) enrollment levels of 211,499 and 342,000 respectively.

6120 CALIFORNIA STATE LIBRARY (CSL)

- Augmented the CSL budget by \$2.5 million GF to allow the CSL to pursue linking local libraries to the Corporation for Education Network Initiatives in California (CENIC) system in order to obtain cost-effective, high-bandwidth internet access.

6440 UNIVERSITY OF CALIFORNIA

- Approved the Governor's base augmentation of \$125.1 million GF and provisional budget bill language tying the funds specifically to contributions to the University of California Retirement Plan for UC's state GF- and tuition-funded employees.
- Approved \$15 million for the UC Riverside Medical School.

6610 CALIFORNIA STATE UNIVERSITY

- Approved Governor's base augmentation of \$125.1 million GF.
- Approved a \$51.4 million GF increase to fund the annual increase in costs for CSU's required employer pension contribution to the California Public Employees Retirement System. Adopted budget bill provisional language and trailer bill language to require that CSU will continue to receive annual GF adjustments based on the 2013-14 payroll level; however, if CSU chooses to increase payroll expenditures above that level, CSU would be responsible for the associated pension costs.

6600 HASTINGS COLLEGE OF THE LAW

- Approved \$455,000 GF augmentation, \$63,000 GF above the Governor's budget and approved budget bill language tying the funds specifically to contributions to the University of California Retirement Plan for Hastings' state GF- and tuition-funded employees.

6870 CALIFORNIA COMMUNITY COLLEGES

- *Please see the K-12 Education Section of this report for information on the overall K-14 Proposition 98 budget.*
- **Current Year.** Buys down additional CCC deferrals by \$68.1 million above the Governor's May Revision. Community college deferrals are reduced by a total of \$248 million in the current fiscal year in the Senate version of the budget.
- **Current Year.** Provides \$30 million in one-time Proposition 98 GF for the following priorities: deferred maintenance (\$12 million), instructional equipment (\$12 million), and professional development (\$6 million).

- Approved the Governor's May Revision apportionment of Proposition 98 GF revenues for CCCs for COLA (\$87.5 million), growth (\$89.4 million) and the student success taskforce categorical program (\$50 million).
- Approved \$92 million in additional targeted Proposition 98 GF augmentations to the following CCC categorical programs: \$25 million for the Disabled Student Programs and Services, \$25 million for the Extended Opportunity Programs and Services program, \$7.8 million for the CalWORKS categorical program, \$2.8 million for part-time faculty programs, \$1.3 million for the Cooperative Agencies Resources for Education (CARE) program and \$97,000 for the Academic Senate.
- Rejected the Governor's proposal to harmonize financial aid requirements for the Board of Governor's fee waiver program with the requirements for the Cal Grant program and federal student aid programs.
- Approved trailer bill language to give CalWORKs students priority enrollment at CCCs, given that time on aid was limited to two years in budget actions in 2012.

7980 CALIFORNIA STUDENT AID COMMISSION

- Approved trailer bill language to make a targeted exception to current institutional eligibility requirements for the Cal Grant Program for institutions that have a cohort default rate less than 20 percent and a graduation rate above 80 percent. Current law requires eligible institutions to maintain a maximum cohort default rate of 15.5 percent and a minimum graduation rate of 30 percent to participate in Cal Grant programs. The new exception would sunset after the 2016-17 academic year.

NATURAL RESOURCES

0540 Secretary for Natural Resources

- Approved \$217,000 (Timber Regulation and Forest Restoration Fund), and three permanent positions, to implement the regulatory requirements of Chapter 289, Statutes of 2012 (AB 1492, Blumenfield), which established new forest resource management funding through an assessment on lumber. The Governor proposed the positions be three-year limited term.
- Approved the shift of \$1,918 (bond funds) and nine positions from the State Coastal Conservancy to the Secretary, in order to consolidate all ocean programs including the Ocean Protection Council within the Resources Agency.

3110 Special Resources Program

- Approved as budgeted (including the Tahoe Regional Planning Agency)

3340 California Conservation Corps (CCC)

- Approved \$5 million (State Responsibility Area Fund) annually for the next three years to support fire prevention activities. The Governor's May Revision proposed these activities be funded by Proposition 40 bond funds.
- Approved an augmentation of \$1.5 million (General Fund) for career development and transition assistance for corpsmembers. The Governor did not have a proposal.

3480 Department of Conservation

- Rejected \$500,000 (Abandoned Mine Remediation Fund) for increased department activity related to abandoned mines and, instead, directed the funding to the state's obligation related to Empire Mine remediation overseen by the Department of Parks and Recreation.

3540 Department of Forestry and Fire Protection

- Approved a shift of \$4.2 million from the State Responsibility Area Fund (SRA Fund) to the General Fund for the Civil Cost Recovery Program. Approved the conversion of ten positions from limited-term to permanent in the program.

- Approved budget bill language to align Schedule A agreements with the budget year to allow for better review and oversight of new agreements.
- Approved \$11.7 million (SRA Fund) and 65 positions to address fire severity, treatment, education, prevention and planning. Included trailer bill and budget bill language to restrict the use of the funds related to the Vegetation Management Program.
- Approved \$967,000 and six permanent positions (Timber Regulation and Forest Restoration Fund), and three permanent positions, to implement the expansion of Timber Harvest Plan reviews, as required by Chapter 289, Statutes of 2012 (AB 1492, Blumenfield), which established new forest resource management funding through an assessment on lumber.

3600 Department of Fish and Wildlife (DFW)

- Approved \$12.1 million (Salton Sea Restoration Fund) for monitoring and pilot studies related to the Salton Sea Habitat restoration. Approved \$28 million (Proposition 84 bond funds) to construct managed ponds to support area wildlife.
- Approved \$4.3 million and 35 permanent positions (Timber Regulation and Forest Restoration Fund), and three permanent positions, to implement the expansion of Timber Harvest Plan reviews, as required by Chapter 289, Statutes of 2012 (AB 1492, Blumenfield), which established new forest resource management funding through an assessment on lumber.
- Approved \$2.5 million (Wildlife Restoration Fund) for management and oversight of state-owned land. Approved trailer bill language to clarify that revenue generated from leases is authorized to be used to improve and maintain the intrinsic and ecological values of wildlife areas, ecological reserves and other DFW managed lands.

3720 California Coastal Commission (CCC)

- Approved an augmentation of \$4 million (GF), including \$1 million local assistance and \$3 million state operations, to increase the state's funding for local coastal plan updates.

3760 State Coastal Conservancy (SCC)

- Approved the shift of \$1,918 (multiple bond funds), and nine positions, from the State Coastal Conservancy to the Secretary, in order to consolidate all ocean programs including the Ocean Protection Council within the Resources Agency.
- Approved a baseline funding realignment to implement the SCC 10-year funding plan, submitted in April, in order to manage bond funds over a longer period of time.

3790 Department of Parks and Recreation (DPR)

- Approved \$1 million (DPR Fund) for three years, including budget bill language for Goat Canyon Sediment Basin maintenance. Budget bill language directs the department to seek other funding for this project that is the result of polluted runoff from Mexico.
- Approved \$40.9 million, and 73.5 positions, to complete the merger of the Department of Boating and Waterways into the department, as the Division of Boating and Waterways.
- Approved the reappropriation of all Off-Highway-Vehicle (OHV) program requests. Approved trailer bill language requiring the department director to certify the funding is available for full mitigation of OHV-related purchase prior to final acquisition.

