



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

SENATOR MARK LENO, CHAIR

**Budget Conference Committee  
Quick Summary**

June 11, 2013

The purpose of this Quick Summary is to provide a review of the actions adopted by the Budget Conference Committee on June 10, 2013.

If you have additional questions, please contact the Senate Committee on Budget and Fiscal Review at (916) 651-4103.

# CONTENTS

## Overview of the Budget Act

2013-14 Budget Package .....	Page 3
------------------------------	--------

## Budget Detail by Subcommittee

<i>Subcommittee No. 1:</i> K-12 Education .....	1-1
Higher Education .....	1-7
<i>Subcommittee No. 2:</i> Natural Resources .....	2-1
Environmental Protection .....	2-4
Energy and Utilities .....	2-6
Food and Agriculture .....	2-8
Transportation .....	2-9
<i>Subcommittee No. 3:</i> Health .....	3-1
Human Services .....	3-9
<i>Subcommittee No. 4:</i> State Administration .....	4-1
Veterans Affairs .....	4-5
<i>Subcommittee No. 5:</i> Labor .....	5-1
Public Employment and Retirement .....	5-2
Corrections and Rehabilitation .....	5-3
Judiciary .....	5-4

### Conference Committee Adopted Budget

On June 10, 2013, the Budget Conference Committee completed its work to reconcile the Senate and the Assembly versions of the 2013-14 Budget. The Conference Committee built upon the extensive work of both the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget. Working from the general framework of the Governor's budget and May Revision, the Legislature incorporated significant and important budgetary and policy changes to the state's expenditure plan.

**January Budget.** The Governor proposed a budget on January 10, 2013 that was balanced with respect to revenues and expenditures, reflecting major improvement in the state's finances following years of multi-billion dollar budget deficits. The budget contained major proposals in education, including a new funding formula for financing schools and additional General Fund investment for higher education. It also proposed a major expansion of Medi-Cal under the federal health care reform law. The proposed budget focused on paying down budgetary debt from past years and included several measures that would result in establishing a \$1 billion reserve.

**May Revision.** The Governor released his May Revision to the budget on May 14. The revised budget reflected a forecast of weaker projected tax collections than expected in January, and proposed considerable adjustments to projected revenues and proposed expenditures in both the current and budget years. The May Revision maintained the \$1.1 billion reserve initially proposed in January. The overall budgetary framework continued to be balanced over the five-year forecast period and the plan maintained the policy of debt reduction, reducing the "wall of debt" to less than \$5 billion by 2016-17.

**Conference Version.** The Budget Conference Committee version of the budget adopts the Governor's general budgetary framework. The Conference version of the budget is based on the Governor's May Revision state revenue estimates, as well as the May Revision's Proposition 98 guarantee level, but adopts revised forecasts of local property tax revenues. The Conference version contains a reserve level that is virtually identical to the reserve in the Governor's May Revision at \$1.1 billion.

The Conference version generally funds the major spending priorities that were contained in both the Assembly and Senate versions of the budget. However, in many cases the scope of those priorities were trimmed or phased-in over multiple years in order to fit spending within the May Revision's revenue projections and avoid projected out-year budget shortfalls. The budget year costs of those priorities was largely paid for through updated assumptions on property tax revenues (which offset General Fund costs for schools), as well as savings identified by the Legislature during dozens of budget hearings throughout the year.

## Major Highlights of the Conference Report:

**Fiscal Framework:** The Conference version of the budget maintains the overall fiscal framework of the Governor's proposal, with conservative revenue estimates, continued debt retirement, a projected balanced approach in the out-years, and a \$1.1 billion reserve.

- **Revenues:** The Conference version is based on the Governor's May Revision General Fund revenue forecast and updated property tax estimates. Both the Assembly and Senate had based their versions of the budget on higher revenue projections of the Legislative Analyst's Office, but had incorporated additional reserves to guard against potential revenue risk.
- **Reserve:** The Conference version estimates a \$1.1 billion reserve, which is identical to the May Revision level. Both the Assembly and Senate versions had somewhat higher reserves, largely as a result of the LAO's higher revenue projections.
- **Wall of Debt:** The Conference version pays-down the same amount of the non-Proposition 98 "Wall of Debt" as in the May Revision. In addition, the Conference version pays off about \$2 billion of the K-14 education deferrals within Proposition 98. This level of deferral payments is less than proposed in the May Revision, but is equal to the amount proposed in the Governor's January budget.
- **Out-years:** Like the May Revision, and the Assembly and Senate versions, the Conference version shows that the budget would be balanced with operating surpluses every year through the forecast period ending 2016-17.

**Major Programs and Spending:** The Conference version of the budget includes significant changes to the Governor's major proposals in education and health care services, and also increases expenditures in selected high priority areas identified by the Legislature.

- **Overhaul of Education Financing Structure:** The Conference version includes the Governor's proposed "Local Control Funding Formula" (LCFF), beginning in 2013-14. The Conference version modifies several aspects of the formula, however, including providing higher "base grants," and adds substantial provisions related to school district accountability.
- **Medi-Cal Expansion:** The Conference version assumes implementation of the proposed expansion of health care coverage under the federal Affordable Care Act. The package includes a broader array of services (particularly for mental health and substance abuse) than originally proposed in the May Revision. Overall costs for the expansion (above the May Revision) are estimated to be \$70 million in the budget year, increasing to about \$190 million by 2016-17.

- **Mental Health:** The Conference version includes \$206 million (\$142 million General Fund one-time) for a major investment in mental health services, including additional residential treatment capacity, crisis treatment teams, and triage personnel.
- **Medi-Cal Dental Benefits:** The Conference version restores a version of Medi-Cal dental services, beginning in May 2014.
- **CalWORKs:** The Conference version includes a new mechanism for funding annual CalWORKs grant adjustments and provides for additional services for CalWORKs recipients funded from redirecting growth in the 1991 Realignment to a new family support account.
- **Higher Education:** The Conference version includes the May Revision's major spending increases for the University of California, California State University, and the community colleges. In addition, it includes a new scholarship program for students with annual family incomes of up to \$150,000. The new scholarship program would begin in 2014-15 with General Fund costs of \$106 million, growing to about \$300 million in four to five years.
- **Prop. 98 K-12 Education:** In addition to the LCFF highlighted above, the Conference version includes a one-time funding of \$1.25 billion to assist school districts in implementing the Common Core standards (this amount is \$250 million greater than the May Revision). The Conference version also includes a major \$250 million one-time investment to create a career technical education pathways grant program.
- **Judicial Branch:** Included in the Conference version is an additional \$63 million for the judicial branch. Of this amount, \$60 million would go to trial courts, and the remainder would go to the state appellate courts, Supreme Court and Habeas Corpus Resource Center.
- **Proposition 39:** Counts nearly all \$428 million of the energy efficiency portion of Proposition 39 revenues toward the Proposition 98 minimum guarantee, with remaining revenue provided to non-98 programs. Of the \$428 million for energy programs, \$381 million is directed to K-12 school, and \$47 million for community colleges.

The following table shows the key features of the various budget plans:

<b>Budget Category</b>	<b>May Revision</b>	<b>Senate Version</b>	<b>Assembly Version</b>	<b>Conference Version</b>
<b>General Fund expenditures</b>	2012-13: \$95.7 billion  2013-14: \$96.4 billion	2012-13: \$96.7 billion  2013-14: \$98.2 billion	2012-13: \$96.7 billion  2013-14: \$98.3 billion	2012-13: \$95.7 billion  2013-14: \$96.3 billion
<b>General Fund revenue projections</b>	2012-13: \$98.2 billion  2013-14: \$97.2 billion	LAO revenue projections (\$3.2 billion above May Revision)	LAO revenue projections	May Revision revenue projections
<b>Reserve</b>	\$1.1 billion	\$1.5 billion	\$1.3 billion	\$1.1 billion
<b>“Wall of Debt” repayment (Non-Prop 98)</b>	\$2.2 billion	\$2.2 billion	\$2.1 billion	\$2.2 billion
<b>Major General Fund spending changes (\$100 million+) above May Revision</b>	--	<i>Mental health:</i> \$143 million  <i>Medi-Cal dental:</i> \$131 million  <i>Judiciary:</i> \$100 million	<i>CalWORKs:</i> \$237 million  <i>Middle class scholarship:</i> \$173 million  <i>Judiciary:</i> \$100 million	<i>Mental health:</i> \$143 million (one-time)  <i>Medi-Cal dental:</i> \$17 million (grows to \$86 million in 2014-15)  <i>Health care reform mental health and substance use disorder benefit:</i> \$70 million (grows to \$150 million in 2014-15)  <i>CalWORKs:</i> \$56 million, growing annually (non-General Fund)  <i>Middle class scholarship:</i> \$1 million (grows to \$107 million in 2014-15)  <i>Judiciary:</i> \$63 million (annual)

<b>Category</b>	<b>May Revision</b>	<b>Senate Version</b>	<b>Assembly Version</b>	<b>Conference Version</b>
<b>Prop. 98 total funding</b>	\$55.3 billion	\$56.9 billion	\$57.7 billion	\$55.3 billion
<b>Prop. 98 deferral payments</b>	\$2.7 billion	\$4.4 billion	\$2.7 billion	\$2 billion
<b>Prop. 98 “reserve”</b>	-- 2012-13:	\$619 million	2012-13: \$700 million	--
		2013-14: \$1.1 billion	2013-14: \$500 million	
<b>Major Prop. 98 proposals</b>	<b>LCFF:</b> \$1.9 billion	<b>LCFF:</b> \$2.3 billion (SB 69)	<b>LCFF:</b> \$3.6 billion	<b>LCFF:</b> \$2.1 billion
	<b>Common Core:</b> \$1 billion	<b>Common Core:</b> \$1 billion	<b>Common Core:</b> \$1.5 billion	<b>Common Core:</b> \$1.25 billion
	<b>Prop. 39:</b> \$464 million	<b>Prop. 39:</b> \$464 million	<b>Prop. 39:</b> \$464 million	<b>Prop. 39:</b> \$456 million
		<b>CTE:</b> \$250 million		<b>CTE:</b> \$250 million

### General Fund Summary

The Conference version of the budget results in modest spending increases in Non-Proposition 98 spending for high-priority investments identified by the Legislature. The budget includes a lower General Fund commitment for Proposition 98 spending as a result of the updated property tax estimates which serves to increase the offset in state education spending. The Conference version of the budget is restrained with respect to new spending in the budget and out-years. The General Fund budget summary for the Conference version of the budget, compared to the Governor’s May Revision, is as follows:

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**General Fund Budget Summary (in Millions)**

	<b>May Revision</b>		<b>Conference Version</b>	
	<b>Revised 2012-13</b>	<b>Proposed 2013-14</b>	<b>Revised 2012-13</b>	<b>Proposed 2013-14</b>
<b>Prior Year Balance</b>	<b>-\$1,658</b>	<b>\$850</b>	<b>-\$1,658</b>	<b>\$872</b>
Revenues and Transfers	98,195	97,235	98,195	97,098
<b>Total Resources Available</b>	<b>96,537</b>	<b>98,085</b>	<b>96,537</b>	<b>97,970</b>
Non-Proposition 98 Expenditures	55,233	57,004	55,211	57,226
Proposition 98 Expenditures	40,454	39,349	40,454	39,055
<b>Total Expenditures</b>	<b>95,687</b>	<b>96,353</b>	<b>95,665</b>	<b>96,281</b>
<b>Fund Balance</b>	<b>850</b>	<b>1,732</b>	<b>872</b>	<b>1,690</b>
Reserve for Liquidation of Encumbrances	618	618	618	618
<b>Total Available Reserve</b>	<b>\$232</b>	<b>\$1,114</b>	<b>\$254</b>	<b>\$1,072</b>
<b>Operating Surplus</b>	<b>\$2,508</b>	<b>\$882</b>	<b>\$2,530</b>	<b>\$818</b>

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# K-12 EDUCATION

## 6110 CALIFORNIA DEPARTMENT OF EDUCATION

### K-14 Education -- Proposition 98 Overall

- **Revenue Assumptions.** Adopts the Governor's May Revise General Fund revenue estimates, and LAO property tax revenue estimates, which essentially continues Proposition 98 funding at the Governor's May Revise funding levels for K-12 schools and community colleges (K-14 education).
- **Current Year Funding.** Approves Proposition 98 spending of **\$56.5 billion** in 2012-13 for K-14 education, which reflects the estimated minimum guarantee. This level of funding is \$14.7 million higher than the Governor's May Revise.
- **Budget Year Funding.** Approves Proposition 98 funding of **\$55.3 billion** for K-14 education in 2013-14, which reflects the estimated minimum guarantee. This level of funding is about the \$22.1 million higher than the Governor's May Revise.
- **Deferral Paydowns.** Retires a total of **\$4.3 billion** in ongoing Proposition 98 payment deferrals for K-14 education over two years, which is **\$667 million** less than the level proposed by the Governor (\$13 million less in 2012-13 and \$654 million less in 2013-14).

Ongoing K-14 deferrals – which were utilized to mitigate programmatic reductions for K-12 schools and community colleges – reached an all-time high of **\$10.4 billion** in 2011-12. The 2012-13 budget act reduced K-14 deferrals to **\$8.2 billion**. The Conference Committee reduced outstanding K-14 deferrals to about **\$6.2 billion** in 2013-14.

### Proposition 39 Implementation for K-14 Education.

- **Energy Efficiency Programs.** The budget provides total of **\$428 million** in funding for energy efficiency programs for K-12 education and community colleges in 2013-14. These funds result from Proposition 39 revenues and are counted toward Proposition 98. These funds are appropriated in the budget act and allocated pursuant to budget trailer bill language, as follows, in 2013-14:
  - ✓ **K-12 Grants.** Allocates 89 percent of Proposition 39 funds for K-14 education, which equates to **\$381 million** in 2013-14, to the California Department of Education (CDE) for K-12 local education agencies (LEAs), including school districts, charter schools and county offices of education, and State Special Schools. In allocating LEA funds, funds are

weighted as follows -- 85 percent is distributed on the basis of average daily attendance (ADA) and 15 percent is distributed on the basis of Free- and Reduced-Price Meals.

Minimum grants are also established for small K-12 LEAs within the following ADA thresholds:

- \$15,000 for LEAs with ADA of 100 students or less.
- \$50,000 for LEAs with ADA of more than 100 to 1,000 students.
- \$100,000 for LEAs with ADA of more than 1,000 but less than 2,000 students.

The trailer bill specifies that LEAs with 1,000 students or less can receive an advance on future allocations allowing them to bundle two years of funding in 2013-14 and subsequent years.

LEAs receiving more than \$1 million in energy funds shall expend 50 percent of the funding on projects larger than \$250,000 that achieve substantial energy efficiency, clean energy and jobs benefits.

The budget provides **\$109,000 GF and 1.0 position** for the Department of Education to implement and oversee the Proposition 39 energy efficiency program.

- ✓ **Community Colleges Grants.** Allocates 11 percent of Proposition 39 revenues to K-14 education, which equates to **\$47 million** in 2013-14, to the Community College Chancellor's Office on behalf of community college districts. Funds are distributed at the discretion of the Chancellor's Office.

The budget provides **\$86,000 GF and 1.0 position** for the Chancellor's Office to implement and oversee community college energy efficiency projects.

- **Energy Project Revolving Loan Program.** Budget trailer bill appropriates **\$28 million** in Proposition 39 revenues to the State Energy Conservation Assistance Account at the California Energy Commission for the purpose of establishing a revolving loan fund for K-14 education energy projects in 2013-14. This new program would provide low-interest and no-interest revolving loans, and loan loss reserves for eligible energy projects and technical assistance for K-12 LEAs and community college districts. (The \$28 million appropriated in 2013-14 for the ECAA revolving loan fund also counts toward Proposition 98 -- \$25 million (89 percent) for K-12 Education and \$3 million (11 percent) for community colleges.

### **K-14 Adult Education.**

- **Adult Education Partnership Grants.** Building upon the Governor's May Revise proposal, approves **\$25 million** for two-year planning grants for coordinating and integrating adult education services in community colleges and school districts (through their adult schools). Per a Conference Promise, grant awards will be provided to regional consortia of community

colleges and school districts, as selected by the California Community Colleges Chancellor's Office and the California Department of Education. Regional consortia participants could include local correctional facilities, other public entities, and community-based organizations.

**Consolidates Funding for Apprenticeship Training.** Shifts administration of the K-12 Apprenticeship program from the Department of Education to the California Community Colleges, and consolidates this program with the Community College Apprenticeship Program as a separate categorical program.

**Proposition 98 – K-12 Education.** Other major budget actions approved in Conference Committee include:

- **Implementation of Local Control Funding Formula.** Approves a total of **\$2.1 billion** in additional Proposition 98 funding to commence implementation of a new Local Control Funding Formula for K-12 local educational agencies in 2013-14. The Conference Committee provides an additional **\$214 million** compared to the Governor's May Revise.

The Conference Committee adopted a LCFF compromise plan that, building upon the Governor's proposal, creates the new formula and appropriations in statute, and establishes accompanying accountability provisions. Most notably, the Conference restores funding for all LEAs to 2007-08 levels,

- **Local Control Funding Formula.** Provides a total of \$2.1 billion for the purposes of implementing the Local Control Funding Formula for school districts and charter schools. Maintains May Revise level, \$32 million, to implement a new funding plan for County Offices of Education (COEs). Most notably, the Conference LCCF plan:

- ✓ Increases Target Base Rate. Provides a weighted average target per-pupil rate of roughly \$7,354. This level represents an increase of \$537 more per pupil than proposed at the May Revision. (The Governor's May Revise proposed \$6,816 per pupil.)
- ✓ Provides Additional Funding to Restore Almost All Districts to 2007-08 Funding Levels. Provides additional funding to nearly all districts for which fully implemented LCFF targets would be below 2007-08 state funding levels. Does not provide this additional funding for a small number of districts with exceptionally high rates.
- ✓ Adjusts EL/LI Supplemental Grant Rate. Districts would receive 20 percent of base rate for low income (LI) and English learner (EL) students. (The Governor's May Revise proposed 35 percent of the base rate.)
- ✓ Raises Concentration Threshold. Districts would qualify for additional concentration funding if 55 percent of their students are EL/LI. (May Revision proposed a 50 percent threshold.) Districts would receive an additional 50 percent of base rate for each EL/LI student above this 55 percent threshold. (The Governor's May Revise proposed 35 percent of base rate for each EL/LI student above 50 percent threshold.)

- ✓ Establishes Process for Expenditure of Supplemental and Concentration Funds. Requires the State Board of Education to adopt regulations that govern the expenditure of the supplemental and concentration grant funding. These regulations require school districts, COEs and charter schools "to increase or improve" services for unduplicated pupils in proportion to the increase in funds.
- ✓ LCFF Categorical Exceptions.
  - Continues Governor's proposal to provide Targeted Improvement Instructional Grant (TIIG) and Home-to-School (HTS) Transportation funding as "add-ons" to the LCFF per the Governor's proposal. However, TIIG funding is flexed; but HTS transportation would remain restricted to transportation.
  - Per the Governor's proposal, Adult Education and Regional Occupational Centers (ROC/Ps) are funded within the LCFF formula however these programs now include maintenance of effort requirement for the next two years.
  - Maintains several programs as separate categorical programs from the Local Control Funding Formula including Foster Youth Services, Adults in Correctional Facilities, Apprenticeship programs, Specialized Secondary Programs, Agricultural Vocational Education and Partnership Academies, instead of rolling them into LCFF per the Governor's proposal.
  - Continues Special Education, Child Nutrition, State Preschool, student assessments, Fiscal Crisis Management and Assistance Team (FCMAT), Indian Education programs outside of LCFF, as proposed by the Governor.
- ✓ Extends Phase-In Period. Full implementation is estimated to take eight years, instead of seven years per the Governor's proposal.
- ✓ Includes Accountability Provisions. Requires school districts and county offices of education to adopt a Local Control and Accountability Plan (LCAP) for the purposes of measuring pupil achievement pursuant to specified state priorities. Creates a statewide collaborative to provide technical assistance to school districts and COEs that are not meeting state priorities established in their LCAP. Authorizes the Superintendent of Public Instruction (SPI) to intervene in school districts and COEs who continue to struggle to meet state priorities after technical assistance is provided. Adopts the Governor's proposal to reduce demographic subgroup sizes for accountability purposes in order to better track outcomes for all students.
- **Implementation of Common Core Standards.** Provides **\$1.250 billion** in one-time Proposition 98 funding in 2013-14 to assist K-12 local educational agencies in implementing the new Common Core standards. This level of funding is \$250 million higher than the Governor's May Revision. This investment will allow K-12 LEAs – including school districts, charter

schools, county offices of education, and state special schools -- to make significant one-time investments in professional development, instructional materials, and enhancements to technology, in order to better implement Common Core standards. The \$1.250 billion in one-time funds will provide an average of about \$209 per pupil, outside of the Local Control Funding Formula. Funding would be available for expenditure by LEAs over a two year period.

- **Career Technical Education Grants.** Approves **\$250 million** on a one-time basis in 2013 -14 to establish the California Career Pathways Trust. The trust will provide one-time competitive grants to school districts, county offices of education, charter schools and community colleges to support K-14 education career pathways programs. Funding would be available over a two year period, with priority given to proposals that attract capital and in-kind contributions from business and serve distressed communities with high dropout rates.
- **Expands K-12 Mandate Block Grant.** Provides an additional \$50 million to the K-12 Mandates Block Grant – for a total of \$216 million in 2013-14 -- to provide additional funding to LEAs with high school enrollment to cover the High School Science Graduation Requirements mandate.
- **Modifies the Behavioral Intervention Program Mandate.** Modifies the Behavioral Intervention Plan (BIP) mandate to align it more closely with federal law and reduce unnecessary costs, while maintaining important protections for students with disabilities. Provides \$230,000 in one-time federal funds to the Department of Education to develop technical assistance advisories for SELPAs that reflect federal laws and regulations, as well as research and best practice. Requires the Department to establish a stakeholders group to guide these activities.
- **Special Education Funding Equalization.** Approves **\$30 million** to begin the process of equalizing state special education funding rates for Special Education Local Program Areas (SELPAs) in 2013-14. Per pupil funding rates would be equalized to the 90<sup>th</sup> percentile over a multi-year period in order to address significant historical inequities among SELPAs.

## Child Care & Development

- **Restoration of State Preschool Program Funding.** Provides \$30 million in Proposition 98 funds in 2013-14 above the Governor's budget to begin the process of restoring reductions to the State Preschool Program (part-day/part-year) for low-income three- and four-year old children. The State Preschool program has sustained approximately \$120 million in cuts since 2009-10.
- **Backfill for Federal Sequestration Cuts.** Approves **\$2.6 million** in Proposition 98 funding to fully backfill the loss of federal special education funding authorized under the Individuals with Disabilities Education Act (IDEA) for services and programs for infants and preschoolers with disabilities in 2013-14.

- **CalWORKs Child Care.** Approved compromise adjustments to CalWORKs Stage 2 and Stage 3 child care caseload to fund Stage 2 at \$358 million and Stage 3 at \$183 million. This fully funds projected caseload for the budget year. Also approved budget bill language to allow for transfers from Stage 2 and Stage 3 within the fiscal year if caseload adjustments are needed. Also approved budget bill language to allow the Department of Finance authority to augment funding for the Stage 3 caseload if funding budgeted is found to be insufficient to cover caseload.
- **Other Capped Child Care Programs.** Approved \$15.8 million augmentation and BBL to ensure sufficient funding to fully backfill federal sequestration cuts. Augmentation and potential sequestration reductions would be allocated as follows: \$11.1 million for the General Child Care program, \$4.1 million for the Alternative Placement programs, and \$621,000 for migrant child care programs.

Approved \$10 million reappropriation of unspent child care funds to expand additional slots for the capped child care programs as follows: \$7 million for General Child Care program, \$2.6 million for Alternative Placement programs, and \$400,000 for migrant child care programs.

# HIGHER EDUCATION

## HIGHER EDUCATION CROSSCUTTING ISSUES

- Approved trailer bill language to require the California State University (CSU) and University of California (UC) to report the following information annually, starting in March 2014, with 2012-13 data as follows:
  - Number/Proportion of Transfers
  - Number/Proportion of Low-Income Students
  - 4-year Graduation Rates for both UC and CSU and 6-year Graduation Rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
  - Degree Completions (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
  - First-Years On Track to Degree (i.e. what percent of first years earned a specified number of units)
  - Spending Per Degree (Core Funds)
  - Units Per Degree
  - Number of Science, Technology, Engineering and Mathematics (STEM) degrees.
- Approved revised budget bill language related to technology funding earmarks for UC, CSU and the California Community Colleges that ensures that online-only courses have transferability among campuses and allow for cross-campus enrollment.
- Approved enrollment targets for both UC and CSU at their current full-time equivalent student (FTES) enrollment levels of 211,499 and 342,000 respectively.

## 6120 CALIFORNIA STATE LIBRARY (CSL)

- Approved no funding for the CSL to pursue linking local libraries to the Corporation for Education Network Initiatives in California (CENIC) system, but instead adopted budget bill language to require the State Librarian to prepare a needs assessment and spending plan to connect local libraries to a statewide high-speed internet network.

## **6440 UNIVERSITY OF CALIFORNIA**

- Approved the Governor's base augmentation of \$125.1 million GF.
- Approved trailer bill language (TBL) and budget bill language to combine the UC's capital outlay and support budget items to increase UC's flexibility to manage their infrastructure program. The TBL would also give UC more flexibility to pursue capital outlay projects outside of the annual budget process after approval by DOF and review by the Joint Legislative Budget Committee.
- Approved budget bill language requiring UC to dedicate \$15 million for the UC Riverside Medical School.
- Authorized the UC to pursue construction of a new Merced Classroom and Academic Office Building.

## **6610 CALIFORNIA STATE UNIVERSITY**

- Approved Governor's base augmentation of \$125.1 million GF.
- Approved a \$51.4 million GF increase to fund the annual increase in costs for CSU's required employer pension contribution to the California Public Employees Retirement System. Adopted budget bill provisional language and trailer bill language to require that CSU continue to receive annual GF adjustments based on the 2013-14 payroll level; however, if CSU chooses to increase payroll expenditures above that level, CSU would be responsible for the associated pension costs.
- Authorized \$76.5 million lease revenue bond funded capital outlay project for CSU to replace the Pomona Administration facility.

## **6600 HASTINGS COLLEGE OF THE LAW**

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



## 6870 CALIFORNIA COMMUNITY COLLEGES

- *Please see the K-12 Education Section of this report for information on the overall K-14 Proposition 98 budget.*
- **Current Year.** Buys down additional CCC deferrals by \$ 178.6 million in the current fiscal year.
- Provides \$30 million in one-time Proposition 98 GF in the budget year for deferred maintenance and instructional support.
- Approved the Governor's May Revision apportionment of Proposition 98 GF revenues for CCCs for COLA (\$87.5 million) and growth (\$89.4 million).
- Approved categorical program augmentations as follows: \$50 million for the student success taskforce, \$ 15 million for the Disabled Student Programs and Services, \$15 million for the Extended Opportunity Programs and Services program , \$8 million for the CalWORKS categorical program, and \$150,000 for the Academic Senate.
- Approved \$ 25 million for planning grants to improve coordination of the state's system of delivering adult education services between local educational agencies and community colleges.
- Approved May Revision proposal to consolidate the management of state apprenticeship programs currently funded under K-12 to the community colleges.
- Rejected the Governor's proposal to harmonize financial aid requirements for the Board of Governor's fee waiver program with the requirements for the Cal Grant program and federal student aid programs.
- Approved trailer bill language to give CalWORKS students priority enrollment at CCCs, given that time on aid was limited to two years in budget actions in 2012.
- Approved \$47 million Proposition 98 funding for energy efficiency projects at the community colleges, funded to satisfy requirements of Proposition 39 passed by the voters in November 2012. Approved one GF supported position for the Community Colleges Chancellor's Office to support this workload.

## 7980 CALIFORNIA STUDENT AID COMMISSION

- Approved trailer bill language to establish a compromise Middle Class Scholarship that is capped at full implementation at \$305 million. This scholarship program would be available to provide scholarships of up to 40 percent of tuition for California State University and University

of California students, annually, to families with incomes up to \$150,000. Scholarship awards would be phased in over four years starting in 2014-15 with freshman entrants. Eligibility would be limited to students that meet all Cal Grant program requirements except for the income and asset test and have a minimum of a 2.0 grade point average.

Scholarships would provide tuition coverage on a sliding scale with income of up to \$100,000 receiving 40 percent tuition coverage and a reduction of tuition coverage by approximately 0.6 percent for every additional \$1,000 of income up to \$150,000. If sufficient money is not available to provide specified scholarship amounts, scholarships would be prorated proportionately among all recipients.

In the first three years of implementation, starting in 2014-15, the scholarship program's statutory appropriations would be capped at \$107 million, \$152 million, and \$228 million. Statute would provide authority to prorate spending down to \$200 million and by one-third in the first three years of implementation if the May Revision projects a budget deficit for the upcoming fiscal year.

As an institutional requirement for participating in the Middle Class Scholarship, the UC and CSU is required to preserve current fee policies and the 2013-14 amount of student fee revenue that is set-aside as institutional aid.

In the budget year, \$250,000 is provided to the Student Aid Commission for startup activities and \$500,000 is allocated to the California Student Opportunity and Access Program for outreach related to the program.

# NATURAL RESOURCES

## **0540 Secretary for Natural Resources**

- Approved \$217,000 (Timber Regulation and Forest Restoration Fund), and three permanent positions, to implement the regulatory requirements of Chapter 289, Statutes of 2012 (AB 1492, Blumenfeld), which established new forest resource management funding through an assessment on lumber. The Governor proposed the positions be three-year limited term.
- Approved the shift of \$1.9 million (bond funds) and nine positions from the State Coastal Conservancy to the Secretary, in order to consolidate all ocean programs including the Ocean Protection Council within the Resources Agency.

## **3110 Special Resources Program**

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

## **3340 California Conservation Corps (CCC)**

- Approved \$5 million (Proposition 40) annually, for the next three years, to support fire prevention activities. The Governor's May Revision proposed these activities be funded by Proposition 40 bond funds.

## **3480 Department of Conservation**

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

## **3540 Department of Forestry and Fire Protection**

- Approved the conversion of ten positions from limited-term to permanent in the Civil Cost Recovery Program.
- Approved budget bill language to align Schedule A agreements with the budget year to allow for better review and oversight of new agreements.
- Approved \$11.7 million (SRA Fund) and 65 positions to address fire severity, treatment, education, prevention and planning. Included budget bill language to restrict the use of the funds related to the Vegetation Management Program.

- Approved \$967,000, six permanent positions (Timber Regulation and Forest Restoration Fund), and three permanent positions to implement the expansion of timber harvest plan reviews, as required by Chapter 289, Statutes of 2012 (AB 1492, Blumenthal), which established new forest resource management funding through an assessment on lumber.

### **3600 Department of Fish and Wildlife (DFW)**

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

### **3720 California Coastal Commission (CCC)**

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

### **3760 State Coastal Conservancy (SCC)**

- Approved the shift of \$1.9 million (multiple bond funds), and nine positions from the State Coastal Conservancy to the Secretary, in order to consolidate all ocean programs including the Ocean Protection Council within the Resources Agency.
- Approved a baseline funding realignment to implement the SCC 10-year funding plan, submitted in April, in order to manage bond funds over a longer period of time.

### **3790 Department of Parks and Recreation (DPR)**

- Approved \$1 million (DPR Fund) for three years, including budget bill language for Goat Canyon Sediment Basin maintenance. Budget bill language directs the department to seek other funding for this project that is the result of polluted runoff from Mexico.
- Approved \$40.9 million, and 73.5 positions, to complete the merger of the Department of Boating and Waterways into the department, as the Division of Boating and Waterways.

- Approved the reappropriation of all Off-Highway-Vehicle (OHV) program requests. Approved trailer bill language requiring the department director to certify the funding is available for full mitigation of OHV-related purchase prior to final acquisition.
- Approved \$1.2 million local assistance funding (Proposition 40) rather than state capital outlay funds to the Eastshore State Park for renovation by the local park district.
- Approved the transfer of the District 11 Caltrans State Building to DPR for the long-term development of San Diego Old Town State Historic Park.

### **3860 Department of Water Resources (DWR)**

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

# ENVIRONMENTAL PROTECTION

## **0555 Secretary for Environmental Protection**

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

## **3900 Air Resources Board (ARB)**

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

## **3930 Department of Pesticide Regulation**

- Approved \$1.4 million (Department of Pesticide Regulation Fund) and five positions to address the mitigation of pesticide use in the environment and to increase the enforcement of the state's pesticide regulations and the speed of pesticide product reviews and approval. Provided provisional language to require the department to provide five risk assessments by June 30, 2014.

## **3940 State Water Resources Control Board**

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

- Approved \$969,000 (Waste Discharge Permit Fund) to increase enforcement of nitrate contamination and provide greater groundwater monitoring.
- Approved \$800,000 (Waste Discharge Permit Fund) to increase beach water quality monitoring.

### **3960 Department of Toxic Substances Control (DTSC)**

- Approved a fee reform proposal for the Hazardous Waste Control Account, which will provide structural funding stability at the department by allocating fees more equitably across the universe of hazardous waste generators.

### **3970 Department of Resources Recycling and Recovery (CalRecycle)**

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

### **3980 Office of Environmental Health Hazard Assessment (OEHHA)**

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

# ENERGY AND UTILITIES

## **3360 California Energy Commission (CEC)**

- Approved \$160 million and 55 positions from Investor-Owned Utility ratepayer funds for the implementation of the Electric Program Investment Charge (EPIC). Trailer bill language restricts the use of the funds to those within the Investor-Owned Utility areas.
- Approved a multi-year plan for the reduction of positions and expenditures related to the Public Goods Charge (PGC) for renewable energy programs and the Public Interest Energy Research Program. This plan is necessary due to the sunset of the PGC on January 1, 2012. The first year reduction includes a reduction of \$980,000 (PGC) and nine positions.
- Denied \$4 million (Energy Resources Program Account) and eight positions for the California Energy Commission, to provide technical assistance to small local educational agencies. This funding was intended to help identify cost-effective energy savings opportunities for K-12 school facilities, and to provide guidance on establishing baselines and tracking performance.

## **8660 California Public Utilities Commission (CPUC)**

- Denied \$210,000 (multiple ratepayer funds) and three positions for the establishment of a budget office at CPUC. Requires the CPUC to absorb or convert these positions from existing ten budget control officer positions acknowledged in budget hearings. Required the CPUC to report back, on September 1, 2013, on its progress in establishing a new budget office and filling the positions.
- Approved trailer bill language allowing the Lawrence Livermore National Laboratory to provide cyber security research to benefit the Investor-Owned Utilities and set parameters for this program.
- Approved trailer bill language that prohibits the CPUC from creating non-state entities through decisions, settlements, rules, orders, or mergers, without a legislative approval process, with anything but shareholder funding.
- Approved trailer bill language that prohibits the CPUC from awarding contracts to nonprofits in which a sitting commissioner serves as an employee, officer or director.
- Denied \$88,000 (Electricity Program Investment Charge) and one position for oversight of the EPIC program, proposed to be administered by the Energy Resources Development Commission. Required the CPUC to account for all positions and expenditures used to develop and adjudicate this program, with a report back to the Legislature on January 10, 2015.



- Denied \$88,000 (PUC Utilities Reimbursement Account) and one position for expanded policy programs at the CPUC, including demand-side program facilitation and expansion.
- Approved \$231,000 and two administrative law judge positions to implement the requirements of recently passed legislation.
- Approved \$330,000 (Public Transportation Account, State Transportation Fund) to oversee the design and construction of California's High Speed Rail system.
- Approved five positions and \$391,000 for the Division of Ratepayer Advocates (DRA) for energy financial examiners, water auditors and natural gas safety workload.
- Approved trailer bill language to provide independence of the DRA from CPUC by creating the Office of Ratepayer Advocates, allowing for a separate process for budget submission outside the CPUC, and allowing the DRA to employ its own attorneys.

# FOOD AND AGRICULTURE

## **7300 Agricultural Labor Relations Board**

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

## **8570 Department of Food and Agriculture (CDFA)**

- Approved \$577,000 (Specialized License Plate Fund) to award grants to agricultural education organizations with funds received from the sales and renewals of the specialized agriculture license plate.
- Approved \$2.5 million (Department of Food and Agriculture Fund) for two years and \$1 million (GF) for one year to provide resources to enhance the Asian Citrus Psyllid and Huanglongbing Mitigation Project. The Asian Citrus Psyllid are the carriers for Huanglongbing disease, which is fatal to citrus trees.
- Approved reappropriation of funds (Public Building Construction Fund and State Highway Transportation Fund) for the Yermo Agriculture Inspection Station for acquisition, preliminary plans, working drawings and construction. Approved provisional and supplemental language to require the department to submit a new budget for the station by January 10, 2014.

# TRANSPORTATION

## 2660 DEPARTMENT OF TRANSPORTATION

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

**2665 HIGH-SPEED RAIL AUTHORITY**

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

**2720 CALIFORNIA HIGHWAY PATROL**

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

# HEALTH

## **0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY**

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

## **0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)**

- Investment in Mental Health Wellness—Infrastructure Grants. Adopted proposal to invest a total of \$206.3 million in mental health wellness. Of this total amount, \$149.8 million is appropriated to CHFFA for the following:
  - Crisis Residential Treatment Beds – \$125 million one-time GF to provide grants to expand existing capacity by at least 2,000 residential rooms over two years. These funds are to be used to leverage other private and public funds.
  - Mobile Crisis Teams - \$2.5 million one-time GF to purchase vehicles to be used for mobile crisis teams and \$6.8 million ongoing (\$4 million Mental Health Services Act Fund State Administration and \$2.8 million federal funds) to support mobile crisis support team personnel.
  - Crisis Stabilization Units - \$15 million one-time GF to provide grants to increase the number of crisis stabilization units.
  - \$500,000 in one-time Mental Health Services Act State Administration funds for CHFFA to develop the above-specified grant programs.

## **4120 EMERGENCY MEDICAL SERVICES AUTHORITY**

- Approved as budgeted.

#### **4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OHSPD)**

- Investment in Mental Health Wellness—Crisis Management Training. Adopted proposal to invest a total of \$206.2 million in mental health wellness. Of this total amount, appropriated \$2 million (Mental Health Services Act Fund State Administration), and adopted budget bill language, to provide training in the areas of crisis management, suicide prevention, recovery planning, and targeted case management and to facilitate employment of Peer Support classifications.
- Five-Year Workforce and Education Training Plan. Approved request for \$196,000 Mental Health Services Act (MHSA, Proposition 63) Fund to contract with an independent evaluator to develop and carry out a needs assessment that will inform its required Five-Year MHSA Workforce Education and Training Plan.
- Health Care Workforce Development. Approved request for extension of three limited-term positions responsible for proactive Health Professional Shortage Area, Medically Underserved Area, and Medically Underserved Population designations; and the extension of its one limited-term position responsible for continuing the implementation of the healthcare reform work plan.
- The California Endowment Grant. Approved the request for \$14 million and one staff person for the Health Professions Education Foundation for health professional scholarship and loan repayments, and \$7 million for the Song-Brown Program to provide funding to health professional training institutions to train Family Practice Physicians, Family Nurse Practitioners, and Primary Care Physician Assistants. These funds are part of a \$52 million, over four years, grant from the California Endowment.

#### **4150 DEPARTMENT OF MANAGED HEALTH CARE (DMHC)**

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

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

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

#### **4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS (DADP)**

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

#### **4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)**

- Adult Dental Benefits. Restored partial Medi-Cal Adult Dental Benefits effective May 1, 2014 for \$55.3 million (\$16.9 million GF). This partial restoration includes preventive/diagnostic services, restoration services (amalgams, composite and stainless steel crowns), and full mouth dentures. (These benefits were eliminated as an “optional” Medi-Cal benefit in 2009, due to the state’s fiscal crisis.) With the expansion of Medi-Cal up to 138 percent of poverty for childless adults, under the federal Affordable Care Act (ACA), the state will take advantage of 100 percent federal funding (January 1, 2014 through December 31, 2016) for these new enrollees.
- ACA – Medi-Cal Expansion. Approved about \$1.7 billion federal funds and \$21 million GF to implement the Medi-Cal expansion, as provided under the federal Affordable Care Act. Approved \$26.4 million GF savings as a result of shifting certain pregnant women to Covered California, with Medi-Cal covering any cost-sharing and benefits not included under coverage obtained via Covered California. Increased by \$2.8 million GF to continue eligibility in Medi-Cal for newly qualified immigrant parents with their children who are eligible for Medi-Cal. Adopted a savings of \$2.6 million GF as a result of shifting newly qualified immigrant adults to Covered California, with Medi-Cal covering any cost-sharing and benefits not included under coverage obtained via Covered California. These actions were taken with the understanding that the Medi-Cal benefit package and all eligibility issues will be addressed in the Special Session through SBX11 (Hernandez and Steinberg) and ABX11 (Perez).
- ACA – Inclusion of Basic Mental Health Services and Enhanced Substance Use Disorder Services in Medi-Cal. Approved \$159.3 million (\$66.7 million GF) to expand non-specialty

mental health services and substance use disorder services into Medi-Cal starting January 1, 2014. This funding supports the addition of these services into the Medi-Cal benefit package included in the Special Session bills SBX11 (Hernandez and Steinberg) and ABX11 (Perez).

- ACA – Financial True-Up Mechanism. Adopted modified trailer bill language regarding the establishment of a fiscal true-up mechanism to share in potential savings resulting from the shifting of individuals previously covered through county indigent health programs to the Medi-Cal program under the expansion. The Legislature’s mechanism would take into consideration the differences between counties (e.g., public hospital counties and County Medical Services Program counties) and would ensure counties maintain adequate funding for ongoing indigent care, public health responsibilities, and infrastructure development.
- ACA – Streamlining and Simplification of Medi-Cal. Adopted the Legislative Analyst’s Office (LAO) estimate of \$104 million GF, or \$83 million GF less than the Administration, for the costs associated with individuals already eligible for Medi-Cal enrolling into the program as a result of eligibility and redetermination streamlining provisions in the ACA. The LAO’s estimates are based on research and adhere to a generally accepted methodology.
- ACA – GF Savings Estimate from State Receiving Enhanced Federal Funding for Currently Eligible. Adopted trailer bill language to require the Administration to estimate and display in the Medi-Cal Program Estimate the GF savings attributable to the receipt of enhanced federal funding for Medi-Cal eligibles who were previously calculated as being currently eligible and for whom the state received only a 50 percent federal matching assistant payment.
- ACA – County Eligibility Processing. Approved Governor’s proposal to (1) provide an additional \$71.9 million GF for increased county costs to implement the ACA, (2) provide \$15.4 million GF for a cost of doing business increase for county staff who perform tasks as part of the Medi-Cal eligibility process, and (3) allow a rollover of current year Medi-Cal eligibility processing costs to the budget year (this is estimated to be between \$15 to \$35 million GF). Additionally, the Legislature provided, on a one-time basis, the ability to rollover no more than \$20 million in unspent funds from the current year CalWORKs single allocation to county administration with a maximum of \$120 million GF provided to county eligibility processing.
- ACA – Enhanced Federal Funds for Preventive Services and Adult Vaccines. Increased GF savings to \$7.5 million as a result of enhanced federal funding available for preventive services and adult vaccines to also account for the savings in the Medi-Cal managed care. Governor’s estimate only included \$2.5 million savings from fee-for-service. Adopted trailer bill language necessary to exempt these services from cost-sharing in order to be eligible for this enhanced federal funding percentage.
- ACA – Medi-Cal Enrollment Assistance and Outreach Grants. Adopted trailer bill language to require DHCS to accept a grant from the California Endowment for Medi-Cal Enrollment Assistance (\$14 million) and Medi-Cal Outreach and Enrollment Grants to Community-Based Organizations (\$12.5 million) and obtain \$26.5 million in matching federal funds for these purposes.



- Provide Medi-Cal to Foster Care Youth Turning 21. Adopted trailer bill language to continue Medi-Cal coverage for Foster Care Youth who turn 21 between July 1, 2013 and December 31, 2013 for \$900,000 GF. Effective January 1, 2014, per the ACA, these youth will remain eligible for Medi-Cal until age 26.
- Managed Care Organization Tax. Adopted Governor's proposal to permanently reauthorize the managed care organization tax. In 2012-13, the tax rate would be equal to the gross premiums tax (2.35 percent) to generate \$128.1 million GF savings. The current year revenues would be directed to the Healthy Families Program. In 2013-14 and beyond, the rate would be equal to the state sales and use tax rate (3.9375 percent) and would generate about \$342.9 million in GF savings. In the budget year, it is projected that the MCO tax would generate \$644 million in revenue. Half of these funds would be used to draw down federal Medi-Cal funds and then used to pay back Medi-Cal managed care plans. And the other half of these funds would be used to offset GF expenditures for Medi-Cal managed care rates for children, seniors and persons with disabilities, and dual eligibles.
- Coordinated Care Initiative (CCI)/Duals Demonstration Pilot Project. Approved savings of \$119.6 million GF from the CCI and the extension of one position. Adopted placeholder trailer bill language to extend Medicare special needs plan contracts to ensure continuity of care. Referred Administration's proposed CCI trailer bill language to policy committee, as CCI will be implemented no sooner than January 1, 2014.
- Enteral Nutrition Benefits. Approved \$3.4 million (\$1.7 million GF) to restore enteral nutrition benefits starting May 1, 2014.
- Dense Breast Tissue Notification. Modified the utilization estimates regarding dense breast tissue notification for the Medi-Cal and Every Woman Counts program for \$4.7 million GF savings.
- Eliminate Physician and Clinic Seven Visit Cap. Adopted trailer bill language to eliminate the seven visit cap on physician and clinic visits, as it is evident that this would not be approved by the federal CMS.
- Family Planning Services. Rejected the Governor's proposal to change the Family Planning, Access, Care and Treatment (FPACT) program benefits for \$9.7 million GF savings, as justification for these changes had not been provided to the Legislature and most of these benefits receive enhanced federal matching funds.
- AIM-Linked Infants Transfer to DHCS. Adopted the Governor's proposal to transition AIM-linked infants, born to women whose income is from 250 to 300 percent of the federal poverty level, to DHCS.
- Hospital Quality Assurance Fee. Approved \$310 million in GF savings as a result of the extension of the Hospital Quality Assurance fee for the second half of the fiscal year. SB 239 (Hernandez and Steinberg) proposes to extend the fee, which sunsets December 31, 2013.
- Non-Designated Public Hospitals (NDPH) Reimbursement Methodology. Adopted the Governor's proposal to withdraw its change in NDPH reimbursement methodology, as it

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

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

#### **4265 DEPARTMENT OF PUBLIC HEALTH (DPH)**

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

#### **4280 MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)**

- Approved as budgeted.

#### **4440 DEPARTMENT OF STATE HOSPITALS (DSH)**

- Stockton Facility Activation. Adopted the Governor's proposal of \$67.5 million GF for the activation of 514 beds at the new California Health Care Facility (CHCF) in Stockton (a total of \$114.9 million including full-year costs of existing positions authorized in 2012-13). At CHCF, DSH will be responsible for 514 licensed and Joint Commission accredited beds, which will be known as the Stockton Psychiatric Program. These beds will include 432 intermediate level-of-care beds for high-level (custody level IV) inmates and 82 acute level-of-care beds, which will serve inmates of all custody levels.
- Personal Duress Alarm System. Adopted the Governor's proposal for \$16.6 million GF and four positions to install and support the Personal Duress Alarm System (PDAS) at Atascadero State Hospital and Coalinga State Hospital, and to complete the PDAS project at Metropolitan State Hospital and Patton State Hospital.
- Office of Audits. Adopted the Governor's proposal for \$529,000 GF and 4.5 positions to staff a new Office of Audits within DSH. This new office will dedicate one auditor to each of the major areas in administrative services: accounting, budgets, contracts, purchasing and personnel and allow for a representative sampling of work to be reviewed from each facility on an annual basis.
- Activation of Additional Intermediate Care and Acute Units. Adopted a May Revise proposal for \$22.1 million (\$16 million GF and \$6.1 million reimbursements) and 173 positions to

increase treatment capacity by 155 beds to address the wait lists for incompetent to stand trial and mentally disordered offender commitments.

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

- Investment in Mental Health Wellness. Adopted proposal to invest a total of \$206.2 million in mental health wellness. Of this total amount, appropriated \$54.4 million as follows:
  - \$54 million (\$32 million Mental Health Services Act (MHSA) State Administration and \$22 million federal) in ongoing funding to add 600 triage personnel in select rural, urban, and suburban regions.
  - \$400,000 (one-time MHSA State Administration) to develop consensus guidelines and best practices for involuntary commitment care and provide applicable training, including involvement of peace officers. A dopted budget bill language to direct this funding.
  
- Evaluation Master Plan. Appr oved \$947,000 and six positions to begin im plementation of the Mental Health Services Act (MHSA, Proposition 63) Evaluation Master Plan.

## HUMAN SERVICES

### **0530 Office of Systems Integration (OSI)**

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

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

### **4170 California Department of Aging (CDA)**

Approved as budgeted.

### **4300 Department of Developmental Services (DDS)**

#### *Developmental Centers*

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

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

*Community Services*

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

**4700 Department of Community Services & Development (CSD)**

Approved as budgeted.

**5160 Department of Rehabilitation (DOR)**

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

**5170 State Independent Living Council**

Approved as budgeted.

**5175 Department of Child Support Services**

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

**5180 Department of Social Services***CalWORKs and CalFresh*

1. Adopted increases to maximum CalWORKs grants, funded out of redirected growth funding from 1991 realignment. The 2013-14 budget includes approximately \$50.9 million and a five percent increase, beginning March 1, 2014. For 2014-15 and future years, an increase could be made on October 1 of each year based on the level of designated growth dollars. The new level of aid payments in any given year will form the following year's base grant level, with the General Fund providing a backstop should growth funds become insufficient to fund the base.
2. Effective January 1, 2014, adopted changes to the Vehicle Asset Limit eligibility requirements in CalWORKs. The changes will: 1) increase the value limit of the vehicle, which would become \$9,500 in equity value (adjusted by the California Necessities Index each year and reliant on the recipient's self-attestation of any amount still owed); and 2) exempt gifted cars.
3. Approved a proposed methodology change, and corresponding \$142.8 million adjustment, to CalWORKs employment services funding.
4. Approved an increase of \$48.3 million GF in 2013-14, intended to improve early engagement and barrier removal processes and supports within the CalWORKs program, and to expand subsidized employment opportunities for CalWORKs Welfare-to-Work participants. The increased funding will allow counties to perform more robust appraisals in order to identify the services that can best benefit program participants, which could include family stabilization services, barrier removal services, and employment services. Correspondingly, approved a one-time increase of \$600,000 GF to support necessary automation changes associated with the proposal. Additionally, adopted related trailer bill language to make necessary statutory changes associated with these policies. The need for changes to early engagement and barrier removal efforts included within the program was identified as a critical component of the 2012-13 budget agreement.
5. Adopted a transfer of approximately \$541.7 million in Temporary Assistance to Needy Families funding to the California Student Aid Commission, to be used for Cal Grants expenditures. The funds will be swapped, dollar for dollar, to redirect an equal amount of General Fund monies that would have been spent on Cal Grants to instead be spent on specified CalWORKs expenditures. Because of a change adopted in the methodology for determining the amount of the transfer (to eliminate the portion of the transfer that would have resulted in the state exceeding its required maintenance of effort), it is lower than the amount proposed by the Governor (\$924 million in the May Revision).
6. Rejected programmatic aspects of the Administration's human services realignment proposal, which would have resulted, over time, in counties taking on more fiscal and programmatic responsibility for CalWORKs and CalWORKs child care (including stages one, two, and three),



and potentially CalFresh administration costs as well. In stead, to the extent that the re are county savings that result in an amount of 1991 realignment funding that could become available to offset General Fund, adopted a fiscally-based transaction to create corresponding General Fund savings.

7. Approved a one-year extension of authority for counties to access CalFresh administration funding without requiring a county-fund match above and beyond an existing Maintenance of Effort requirement.

#### *Child Welfare Services*

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

#### *Community Care Licensing*

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

#### *In-Home Supportive Services (IHSS)*

1. Authorized an eight-percent across-the-board reduction to IHSS recipient hours, pursuant to a recent settlement agreement in ongoing litigation over several prior reductions to the program that did not take effect. The eight-percent reduction is scheduled to begin July 1, 2013, and to last for one year. This reduction is anticipated to result in net savings of \$444.3 million (\$176.4 million GF) in 2013-14. In 2014-15, and on an ongoing basis, there would be an across-the-board reduction of seven percent, unless it is partially or fully "triggered off" by the state

obtaining federal approval for an assessment on home care services that draws down additional federal funds.

2. Repealed the prior reductions that were the subject of the legal settlement described above, which included the following policies:

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

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

#### *Automation Projects and Other Issues*

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

# STATE ADMINISTRATION

## **0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT**

- Approved additional appropriation authority of \$27.6 million (federal funds) for Governor's Office of Business and Economic Development (GOBiz) for the Small Business Loan Guarantee Program.

## **0860 STATE BOARD OF EQUALIZATION**

- Approved approximately \$1.0 million in funding to advance the department's e-services including e-registrations and other services.
- Rejected trailer bill language that allows for reimbursement of attorney's fees on tax cases only under the tax code, and limited to an hourly fee ceiling.

## **1690 SEISMIC SAFETY COMMISSION**

- Approved the Administration's proposed trailer bill that would provide a permanent fund source for the Seismic Safety Commission. Also approved \$1.12 million GF loan to the Insurance Fund, which will ensure that the commission is adequately funded for 2013-14. The loan will be repaid in 2015-16.

## **1730 FRANCHISE TAX BOARD**

- Approved funding of \$152.1 million for the continuing development of the department's major database management and retrieval system. The project is benefits-funded (meaning the vendor is only paid if estimated revenues are actually received) and is expected to greatly enhance the tax compliance and enforcement.
- Rejected trailer bill language that allows for reimbursement of attorney's fees on tax cases, only under the tax code, and limited these to an hourly fee ceiling.
- Approved trailer bill language requiring annual reporting for taxpayers who defer taxes pursuant to Internal Revenue Code section 1031 Like-Kind Exchange related to investment property acquired outside of California.

## **2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

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

## **7870 VICTIMS COMPENSATION AND GOVERNMENT CLAIMS BOARD**

- Approved trailer bill language implementing a pilot program that provides a more comprehensive model of care to victims in a more cost-effective manner, and increased the Board's expenditure authority of the Restitution Fund by \$2 million.

## **8820 COMMISSION ON THE STATUS OF WOMEN AND GIRLS**

- Appropriated \$500,000 General Fund to the Commission on the Status of Women to ensure the continued operation of the commission. The funds are only available in the event that no other funds are available.

## **8885 COMMISSION ON STATE MANDATES**

- Approved the funding of various state mandates related to property taxes and public safety at a cost of \$48.4 million.
- Suspended various mandates imposed on local governments that have been previously suspended, for savings of \$408.7 million. Suspended five more mandates with cost estimates for "reserve builders" for savings of \$110.0 million.
- Made permissive, or limited the impact of, two additional mandates without cost estimates; the Local Agency Ethics Mandate and Public Records Act mandate. Maintained the Tuberculosis Control or Child Abuse and Neglect Investigation Reports mandates.
- Repealed five mandates, by making them permissive, relating to activities conducted by local governments that should be best practices. These mandates have been suspended since 1992.

## **9210 LOCAL GOVERNMENT FINANCING**

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

## **9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS**

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

## **9620 CASH MANAGEMENT AND BUDGETARY LOANS**

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

## **CONTROL SECTIONS 8.56 AND 35.21      REDUCTIONS AND ACCRUALS**

- Approve new Control Section 8.56 allowing for reductions pursuant to changes in federal funding as a result of sequestration. The section provides for additional oversight and input by the Legislature of any proposed reductions.
- In lieu of trailer bill language, approved provisional language in Control Section 35.21 allowing for the use of accrual methods for revenues received pursuant to initiative measures.

# VETERANS AFFAIRS

## 8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved \$1.5 million GF loan to the California Central Coast Cemetery at Fort Ord. The GF loan will ensure that federal funds are available to begin the construction of the Central Coast Cemetery at Fort Ord. The state will be reimbursed by the U.S. Department of Veterans Affairs upon completion of the project.
- Appropriated \$3.0 million General Fund to provide the California Department of Veterans Affairs with additional staff to support federal efforts to reduce the claims backlog within the state.
- Appropriated \$3.0 million General Fund to the California Department of Veterans Affairs in order to augment the County Veterans Service Officers budget on a one-time basis.

# LABOR

## **7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)**

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

## **7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)**

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



# PUBLIC EMPLOYMENT AND RETIREMENT

## **6645 and 9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS**

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

## **7501 DEPARTMENT OF HUMAN RESOURCES**

- Approved a request for \$821,000 (\$468,000 General Fund) to continue implementation of the Examination and Certification Online Systems Project only for Fiscal Year 2013-14.

## **7920 STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)**

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

## **CONTROL SECTION 3.6 RETIREMENT RATE ADJUSTMENTS**

- Approved control language in 3.60 (and conforming language in Items 9800, 9650 and 6645) that allows for the Department of Finance to adjust employer's retirement contribution percentages and health benefit appropriations based on rates adopted by the California Public Employees Retirement System (CalPERS).

# CORRECTIONS AND REHABILITATION

## 5225 Department of Corrections and Rehabilitation (CDCR)

- Reentry Pilot and Reentry Courts. Approved budget bill language authorizing CDCR to use current rehabilitative program funding to support the following reentry initiatives:
  - \$5.0 million for a three-year re-entry pilot project program for locals to receive inmates 60 days prior to release in order to provide services prior to reentry in the community. Counties participating in this program are required to report on the outcomes of the program.
  - \$3.0 million to support Parolee Reentry Courts.
- Parole Mental Health and Medi-Cal Expansion. Approved \$7.2 million to increase funding for the Transitional Case Management Program for additional workers to increase Medi-Cal enrollment of inmates prior to release from prison, and increase funding for the Integrated Services for Mentally Ill Offenders Program to increase the program's capacity to serve mentally ill parolees, prioritizing those that are at-risk of homelessness, from 300 up to 1,000. This proposal has no net impact to the General Fund as the costs are offset by savings resulting from the increase in parolees enrolled in Medi-Cal.
- Sex Offender Treatment for Non-High Risk Sex Offenders. Adopted the Governor's proposal for \$5.0 million (increasing to \$12.4 million in 2014-15) to allow the CDCR to contract for sex offender treatment for both high risk and non-high risk sex offender parolees, as required by Chapter 219, Statutes of 2010 (AB 1844), also known as "Chelsea's Law."

# JUDICIARY

## 0250 Judicial Branch

- Trial Court Reserves. Approved trailer bill language to address cash management concerns of trial courts by excluding certain obligations from the calculation of the amount of funds that trial courts can carryover from one fiscal year to the next and allowing the Judicial Council to provide loans to trial courts from other judicial branch funds.

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

- Judicial Branch Funding Restoration. Approved an augmentation \$53 million to support court operations. Of this amount, \$50 million is to support trial courts and \$3 million is to support the Court of Appeals, the Supreme Court, and the Habeas Resource Center. Over the last five years, significant funding reductions have impacted court operations, including vital services to the public.
- Long Beach Courthouse Reporting. Adopted trailer bill language to require the Judicial Council to report to the Legislature on aspects of the Long Beach courthouse project in order to assess the value of the project delivery method. The Long Beach courthouse project was delivered utilizing a Public Private Partnership (P3), and is the first time a P3 has been used to construct a courthouse in California.