

SUBCOMMITTEE NO. 4

Agenda

Senator Michael J. Rubio, Chair
Senator Noreen Evans
Senator Doug La Malfa



Thursday, February 10, 2011
9:30 a.m. or Upon Adjournment of Session
Room 112

Consultant: Seija Virtanen

PART C

Item Number and Title

1100	California Science Center
1110	Department of Consumer Affairs, Boards
1111	Department of Consumer Affairs, Bureaus
2400	Department of Managed Health Care

(See Table of Contents on page 2 for a More Specific Listing of Issues)

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AGENDA – VOTE ONLY ITEMS

(Please see summary chart on Page 3)

<u>Item</u>	<u>Department</u>	<u>Page</u>
1111	Department of Consumer Affairs	4
	Issue 1 – Bureau of Automotive Repair: Consumer Assistance Program Funding Realignment and Augmentation.....	4
2400	Department of Managed Health Care	5
	Issue 2 – Health Care Reform	5

AGENDA – DISCUSSION / VOTE ITEMS

<u>Item</u>	<u>Department</u>	<u>Page</u>
1100	California Science Center	6
	Issue 1 – Unallocated Budget Reduction.....	6
1110	Department of Consumer Affairs	8
	Issue 4 – Board of Accountancy and Dental Board: Loan Repayment	10
2400	Department of Managed Health Care	11
	Issue 1 – Senate Bill 1163 Premium Rate Review	11

Issues Proposed for Vote Only:

	Issue	2011-12 Amount	Fund Source	Staff Recommendation
Department of Consumer Affairs, Bureaus (1111)				
1	Bureau of Automotive Repair: Consumer Assistance Program Funding Realignment and Augmentation	\$22.157 million and 12.3 PY; -\$7.693 million and reduce 8 PY	Special Funds	APPROVE
Department of Managed Health Care (2400)				
2	Health Care Reform	\$1.4 million	Special Funds	APPROVE

Vote:

Issues Proposed for Vote Only – Issue Descriptions

DEPARTMENT OF CONSUMER AFFAIRS, BUREAUS (1111)

For overview and budget information regarding this department, please see page 8 of this agenda.

Issue 1 – Bureau of Automotive Repair: Consumer Assistance Program Funding Realignment and Augmentation

Bureau of Automotive Repair. The Bureau of Automotive Repair is responsible for regulating the automotive repair marketplace and administering the Smog Check Program. To carry out its mandate, the Bureau educates consumers, disciplines stations and technicians, seeks resolution to complaints, and licenses individuals and businesses. The Bureau also administers the nation's largest motor vehicle emissions reduction program.

Governor's Budget Request. The Governor requests \$22.157 million and 12.3 positions from the Enhanced Fleet Modernization Subaccount in 2011-12 and ongoing. In addition, the Governor requests a reduction of \$7.693 million and 8.0 positions from the High Polluter Repair or Removal Account.

Background. A key part of California's air quality emissions reduction strategy is to implement incentive-based air quality programs to encourage the early retirement and replacement of older vehicles with newer, cleaner ones. Older vehicles account for approximately 25 percent of the miles driven but contribute up to 75 percent of the emissions released. Reducing emissions from the older vehicles is a critical part of California's State Implementation Plan (SIP), which outlines the state's clean air strategy. The SIP is used by the federal government to determine the amount of federal transportation funds California will receive.

The Consumer Assistance Program (CAP) was started in 1997 and contains two parts: vehicle retirement and vehicle repair. Under the vehicle repair program, qualified low-income consumers can receive financial assistance of up to \$500 to repair a vehicle that is unable to pass a biennial Smog Check inspection when it exceeds specified emission standards. To receive the repair assistance, eligible consumers must pay the initial \$20 in repairs. Beginning in 2000, a directed vehicle repair program was started that allowed qualified consumers who owned a vehicle directed to a Test-Only or Gold Shield Smog Check station for an initial inspection to receive up to \$500 in additional financial assistance toward emissions-related repairs after they paid the first \$100 of repairs. Directed vehicles are identified by the Bureau of Automotive Repair.

Under the vehicle retirement program, until August 2010, consumers were paid \$1,000 to retire a vehicle. These funds are not paid until after the vehicle is dismantled.

The passage of AB 787 (Hill, 2010) makes several additional changes to CAP. Under AB 787 the Bureau of Automotive Repair must offer all eligible low-income consumers an additional \$500 to retire a vehicle through CAP. AB 787 also allows any vehicle that has

been registered in California for two continuous years and has failed a lawfully required Smog Check inspection to be retired through CAP.

AB 787 also eliminates the provision of law authorizing owners of directed vehicles the ability to participate in the repair assistance option of CAP based solely on this designation and receive \$500 toward emissions-related repairs.