3860 Department of Water Resources (DWR)

- Approved \$82.9 million (Proposition 1E bond funds) for continued implementation of the flood management system through the FloodSAFE Program.
- Approved \$37.7 million (Proposition 84 bond funds) over two years, for state's share of the restoration of Lake Perris Dam, to maximize operational and recreational facilities and remediate seismic and public safety concerns.
- Approved \$653,000 (Proposition 40 bond funds) each year, for three years, to support a real-time ground-based measurement network of snowpack, soil moisture, and vegetation state across watersheds. This practical research is intended to provide interpretation and integration of remote sensing data and information management to help DWR estimate runoff in critical watersheds.
- Approved \$10 million (Proposition 40 bond funds) to provide for the state's share of a state, local, and federal project on the Sacramento River. The project will include the installation of a fish screen for Anadromous fish protection and enhancement at the water intake project on the Sacramento River.

ENVIRONMENTAL PROTECTION

0555 Secretary for Environmental Protection

- Approved a reduction of \$2.3 million and ten positions to implement the transfer of Office of Education and the Environment from the Secretary to the Department of Resources Recycling and Recovery.

3900 Air Resources Board (ARB)

- Approved a \$500 million loan from the Greenhouse Gas Reduction Fund (GHG Fund) to the General Fund.
- Approved \$1.3 million, and two positions from the GHG Fund rather than the Cost of Implementation Account, to enhance oversight of Cap and Trade auction activities and budgetary administration.

3930 Department of Pesticide Regulation

- Approved \$788,000 (Department of Pesticide Regulation Fund) and five positions to address the mitigation of pesticide use in the environment. Provided provisional language to require the department to provide five risk assessments by June 30, 2014.

3940 State Water Resources Control Board

- Approved \$7 million for small disadvantaged community wastewater project grants to be funded by the State Water Pollution Control Revolving Fund, Small Community Grant Fund.
- Approved \$700,000 (Waste Discharge Permit Fund), on a one-time basis, to develop and adopt water recycling criteria for indirect potable reuse through an interagency agreement with the Department of Public Health.
- Approved \$620,000 (Timber Regulation and Forest Restoration Fund) and nine positions to implement the regulatory requirements of Chapter 289, Statutes of 2012 (AB 1492, Blumenfeld), which established new forest resource management funding through an assessment on lumber.

3960 Department of Toxic Substances Control (DTSC)

- Did not approve a fee reform proposal for the Hazardous Waste Control Account, which would have provided structural funding stability at the department by allocating fees more equitably across the universe of hazardous waste generators.

3970 Department of Resources Recycling and Recovery (CalRecycle)

- Approved \$2.3 million and ten positions to implement the transfer of Office of Education and the Environment from the Secretary to the Department of Resources Recycling and Recovery.
- Approved a proposal to reform the Beverage Container Recycling Program funding structure and collection methods to provide structural stability and increased financial management oversight.

3980 Office of Environmental Health Hazard Assessment (OEHHA)

- Approved \$577,000, and three positions from the GHG Fund rather than the Cost of Implementation Fee, to identify disadvantaged communities in California that will benefit from investments made by the state from Cap and Trade allowance proceeds.

ENERGY AND UTILITIES

3360 California Energy Commission (CEC)

- Approved provisionally \$160 million and 55 positions from Investor Owned Utility ratepayer funds for the implementation of the Electric Program Investment Charge (EPIC). Provisional language provides that no funding may be expended, nor positions established, without statute authorizing the EPIC program and specifying program activities.
- Approved a multi-year plan for the reduction of positions and expenditures related to the Public Goods Charge (PGC) for renewable energy programs and the Public Interest Energy Research Program. This plan is necessitated due to the sunset of the PGC on January 1, 2012. The first year reduction includes a reduction of \$980,000 (PGC) and nine positions.
- Denied \$4 million (Energy Resources Program Account) and eight positions for the California Energy Commission, to provide technical assistance to small local educational agencies. This funding was intended to help identify cost-effective energy savings opportunities for K-12 school facilities, and to provide guidance on establishing baselines and tracking performance.

8660 California Public Utilities Commission (CPUC)

- Denied \$210,000 (multiple ratepayer funds) and three positions for the establishment of a budget office at CPUC. Required the CPUC to absorb or convert these positions from existing ten budget control officer positions acknowledged in budget hearings. Required the CPUC to report back, on September 1, 2013, on its progress in establishing a new budget office and filling the positions.
- Approved a request to the Fair Political Practices Commission to review the CPUC practice of directing, adjudicating and approving the establishment of nonprofits, for possible conflict of interest or behest violations.
- Approved trailer bill language halting the establishment of the California Energy Systems for the 21st Century Project that was not legislatively authorized, and ordered a refund of all ratepayer funds that have been directed to this project.
- Approved trailer bill language that prohibits the CPUC from creating non-state entities through decisions, settlements, rules, orders, or mergers without a legislative approval process.
- Approved trailer bill language that prohibits the CPUC from awarding contracts to nonprofits in which a sitting commissioner serves as an employee, officer or director.

- Approved trailer bill language that prohibits CPUC commissioners and executive staff from serving on commission-established non-state entities.
- Denied \$88,000 (Electricity Program Investment Charge [EPIC]) and one position for oversight of the EPIC program, proposed to be administered by the Energy Resources Development Commission. Required the CPUC to account for all positions and expenditures used to develop and adjudicate this program, with a report back to the Legislature on January 10, 2014.
- Denied \$88,000 (PUC Utilities Reimbursement Account [PURA]) and one position for expanded policy programs at the CPUC, including demand-side program facilitation and expansion.
- Denied \$231,000 and two administrative law judge positions to implement the requirements of recently passed legislation.
- Denied \$330,000 (Public Transportation Account, State Transportation Fund) to oversee the design and construction of California's High Speed Rail system.
- Approved five positions and \$391,000 for the Division of Ratepayer Advocates (DRA) for energy financial examiners, water auditors and natural gas safety workload.
- Approved trailer bill language to provide independence of the DRA from CPUC by creating the Office of Ratepayer Advocates, allowing for a separate process for budget submission outside the CPUC, and allowing the DRA to employ its own attorneys.

FOOD AND AGRICULTURE

7300 Agricultural Labor Relations Board

- Approved \$502,000 (Labor and Workforce Development Fund) and four positions to allow the board to fund location-specific personnel and travel, as required by California's diverse labor needs.

8570 Department of Food and Agriculture (CDFA)

- Approved \$577,000 (Specialized License Plate Fund) to award grants to agricultural education organizations with funds received from the sales and renewals of the specialized agriculture license plate.
- Approved \$2.5 million (Department of Food and Agriculture Fund) for two years to provide resources to enhance the Asian Citrus Psyllid and Huanglongbing Mitigation Project. The Asian Citrus Psyllid are the carriers for Huanglongbing disease, which is fatal to citrus trees.
- Approved reappropriation of funds (Public Building Construction Fund and State Highway Transportation Fund) for the Yermo Agriculture Inspection Station for acquisition, preliminary plans, working drawings and construction. Approved provisional and supplemental language to require the department to submit a new budget for the station by January 10, 2014.

