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California State Senate

COMMITTEE
ON
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL
SACRAMENTO, CA 95814

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DIANE VAN MAREN
SEJA VIRTANEN

COMMITTEE ASSISTANT
GLENDA HIGGINS
MARY TEABO

(916) 651-4103
FAX (916) 323-8386



Agenda February 17, 2011 Room 4203 10 a.m.

		<u>Page</u>
OTHER HEALTH PROGRAMS		
4265	Department of Public Health	
	Additional General Fund Savings.....	1
4300	Department of Developmental Services	
	Summary	6
	Additional Savings in Developmental Centers	7
	Developmental Center Capital Outlay Requests.....	9

4300	Department of Developmental Services (continued)	
	Proposed Trailer Bill Language Package on Regional Center Services (Items “A” Through “E”)	11
	A. Trailer Bill: Administrative Costs Cap	12
	B. Dispute Resolution and Third-Party Liability	13
	C. Audits	14
	D. Conflict of Interest	15
	E. Accountability and Transparency	16
	Additional Savings in Regional Centers (Issues 1 through 3)	17
	Conforming Action: Adjust Regional Center Purchase of Services to Conform to Medi-Cal Programs	
	Actions of Senate Budget Committee	18
	Continuation of 4.5 Percent Reduction to Regional Center Operations & Purchase of Services	19
	Budget Bill Language for Prevention Program	20
	New Cost Containment & Statewide Purchase of Services Standards	21
4440	Department of Mental Health	
	Expansion of Psychiatric Program at California Medical Facility--Vacaville	23
PUBLIC SAFETY		
0250	Judicial Branch	
	Unallocated Reduction	24
	Court Case Management System – Bureau of State Audits Findings	25
0552	Office of the Inspector General	
	Peace Officer Status for Attorneys and Auditors	26
0855	Gambling Control Commission – Vote Only Item	
	Special Distribution fund Grants - Language	27
5225	California Department of Corrections and Rehabilitation	
	Structural Shortfall	28
	Estrella Activation	29

HIGHER EDUCATION

6120 California State Library
Eliminate State Support for Local Libraries 30

6440 University of California
Unallocated Reduction of \$500 million 31
Enrollment Target 32
Academic Preparation and Outreach Programs 33
Capital Outlay Projects 34

6600 Hastings College of the Law
Unallocated Reduction of \$1.5 million 36

6610 California State University
Unallocated Reduction of \$500 million 37
Enrollment Target 38
Academic Preparation and Outreach Programs 39
Capital Outlay Projects 40

7980 California Student Aid Commission
Eliminate Continuous Expenditure Authority for Student Loan Operating Fund 42
Policy Change to CalGrants Program 43

HUMAN SERVICES

0530 Health & Human Services Agency – Office of Systems Integration – Vote Only Item
New Budget Bill Language 44

4170 Department of Aging
Proposal to Eliminate the Multipurpose Senior Services Program (MSSP) 45

5175 Department of Child Support Services – Vote Only Item
California Child Support Automation System (CCSAS) – Technology Refresh & Reappropriation Savings .. 46
Proposal to Suspend County Share of Child Support Collections 47

HUMAN SERVICES (continued)

5180

Department of Social Services

Supplemental Security Income/State Supplementary Payment (SSI/SSP) – Proposal to Reduce SSP Grants For Individual Recipients.....	48
Transitional Housing Program-Plus (THP-Plus) – Governor’s Proposal to Reduce Funding by Over 50 Percent.....	49

4265 Department of Public Health

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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4265-Various Department of Public Health

**Additional General Fund Savings.
(Items 1 through 10)**

-\$14,427

Total

Committee staff has reviewed General Fund expenditures for State Support items within the Department of Public Health and has identified General Fund reductions which do *not* affect core, direct services provided to local communities.

Committee staff has identified \$14.427 million (GF) to be reduced without affecting core, direct services to communities. The recommended adjustments are as follows (Items 1 through 10):

1. Licensing and Certification of State Facilities. Reduce by \$2.325 million (GF) for review of *State facilities*. All necessary and required functions will still be completed. Appropriation level was more than necessary for funding of State staff to conduct work.
2. Laboratory Field Division. Reduce by \$227,000 (GF) since appropriation level was higher than necessary to operate the program.
3. CA Health Information Survey (CHIS). Reduce by \$672,000 (GF) for this survey regarding health care coverage and insurance. Several health care foundations utilize this survey information as well as the State and foundations could choose to support it directly.

These savings are above the Governor’s identified General Fund reduction level.

Items 1 and 2 reflect a baseline adjustment since the General Fund appropriation level can be lowered. There is no effect on any service or activity.

Item 3 reflects a reduction whereby another funding source—non-profit foundations—could provide support. There are several large health care foundations in California and broad support for the CHIS survey and its valuable data. General Fund needs to be prioritized for direct services.

4265 Department of Public Health

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Additional General Fund Savings.
(Continued).**

(See above)

4. Redirect Reserve in Maternal and Child Health.
An *unexpended reserve* of \$1.7 million (federal Maternal and Child Health Title V Funds) is available and can be used to offset \$1.7 million (GF) in the CA Children's Services (CCS) Program administered by the Department of Health Care Services.

Item 4 is a redirection of reserve federal MCH grant funds which can be used to backfill for General Fund support in the CCS Program. This has been done in previous years.

5. Valley Fever Contract for \$1 million. General Fund support has periodically supplemented the development of a vaccine for Valley Fever. Various foundations have provided funds as well and appear to be continuing support. Due to the fiscal emergency, it is recommended to eliminate General Fund support for this project.

Item 5 is a reduction of General Fund support for a project that is not typically a core State responsibility. This project has been funded intermittently when General Fund resources have permitted. This is a sole source contract.

Typically, private industry, the federal government, and foundations support the development of vaccines. It is not a core State responsibility.

4265 Department of Public Health

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Additional General Fund Savings.
(Continued).**

(See above)

6. County Health Services Section. Reduce by \$965,000 (GF) and five State positions since administration of programs is no longer applicable due to elimination in prior years. Further, federal grant funds have been provided for strategic planning and health information efforts in which these positions were recently assisting. This section is no longer applicable and should be transitioned to the new federal funds.

Regarding Item 6, the DPH has refocused staff in the County Health Services Section to assist with data analysis, strategic planning and health information technology activities since their original programs were eliminated. These staff could now be funded with recently approved federal grants and established positions. Therefore, the General Fund support and positions are no longer necessary.

7. Operating & Equipment Expenses. Reduce by \$1.0 million (GF) within the department by reducing State travel, reducing overhead, deferring purchases and reducing costs across the Center for Chronic Disease, State Laboratories, Communicable Disease Control, Center for Environmental Health, and the Director's office. This can be done without affecting any local assistance services or service-oriented contracts.

Item 7 pertains to needed reductions in operating and equipment expenses. State travel, deferring purchases and equipment can be achieved across a broad spectrum of the department. Further, a more comprehensive analysis could be undertaken by the department to utilize Special Funds in lieu of General Fund support where applicable.

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Additional General Fund Savings.
(Continued).**

(See above)

8. Reduce Health Care Surge Standby Costs.

DPH has \$506,000 (GF) and two positions that are related to health care surge capacity activities that were augmented as part of a 2006-07 package. This funding was not deleted as part of the Governor's budget.

Therefore, consistent with the Governor's reduction as referenced, it is recommended to also eliminate this funding from the DPH.

This action would still leave about \$450,000 (GF) in State Support, as well as \$4.9 million (GF) in Local Assistance for emergency preparedness functions.

9. Unexpended Local Assistance. Reduce by \$32,000 (GF) local assistance funds within the Environmental Management Program since they are uncommitted dollars.

Item 8 pertains to health care surge activities and emergency preparedness expenditures. In 2006-07 the Department of Public Health and the Emergency Medical Services Authority received a total of \$166 million (GF) to purchase mobile hospitals and medical supplies in the event of a disaster. Most of this funding was one-time only but some remained for on-going maintenance, warehouse storage, and related aspects.

As a measure of cost-containment, Governor Brown reduced by \$5.8 million (GF) the amount spent on health care surge capacity, including the stockpiling of medical supplies, caches of antivirals, and deployment of mobile field hospitals, for 2011-12.

Further, it should be noted that the DPH has over \$100 million (federal funds) for Emergency Preparedness, and the California Emergency Management Agency has over \$1.4 billion (\$200.4 million General Fund) for various emergency management services.

Item 9 is sweeping a small amount of unexpended funds.

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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Additional General Fund Savings.
(Continued).

(See above)

10. Repay General Fund Loan of \$6 million. Based on information obtained from the DPH, General Fund support was provided as a loan to the Childhood Lead Poisoning Prevention Fund for expenditure in the program. This loan, provided in the mid-1990s (1996 and 1997) has never been paid back by the special fund.

Based on information provided by the DPH, at least \$6 million should be reimbursed to the General Fund from the Childhood Lead Poisoning Prevention Fund.

Item 10 pertains to a General Fund loan provided to the Childhood Lead Poisoning Prevention Fund in support of the Childhood Lead Poisoning Prevention Program.

The General Fund loan has never been repaid, according to the DPH.

There are reserves available in the Childhood Lead Poisoning Prevention Fund to repay the General Fund and still maintain a prudent reserve.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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Summary Department of Developmental Services

The Governor proposes enactment of major cost-containment measures to achieve a reduction of \$750 million (GF) or an overall reduction of *over* \$1.150 billion (\$750 GF) to the Developmental Services System. Of the General Fund reduction, over 55 percent of it, or about \$424 million (GF), has *not* yet been identified. As structured by the Administration, most of this reduction would occur in the Purchase of Services allocation provided to Regional Centers to obtain needed services and supports for people with developmental disabilities living in the community.

The table below summarizes the Administration’s proposals. It should be noted that the proposed \$625 million (GF) reduction represents a 30 percent reduction to the total amount of General Fund support within the Community Services item.

Governor’s Proposed \$750 million (GF) Reduction to Developmental Services System in 2011-12

Administration’s Proposals to Reduce	General Fund Reduction	Other Funds
1. Alternative Funds & Fund Shifts		
Federal Certification of Porterville DC	-\$10 million	\$10 million
More federal funds through 1915 (i) State Plan	-\$60 million	\$60 million
Continue use of Proposition 10 Funds for Early Start	-\$50 million	\$50 million
Use of federal “Money Follows Person” Grant	-\$5 million	\$5 million
Subtotal: Alternative Funds & Fund Shifts	-\$125.0 million	\$125 million
2. 4.25 Percent Regional Center Operations & Provider Reduction		
	-\$91.5 million	-\$74.1 million
3. Trailer Bill Package on Accountability and Transparency		
	-\$109.7 million	-\$81.6 million
4. Unspecified Reductions and Cost Containment, includes development of new Statewide Purchase of Services Standards		
	-\$423.8 million	Undetermined but over -\$370million
Subtotal Expenditure Reductions and Cost Containment	-\$625.0 million	-\$525.7 million
TOTAL GENERAL FUND & OTHER FUNDS REDUCTION	-\$750 million GF	-\$400.7 million Other

4300 Department of Developmental Services (DDS)

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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4300-003-0001 Developmental Centers, Department of Developmental Services

Additional Savings in Developmental Centers. - \$16,200
 (Items 1 through 4) Total

Committee staff recommends *additional* reductions above the Governor for the Developmental Centers through actions as described below for additional savings of \$22 million (\$16.2 million GF).

1. Residence and Program Consolidation. A reduction of \$13.3 million (\$6.8 million GF) and 140 Non-Level of Care positions associated with resident and program consolidations.
2. Reductions in Operations & Equipment. A reduction of \$6.6 million (\$5.2 million GF) by reducing expenses for special repairs, equipment replacement, and certain contracts.
3. Lanterman Transition Staff. A reduction of \$2.1 million (\$1.2 million GF) by reducing 28 positions from Lanterman DC to adjust for population reductions. This will still provide the DC with 60 additional positions to provide for community transition assistance throughout 2011-12.

A total of \$618.1 million (\$324 million GF) is proposed to fund the Developmental Centers (DCs) to serve 1,783 residents (as of June 30, 2012) at four DCs (Sonoma, Porterville, Fairview, and Lanterman). This equates to an average expenditure of about \$347,000 per resident.

Committee staff conferred with DDS to identify additional savings due to the fiscal emergency. DDS concurs with these additional savings *except for* the recommendation to reduce Lanterman Transition Staff.

Committee staff recommends reducing Lanterman Transition staff by one-third (Item 3). This would still provide a total of 60 additional positions to assist with the transition of residents to the community or other DCs, as appropriate. DDS identified both Non-Level of Care and Level-of Care positions for this Committee staff requested 28 position reduction.

DDS estimates that 105 residents will be transitioning from Lanterman over the course of 2011-12, and that 235 residents will continue to reside at Lanterman.

4300 Department of Developmental Services (DDS)

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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Additional Savings in Developmental Centers (See Above)
(Continued).

4. Porterville Developmental Center Certification. An additional reduction of \$3 million (GF) by recalculating the estimate of Medi-Cal eligibles residing in the “Secure Treatment Program” at Porterville. DDS will obtain federal certification for this program and achieve 50 percent federal matching funds, in lieu of General Fund support. DDS assumed savings of \$10 million (GF) and corresponding increase in federal funds, whereas this action assumes a total reduction of \$13 million (GF) and an increase of \$13 million (federal funds).

It is recommended to adopt these additional savings.

4300 Department of Developmental Services (DDS)

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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Developmental Center Capital Outlay Requests. \$13,250
(Issues 1 through 3) Total

The budget proposes an increase of \$13.25 million (GF) for Capital Outlay Projects as described below:

1. Fairview DC Fire Alarm System.
 Budget proposes \$8.6 million (GF) through a re-appropriation for construction phase of Fire Alarm System Upgrade. Budget Act of 2008 *appropriated \$9 million of which \$8.5 million was for Construction.* Due to delays, construction has not occurred. DDS notes the alarms have inadvertently triggered and no replacement parts are available for the existing system.

2. Automatic Fire Sprinklers at Three DCs.
 Budget proposes \$2 million (GF) for Preliminary Plans and Working Drawings to design a project to install automatic fire sprinklers in 13 buildings which house Nursing Home Facility and General Acute Care residents in three DCs—Fairview, Porterville and Sonoma. DDS states this is necessary to comply with federal certification requirements. Loss of federal funds is at stake. No major fire/life safety upgrades have been done at DCs since 1982. Construction costs of \$13.4 million (GF) would be in 2012-13. Completion is required

With the Administration’s intent to consolidate programs and units at the DCs in 2011-12, can any of these Capital Outlay projects be modified or delayed another year?

The Assembly *denied* the Fairview DC Fire Alarm System request of \$8.6 million (GF). It is estimated that Fairview DC will have about 386 residents by June 30, 2012. After the Lanterman DC closure, the next DC to likely be transitioned is Fairview. As such, due to the fiscal emergency, how funds are to be prioritized across the developmental services system is of key concern.

It is recommended to approve Item 2.

4300

Department of Developmental Services (DDS)

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Developmental Center Capital Outlay Requests.
(Continued).**

(See Above)

Questions have been raised as to whether this Capital Outlay project is necessary at this time. Presently Sonoma uses oxygen and tubing for medical gasses which is provided from large *refillable* bottles containing liquid oxygen. DDS states the refilling process is labor intensive, and on weekends and holidays, Plant Operations staff must return to the facility on overtime to complete the process. There are also safety issue concerns.

3. Sonoma DC Medical Gases and Oxygen.

Budget requests \$2.65 million (GF) for the Construction phase of this project. This project was approved in the Budget Act of 2007 to address health and safety needs at Sonoma.

The estimated costs included \$4.8 million (GF) for construction. Delays have occurred and DDS is requesting \$2.650 million for this purpose in 2011-12.

The project would install a new piping system to supply additional oxygen, medical air and suction, and a new oxygen storage tank.

Sonoma is the only DC without a permanent piping oxygen outlet.

In addition, questions have been raised as to whether Oxygen concentrators could be used for some Sonoma residents in lieu of using piped oxygen. DDS contends that oxygen concentrators, nebulizer machines and suction machines need to be plugged into an electric outlet. However, DDS states there are not enough electrical outlets in the Nursing Facility rooms to meet medical, nursing and programming needs.

The Assembly did approve this budget request.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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4300-101-0001 Community-Based Services, Department of Developmental Services

Proposed Trailer Bill Language Package on Regional Center Services. (Items “A” Through “E”)

-\$109,700
Total for
Items A to E

DDS proposes trailer bill language regarding Regional Center services in five areas for a *total* savings and cost avoidance of \$191.3 million (\$109.7 million General Fund). These areas are:

- A. Administrative Costs Cap;
- B. Dispute resolution and third-party liability;
- C. Audits;
- D. Conflict of interest; and
- E. Accountability and transparency.

Each of these issues is discussed separately below.

The Administration proposes this trailer bill language package in response to the Bureau of State Audits (BSA) Report of August 2010, as well as fiscal audits and reviews recently conducted by the DDS.

Among other things, the BSA Report includes numerous recommendations for DDS to provide more oversight regarding rate-setting, Provider selection, and administrative processes to ensure Regional Center consumers receive high-quality, cost-effective services that meet the goals of the State’s Lanterman Act. A comprehensive discussion on the BSA Report was had in a Joint Hearing of the Senate and Assembly Human Services Committees in November 2010.

The trailer bill language was discussed in Subcommittee and held open, pending receipt of fiscal information which was recently provided.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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A. Trailer Bill: Administrative Costs Cap.

-\$39,500
(Item A)

DDS identified savings of \$70 million (\$39.5 million GF) for this language. Of this amount, \$1.9 million (\$1.3 million GF) is from Regional Center Operations and \$68.1 million (\$38.2 million GF) is from the Purchase of Services.

First, the language requires all contracts between DDS and the Regional Centers for Operations funding to have at least 85 percent spent on direct operational services, including Service Coordinators, assessment and diagnosis, monitoring of consumer services and clinical services.

Second, it requires all Regional Center contracts or agreements in which rates are determined through *negotiation* to be spent on direct services. Services that have established rates as contained in existing State statute or State regulation would *not* be affected.

Third, it requires Service Providers and Contractors, upon request, to provide Regional Centers with access to any documents, books, papers, computerized data, or related information pertaining to negotiated rates.

Both the BSA Report and DDS fiscal reviews have identified concerns regarding negotiated rate contracts.

To determine the fiscal estimate provided, DDS reviewed all negotiated rate service codes and associated expenditures. They considered the typical business model for each service code (i.e., single provider, small group provider, corporate entity provider) and where the services are typically provided (e.g., family or consumer’s home, small office, program site).

Using these factors, DDS categorized costs (using 2009-10 data) into low, medium and high likelihood for savings from capping administrative costs at 15 percent (or 85 percent of direct services). DDS then assigned potential savings percentage to the categories to determine the estimated savings.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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B. Dispute Resolution and Third-Party Liability.

-\$10,500
(Item B)

DDS identified savings of \$11 million (\$10.5 million GF) for this language. This savings would occur only in the Purchase of Services.

DDS identified savings of \$11 million (\$10.5 million GF) is primarily generated from insurance companies liable for services provided by Regional Centers.

First, this language authorizes DDS or Regional Centers to institute legal proceedings against a Third Party payer (insurance companies) as a result of an injury in which the Third Party payer is liable. The language underscores that DDS and Regional Centers are the payers of last resort when Third Party payment is responsible.

DDS reviewed medical and health related service codes and expenditures by age group, and then applied California Health Interview Survey data for individuals with other insurance, compared to uninsured, in these age groupings.

Second, the language provides for recovery of reasonable value for services provided. It establishes procedures for the enforcement of a lien by the DDS or Regional Center upon a judgment or award in favor of a consumer for a Third Party injury.

DDS then assumed a recovery percentage of 6.6 percent to the identified expenditures based on the Department of Health Care Services (DHCS) experience in the Medi-Cal Program for Third Party liability activities.

Generally, this language parallels State statute for the Medi-Cal Program to provide for powers and duties of the DDS and Regional Centers in recouping expenses from Third Party payers.

4300 Department of Developmental Services

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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C. Audits.

-\$21,500
(Item C)

DDS identified savings of \$39.8 million (\$21.5 million GF) for this language. Of this amount, \$300,000 (\$200,000 GF) is from Regional Center Operations and \$39.5 million (\$21.3 million GF) is from the Purchase of Services.

First, this language restricts Regional Centers from using the same accounting firm more than five times in every 10-year period.

Second, it requires non-governmental entities receiving payments from Regional Centers to contract with an independent accounting firm for an audit or review of financial statements as specified. This would not apply to payments made using usual and customary rates as contained in State regulation (Title 17).

Third, it requires Regional Centers to review the audit results and take any necessary action to resolve issues.

DDS believes that due to potential familiarity and complacency by independent auditors of the Regional Centers, that required rotation of auditing firms will ensure accounting and billing procedures are reviewed from differing perspectives that identify errors and inaccurate billings in both Operations and in the Purchase of Services.

DDS anticipates this language will generate about 0.5 percent savings in expenditures.

DDS states that independent audits and reviews for Service Providers will ensure adequate accounting procedures and internal controls. These audits should identify poor billing practices, errors in billings and inappropriate transactions that would otherwise be billed to Regional Centers.

DDS will also be focusing on Vendors with significant issues that are raised during the independent audits. DDS believes this will generate about a one percent savings rate in the Purchase of Services expenditures.

4300 Department of Developmental Services

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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D. Conflict of Interest.

-\$11,000
(Item D)

DDS identified savings of \$20.1 million (\$11 million GF) for this language. Of this amount, \$1.3 million (\$900,000 GF) is from Regional Center Operations and \$18.8 million (\$10.1 million GF) is from the Purchase of Services.

This language requires DDS to adopt emergency regulations to establish standard conflict-of-interest reporting requirements regarding Regional Centers (Board Members, Directors, and identified employees). Each Regional Center must submit a conflict-of-interest policy to DDS by July 1, 2011 and post this information on-line by August 2011.

By requiring the statement to be signed under penalty of perjury, this legislation imposes a State-Mandates local program by changing the definition of an existing crime.

The BSA Report had identified three instances of potential conflict of interest at three Regional Centers. DDS states that these conflicts appear to have resulted in in appropriate contracts or elevated rates for services.

Generally, this language would establish a system that would identify potential conflicts that could be resolved quickly before inappropriate contracts or elevated rates are established. It would also place these relationships into the public domain, thereby discouraging inappropriate activity.

DDS anticipates this will generate about 0.25 percent cost avoidance in Regional Center Operations and 0.5 percent cost avoidance in Purchase of Services.

4300 Department of Developmental Services

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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E. Accountability and Transparency.

-\$27,100
(Item E)

DDS identified savings of \$50.3 million (\$27.1 million GF) for this language. This savings would occur only in the Purchase of Services.

First, this language requires Regional Centers to annually submit to DDS documentation regarding the composition of their Board and that the Board is in compliance with specified statutory provisions.

Second, it requires the Board to adopt written policy that requires contracts to be discussed and approved by the Board. This information would be placed on its Internet Web site, along with many other provisions regarding public information policies and requirements.

Third, it would make certain persons or entities ineligible to be Regional Center vendors if convicted of prescribed crimes or have been found liable for fraud or abuse of civil proceedings within the previous 10 years.

Fourth, it provides for emergency regulation authority to amend provider and vendor eligibility and disclosure criteria to meet federal requirements.

It also requires other State departments to notify the DDS regarding certain administration actions.

This proposal has several components of enhanced oversight to discourage inappropriate contracting and billing.

This language is in response to the BSA Report and a draft report regarding California's Medi-Cal Program from the federal Centers for Medicare and Medicaid (CMS). These reports identify specific concerns with Regional Centers and the need for more transparency.

DDS anticipates this will generate varying levels of savings but combined result in about 1.3 percent of cost avoidance in Regional Center Purchase of Services.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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Additional Savings in Regional Centers.
(Issues 1 through 3) -\$11,200
Total

Committee staff has identified additional savings of \$11.2 million (GF) through increased federal funds and technical adjustments. The recommended actions are as follows:

1. Reduce Agnews Community Placement Staff. This technical issue would reduce by \$1.5 million (GF) Regional Center Operations since the DDS should have made an adjustment for reduced need due to Agnew’s closure.
2. Federal Fund Shifts for Regional Center Operations. A reduction of \$8 million (GF) is recommended by shifting certain Regional Center project costs and Operations to federal funds (\$3 million to Home and Community-Based Waiver, and \$5 million to Money Follows the Person). Federal funds would be increased by \$8 million
3. Adjustment for Large Facilities. A reduction of \$1.7 million (GF) is recommended by obtaining federal funds through the Home and Community-Based Waiver for consumers who are Medi-Cal eligible and residing in facilities with 16 or more beds.

In Item 1, the recommended reduction of \$1.5 million (GF) is a technical budget issue. The level of Regional Center staff for community placement planning in this region can be reduced as noted.

Item 2 is a fund shift. Federal funds can be used to backfill for General Fund support as allowed for certain administrative functions.

Item 3 requires a concerted effort by Regional Centers and certain Large Facilities (16 bed +) to meet federal Home and Community-Based Waiver requirements to obtain federal funds, and therefore, an offset to General Fund support. Large Facilities have until June 30, 2012 to submit plans to transition to meet federal requirements; *however*, the DDS and Regional Centers need to more assertively work with these facilities to expedite this transition to obtain certification and federal funds.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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Conforming Action: Adjust Regional Center Purchase of Services to Conform to Medi-Cal Program Actions of Senate Budget Committee.

-\$15,000

The DDS budget assumes *an increase* of \$33 million (GF) to reflect increased costs associated with the Department of Health Care Services’ Medi-Cal reductions related to service limits (“hard caps”) and copayments.

Committee staff recommends a reduction of \$15 million to the DDS budget to reflect Committee actions from February 16th which denied some of the Medi-Cal “hard caps” and maximum dollar amounts, including the Physician and Clinic limits, Pharmacy limit, Durable Medical Supply limit and Medical Supply limit.

This Committee staff recommendation would leave a total of \$18 million (GF) within the Purchase of Services budget to provide for other costs associated with implementation of the Medi-Cal mandatory copayments which were adopted by the Committee.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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Continuation of 4.5 Percent Reduction to Regional Center Operations & Purchase of Services.

-\$91,500

The budget reduces by \$165.5 million (\$91.5 million GF) by extending for one year the 4.25 percent reduction to both Regional Center Operations *and* Provider Payments reimbursed for services. Trailer bill language extends the date to June 30, 2012.

Of the total amount, \$22.7 million (\$15.5 million GF) is obtained from Regional Center Operations, and \$142.8 million (\$76 million GF) is obtained from Provider Payments.

A three percent reduction to Regional Center Operations and Provider Payments was enacted beginning February 2009. This reduction level was increased to 4.25 percent as of July 1, 2010 and was to sunset as of June 30, 2011. DDS proposes to extend this action for another year (June 30, 2012).

The existing exemptions for Supported Employment, the State Supplemental Payment for Independent Living and services with “usual and customary” rates as established in regulation are not proposed to change. This is consistent with prior year actions.

In addition, other services may be exempt for this reduction if a Regional Center demonstrates that a non-reduced payment is necessary to protect the health and safety of a consumer and the DDS has granted approval. This is consistent with prior year actions.

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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Budget Bill Language for Prevention Program.

DDS proposed Budget Bill Language to allow for the transfer of funds from the Prevention Program to Purchase of Services. The proposed language is as follows:

“Notwithstanding Section 26.00, the Department of Finance may authorize transfer of expenditure authority from Schedule (4) 10.10.080—Prevention Program to Schedule (2) 10.10.020—Purchase of Services to more accurately reflect expenditures in the Prevention Program and Early Start Program.”

DDS states this language is necessary to effectively administer both the Prevention Program and Early Start Program and to ensure funds are correctly budgeted based on actual caseload between the two programs during the fiscal year.

It is assumed 10,860 infants and toddlers will be in the Prevention Program in 2011-12 for total expenditures of \$20 million (GF).

BBL The Prevention Program was established in 2009 as part of a \$334 million (GF) reduction within the Community Services item. Specifically, eligibility for the Early Start Program (birth to 3 years) was considerably narrowed and the Prevention Program was established for infants and toddlers who are “at risk” and are no longer eligible for Early Start.

The Prevention Program provides safety net services (Regional Center intake, assessment, case management and referral to generic agencies) for eligible children. No funds are provided for the Purchase of Services.

Early Start, for infants and toddlers with significant delays, does offer services obtained through the Regional Centers (i.e., Purchase of Services).

The language provides DDS with flexibility to move funds to Early Start if necessary.

The Assembly approved the proposed Budget Bill Language.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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New Cost Containment & Statewide Purchase of Services Standards. (Page one of two.)

The Administration identified an overall reduction of \$750 million (GF), or about \$1.150 billion (total funds), across the Developmental Services System.

A significant amount of this reduction has *not* been identified.

Savings from the Administration’s proposed transparency and accountability trailer bill language package was recently provided as noted above. As such, the amount remaining for *unspecified reductions* and *proposed* Statewide Standards for the Purchase of Services is \$423.8 million (GF). This is the Administration’s remaining amount of their \$750 million (GF) reduction.

To proceed with achieving the proposed \$423.8 million (GF) reduction, the following process is proposed:

- Trailer Bill Legislation to commence development of Statewide Standards for the Purchase of Services;
- Eight Subject Area Workgroups;
- Three Public Forums; and
- Subsequent Trailer Bill Legislation in June.

-\$423,800
&
TBL

Though the Administration contends their reduction is to be spread across the system, there are relatively few reductions at the Developmental Centers in their proposal. Further, by the nature of the Developmental Center model, with significant fixed overhead and related factors, it is a challenge to reduce expenditures considerably in the short-period of a budget year.

Community-Based Services administered by the Regional Centers are provided at substantially less cost than services provided in Developmental Centers. Services and supports are identified through the Individual Program Planning (IPP) process and services are considered an entitlement.

A total of \$334 million (GF) was reduced from DDS, primarily in Community-Based Services, in 2009. All of this reduction, except for a temporary rate reduction, is “on-going”.

The Administration’s proposed trailer bill language for Statewide Standards for the Purchase of Services is broadly crafted. It provides sweeping authority to the DDS to discern what the core aspects of the Statewide Standards should be and the timeframe provides for limited interaction with the public and deliberative process of the Legislature.

4300 Department of Developmental Services

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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New Cost Containment & Statewide Purchase of Services Standards.

(Continued)

The Administration assumes the following timeline for the above outlined process:

- Initiated an on-line survey (January 27th to February 15th) to solicit initial ideas.
- Commence with eight subject area Workgroups from end of February to May (about two months).
- March 1, adopt broad trailer bill language as part of Budget for Statewide Standards on the Purchase of Services
- Commence with Public Forums in May 2011 and present draft Statewide Standards.
- Present Statewide Standards to Legislature, along with draft statutory changes and related fiscal information in June, 2011.

(See above)

In the Association for Retarded Citizens v DDS (1985), the State Supreme Court held that DDS lacked authority under the Lanterman Act to issue spending directives to Regional Centers related to the Purchase of Services. As such, DDS states that statutory changes are necessary for the DDS to implement Statewide Standards.

The reduction level proposed by the Administration lacks specifics and is most likely, not achievable due to the cumulative effect of prior year reductions, reductions in “generic” services which result in increased costs in the Community-Based Services, and coupled with the involved needs of people with developmental disabilities who require specific services and supports.

0250 Judicial Branch

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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0250-101-0932 Judicial Branch
0250-111-0001

Unallocated Reduction.

The budget proposes an ongoing unallocated GF reduction of \$200 million to the Judicial Branch budget. The administration has stated that it will work with court stakeholders to explore ways to implement this reduction while attempting to minimize the impact to trial court operations.

-\$200,000 One-time and ongoing reductions to the Judicial Branch's GF appropriation have been made in prior years. These have been largely offset by increases in fees and one-time transfers from various court fund reserves. In addition, courts implemented a monthly court furlough day to offset budget reductions in 2009-10.

0250 Judicial Branch

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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0250-001-0001 Judicial Branch

Court Case Management System – Bureau of State Audits Findings.

In a report released this month, the Bureau of State Audits (BSA) raised significant concerns with the Judicial Branch's management of the Court Case Management System (CCMS), an IT system designed to provide a statewide consolidated, automated case management system for all case types. Among the concerns raised, BSA found that the level of project oversight contracted for by the Branch in the development of this system has been limited in scope and duration, and that the Branch has not adequately addressed all of the concerns raised by the independent oversight vendor. Consequently, the BSA found that CCMS may be at substantial risk of future quality problems.

Budget Bill Language

The BSA recommended that in order to ensure that no significant quality issues or problems exist within CCMS, the AOC should retain an independent consultant to review the system before deploying it to the three early-adopter courts. This review should analyze a representative sample of the requirements, code, designs, test cases, system documentation, requirements traceability, and test results to determine the extent of any quality issues or variances from industry standard practices that would negatively affect the cost and effort required of the AOC to operate and maintain CCMS.

0552 Office of the Inspector General

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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0552-001-0001 Inspector General

Peace Officer Status for Attorneys and Auditors.

A recent report by the California Senate Office of Oversight and Outcomes found that all attorneys and auditors employed by the Office of the Inspector General (OIG) are sworn peace officers. Sworn employees are more expensive than their non-sworn equivalent classifications because of the more generous benefits, training, and equipment (guns and automobiles) provided.

For example, the report found that outfitting each attorney and auditor with guns (and associated equipment) costs more than \$2,000 per employee. In addition, the report found these employees used their state-issued cars for 700,000 miles for home-to-work commutes, at no cost to the employee.

The office has 105 sworn employees.

-\$2,000 It costs about \$2 million each year for all OIG attorneys and auditors to be sworn peace officers.

By comparison, fewer than five of the Attorney General’s 1,200 attorneys and auditors have peace officer status. Similarly, Los Angeles County’s Office of Independent Review – the agency upon which the OIG was modeled – does not utilize sworn peace officer attorneys. In fact, that county agency asserts that its oversight mission is better served by being a civilian, rather than peace officer, agency.

0855 Gambling Control Commission – Vote Only Item

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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0855-001-0367 California Gambling Control Commission

Special Distribution Fund Grants - Language.

The Assembly budget committee approved budget bill language providing an extension of the time counties have to submit a statutorily mandated report in order to ensure that those counties remain eligible to receive funding authorized from the Indian Gaming Special Distribution Funds (SDF) for 2010-11. The extension would provide counties until the end of the current fiscal year to submit their reports.

Budget Bill
Language

Current law requires counties that receive local mitigation grants from the SDF to fulfill specific reporting requirements by October 1st of each year to be eligible to receive grants the following year. A \$30 million appropriation from the SDF for local mitigation grants was approved for 2010-11.

Four counties (Mendocino, Del Norte, Placer, and Amador) missed the October 1, 2010 deadline. According to the department, three of these counties have already submitted the required reports since October 1.

Recommendation. Approve budget bill language providing a one-time time extension of SDF reporting requirements.

5225 California Department of Corrections and Rehabilitation

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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5225-001-0001 California Department of Corrections and Rehabilitation (CDCR)

Structural Shortfall.

The administration proposes \$395 million for CDCR to address areas of their budget that have been historically underfunded. As a consequence of these structural shortfalls, the department has often had deficiencies and/or taken funding from other areas of operations.

The components of this request are the following:

- Salaries (\$267 million),
- Medical Guarding (\$55 million),
- Overtime (\$36 million),
- Legal (\$21 million), and
- Swing Space (\$17 million).

\$395,182 Upon reviewing this proposal, the budget subcommittee found that some components had merit and reduced the request by \$83 million. In addition, the subcommittee reverted \$75 million from the GF appropriation provided in AB 900. These actions were used to more than offset the one-time \$150 million cut to inmate and parolee rehabilitation programs proposed in the Governor’s budget.

The Governor’s plan to offset the reversal of the sale leaseback proposal utilizes the \$75 million GF from AB 900.

5225 California Department of Corrections and Rehabilitation

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**5225-001-0001 California Department of Corrections and Rehabilitation
5225-002-0001**

Estrella Activation.

The Governor's budget requests \$2.7 million for staff to begin pre-activation activities to prepare for the opening of a new state prison, the Estrella Correctional Facility (Paso Robles).

The Estrella project involves the conversion of an existing state juvenile justice facility to be used for adult offenders. The facility will serve various types of inmates including seriously mentally ill inmates and those designated as Specialized General Population by the Receiver.

The department projects completion of construction in October 2012.

\$2,655 Construction funding for this project was provided through AB 900 (Chapter 7, Statutes of 2007 – Solorio). The scope of the project was previously approved by the Joint Legislative Budget Committee.

The department's activation plan is consistent with its Facility Activation Manual. This plan provides the staff necessary to complete activities necessary before a new facility can begin accepting inmates, including development of institution procedures and protocols based on department policies, creation of staffing plans and to conduct hiring, and procurement of equipment and supplies.

6120 California State Library

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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6120-101-0001 California State Library

Eliminate State Support for Local Libraries.

The Governor’s budget proposes a \$30.4 million General Fund reduction to local library funding.

This proposal would eliminate local assistance funding for the following programs:

1. **Public Library Foundation (\$12.9 million General Fund)** – Core operational assistance to local libraries. Used to maintain staffing and hours of operation.
2. **California Library Services Act (\$12.9 million General Fund)** – Funds resource sharing and reimburses public libraries for loans to people living outside their jurisdiction.
3. **English Acquisition and Literacy Program (\$4.5 million General Fund)** – Provides community-centered literacy assistance to English-speaking adults who did not gain literacy in traditional settings.

-\$30,390 There are 181 local library districts in California. 49 local library districts receive more than five percent of their funding from the State.

The Literacy Program served over 89,000 people in 2009-10 (42,497 adults and 46,983 children).

The federal grant for the State Library is based on the last three years of State General Fund support for the libraries. Currently, the federal grant is \$19.7 million. If the \$30.4 million cut is approved and not restored in future years, by 2014-15 the federal grant will drop to zero. The federal funds are used for state operations.

6440 University of California

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6440-001-0001 University of California

Unallocated Reduction of \$500 million.

The Governor's Budget proposes an unallocated reduction of \$500 million General Fund to the UC system.

With this reduction, the UC General Fund budget will decrease from \$2.911 billion in 2010-11 to \$2.524 billion in 2011-12.

The *2011-12 Governor's Budget Summary* states: "These reductions are intended to minimize fee and enrollment impacts on students by targeting actions that lower the costs of instruction and administration".

-\$500,000 After new student fee revenues are accounted for, the total budget reduction to the UC system is **\$377 million.**

The University of California can address this budget reduction in a variety of ways, including administrative reductions, limiting enrollment, raising student fees, decreasing student services, reducing instructional costs, and reducing non-instructional costs such as administration and research.

6440 University of California

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6440-001-0001 University of California

Enrollment Target.

The Governor's Budget does not include an enrollment target for the UC system.

BBL The enrollment target is a minimum number of students the segment must enroll. The segment's General Fund funding level is decreased when it does not meet the enrollment target.

In 2008-09 and in 2009-10 the Budget Act did not include an enrollment target because the Legislature wanted to provide the segments with maximum flexibility in handling the budget reductions.

The 2010-11 enrollment target for UC was 209,977 full-time equivalent students (FTES), of which 5,121 FTES was enrollment growth.

6440 University of California

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6440-001-0001 University of California

Academic Preparation and Outreach Programs.

The Governor's Budget does not include any budget bill language to protect funding for the academic preparation and outreach programs.

University of California academic preparation and outreach programs 2010-11 expenditure plan was for \$29.594 million, of which \$12 million is "university funds" and the remainder General Fund.

BBL The academic preparation programs assist underserved students in navigating the university experience to better help them succeed.

The outreach programs work with high-school and middle school students to educate them about the university application process, criteria for getting into college, and financial aid available to low-income students.

The Legislature has in the past protected these programs through the use of budget bill language.

6440 University of California

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6440-301-6048 University of California

6440-302-6048

Capital Outlay Projects.

The Governor's Budget proposes four capital outlay projects for the UC system from General Obligation bond funds :

1. UC Merced – Social Sciences and Management Building, Equipment: \$3.908 million
2. UC San Diego – Structural and Materials Engineering Building, Equipment: \$0.917 million
3. UC Santa Cruz – Biomedical Sciences Facility, Equipment: \$2.22 million
4. UC Irvine – Humanities Building, Equipment: \$2.267 million

\$9,312 from GO bond funds Equipment is the last project phase when construction has been completed. It includes the purchase of items to make the building functional, such as desks and chairs.

Without funding the equipment phase, a building that has been fully constructed would not be operational.

The four equipment projects requested are funded from the 2006 University Capital Outlay Fund General Obligation bond fund.

6440 University of California

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6440-301-0668 University of California

6440-302-0668

Capital Outlay Projects.

The Governor's Budget proposes two capital outlay projects for the UC system funded with lease-revenue bond funds:

\$45,330 Lease-revenue bond funded projects can be
from lease- reconsidered in the Spring as revenue estimates are
revenue revised.
bond funds

1. UC San Diego – SIO Research Support Facilities, Construction: \$5.735 million
2. UC Irvine – Business Unit 2, Preliminary Plans, Working Drawings, and Construction: \$39.595 million

6600 Hastings College of the Law

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6600-001-0001 Hastings College of the Law

Unallocated Reduction of \$1.5 million.

The Governor's budget proposes a \$1.5 million unallocated reduction to the Hastings College of the Law.

In 2010-11, Hastings received \$8.4 million General Fund. The Governor's proposal would lower state support for Hastings to \$6.9 million General Fund.

-\$1,500 The total proposed 2011-12 budget for Hastings is \$68.7 million, of which \$6.9 million is General Fund. This General Fund support level is approximately ten percent of the Hastings' total budget.

Hastings indicated in the Subcommittee hearing that the savings would be achieved by increased student fees (\$500,000) and through operational savings (\$1 million).

For 2010-11, the Hastings resident student fee is \$38,906. To receive an additional \$500,000 in student fee revenue for the College, Hastings must increase resident student fees to \$39,986.

6610 California State University

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6610-001-0001 California State University

Unallocated Reduction of \$500 million.

The Governor's Budget proposes an unallocated reduction of \$500 million General Fund to the CSU system.

With this reduction, the CSU General Fund budget will decrease from \$2.682 billion in 2010-11 to \$2.291 billion in 2011-12.

The *2011-12 Governor's Budget Summary* states: "These reductions are intended to minimize fee and enrollment impacts on students by targeting actions that lower the costs of instruction and administration".

-\$500,000 After new student fee revenues and a \$75 million increase for retirement costs are accounted for, the total budget reduction to the CSU system is **\$351 million**.

The California State University can address this budget reduction in a variety of ways, including administrative reductions, limiting enrollment, raising student fees, decreasing student services, reducing instructional costs, and reducing non-instructional costs such as administration and research.

6610 California State University

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6610-001-0001 California State University

Enrollment Target.

The Governor's Budget does not include an enrollment target for the CSU system.

BBL The enrollment target is a minimum number of students the segment must enroll. The segment's General Fund funding level is decreased when it does not meet the enrollment target.

In 2008-09 and in 2009-10 the Budget Act did not include an enrollment target because the Legislature wanted to provide the segments with maximum flexibility in handling the budget reductions.

The 2010-11 enrollment target for CSU was 339,873 full-time equivalent students (FTES), of which 8,290 FTES was enrollment growth.

6610 California State University

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6610-001-0001 California State University

Academic Preparation and Outreach Programs.

The Governor's Budget does not include any budget bill language to protect funding for the academic preparation and outreach programs.

In 2008-09, California State University provided its academic preparation and outreach programs with \$59 million in total funding, of which \$17.7 million was General Fund.

BBL The academic preparation programs assist underserved students in navigating the university experience to better help them succeed.

The outreach programs work with high-school and middle school students to educate them about the university application process, criteria for getting into college, and financial aid available to low-income students.

The Legislature has in the past protected these programs through the use of budget bill language.

6610 California State University

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6610-301-6048 California State University

Capital Outlay Projects.

The Governor's Budget proposes one capital outlay project for the CSU system from General Obligation bond funds :

1. CSU San Francisco – Joint Library: J. Paul Leonard Library and Sutro Library,
Equipment: \$2.799 million

\$2,799 from GO bond funds Equipment is the last project phase when construction has been completed. It includes the purchase of items to make the building functional, such as desks and chairs.

Without funding the equipment phase, a building that has been fully constructed would not be operational.

The four equipment projects requested are funded from the 2006 University Capital Outlay Fund General Obligation bond fund.

6610 California State University

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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6610-301-0668 California State University

Capital Outlay Projects.

The Governor's Budget proposes five capital outlay projects for the CSU system funded with lease-revenue bond funds:

\$201,185 Lease-revenue bond funded projects can be
from lease- reconsidered in the Spring as revenue estimates are
revenue revised.
bond funds

1. CSU San Jose – Spartan Complex Renovation (seismic), Construction: \$51.479 million
2. CSU Chico – Taylor II Replacement Building, Construction: \$52.891 million
3. CSU East Bay – Warren Hall Replacement Building, Preliminary Plans, Working Drawings, Construction: \$48.975 million
4. CSU Channel Islands – West Hall, Construction: \$38.021 million
5. CSU Fresno – Faculty Office/Lab Building, Construction: \$9.819 million

7980 California Student Aid Commission

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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7980-001-0001 California Student Aid Commission

Eliminate Continuous Expenditure Authority for Student Loan Operating Fund.

Governor proposes trailer bill language to eliminate the continuous expenditure authority for the Student Loan Operating Fund (SLOF).

Funds that are continuously appropriated are not listed in the Budget Act. Currently, the SLOF is a continuously appropriated fund, and California Student Aid Commission (CSAC) decides the amount of funds expended from the SLOF, up to the amount available in the fund.

The Governor's trailer bill does not impact the CSAC's ability to expend funds that are appropriated through the Budget Act.

The Governor's Budget does not propose any state operations expenditure authority for the SLOF in 2011-12. The Governor's Budget does include \$30 million in SLOF for 2011-12.

TBL The SLOF was established to receive funds collected by the EdFund from individuals who defaulted on their student loans. Since the federal government removed California's position as guarantor of federal student loans, the EdFund is no longer collecting on defaults.

There are still on-going audits of the EdFund SLOF expenditures, and small amounts of billing that are taking place. CSAC estimates that they will need about \$500,000 in state operations expenditure authority from SLOF during 2011-12.

According to CSAC, state operations expenditures from the SLOF are likely to continue until the beginning of the next federal fiscal year on October 1, 2011.

7980 California Student Aid Commission

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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7980-101-0001 California Student Aid Commission

Policy Change to CalGrants Program.

The Governor's proposed budget fully funds the CalGrants program by taking \$947 million from the Temporary Assistance to Needy Families (TANF) and providing those funds to the California Student Aid Commission (CSAC).

The CSAC TANF funds will conform to the Senate's action on CalWORKs. If not all of the CalWORKs reductions are approved, there could be a corresponding shortfall in CalGrants.

Senate Budget Subcommittee No. 1 discussed the policy alternative of limiting the CalGrant award amount at a private for-profit college to the level of the equivalent public institution, which is either (1) the California Community College grant level for certificate and AA degree programs, or (2) the California State University grant level for four-year colleges.

TBL The CalGrant program provides grants to California resident students seeking undergraduate education. The CalGrant program is divided into the entitlement program for those students who graduated high school less than 18 months ago and a competitive program for non-traditional students.

The maximum grant level for CalGrants varies by institution type. The full resident student fee level is covered at UC (\$11,124) and CSU (\$4,884). At California Community Colleges, a student received a grant of \$1,551 annually. At private colleges, a student can receive up to \$9,708 annually.

0530 Health & Human Services Agency - Office of Systems Integration – Vote-Only

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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0530-001-9732 New Budget Bill Language

The Governor’s budget includes the following proposal for new budget bill language:

“The Director of Finance is authorized to approve matching current year increases in OSI Expenditure Authority to correspond to increases to the Department of Social Services Local Assistance Budget to address system changes to OSI managed information technology projects.”

N/A OSI procures and manages automation systems for the Departments of Social Services and Employment Development.

Staff Recommendation: To allow for the Legislature to ensure that any authorized increases are consistent with the Legislature’s intent as enacted by the budget, staff recommends the addition of the following sentence to the proposed budget bill language:

“Any such increases shall occur no sooner than 30 days after notification in writing of the necessity therefor to the chairpersons of the fiscal committees of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.”

4170 Department of Aging

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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Proposal to Eliminate the Multipurpose Senior Services Program (MSSP)

The Governor's budget proposes to eliminate MSSP, for 2011-12 savings of \$19.9 million GF. This would also result in the state losing \$19.9 million in federal funds.

The Governor's budget does not include any increase in nursing home costs as a result of this proposal.

-19,900

MSSP assists elderly Medi-Cal recipients to remain in their homes. Clients must be at least 65 years old and must be certified as eligible to enter a nursing home. MSSP provides mostly care management services, connecting individuals to necessary services. The program can also purchase specified services if the client's informal support and other sources of private and public services are exhausted. MSSP-funded services may include adult day care, housing assistance, personal care assistance, protective supervision, care management, respite, transportation, meal services, and other services.

MSSP operates under a federal Medicaid waiver and has 41 sites statewide. The program serves approximately 11,789 clients per month.

5175 Department of Child Support Services – Vote Only Item

Governor’s Proposal	2011-12 (\$ in thousands)	Comments
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California Child Support Automation System (CCSAS)-Technology Refresh & Reappropriation Savings

The Administration has recently proposed \$1.3 million GF savings from delaying a CCSAS technology refresh for state and local child support agencies.

The Administration has also requested that Item 5175-495 be added to the budget bill to revert savings from reappropriations of funds previously provided for the CCSAS project. The reversion amount is \$6.3 million GF, and reflects the anticipated unencumbered balance as of June 30, 2011, in Item 5175-490.

-7,598 CCSAS is an automation system that provides centralized child support case management, including locating and collecting payments from non-custodial parents and disbursing payments to custodial parents.

Subcommittee #3 had previously approved the funding for the technology refresh as part of a January budget proposal. The funds would have been used to refresh project hardware and software at the state level and to replace outdated county equipment.

The proposal to sweep reappropriation funding is not expected to impact program operations.

Staff Recommendation: Approve the Governor’s amended CCSAS proposals.

5175 Department of Child Support Services

Governor's Proposal	2011-12 (\$ in thousands)	Comments
<p>Proposal to Suspend County Share of Child Support Collections</p> <p>The Governor's budget proposes to suspend the county share of child support collections, estimated to be \$24.4 million in 2011-12. Instead, the amount would benefit the General Fund. The Administration also proposes trailer bill language to implement the proposal.</p>	<p>-24,400</p>	<p>Collections made on behalf of families who have received public assistance are retained by the government to repay past welfare costs. These assistance collections are shared by the federal, state, and county governments.</p> <p>Based on a department survey of counties in 2009-10, most counties transfer their share of collections to the local welfare agency to offset the county share of welfare costs. Los Angeles and San Diego Counties reinvest the collections into their local child support programs. Other counties transfer the funds to their county general funds.</p>

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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Supplemental Security Income/State Supplementary Payment (SSI/SSP) – Proposal to Reduce SSP Grants for Individual Recipients

The Governor's budget proposes savings of \$15 million GF in 2010-11 and \$177 million GF in 2011-12 from reducing, effective June 1, 2011, the state's participation in SSI/SSP grants for individuals who are elderly, blind, or who have disabilities, to the minimum allowed by a federal maintenance of effort (MOE) requirement.

Savings include those resulting from grant reductions in the Cash Assistance Program for Immigrants (CAPI) and California Veterans Cash Benefit programs, as those grant levels tie to the grants for SSI/SSP. As in the past, approximately 108,000 Non-medical Out-of-Home Care, Restaurant Meal Allowance, and Title XIX Medical Facilities recipients are excluded from this reduction.

-177,000

Impacts: There are approximately one million individual recipients of SSI/SSP (not including couples where both individuals are recipients). Under the proposal, the maximum grant most could receive would be reduced from \$845 to \$830 per month. At this level, individuals who have no other income would have incomes equivalent to approximately 92 percent of the Federal Poverty Level. Approximately 8,500 individuals would become ineligible for the program as a result.

Recent grant changes: In the February, 2009 special session, a 2009 federal Cost of Living Adjustment (COLA) was rescinded effective May 1, 2009, and grants were reduced 2.3 percent (\$20 for individuals and \$35 for couples) effective July 1, 2009. Grants were then further reduced, effective October 1, 2009, by \$5 for individuals and \$82 for couples. After this change, couples' maximum grants of \$1,407 per month have been at the MOE floor (around 116 percent of FPL). Also, as a result of AB X4 8 (2009-10 budget trailer bill), no state SSP COLAs will be automatically granted. There was no federal COLA for the SSI portion of the grants in 2010. An estimated .2 percent federal COLA is, however, expected to take effect on January 1, 2012.

5180

Department of Social Services

Governor's Proposal	2011-12 (\$ in thousands)	Comments
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**Transitional Housing Program-Plus (THP-Plus)-
Governor's Proposal to Reduce Funding by Over
50 percent.**

The Governor's budget proposes \$19 million GF savings from a reduction of that size in funding for THP-Plus. Absent the proposed reduction, the projected costs for THP-Plus would have been \$35.8 million GF.

The Department estimates that the proposed reduction will result in a loss of 650 beds or slots.

-19,000 Foster youth who emancipate from care without continued support at the age of 18 experience higher rates of arrest, incarceration, pregnancy, homelessness, unemployment and a lack of educational achievement (e.g., receipt of a high school diploma) than their peers. THP-Plus provides up to two years of transitional housing and supportive services to former foster youth. Last year, there were approximately 1,400 young adults and 168 of their children living in THP-Plus in 52 California counties.

To date, THP-Plus has served former foster youth who have emancipated from care (i.e., for whom a judge has terminated the state's jurisdiction) and for whom federal financial participation in the costs of care and services was not an option. Beginning January 1, 2012, eighteen year olds who opt to remain in foster care under statutes enacted by AB 12 (Chapter 559, Statutes of 2010) will have the option of living in "THP-Plus foster care," among other placement types, with newly available federal financial participation. This option will apply to nineteen year olds who opt to remain in foster care as of 2013, and twenty year olds as of 2014.