DEPARTMENT OF MANAGED HEALTH CARE (2400)

For overview and budget information regarding this department, please see page 11 of this agenda.

Issue 2 – Health Care Reform

Governor’s Budget Request. The Governor requests \$1,776,000 for 13.0 two-year limited-term positions to address new workload resulting from the March 2010 federal Health Care Reform Legislation.

Background. On March 23, 2010, President Obama signed into law comprehensive health care reform, the Patient Protection and Affordable Care Act, which was subsequently modified by the Health Care and Education Reconciliation Act of 2010 (hereinafter referred to as “Health Care Reform”). Health Care Reform will fundamentally alter the availability and structure of health insurance, bring coverage for the first time to millions of Californians, and bring new coverage options for millions of enrollees who receive care through California Knox-Keene Licensed health plans and contracted medical groups.

In light of the recent enactment of Health Care Reform, DMHC must take immediate action to assess and address the impacts of the reform on its mission critical operations. In response to Health Care Reform, DMHC will have to develop state regulations, review health plan documentation to comply with the new law, and respond to consumer inquiries.

The Department of Managed Health Care (DMHC) has explained that the positions are requested on a two-year limited-term basis not because DMHC expects the workload to be temporary, but to monitor the activity that results from Health Care Reform to determine if the workload assumptions hold true. Over the course of the two years, once all impacts are considered and a better assessment of new Health Care Reform workload results, the department will submit a future Budget Change Proposal to address the new permanent workload generated by the Health Care Reform legislation.

Department Overview. The California Science Center is an educational, scientific, and technological center located in Exposition Park, a 160-acre tract in south Los Angeles. The Science Center has interactive exhibits on human inventions and innovations, the life processes of living things, and temporary exhibits. The California African American Museum (CAAM), also included in the park, provides exhibitions and programs on the history, art, and culture of African Americans. In addition, the Office of the Park Manager is responsible for maintenance of the park, public safety, and parking facilities.

Budget Overview. The January Governor's Budget provides 190 authorized positions and \$28.1 million (\$19.4 million GF). It should be noted that the California Science Center budget includes the California African American Museum, Exposition Park Management, and facilities bond repayments. The reduction to the Science Center's operations is \$3.66 million General Fund.

Issues Proposed for Discussion / Vote

Issue 1 – Unallocated Budget Reduction

Governor's Budget Request. The Governor requests an unallocated reduction of \$3,660,000 to the Science Center's budget. The Governor also requests budget bill language to allow the Science Center to collect an admissions fee.

Background. The unallocated reduction of \$3.7 million is 20 percent of the amount of General Fund remaining after excluding amounts budgeted for lease-revenue payments (\$4.8 million). The General Fund base used for the calculation is \$18.3 million (\$23.1 million total General Fund less the \$4.8 million).

The Science Center's operations have been based on the value that everyone is allowed access, and thus no admission fee has been charged. The Science Center does charge for parking and the IMAX movie tickets.

Staff Comment. Approximately one-third of the Science Center's visitors are school groups, which would be unlikely to afford admissions fees for each student, due to the funding restrictions that local school districts are currently experiencing.

Staff thinks that there are some possibilities for the Science Center to raise revenue that does not compromise the Science Center's dedication to free admission. The Science Center already charges \$8 for parking, and \$25 for parking at special events. (The Science Center also charges for their IMAX movie tickets.) It may be possible to raise additional revenue through increasing the parking fee from \$8 to \$10. The increase in parking fees would also apply to events at Exposition Park, including football games and concerts. Based on past Science Center parking fee increase revenue collections, staff estimates that the Science Center can collect approximately \$800,000 in new revenue from raising parking fees.

The Office of the Exposition Park Management has an executive director appointed by the Governor for the purpose of managing, scheduling, and administering all park related events, including oversight for the police and security services of the park.

Staff Recommendation: Staff recommends the following:

1. Reject the Governor's budget request.
2. Reject item 1100-001-0001 Provisional Language 1 and 2.
3. Approve a \$1.7 million unallocated reduction to the Science Center.
4. Approve an increase of \$850,000 in expenditure authority to the Exposition Park Improvement Fund (0267).
5. Approve budget bill language that specifies that the California African American Museum not be reduced by more than \$95,000.
6. Approve budget bill language stating legislative intent that parking rate increases are preferred to general admission charges at either the California Science Center or the California African American Museum.
7. Approve trailer bill language for the elimination of the Office of Exposition Park Management and return those functions to the Science Center.
8. Approve trailer bill language authorizing non-civil service staff to perform facility support services at the Science Center.