TRANSPORTATION

2660 DEPARTMENT OF TRANSPORTATION

- Approved the shift of truck weight fees as the first pledge for the payment of bond debt service for certain bonds, with the “enhanced” structure designed to increase security. Approved shift of \$67 million in miscellaneous revenues to the General Fund for paying debt service for 2013-14.
- Allotted additional Proposition 1B bond appropriations across multiple departments, as follows:
 - \$80.7 million for Trade Corridors Improvement Fund
 - \$40.8 million for State Route 99
 - \$14.4 million for Local Bridge Seismic Retrofit
 - \$78.0 million for State Highway Operations
 - \$0.5 million for Grade Separations
 - \$43.8 million for Intercity Rail
- Reduced capital outlay support positions by 256, and \$36.3 million, to account for reduced workload from American Recovery and Reinvestment Act and Proposition 1B bond authority.
- Rejected Administration trailer bill language consolidating multiple programs into an active transportation program and reinstated funding for existing stand-alone programs.
- Adopted zero-based budgeting proposals; in part, for Division of Local Assistance (but retained positions related to active transportation), Division of Transportation Planning (but retained positions related to complete streets), and the Equipment Program.
- Provided an additional \$28.6 million to state-supported AMTRAK routes—Capitol Corridor, San Joaquin and Surfliner—to meet federal support requirements.

2665 HIGH-SPEED RAIL AUTHORITY

- Approved the staff management plan to increase state capacity to administer the high-speed rail project, including: 20 administration and programming positions and \$1.6 million; 44 positions and \$4.8 million for administrative and program functions, and \$4.4 million for project management and oversight activities.
- Permitted a loan of \$26.2 million from the Public Transportation Account to fund the department, pending the conclusion of the validation action with respect to the bond issuance.

2720 CALIFORNIA HIGHWAY PATROL

- Approved \$1.5 million for the department's site selection and site acquisition plan, together with reporting requirements to develop guidelines for the appropriate use of build-to-suit and capital outlay procedures for infrastructure procurement.
- Increased department funding by \$17.0 million for the purchase of three helicopters and one airplane, along with reporting language requiring a determination of the department's actual needs and acquisition plan.

HEALTH

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

- Office of the Patient Advocate. Approved request of \$184,000 (Office of Patient Advocate Trust Fund) and 1.0 two-year limited-term position to develop a Complaint Data Reporting System, as required by AB 922 (Monning, Statutes of 2011). This includes \$67,000 for ongoing technical/statistical support from the National Committee for Quality Assurance and \$12,000 to cover expenses associated with the design, translation, printing, promotion, and dissemination of the annual complaint reports and annual stakeholder preview sessions.
- Office of Systems Integration—CalHEERS. Approved \$119,150,286 in reimbursement authority to provide project management services for the design, development, implementation and operation/maintenance for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) Project.

0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

- Investment in Mental Health Wellness—Infrastructure Grants. Adopted proposal to invest in mental health wellness and approved the following:
 - Crisis Residential Treatment Beds – \$125 million one-time GF to provide grants to expand existing capacity by at least 2,000 residential rooms over two years. These funds are to be used to leverage other private and public funds.
 - Mobile Crisis Teams - \$2.5 million one-time GF to purchase vehicles to be used for mobile crisis teams and \$6.8 million ongoing (\$4 million Mental Health Services Act Fund State Administration and \$2.8 million federal funds) to support mobile crisis support team personnel.
 - Crisis Stabilization Units - \$15 million one-time GF to provide grants to increase the number of crisis stabilization units.

Approved \$500,000 in one-time Mental Health Services Act State Administration for CHFFA to develop the above-specified grant programs.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Approved as budgeted.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OHSPD)

- Investment in Mental Health Wellness—Crisis Management Training. Adopted proposal to invest in mental health wellness and provided \$2 million (Mental Health Services Act Fund State Administration), and budget bill language, to provide training in the areas of crisis management, suicide prevention, recovery planning, and targeted case management and to facilitate employment of Peer Support classifications.
- Five-Year Workforce and Education Training Plan. Approved request for \$196,000 Mental Health Services Act (MHSA, Proposition 63) Fund to contract with an independent evaluator to develop and carry out a needs assessment that will inform its required Five-Year MHSA Workforce Education and Training Plan
- Health Care Workforce Development. Approved request for extension of three limited-term positions responsible for proactive Health Professional Shortage Area, Medically Underserved Area, and Medically Underserved Population designations; and the extension of its one limited-term position responsible for continuing the implementation of the healthcare reform work plan.
- The California Endowment Grant. Approved the request for \$14 million and one staff person for the Health Professions Education Foundation for health professional scholarship and loan repayments, and \$7 million for the Song-Brown Program to provide funding to health professional training institutions to train Family Practice Physicians, Family Nurse Practitioners, and Primary Care Physician Assistants. These funds are part of a \$52 million, over four years, grant from the California Endowment.

4150 DEPARTMENT OF MANAGED HEALTH CARE (DMHC)

- Medi-Cal Dental Managed Care. Approved the Governor's proposal to convert two limited-term positions to address the increased workload attributable to the expanded oversight of the Medi-Cal Dental Managed Care (DMC) plans and the transition of the Healthy Families Program (HFP) children to the Medi-Cal DMC program. Also approved \$130,000 for consultant services.
- Coordinated Care Initiative (CCI)/Duals Demonstration Pilot Project. Approved the Governor's proposal to extend 13 positions, add 3.5 new limited-term positions, and \$334,000 for consultant services, to address the new workload attributable to the evaluation of plan readiness and oversight of health plans for the Duals Demonstration Pilot Project/Coordinated Care Initiative.
- Medi-Cal Managed Care Rural Expansion. Approved request for four positions and \$325,000 in consultant services to address the workload associated with the expansion of Medi-Cal managed care into 28 rural counties, as required by AB 1468 (a 2012 budget trailer bill).
- Health Benefit Exchange. Approved request for three 18-month limited-term positions for DMHC's Division of Licensing and five 12-month limited-term positions for DMHC's Help Center to address workload associated with enrolling consumers into licensed managed care

plans and licensure/expansion of health plans participating in the California Health Benefit Exchange.

- Affordable Care Act (ACA). Approved request to convert 13.0 limited-term positions to permanent and add one new permanent position to address permanent workload resulting from implementation of the ACA.
- Network Adequacy Assessment of Healthy Families Program Transition. Approved request for four limited-term positions to address the increased workload attributable to the network adequacy assessments required for each of the four phases of the Healthy Families Program transition to Medi-Cal.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS (DADP)

- Transfer of DADP Functions. Adopted trailer bill language to complete the elimination of the Department of Alcohol and Drug Programs and the transfer its substance use disorder programs to the Department of Health Care Services and the Office of Problem Gambling to the Department of Public Health. Adopted additional trailer bill language to (1) continue stakeholder involvement and input, and (2) continue legislative oversight of this administrative transfer.