Vote:

Departmental Overview and Mission. The Department of Consumer Affairs (DCA) Boards and Bureaus provide exams and licensing, enforcement, complaint mediation, education for consumers, and information on privacy concerns. DCA Boards and Bureaus establish minimal competency standards for more than 255 professions involving approximately 2.4 million professionals. There are currently 25 boards, a commission, three committees, and eight bureaus under the broad authority of the DCA.

Budget Overview. The Boards are budgeted under organizational code 1110, and the total proposed budget is \$271.46 million (no General Fund) and 1,511.3 positions – an increase of \$10.4 million and 35.6 positions over 2010-11.

The Bureaus are budgeted under organizational code 1111, and the total proposed budget is \$231.34 million (no General Fund) and 1,386.6 positions – an increase of \$14.2 million and 5.7 positions over 2010-11.

DCA Boards and Bureaus

(dollars in thousands)

		Positions		Expenditures	
		2010-11	2011-12	2010-11	2011-12
1	Board of Accountancy	82.5	85.8	\$ 12,210	\$ 11,452
2	Architects Board	30.1	30.1	\$ 4,686	\$ 4,760
3	Athletic Commission	13.7	13.7	\$ 2,541	\$ 2,613
4	Board of Behavioral Science	42.6	43.4	\$ 8,090	\$ 7,898
5	Barbering and Cosmetology	95.1	95.1	\$ 17,303	\$ 18,291
6	Contractors State Licensing	402.1	402.1	\$ 57,514	\$ 59,979
7	Dental Board	71.6	75.1	\$ 12,652	\$ 13,496
8	Dental Hygiene Committee	6.2	6.7	\$ 1,242	\$ 1,358
9	Guide Dogs for the Blind	1.5	1.5	\$ 180	\$ 187
10	Medical Board	265.5	276.7	\$ 52,385	\$ 55,843
11	Acupuncture Board	7.9	8.0	\$ 2,548	\$ 2,603
12	Physical Therapy Board	15.0	16.4	\$ 2,910	\$ 3,290
13	Physician Assistant Com.	4.7	4.8	\$ 1,387	\$ 1,418
14	Podiatric Medicine	4.6	4.6	\$ 1,362	\$ 1,381
15	Psychology	15.3	18.3	\$ 3,879	\$ 4,335
16	Respiratory Care Board	15.9	16.1	\$ 3,035	\$ 3,138
17	Speech-Language Pathology	8.1	8.2	\$ 1,848	\$ 1,615
18	Occupational Therapy	10.5	10.2	\$ 1,417	\$ 1,473
19	Board of Optometry	10.9	11.1	\$ 1,654	\$ 1,574
20	Osteopathic Medical Board	10.6	11.7	\$ 1,916	\$ 2,045
21	Naturopathic Medicine Com.	0.9	0.9	\$ 130	\$ 141
22	Board of Pharmacy	75.4	80.0	\$ 13,021	\$ 14,448
23	Engineers and Land Surveyors	65.6	65.6	\$ 10,397	\$ 10,774
24	Registered Nursing	128.0	135.6	\$ 28,250	\$ 29,242
25	Court Reporters Board	4.3	4.3	\$ 1,096	\$ 1,114
26	Veterinary Medical Board	12.4	12.0	\$ 2,639	\$ 2,757
27	Vocational Nursing	74.7	73.3	\$ 14,743	\$ 14,237
28	Arbitration Certification Prog.	7.6	7.6	\$ 1,098	\$ 1,107
29	Security and Investigative	50.2	50.7	\$ 11,363	\$ 11,865
30	Private Postsecondary Ed.	55.8	55.8	\$ 10,160	\$ 9,368
31	Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation	41.9	41.9	\$ 7,108	\$ 7,781
32	Automotive Repair	596.2	600.2	\$ 182,192	\$ 195,798
33	Telephone Medical Advise Services Bureau	0.9	0.9	\$ 145	\$ 148
34	Cemetery and Funeral	21.2	18.5	\$ 4,006	\$ 4,149
35	Professional Fiduciaries	1.6	1.6	\$ 282	\$ 308

Issue Proposed for Discussion / Vote:

Issue 1 – Board of Accountancy and Dental Board: Loan Repayment

Dental Board of California. The Dental Board of California establishes minimal standards of competency for those individuals seeking to practice as a dentist, registered dental hygienist, registered dental assistant, dental auxiliary in extended function, or dental hygienist in alternative practice. The Board enforces standards to protect California dental consumers from incompetent dental practitioners, and the utilization of dental auxiliaries contributes to providing quality dental services to Californians.