4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- Adult Dental Benefits. Restored Medi-Cal Adult Dental Benefits for \$262 million (\$131 million GF). These benefits were eliminated as an “optional” Medi-Cal benefit in 2009, due to the state’s fiscal crisis. With the expansion of Medi-Cal to certain childless adults, under federal health care reform, the state will take advantage of 100 percent federal funding (for the first three years) for these new enrollees. The federal government would be paying for 100 percent of the costs associated with the restoration of Adult Dental Benefits for the newly eligible.
- Applied Behavioral Analysis Benefits. Augmented the Medi-Cal budget by \$100 million total funds (\$50 million GF) and adopted placeholder trailer bill language to add applied behavioral analysis (ABA) services to Medi-Cal managed care for children ineligible for regional center services. This funding is intended for the budget year as a short-term solution. In the long-term, SBX1 1 (Hernandez and Steinberg) and ABX1 1 (Perez) propose to make the current Medi-Cal benefit package for existing enrollees comparable to the Medi-Cal benefit package for the Medi-Cal expansion. Federal law requires that the benefit package for the Medi-Cal expansion include the Essential Health Benefits, which includes behavioral services such as ABA.
- ACA – “Optional” Medi-Cal Expansion. Approved Governor’s proposal for \$1.5 billion federal funds and \$21 million GF to implement the optional Medi-Cal expansion. Approved \$26.4 million GF savings as a result of shifting pregnant women to Covered California, with Medi-Cal covering any cost-sharing and benefits not included under coverage obtained via Covered

California and \$5.4 million GF savings as a result of shifting newly qualified immigrants to Covered California, with Medi-Cal covering any cost-sharing and benefits not included under coverage obtained via Covered California. These actions were taken with the understanding that the Medi-Cal benefit package and all eligibility issues will be addressed in the Special Session through SBX1 1 (Hernandez and Steinberg) and ABX1 1 (Perez).

- ACA – Financial True-Up Mechanism. Adopted modified placeholder trailer bill language regarding the establishment of a fiscal true-up mechanism to share in potential savings resulting from the shifting of individuals previously covered through county indigent health programs to the Medi-Cal program under the expansion. The Legislature’s mechanism would take into consideration the differences between counties (e.g., public hospital counties and County Medical Services Program counties) and would ensure counties maintain adequate funding for ongoing indigent care, public health responsibilities, and infrastructure development.
- ACA – “Mandatory” Medi-Cal Expansion. Adopted the Legislative Analyst’s Office (LAO) estimate of \$104 million GF for the costs associated with individuals already eligible for Medi-Cal enrolling into the program as a result of eligibility and redetermination streamlining provisions in the ACA. The LAO’s estimates are based on research and adhere to a generally accepted methodology.
- ACA – MAGI Conversion Standard. Adopted placeholder trailer bill language to require the Administration to develop a “true-up” mechanism to identify GF savings as a result of the state receiving an enhanced federal matching rate for currently enrolled individuals that exceed the MAGI conversion standard. This language would direct the GF savings to be used to invest in health, mental health, and substance use disorder services.
- ACA – County Eligibility Processing. Approved Governor’s proposal to (1) provide an additional \$71.9 million GF for increased county costs to implement the ACA, (2) provide \$15.4 million GF for a cost of doing business increase for county staff who perform tasks as part of the Medi-Cal eligibility process, and (3) allow a rollover of current year Medi-Cal eligibility processing costs to the budget year (this is estimated to be between \$15 to \$35 million GF). Additionally, the Legislature provided, on a one-time basis, the ability to rollover no more than \$20 million in unspent funds from the current year CalWORKs single allocation to county administration with a maximum of \$120 million GF provided to county eligibility processing.
- ACA – Enhanced Federal Funds for Preventive Services and Adult Vaccines. Increased GF savings to \$12.5 million a result of enhanced federal funding available for preventive services and adult vaccines to also account for the savings in the Medi-Cal managed care. Governor’s estimate only included \$2.5 million savings from fee-for-service. Adopted trailer bill language necessary to exempt these services from cost-sharing in order to be eligible for this enhanced federal funding percentage.
- ACA – Medi-Cal Enrollment Assistance and Outreach Grants. Adopted trailer bill language to require DHCS to accept a grant from the California Endowment for Medi-Cal Enrollment Assistance (\$14 million) and Medi-Cal Outreach and Enrollment Grants to Community-Based

Organizations (\$12.5 million) and obtain \$26.5 million in matching federal funds for these purposes.

- Managed Care Organization Tax. Modified Governor's proposal regarding the managed care organization tax to only extend the tax until June 30, 2015 (the Governor requested a permanent extension). In 2012-13, the tax rate would be equal to the gross premiums tax (2.35 percent) to generate \$128.1 million GF savings. The current year revenues would be directed to the Healthy Families Program. In 2013-14 and 2014-15, the rate would be equal to the state sales and use tax rate (3.9375 percent) and would generate about \$342.9 million in GF savings. In the budget year, it is projected that the MCO tax would generate \$644 million in revenue. Half of these funds would be used to draw down federal Medi-Cal funds and then used to pay back Medi-Cal managed care plans. And the other half of these funds would be used to offset GF expenditures for Medi-Cal managed care rates for children, seniors and persons with disabilities, and dual eligibles.
- Coordinated Care Initiative (CCI)/Duals Demonstration Pilot Project. Approved savings of \$119.6 million GF from the CCI and the extension of one position. Adopted placeholder trailer bill language to extend Medicare special needs plan contracts to ensure continuity of care. Referred Administration's proposed CCI trailer bill language to policy committee, as CCI will be implemented no sooner than January 1, 2014.
- Eliminate Physician and Clinic Seven Visit Cap. Adopted placeholder trailer bill language to eliminate the seven visit cap on physician and clinic visits, as it is evident that this would not be approved by the federal CMS.
- Family Planning Services. Rejected the Governor's proposal to change the Family Planning, Access, Care and Treatment (FPACT) program benefits for \$9.7 million GF savings, as justification for these changes had not been provided to the Legislature and most of these benefits receive enhanced federal matching funds.
- AIM-Linked Infants Transfer to DHCS. Adopted the Governor's proposal to transition AIM-linked infants, born to women whose income is from 250 to 300 percent of the federal poverty level, to DHCS.
- Hospital Quality Assurance Fee. Approved \$310 million in GF savings as a result of the extension of the Hospital Quality Assurance fee for the second half of the fiscal year. SB 239 (Hernandez and Steinberg) proposes to extend the fee, which sunsets December 31, 2013.
- Distinct-Part Nursing Facilities. Restored \$32 million GF to be applied prospectively to the rates for distinct-part nursing facilities. These facilities' rates were disproportionately impacted by the AB 97 (Statutes of 2011) provider rate reductions in that their rates were frozen at 2008-09 levels and a 10 percent reduction was applied to the 2008-09 rates. This restoration would undo the rate freeze on a prospective basis.
- Non-Designated Public Hospitals (NDPH) Reimbursement Methodology. Adopted the Governor's proposal to withdraw its change in NDPH reimbursement methodology, as it

appears that the federal CMS is not willing to approve this change. This results in an increase of \$94.7 million GF. (The proposed change in methodology was approved in the 2012 budget.) Rejected the Governor's request for positions related to the change in NDPH reimbursement methodology as this proposal has been withdrawn.

- Transparency of State Plan Amendments (SPAs) and Waivers. Adopted trailer bill language to require DHCS to post on its website proposed SPAs, waiver amendments, and waiver renewals that it has submitted to the federal government. This would provide legislative staff and stakeholders with the opportunity to review and comment on the state's implementation of policy.
- Medi-Cal Managed Care and Early and Periodic Screening, Diagnostic and Treatment (EPSDT). Adopted placeholder trailer bill language to incorporate the measuring and evaluating of Medi-Cal managed care plans' screenings for mental health needs and their referrals for these services (to both Medi-Cal fee-for-service providers and county mental health plans) into the EPSDT performance outcome system. This effort would be informed by stakeholders, and a plan for the incorporation of these factors into the outcome system would be due to the Legislature by October 1, 2014
- Transfer of Licensing of Mental Health Facilities to DHCS. Adopted the Administration's proposal to transfer permanent positions and expenditure authority from the Department of Social Services (DSS) to DHCS for licensing and quality improvement functions related to mental health services.
- Medi-Cal Specialty Mental Health. Approved \$1.8 billion federal funds and \$33.4 million GF for Medi-Cal Specialty Mental Health Services.
- Drug Medi-Cal. Approved \$202.1 million (\$92 million federal funds and \$110 million local funds) for the Drug Medi-Cal program.
- Medi-Cal Coverage of County Medical Parole and Compassionate Release. Approved Governor's proposal for one position to implement SB 1462 (Leno, Statutes of 2012), which provides Medi-Cal to eligible county inmates on medical parole and inmates granted compassionate release. Adopted placeholder trailer bill language to ensure the cost neutrality of SB 1462.
- Managed Care Efficiencies. Approved the Governor's May Revision request to withdraw a January budget proposal to implement Medi-Cal managed care efficiencies for \$135 million GF savings. It was unclear how the Administration planned to implement this proposal and it was unclear how this proposal would have impacted quality and access to care.
- Lock-In at Annual Open Enrollment. Rejected the Governor's proposal to establish an annual enrollment period for Medi-Cal; whereby, an enrollee could only change plans once a year.

4265 DEPARTMENT OF PUBLIC HEALTH (DPH)

- AIDS Drug Assistance Program (ADAP). Modified the Governor's estimate for ADAP to more appropriately consider the transition of ADAP clients to Medi-Cal and Covered California as part of the federal Affordable Care Act (ACA). Adopted trailer bill language to require notification to the Legislature if there is any potential risk of the ADAP program's inability to provide services within its appropriation.
- Licensing and Certification. Approved Governor's proposal to add an additional 21 positions to address workload associated with state licensing surveys.
- Infant Botulism/BabyBIG. Adopted placeholder trailer bill language requiring DPH to submit a plan to the Legislature on how it will address the findings and recommendations from its review of the BabyBIG program to ensure that an adequate supply of the vaccine is available to meet demand.
- Small Water System Technical Assistance Unit. Approved request for seven permanent positions and \$2.7 million in contract funds to address small community water systems that are currently not in compliance with primary drinking water quality standards.

4280 MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)

- Approved as budgeted.

4440 DEPARTMENT OF STATE HOSPITALS (DSH)

- Stockton Facility Activation. Adopted the Governor's proposal of \$67.5 million GF for the activation of 514 beds at the new California Health Care Facility (CHCF) in Stockton (a total of \$114.9 million including full-year costs of existing positions authorized in 2012-13). At CHCF, DSH will be responsible for 514 licensed and Joint Commission accredited beds, which will be known as the Stockton Psychiatric Program. These beds will include 432 intermediate level-of-care beds for high-level (custody level IV) inmates and 82 acute level-of-care beds, which will serve inmates of all custody levels.
- Personal Duress Alarm System. Adopted the Governor's proposal for \$16.6 million GF and four positions to install and support the Personal Duress Alarm System (PDAS) at Atascadero State Hospital and Coalinga State Hospital, and to complete the PDAS project at Metropolitan State Hospital and Patton State Hospital.
- Office of Audits. Adopted the Governor's proposal for \$529,000 GF and 4.5 positions to staff a new Office of Audits within DSH. This new office will dedicate one auditor to each of the major areas in administrative services: accounting, budgets, contracts, purchasing and personnel and allow for a representative sampling of work to be reviewed from each facility on an annual basis.

**4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY
COMMISSION**

- Investment in Mental Health Wellness—Triage Personnel. Adopted proposal to invest in mental health wellness and provide ongoing funding of \$54 million (\$32 million Mental Health Services Act (MHSA) State Administration and \$22 million federal) to add 600 triage personnel in select rural, urban, and suburban regions.
- Investment in Mental Health Wellness—Involuntary Commitment Guidelines. Adopted proposal to invest in mental health wellness and provided \$400,000 (one-time MHSA State Administration) to develop consensus guidelines and best practices for involuntary commitment care and provide applicable training, including involvement of peace officers. Adopted budget bill language to direct this funding.
- Evaluation Master Plan. Approved \$947,000 and six positions to begin implementation of the Mental Health Services Act (MHSA, Proposition 63) Evaluation Master Plan.

HUMAN SERVICES

0530 Office of Systems Integration (OSI)

1. Approved a requested increase of \$76.8 million (\$5.9 million GF and \$71.0 million reimbursements) for enhanced call center functionality to support the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)/health care reform implementation, and interface development, as well as implementation of interactions between the Statewide Automated Welfare System (SAWS) consortia and CalHEERS. Increased funding would also allow for modifications to the SAWS consortia system to allow for interfaces between CalHEERS and SAWS.
2. Approved changes to the budget for the Case Management, Information, and Payrolling System (CMIPS) II system, including shifts of funds between fiscal years to reflect delays that have occurred, authority for 4.5 additional positions, and increases or decreases in specified costs.

See related items for Automation Projects under the Department of Social Services below.

4170 California Department of Aging (CDA)

Approved as budgeted.

4300 Department of Developmental Services (DDS)

Developmental Centers

1. With respect to Sonoma Developmental Center (SDC):
 - a) Approved increases of \$7.4 million GF in 2012-13, and \$15.7 million GF in 2013-14, to backfill for federal funding lost as a result of the withdrawal of four residential units within SDC from federal certification, in the wake of findings of abuse, neglects, and lapses in caregiving at the facility;
 - b) Approved an increase of \$2.4 million (\$1.3 million GF) and authority for 36 new positions on a two-year, limited-term basis, to be reevaluated at the end of that period;
 - c) Approved requested funding of \$300,000 (\$200,000 GF) in 2012-13, and \$2.5 million (\$1.7 million GF) in 2013-14, to fund a contract with an Independent Consultative Review Expert (ICRE), as required by a Program Improvement Plan (PIP) the state entered into with the federal government;

- d) Rejected proposed budget bill language that would have given authorization for the administration to expend up to \$10 million on costs, not yet identified, that may be associated with the results of the ICRE review; and
 - e) Directed the department to provide quarterly briefings to update legislative staff regarding implementation of corrective actions and the PIP for the facility, as well as its staffing and the collaboration between DDS and regional centers regarding required assessments of residents' needs.
2. With respect to Lanterman Developmental Center (LDC):
- a) Given the anticipated timeline for closure of the facility, approved funding for 88 requested, enhanced positions on an 18 month, limited-term basis;
 - b) Directed the department to provide quarterly briefings to Legislative staff on the meeting of milestones and timelines as previously outlined by the department;
 - c) Adopted uncodified trailer bill language to reflect the department's anticipated timeframe for closure of the facility in the Fall of 2014 (no later than December 31, 2014); and
 - d) Adopted trailer bill language to remove the previously enacted, two-year time limitation on the Community State Staff program associated with the closure.
3. Created a requirement, in uncodified trailer bill language, for the administration to submit a master plan for the future of developmental centers, which it has committed to producing by November 15, 2013, to the Legislature, by that same date. In the preparation of this plan, the administration shall consult with a cross-section of stakeholders, as specified. Further, created a requirement for the administration to report, by January 10, 2014, to the Legislature regarding the administration's resulting plans to meet the needs of all current developmental center residents, and to ensure the delivery of cost-effective, integrated, and quality services for this population.
4. Adopted trailer bill language proposed by advocates to:
- a) Clarify that existing restrictions on use of Institutions for Mental Disease (IMDs), enacted in trailer bill language last year (AB 1472, Chapter 25, Statutes of 2012) applies irrespective of the age of the individual with a developmental disability;
 - b) Strengthen existing provisions, also established in AB 1472, that require regional centers to conduct comprehensive assessments of the needs of developmental center residents; and
 - c) Ensure that clients' rights advocates will be notified of specified circumstances in which their involvement might be helpful.

Community Services

1. Allowed the 1.25 percent rate reduction applicable to regional centers and service providers in 2012-13 to sunset as previously scheduled on June 30, 2013. As a result, approved an increase of \$46.7 million (\$31.9 million GF).
2. Approved increases of \$15 million GF in 2012-13, and \$9.9 million GF in 2013-14, to support payments by regional centers of health insurance co-pays and co-insurance payments tied to accessing services identified as necessary in the consumer's Individual Program Plan. Correspondingly, adopted proposed trailer bill language to specify the conditions under which regional centers would be authorized to make such co-payments going forward, and to prohibit payment by regional centers of costs associated with insurance deductibles.
3. Adopted approximately \$3.8 million GF savings, and corresponding trailer bill language, to eliminate the sunset date on the required payment of annual fees of \$150 or \$200 by families with children under the age of 18, living at home, who receive services from regional centers beyond eligibility determination, needs assessment, and service coordination.

4700 Department of Community Services & Development (CSD)

Approved as budgeted.

5160 Department of Rehabilitation (DOR)

Approved as budgeted, including the transfer in 2013-14 of \$909,000 and responsibilities for administering the federally-funded Client Assistance Program from DOR to Disability Rights California.

5170 State Independent Living Council

Approved as budgeted.

5175 Department of Child Support Services

Approved a request for a decrease of \$276,000 GF, which stems from the department receiving an additional \$276,000 in Federal Performance Basic Incentive Funds, due to a higher than originally forecasted level of performance.

5180 Department of Social Services*CalWORKs and CalFresh*

1. Adopted a transfer of approximately \$600.4 million in Temporary Assistance to Needy Families funding to the California Student Aid Commission, to be used for Cal Grants expenditures. The funds will be swapped, dollar for dollar, to redirect an equal amount of General Fund monies that would have been spent on Cal Grants to instead be spent on specified California Work Opportunity and Responsibilities to Kids (CalWORKs) expenditures. Because of a change adopted in the methodology for determining the amount of the transfer (to eliminate the portion of the transfer that would have resulted in the state exceeding its required maintenance of effort), it is lower than the amount proposed by the Governor (\$924 million in the May Revision).
2. Approved a proposed methodology change, and corresponding \$142.8 million adjustment to CalWORKs employment services funding.
3. Approved an increase of \$48.3 million GF in 2013-14, intended to improve early engagement and barrier removal processes and supports within the CalWORKs program, and to expand subsidized employment opportunities for CalWORKs Welfare-to-Work participants. The increased funding will allow counties to perform more robust appraisals in order to identify the services that can best benefit program participants, which could include family stabilization services, barrier removal services, and employment services. Correspondingly, approved a one-time increase of \$600,000 GF to support necessary automation changes associated with the proposal. Additionally, adopted related placeholder trailer bill language to make necessary statutory changes associated with these policies. The need for changes to early engagement and barrier removal efforts included within the program was identified as a critical component of the 2012-13 budget agreement.
4. Rejected the programmatic aspects of the administration's human services realignment proposal, which would have resulted, over time, in counties taking on more fiscal and programmatic responsibility for CalWORKs and CalWORKs child care (including stages one, two, and three), and potentially CalFresh administration costs as well. Instead, to the extent that the Senate takes actions with respect to health care reform that result in an amount of 1991 realignment funding that could become available to offset General Fund, adopted a fiscally-based transaction to create corresponding General Fund savings (e.g., by using those funds for CalWORKs grants, CalFresh administration, or other programs).
5. Approved a one-year extension of authority for counties to access CalFresh administration funding without requiring a county-fund match above and beyond an existing Maintenance of Effort requirement.

Child Welfare Services

1. With respect to the utilization of group homes:
 - a) Adopted trailer bill language to extend, through 2013-14, an existing moratorium, without exceptions, on applications and requests for rate changes for group homes with rate classification levels of one through nine;
 - b) Adopted trailer bill language to clarify some concrete reforms with respect to the use of group homes that should take effect in the shorter term; and
 - c) Approved a related request for \$249,000 (\$166,000 GF) and authorization to make one limited-term position at DSS permanent.
2. Adopted proposed adjustments to the Foster Family Home and Small Family Home Insurance (FSH) Fund, including a one-time transfer of \$2.3 million from the FSH Fund to the General Fund to return excess surplus funds, as identified by the administration, that have accumulated because recent expenditures have been lower than budgeted.

Community Care Licensing

1. Approved \$470,000 (\$385,000 GF) and authority for four limited-term positions to implement a matching and investigations system designed to detect and remedy the illegal presence of registered sex offenders in DSS-licensed facilities that serve children and adults.

In-Home Supportive Services (IHSS)

1. Authorized an eight-percent across-the-board reduction to IHSS recipient hours, pursuant to a recent settlement agreement in ongoing litigation over several prior reductions to the program that did not take effect. The eight-percent reduction is scheduled to begin July 1, 2013, and to last for one year. This reduction is anticipated to result in net savings of \$444.3 million (\$176.4 million GF) in 2013-14. In 2014-15, and on an ongoing basis, there would be an across-the-board reduction of seven percent, unless it is partially or fully “triggered off” by the state obtaining federal approval for an assessment on home care services that draws down additional federal funds.
2. Repealed the prior reductions that were the subject of the legal settlement described above, which included the following policies:

| Policy | Name of Lawsuit Enjoining Policy from Taking Effect |
|--|---|
| Loss of eligibility for individuals with assessed needs below specified thresholds | <i>Oster (V.L.) v. Lightbourne, et al. (Oster I)</i> |
| Across-the-board reduction of 20 percent of authorized hours, with exceptions as specified | <i>Oster (V.L.) v. Lightbourne, et al. (Oster II)</i> |
| Reduction in state participation in provider wages (from maximum of \$12.10 to \$10.10 per hour) | <i>Dominguez v. Schwarzenegger, et al.</i> |

2. Included \$76.5 million GF in costs shifted from the counties to the state as a result of changes in the financing of IHSS (i.e., the Maintenance of Effort requirement that took effect July 1, 2012).
3. Approved funding and positions associated with workload related to new Community First Choice Option quality assurance/quality improvement requirements, and implementation of the Coordinated Care Initiative (Cal MediConnect).

Automation Projects and Other Issues

1. Increased the budget for the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS) to reflect a full year of design, development, and implementation activities, as well as enhanced federal financial participation related to health care reform, which resulted in General Fund savings.
2. Approved \$10.3 million (\$4.6 million GF) for planning activities associated with development of the Child Welfare Services- New System project. Of this total, \$4.3 million (\$1.9 million GF) will support staffing at OSI and DSS.
3. Provided funding and authority for 24 new, permanent administrative law judges, and corresponding funding for 17 administrative support staff, to handle increased state hearings workload.
4. Approved an increase of \$379,000 in reimbursements to support two new, limited-term positions (expiring June 30, 2015), and one existing position, to analyze social services program impacts associated with federal health care reform.

See related items listed under OSI above.

STATE ADMINISTRATION

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

- Approved the Governor's proposal to transfer the Public Safety Communications Office from the Technology Agency to the California Emergency Management Agency.

0840 STATE CONTROLLERS OFFICE

- Provided the State Controller's Office with the funds for two months necessary to reconcile pay differences for the 1,300 State Controller's Office employees that were subject to the initial pilot of the 21st Century Project for two months. The remaining funds will be provided upon completion of an oversight hearing. Request was revised to provide \$14.5 million for reconciliation and an assessment related to the project, that has yet to be conducted.

0860 STATE BOARD OF EQUALIZATION

- Approved approximately \$1.0 million in funding to advance the department's e-services including e-registrations and other services.
- Adopted trailer bill language that allows for reimbursement of attorney's fees on tax cases only under the tax code, and limited to an hourly fee ceiling.
- Increased funding for the department by \$1.3 million and four positions to provide needed resources to collect the expanded Hazardous Waste Fee.
- Increased resources for the department by \$7.6 million and 68 positions to allow for the collection of increased accounts receivable. The measure is expected to result in additional revenue of over \$30.5 million in total state and local revenues.

0890 SECRETARY OF STATE

- Approved \$5.68 million (business fees funds) in 2013-14 to address business filings backlogs at the Secretary of State.

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

- Approved expenditure authority of licensing and prescribing boards, within the Department of Consumer Affairs, by \$3.35 million. The increased expenditure authority will go towards the development of an updated prescription drug monitoring program, administered by the Department of Justice.
- Increased expenditure authority for the Bureau of Private Postsecondary Education by \$853,000 to address the licensing backlog at the Bureau. Additionally, temporarily suspended the statutory reserve limit until January 1, 2015, to allow the regulatory process to adjust fee assessments, as needed.

1730 FRANCHISE TAX BOARD

- Adopted the Administration's proposed trailer bill for Job Creation and Economic Development, using resources currently devoted to enterprise zone credits and new jobs credit. The new program would be revenue neutral and provide for a sales tax exemption for certain equipment purchases, a hiring credit that could be used in disadvantaged areas, and investment incentives administered by the Governor's Office of Business and Economic Development (GO-Biz).
- Approved funding of \$152.1 million for the continuing development of the department's major database management and retrieval system. The project is benefits funded (meaning the vendor is only paid if estimated revenues are actually received) and is expected to greatly enhance the tax compliance and enforcement.
- Adopted trailer bill languages that allows for reimbursement of attorney's fees on tax cases, only under the tax code, and limited these to an hourly fee ceiling.
- Approved trailer bill language that would require taxpayers who engage in an out-of-state Section 1031 like-kind exchange (and the associated deferral of capital gains), to file an annual report with the Franchise Tax Board.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Approved the Governor’s proposal for a one-time baseline adjustment of \$25 million to provide for Proposition 1C funds for the Housing Related Parks Program.

7502 CALIFORNIA TECHNOLOGY AGENCY

- Approved the Governor’s proposal to transfer information technology-related procurement authority from the Department of General Services to the Technology Agency.

7760 DEPARTMENT OF GENERAL SERVICES

- Approved a permanent augmentation of \$1.07 million to the Motor Vehicle Parking Facilities Account to address structural and mechanical deficiencies throughout the state.

8620 FAIR POLITICAL PRACTICES COMMISSION (FPPC)

- Approved \$350,000 to fund 6.0 limited term positions in support of an unanticipated workload stemming from the Kindee Durkee embezzlement case. The FPPC has experienced a greater number of audits, and a significantly larger workload, for the legal division within the FPPC.

8885 COMMISSION ON STATE MANDATES

- Approved the funding of various state mandates related to property taxes and public safety at a cost of \$48.4 million.
- Suspended various mandates imposed on local governments, that have been previously suspended, for savings of \$408.7 million. Suspended five more mandates with cost estimates for “reserve builders” for savings of \$110.0 million. Suspended two additional mandates without cost estimates, but maintained the Tuberculosis Control or Child Abuse and Neglect Investigation Reports mandates.
- Repealed five mandates, by making them permissive, relating to activities conducted by local governments that should be best practices. These mandates have been suspended since 1992.

8940 CALIFORNIA MILITARY DEPARTMENT

- Approved a request for the use of \$815,000 in Mental Health Services Act funds to support the Military Department's efforts in addressing behavioral health needs of the Military Department.

9210 LOCAL GOVERNMENT FINANCING

- Approved one-time funding for the counties of Alpine, Amador and San Mateo of \$1.8 million, where funds available in the Educational Revenue Augmentation Fund are insufficient to make these counties whole as a result of the Triple Flip and the Vehicle License Fees (VLF) swap.

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

- Approved the Governor's funding level for 2013-14 bond debt-service costs. The General Fund costs total \$5.1 billion. Not included in these figures is \$1.5 billion for the Economic Recovery Bonds that are repaid with a dedicated one-quarter cent of the sales tax.
- Assumed the Fall issuance of an additional \$2.0 billion in General Obligation bond debt for the states infrastructure requirements.

9620 CASH MANAGEMENT AND BUDGETARY LOANS

- Assumed the issuance of a \$7 billion Revenue Anticipation Note (RAN), to be repaid within the 2013-14 fiscal year, to cover the state's cash flow requirements; and incorporated interest costs of \$60 million.
- Incorporated the Administration's assumptions on internal cash-flow borrowing and the associated interest costs of \$40 million.
- Approved \$31.5 million in GF interest costs related to budgetary borrowing, which are multi-year loans to the General Fund from special funds. Incorporated proposal to pay off about \$560 million in internal borrowing.

VETERANS AFFAIRS

8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved a net GF increase of \$51.0 million for all of the Veterans Homes of California (VHCs), including an augmentation of \$24 million for the activation of the Fresno and Redding Veterans Homes.
- Appropriated \$500,000 General Fund to provide the California Department of Veterans Affairs with six additional staff to support federal efforts to reduce the claims backlog within the state.
- Provided \$2.5 million General Fund loan to the California Department of Veterans Affairs in order to begin the construction of the Central Coast Cemetery at Fort Ord. The state will be reimbursed by the U.S. Department of Veterans Affairs upon completion of the project.

LABOR

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

- Approved \$261.5 million General Fund for payment to the federal government on the quarterly loans the EDD has been obtaining from the federal government, since January 2009, to cover the Unemployment Insurance (UI) Fund deficit and ensure that payments to UI claimants is without interruption.
- Approved a decrease of \$55.3 million in federal Workforce Investment Act (WIA) discretionary funding.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

- Approved \$152.9 million (\$146.5 million ongoing) and 82 positions from the Workers' Compensation Revolving Fund (including \$13 million in reimbursement authority) to implement Chapter 363, Statutes of 2012, which enacted comprehensive reforms to the state's workers' compensation system. Rejected related budget bill provisional language that would allow the Administration to increase funding for the Return to Work program to pay claims that exceeded the \$120 million appropriation in Chapter 363.
- Adopted trailer bill language requiring the Department of Industrial Relations to utilize existing statutory authority to implement a fee, no later than March 31, 2014, that will support at least 15 new staff to perform process safety management throughout the state and ensure refinery safety.

PUBLIC EMPLOYMENT AND RETIREMENT

6645 and 9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved budget bill provisional language to authorize CalPERS to correct a defined set of errors in the calculation of service credit for the vesting of post-retirement health and dental benefits that occurred prior to the implementation of the MyCalPERS system, as modified to place a limit on funding available for this purpose in 2013-14 and incorporate a legislative reporting requirement.

7501 DEPARTMENT OF HUMAN RESOURCES

- Rejected request for \$821,000 (\$468,000 General Fund) to continue implementation of the Examination and Certification Online Systems Project, due to cost overruns and an extensive slip in the schedule.
- Directed both the Department of Human Resources and the State Personnel Board to the release their findings to the Legislature related to its review of additional appointments for managers and supervisors. Additionally, require the Administration to submit to the Legislature, as part of the Governor's 2014-15 January Budget, a statutory solution to address the issue surrounding additional appointments, and a plan for the State Personnel Board to update the human resources manual.
- Approved \$282,000 GF and \$281,000 (federal funds) to support four positions necessary to begin implementation of Chapter 45, Statutes of 2012, a budget trailer bill pertaining to the In-Home Supportive Services (IHSS) Employer-Employee Relations Act.

7503 STATE PERSONNEL BOARD

- Approved as budgeted, including budget trailer bill language to authorize the board to bill departments, on a pro rata basis, for the costs of its Compliance Review Audit Program, and incorporate a legislative reporting requirement.

- Directed both the Department of Human Resources and the State Personnel Board to release their findings the Legislature related to its review of additional appointments for managers and supervisors. Additionally, require the Administration to submit to the Legislature, as part of the Governor's 2014-15 January Budget, a statutory solution to address the issue surrounding additional appointments, and a plan for the State Personnel Board to update the human resources manual.

7920 STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)

- Approved an increase of \$2.1 million GF, over the Governor's January budget level, due to an increase in the creditable compensation reported by the California State Teachers' Retirement System (CalSTRS) for fiscal year 2011-12, which increases the GF retirement contribution for fiscal year 2013-14. The 2013-14 GF contribution to the CalSTRS system is \$1.37 billion.

CORRECTIONS AND REHABILITATION

5225 Department of Corrections and Rehabilitation (CDCR)

- Rehabilitative Programs Reappropriation. Approved the reappropriation of rehabilitative program funding to support initiatives that have proven to be effective in providing rehabilitative programs and reducing inmate recidivism, pilot programs to assess their effectiveness, and efforts to enhance CDCR's ability to provide inmate rehabilitative programs. These initiatives include:
 - Up to \$5.4 million for maintenance and upgrades of classroom and rehabilitative programming spaces. The department is required to use inmate ward labor to the extent possible, and report to the Legislature, no later than January 10, 2015, on the extent to which inmate ward labor was used.
 - At least \$5.0 million for a three-year re-entry pilot project program for locals to receive inmates 60 days prior to release in order to provide services prior to reentry in the community. Counties participating in this program are required to report on the outcomes of the program.
 - At least \$4.4 million for a pilot project to provide a fiscal incentive for successful participation in vocational programs conducted within the CDCR's 33 correctional institutions. The department is required to submit its plan for the distribution of these fiscal incentives, including the criteria an inmate must meet to receive an incentive payment, to the Legislature no later than January 10, 2014.
 - Up to \$3.1 million for the CDCR to contract with the Prison Industry Authority (PIA) to support its Career Technical Education program. The PIA is required to provide an annual report to the Legislature and the Department of Finance, no later than January 10th of each year, detailing all of its projected expenditures and revenues for the current fiscal year.
 - At least \$2.3 million to support Parolee Reentry Courts.
- Parole Mental Health and Medi-Cal Expansion. Approved \$7.2 million to increase funding for the Transitional Case Management Program for additional workers to increase Medi-Cal enrollment of inmates prior to release from prison, and increase funding for the Integrated Services for Mentally Ill Offenders Program to increase the programs capacity to serve mentally ill parolees, prioritizing those that are at-risk of homelessness, from 300 up to 1,000. This proposal has no net impact to the General Fund as the costs are offset by savings resulting from the increase in parolees enrolled in Medi-Cal.
- Sex Offender Treatment for Non-High Risk Sex Offenders. Adopted the Governor's proposal for \$5.0 million (increasing to \$12.4 million in 2014-15) to allow the CDCR to contract for sex offender treatment for both high risk and non-high risk sex offender parolees, as required by Chapter 219, Statutes of 2010 (AB 1844), also known as "Chelsea's Law."

JUDICIARY

0250 Judicial Branch

- Trial Court Reserves. Approved trailer bill language to increase the amount of funds that a trial court is authorized to carryover, from one fiscal year to the next, to 12 percent. In addition, adopted the exclusion of certain obligations from the calculation of the 12 percent carryover.

As part of the 2012-13 budget package, in response to the Administration's proposal to eliminate trial court funding reserves, the Legislature approved legislation to change the trial court reserve policy, which currently allows trial courts to retain unlimited reserves. Specifically, under the 2012-13 change, beginning in 2014-15, each trial court would only be allowed to retain reserves of up to one percent of its prior-year operating budget. Subsequently, the Judicial Branch and numerous trial courts have expressed concern that limiting the reserve to one percent would create significant cash flow and cash management issues for courts.

- Judicial Branch Funding Restoration. Approved an augmentation \$100 million to support court operations. Of this amount, \$94 million is to support trial courts and \$6 million is to support the Court of Appeals, the Supreme Court, and the Habeas Resource Center. Over the last five years, significant funding reductions have impacted court operations, including vital services to the public.
- Public Private Partnership Projects. Adopted trailer bill language to require the Judicial Council to report to the Legislature on aspects of the Long Beach courthouse project in order to assess the value of the project delivery method. The Long Beach courthouse project was delivered utilizing a Public Private Partnership (P3), and is the first time a P3 has been used to construct a courthouse in California. In addition, adopted trailer bill language to require the development and adoption of best practices for P3 projects, as recommended by the Legislative Analyst's Office in a November 2012 report (Maximizing State Benefits From Public-Private Partnerships).