Effective January 1, 2009, the State Dental Assistant Committee (Committee) was created and assumed the duties of the Committee on Dental Auxiliaries with regard to dental assistants, pursuant to Chapter 31, Statutes of 2008 (SB 853).

Governor's Budget Request. The Governor requests repayment of two loans from the General Fund to special funds: 1) \$10 million repayment by the General Fund to the Accountancy Fund, and 2) \$2.5 million repayment by the General Fund to the State Dentistry Fund.

Background. During the 2010-11 fiscal year, the State loaned \$10 million from the Accountancy Fund to the General Fund. This amount is set to be repaid in June 2012.

During the 2002-03 fiscal year, the State loaned \$2.5 million from the State Dentistry Fund to the General Fund. This amount is set to be repaid in June 2012.

Staff Comment. The Accountancy Fund loan repayment can be delayed by one year without having an influence on the Board's programs.

\$1.3 million of the loan from the State Dentistry Fund can be delayed by one year without having an influence on the Board's programs.

Staff Recommendation. Delay repayment of the Accountancy Fund \$10 million loan until June 30, 2013. Include the following budget bill language:

Add Item 1110-404:

1110-404—Notwithstanding Provision 1 of Item 1110-011-0704, Budget Act of 2010 (Ch. 712, Stats. 2010), the \$10,000,000 loan to the General Fund will be repaid in fiscal year 2012-13 upon order of the Director of Finance.

Delay repayment of \$1.3 million of the State Dentistry Fund loan repayment until June 30, 2013. Include the following budget bill language:

Add Item 1110-405:

1110-405—Notwithstanding Provision 1 of Item 1250-011-0741, Budget Act of 2003 (Ch. 157, Stats. 2003), the \$1,300,000 loan to the General Fund will be repaid in fiscal year 2012-13 upon order of the Director of Finance.

Vote:

Department Overview. The Department of Managed Health Care (DMHC) was established in 2000, when the licensure and regulation of the managed health care industry was removed from the Department of Corporations and placed in a new, stand-alone, department. The mission of DMHC is to regulate, and provide quality-of-care and fiscal oversight for Health Maintenance Organizations (HMOs) and two Preferred Provider Organizations (PPOs). These 94 Health Care Plans provide health insurance coverage to approximately 64 percent of all Californians. Recent statutory changes also make DMHC responsible for the oversight of 240 Risk Bearing Organizations (RBOs), who actually deliver or manage a large proportion of the health care services provided to consumers. Within the Department, the Office of the Patient Advocate helps educate consumers about their HMO rights and responsibilities.

Budget Overview. The January Governor's Budget provides DFI with 250.2 authorized positions and \$35 million (no GF). This is an increase of 2.7 positions and \$55,000 over 2010-11.

Issues Proposed for Discussion / Vote:

Issue 1 – Senate Bill 1163 Premium Rate Review

Governor's Budget Request. The Governor requests 2.0 positions and \$1,024,000 from the Managed Care Fund for FY 2011-12 and \$908,000 for FY 2012-13 and ongoing (from the Managed Care Fund) to address new workload attributable to health plan rate increase review as specified in the federal Patient Protection and Affordable Care Act (PPACA or Health Care Reform) signed into law on March 23, 2010 and supported by Senate Bill 1163 enacted on September 30, 2010. Of the funds requested, \$100,000 is one-time for an information technology consultant to assist with website design in accordance with public information disclosure requirements, and \$600,000 is on-going for an external contract with an actuarial consultant.

Background. The Legislature passed, and the Governor signed, SB 1163 (Leno, 2010) to begin aligning California's laws with the federal Health Care Reform Act. With the passage of SB 1163, many of DMHC's roles and responsibilities for implementing Health Care Reform are defined and DMHC has been provided the authority to enforce the federal mandates in the state of California.

SB 1163 requires insurers to file rate information with DMHC that has been verified by an independent actuary under contract to the insurer. DMHC must make the rate information publicly available and verify rate information when it appears that a company may have violated the rate review process. DMHC must also provide information to the California Health Benefits Exchange and fulfill certain federal and state reporting requirements for health insurance rates.

Staff Comment. The workload associated with SB 1163 is new and thus there is uncertainty about the number of hours that will need to be devoted to the tasks DMHC is

required to undertake. Thus, staff thinks the requested positions should be made limited-term so that workload can be revisited in two years.

The funds for an external consultant to conduct actuarial review should be made limited-term (two-year) because it is not known what will be the actual workload. Also, DMHC should consider ways of bringing the actuarial review in-house rather than having a consultant contract indefinitely.

Staff Recommendation: Approve funds for two years and positions as two-year limited-term. Also, approve supplemental reporting language to have DMHC submit a report considering options for bringing actuarial review in-house.

Vote: