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California State Senate

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ON

BUDGET AND FISCAL REVIEW

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Bill List and Analysis June 25, 2012 4:00 P.M. - Room 4203

2012-13 BUDGET AND TRAILER BILL

AB 1497 – 2012 Budget Bill
AB 1469 – Mental Health Realignment
AB 1473 – Child Welfare Services Realignment
AB 1474 – Department of Alcohol and Drug Program Realignment
AB 1476 – Education
AB 1480 – Realignment Superstructure
AB 1481 – Public Safety
AB 1482 – Public Safety Capital Outlay
AB 1483 – Public Safety Realignment
AB 1493 – Cash Management
AB 1494 – Healthy Families
AB 1498 – Board and Commission Reorganization

PLEASE NOTE: Only those items contained in the agenda for today's hearing will be discussed. *Please* see the Senate File for dates and times of subsequent hearings. Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1497
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Keely Martin Bosler/Mark Ibele
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012.

Summary: This bill amends certain provisions of AB 1464, the 2012-13 Budget Act.

Background: On May 14, the Governor released his May Revision for budget year 2012-13. The Governor indicated the General Fund deficit was \$16.7 billion for the two-year period ending June 30, 2013, representing an increase in the deficit of \$6.5 billion since the Governor's initial budget proposal in January. This included a \$1 billion reserve. The deficit increased due to a reduced revenue outlook, higher costs to fund schools, and decisions made by the federal government and courts to block previously-approved budget cuts.

This budget relies heavily on the Governor's May Revision framework that was predicated primarily on expenditure reductions, as well as passage of a tax initiative on the November 2012 ballot, and additional "trigger" reductions if the initiative is not successful. Since the passage of the Budget Bill on June 15 there have been additional changes within the overall budget framework. This budget includes \$7.9 billion in expenditure cuts, \$6.0 billion in additional revenues, and \$2.5 billion in other solutions for a total of \$16.5 billion in solutions. The budget amendments included in this bill and the accompanying trailer bills will result in approximately \$91.5 billion in expenditures and an available reserve of around \$788 million in the 2012-13 budget year.

Proposed Law: Overall, this budget adopts the Governor's May Revision framework, with the additional changes since the passage of the Budget Bill on June 15. The budget solution continues to largely hinge on expenditure reductions, the tax initiative, and 'trigger' cuts. Some one-time solutions such as additional special fund borrowing have been eliminated in favor of additional expenditure reductions and the continuation of revenue shifts to the General Fund. In addition, the proposal to use property tax "pass-through" payments to offset Proposition 98 expenditures was rejected, and the budget adopts additional solutions through the use of mortgage settlement moneys. The bullets below delineate the major changes to the budget plan since June 15.

- **CalWORKs:** The proposed budget maintains the reduction of approximately \$430 million from the June 15 plan, versus the Governor's \$880 million reduction, and makes significant program alterations. Notably, the budget includes no grant cuts. Under the proposal, the current array of welfare-to-work services would be prospectively available for eligible adults for up to 24 months, but "useable" anytime during the 48-month lifetime time limit. Participants would be able to access the remaining 24 months of the 48-month limit if meeting specified, stricter federal work requirements. In addition, counties could extend services for up to 20 percent of those who reach the 24-month time limit, under specified circumstances that indicate satisfactory progress toward employment. There are also changes in the earned income disregard to encourage work participation. Additionally, the budget includes a transfer of federal TANF funding to the

California Student Aid Commission for Cal Grants and a corresponding increase of General Fund resources for specified CalWORKs child-only cases.

- Child Care:** The Governor proposed major reductions to the state’s subsidized child care programs, totaling \$452 million. From the Legislature’s June 15 budget plan, there would be an additional across the board reduction equal to about \$80 million (versus the \$50 million previously included), resulting in a reduction in the number of available slots. In addition, the revised plan calls for the suspension of cost of living adjustments in both 2013-14 and 2014-15.
- Cal Grants:** The Governor proposed a total of \$292 million in cuts to the Cal Grant higher education student financial assistance program. The budget plan adopts a total of \$53 million in cuts to Cal Grants by accepting the Governor’s proposal setting stricter limitations on eligibility for Cal Grants based on institutions’ graduation and loan default rates. In a departure from the Governor’s plan, the budget reduces new Cal Grant awards beginning in 2013-14 -- by 17 percent (in two steps over two years) for non-profits and for-profit institutions that are accredited by the Western Association of Schools and Colleges, and by 59 percent for all other for-profit institutions. In addition, beginning in 2013-14, there would be no renewal awards for returning students choosing to remain at institutions that do not meet graduation or loan default thresholds.
- Other Alterations:** The revised plan maintains restoration of amounts for other proposed cuts to the AIDS Drug Assistance Program and community health clinics. The revised plan would allow for a slower phase-in for the transition to Medi-Cal next year of the Healthy Families program and would require the Administration and health plans to demonstrate ‘readiness’ prior to this transition. In addition, the budget provides \$18 million in mortgage settlement money for enforcement and counseling, provides \$50 million for charter school growth funding, and includes funding for routine High-Speed Rail Authority staffing and planning functions. If the tax measure passes, the plan would provide \$50 million to community colleges.

This plan relies on the Department of Finance revenue estimates, and is predicated on the passage of the Governor’s tax proposal. The Governor’s tax proposal is a Constitutional amendment that would raise the personal income tax and the sales and use tax on a temporary basis. Together, the proposed increase in the two taxes is expected to raise an additional \$8.4 billion through the budget year, representing \$2.9 billion to schools and community colleges and \$5.5 billion for General Fund benefit. The measure would also permanently dedicate revenues to local governments to pay for public safety programs realigned in 2011.

The plan assumes the state will receive \$8.4 billion in additional personal income tax and sales tax revenue from the Governor’s tax initiative on the November ballot, of which \$5.5 billion will be used to balance the budget. (The remaining \$2.9 billion will grow the Proposition 98 guarantee for schools.) In the event that the voters do not approve the Governor’s tax proposal in November, the Legislature’s joint plan, like the Governor’s, includes a series of trigger cuts. These cuts are detailed below:

2012-13 Trigger Cuts (in millions)

Program Area	May Revision Amount
K-14 Education (Proposition 98)	\$5,356.0
University of California	250.0
California State University	250.0

Developmental Services	50.0
Local Public Safety Grants	20.0
Department of Forestry and Fire Protection	10.6
Flood Control	6.6
Local Water Safety Patrol	5.6
Public Safety-Fish & Game, Lifeguards and Rangers, Dept. of Justice	6.0
Total	\$5,954.8

Fiscal Effect: The fiscal impact of the contents of this and associated trailer bills is to achieve \$16.5 billion in budget solutions. As of the May Revision, the Governor estimated that the state had a deficit of \$16.7 billion, which includes a \$1 billion reserve. This budget would result in approximately \$91.5 billion in expenditures and approximately a \$788 million reserve.

Support: Unknown

Opposed: Unknown

Comments: The bill amends the Budget Bill adopted by the Legislature on June 15, 2012. Overall, this version of the budget prioritizes K-12 education, higher education, and public safety. Significant reductions were made in the health and human services areas, but in many cases, alternative cuts were found that mitigate the harshest of these reductions. Most areas of the budget saw significant expenditure reductions. The overall budget solution is distributed among expenditure reductions (48 percent), revenue increases (37 percent), and other solutions (15 percent). This plan includes \$8.0 billion in expenditure reductions by adopting the vast majority of the Governor's proposed cuts. The plan leads to an improved fiscal position for the state in the out-years, with almost 80 percent of the solutions ongoing or multi-year.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1469
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Michelle Baass
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012

Summary: This is the Omnibus Mental Health Trailer Bill for 2012-13. It provides for a comprehensive restructuring of community-based mental health services at both the State and local levels and is necessary to effectuate the 2011 Realignment legislation. It makes the following key changes.

Transfers Functions from Department of Mental Health to Other State Departments. This bill eliminates and modifies most duties of the department since its being restructured into the Department of State Hospitals whose functions and duties are articulated in AB 1470 trailer bill legislation. This bill transfers most remaining State administrative functions for community-based mental health to the Department of Health Care Services effective July 1, 2012, including Medi-Cal Specialty Mental Health services.

Licensing and Certification Functions. Under existing law, the Department of Mental Health (DMH) is responsible for assuring compliance related to facility licensing and program certification of a range of 24-hour psychiatric and rehabilitation care facilities. The programs subject to licensure and certification by DMH are: Mental Health Rehabilitation Centers (MHRCs); Psychiatric Health Facilities (PHFs); Skilled Nursing Facilities with Special Treatment Programs (SNFs/STPs); Community Residential Treatment Systems (CRTS) -- also known as Social Rehabilitation Programs (SRPs); and Community Treatment Facilities (CTFs).

This bill transfers licensing and certification responsibilities to other departments due to the elimination of the DMH. The Department of Social Services will assume responsibilities for licensing of MHRCs and PHFs. The Department of Health Care Services will assume responsibilities for certification of SNFs with Special Treatment Programs, CRTS/SRPs, and Community Treatment Facilities.

Recasts State and Local Specialty Mental Health Services provided through Medi-Cal. Under existing law, County Mental Health Plans administer Medi-Cal Specialty Mental Health Program services at the local level, including the Early and Periodic Screening, Diagnosis and Treatment Program. This arrangement operates under its own distinctive federal Medicaid Waiver which is administered by the Department of Health Care Services.

This bill modifies statute by making the following key changes to these provisions of law:

- Provides for the DHCS to contract with Mental Health Plans, who may include individual counties, counties acting jointly, or an organization or non-governmental entity determined by the DHCS to meet mental health plan standards. It provides that if a county decides not to contract with the DHCS, or is unable to meet standards set by the DHCS, the county is to inform the department. Further, the DHCS shall ensure that specialty mental health services are provided to Medi-Cal beneficiaries and the DHCS may contract as specified in order to provide this assurance of service delivery.

In addition, if a county does not contract with the State for specialty mental health services, then the DHCS shall work with the DOF and State Controller to sequester funds from any county that is unable or unwilling to contract as specified.

- If a county does not contract with the State, the DHCS shall notify the DOF, the fiscal and policy committees of the Legislature and the Controller of the amounts to be sequestered from specified Realignment accounts.
- Mental Health Plans shall be financially responsible for ensuring access and a minimum required scope of benefits and services to Medi-Cal beneficiaries who are residents of that county regardless of where the beneficiary resides. The same definition of medical necessity is to be used and the minimum scope of benefits offered by each Mental Health Plan must be the same, except to the extent that prior federal approval is received and is consistent with state and federal laws.
- Specifies that Mental Health Plans shall provide Medi-Cal Specialty Mental Health services to eligible Medi-Cal beneficiaries, including both adults and children, including services provided under the Early and Periodic Screening, Diagnosis and Treatment Program (EPSDT).
- Expresses the intent of the Legislature to establish a standard set of guidelines that governs the provision of Medi-Cal Specialty Mental Health Services at the local level, consistent with federal law and consistent with guidelines established by the DHCS. It further is the intent that Mental Health Plans be developed and implemented regardless of whether other systems of Medi-Cal managed care are implemented and that Sections 14681 to 14685, inclusive, shall not be construed to mandate the participation of counties in Medi-Cal managed mental health plans.
- Declares that Section 14685 of Welfare and Institutions Code, regarding a county's first right of refusal to serve as a mental health plan, be repealed on November 7, 2012 if Section 36 has been added to Article XIII of the California Constitution as of that date.
- Expresses the intent of the Legislature to develop a performance outcome system for the Early and Periodic Screening, Diagnosis, and Treatment Program that will improve outcomes at the individual and systems levels and will inform fiscal decision making related to the purchase of services. The DHCS, in collaboration with the California Health and Human Services Agency, and in consultation with the Mental Health Services Oversight and Accountability Commission, shall create a plan for a performance outcome system for EPSDT mental health services. By no later than September 1, 2012, a stakeholder advisory committee shall be convened for the purpose of developing this plan. This bill specifies

objectives for this purpose and requires the DHCS to provide a plan, including milestones and timelines for EPSDT mental health outcomes by no later than October 1, 2013.

- Requires all Mental Health Plans to comply with federal laws, regulations, guidelines, standards, and requirements specified in the State Medicaid Plan, federal waiver, and mental health plan contract.
- Provides for counties to set aside funds for self-insurance, audit settlement, and statewide program risk-pools. The counties shall assume all responsibility and liability for administration of these mechanisms.
- Provides for the DHCS to propose a rulemaking package consistent with the DHCs' appeals process (including for Mental Health Plans and subcontractors) that is in effect on July 1, 2012 by no later than the end of the 2013-14 fiscal year.
- Requires Mental Health Plans to use the DHCS fiscal intermediary of the Medi-Cal Program for all claims processing for inpatient psychiatric hospital services as specified.
- Requires the DHCS to consult with the California Mental Health Directors Association in February and September of each year to obtain data and methodology necessary to forecast future fiscal trends in the provision of Medi-Cal Specialty Mental Health services, including the Early and Periodic Screening, Diagnosis and Treatment Program (EPSDT). This is to include a separate presentation of data and methodology to forecast trends in the provision of EPSDT services to estimate annual EPSDT related costs and other information.
- Requires the DHCS to consult with staff of the Legislature, counties, providers, and other stakeholders in the development of State Plan amendments or federal waivers.
- Modifies federal audit exceptions against the state regarding federal funds expended by counties in order to conform to AB 1480 regarding the Realignment superstructure and specifies which Realignment accounts can be used for this purpose.
- Provides for specified Realignment accounts to be used for certified public expenditures to be consistent with federal Medicaid requirements.

Further Advances 2011 Realignment. In 1991, legislation realigned the fiscal and administrative responsibilities for specialty mental health care. The intent of realignment was to provide a more stable funding source for community-based services, to shift program accountability to the local level, and to make services more client-centered and family-focused. 1991 Realignment revenues, funded by an increase in the sales tax and in vehicle license fees, are collected by the state and allocated to various accounts and subaccounts in the Local Revenue Fund. The Mental Health Subaccount is the principal fund that contains revenues for the provision of local mental health services. Realignment revenues are expended by counties to provide specialty mental health services to low-income individuals not eligible for Medi-Cal, and it serves as the non-federal match for Medi-Cal Specialty Mental Health services.

This bill recasts certain technical funding provisions from 1991/92 Realignment, and revises provisions from 2011 Realignment which are consistent with statutory changes contained in AB 1480 regarding the Realignment superstructure.

Other Conforming Provisions and Changes. This bill also makes other conforming changes including the following:

- Provides for broader stakeholder discussions in the development of standards and guidelines for local quality assurance activities as specified in Section 14725 of W&I Code.
- Adds consultation with California Mental Health Directors Association, California Mental Health Planning Council, and the Mental Health Services Oversight and Accountability Commission to provide for increased transparency in mental health policymaking and to conform with AB 1467, the Omnibus Health trailer bill where applicable.
- Continues the performance contracting process as a conforming action to AB 1467, the Omnibus Health trailer bill.
- Recasts the Patient Rights Program by utilizing a joint contracting process between the Department of Health Care Services and new Department of State Hospitals.
- Modernizes terminology in the statute by using the reference “individuals with mental illness” in lieu of terms such as “chronically mentally disordered patients”.
- Provides the Department of Health Care Services with regulation authority where applicable.
- Updates certain reporting requirements for the Department of Health Care Services and the Department of State Hospitals.
- Deletes un-operative provisions of statute that are not in effect or would become effective in the future.

Fiscal Effect: Savings of \$20 million special fund in 2011-12 when transition commenced, with ongoing efficiencies for 2012-13 and future years at both the State and local levels.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1473
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Jennifer Troia
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012: Child Welfare Services (CWS) realignment

Summary: Contains necessary statutory and technical changes to implement provisions of the Budget Act of 2012.

Background: The 2011-12 budget realigned \$1.6 billion in state funding for the CWS, foster care, and adoptions programs, to the counties. For the first year of the 2011 realignment, no changes were made to state law governing CWS and adoptions programs. During the 2012-13 budget process, however, the Administration proposed programmatic trailer bill language related to the following major themes, all of which are addressed by this trailer bill:

- 1) Flexibilities for Counties
- 2) Accountability and Oversight
- 3) Continuum of Care and Needs Assessment-Related Reform
- 4) Repeals of Sunsets and Change to Make Specified Programs Statewide, and
- 5) Technical Changes.

The CWS system includes child abuse prevention, emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care. Existing law also establishes the California Child and Family Service Review System administered by DSS to review all county child welfare systems.

The total 2011-12 budget for CWS (excluding Adoptions) is \$5.2 billion (\$2.5 billion federal funds, \$1.6 billion 2011 realignment funds, and \$1.1 billion county funds). Around half of those funds support counties to administer or provide these programs and half support payments to families and other providers of foster care. The total 2011-12 budget for adoptions programs includes \$121 million (\$64 million 2011 realignment funding). In addition to other adoptions-related responsibilities, before the 2011 realignment, there were seven Department of Social Services (DSS) district offices that also directly provided agency adoption services to 28 counties and independent adoption services to 55 counties. The remaining counties were licensed by DSS to provide those services.

Fiscal Effect: The changes contained in this bill largely impact 2011 realignment funding, as well as corresponding federal and county funds (and not the state General Fund).

Proposed Law:

This bill includes the following provisions related to:

1) Flexibilities for Counties

- a) Makes statutory changes to make the following programs optional for counties and to create more flexibility within requirements related to them:
 - i. Specialized Care Increments that can be used to supplement basic care and supervision rates in order to pay for additional care and supervision needs; and
 - ii. Clothing allowances for children living in foster family homes (because of their incorporation into recently revised rates applicable to foster family homes).
- b) Makes statutory changes to revise, or create more flexibility within, requirements related to the following programs, which already offer some degree of county option:
 - i. The Transitional Housing Program (THP)-Plus, which provides housing and supportive services to former foster youth ages 18-24;
 - ii. The Specialized Training for Adoptive Parents (STAP) program, which is intended to facilitate the adoption of children who are HIV-positive or who were born to mothers with substance-abuse problems;
 - iii. The Options for Recovery program, which is intended to recruit and train specialized foster caregivers;
 - iv. The Supportive Transitional Emancipation Program (STEP), which is intended to assist youth up to 21 years of age who have exited the foster care system while they are participating in a program or activity consistent with a transitional independent living plan;
 - v. The Kinship Support Services Program (KSSP), which provides community-based family support services to relative caregivers and the children they are caring for; and
 - vi. Stipends that supplement the Independent Living Program and may support youth who have exited the foster care system by assisting with bus passes, housing rental deposits, work-related equipment, or other needs.

2) Accountability and Oversight

- a) Requires specified reporting related to the 2011 realignment of CWS programs, including an annual report that summarizes outcome and expenditure data to allow for monitoring of changes and the degree to which programs are meeting designated outcome measures over time.
- b) Clarifies that counties continue to be responsible for and accountable to the Department for defined program performance measures, and requires the department to monitor county performance, on an ongoing basis and via a comprehensive review at least once every five years.

- c) Specifies that the department and counties shall develop agreed upon performance targets for improvements, and that counties shall submit updates regarding their progress no less than annually. Indicates that the Department may require a corrective action plan from a county that has not met those established performance targets.
- d) Clarifies that the Department is authorized to conduct audits and reviews related to child welfare programs, consistent with due process requirements regarding counties' notice, opportunity to respond, and the potential consequences of such an audit or review.
- e) Requires counties to report to the department on the expenditure of savings realized as a result of maximizing available federal adoption assistance funding.

3) Continuum of Care and Needs Assessment-Related Reform

- a) Revises selection criteria that apply to out-of-home foster care placements and placement-related documentation required in a child welfare services case plan.
- b) Requires DSS to establish a workgroup, as specified, to develop and submit to the Legislature recommended revisions to the current Aid to Families with Dependent Children-Foster Care rate-setting system.
- c) Requires the Department to establish a working group to develop performance standards and outcome measures for providers of out-of-home care placements, as specified.
- d) Raises, on an interim basis, the monthly care and supervision payment rates applicable to Intensive Treatment Foster Care (ITFC) placement settings. These settings are intended to offer lower-cost, family based care to children and youth who would otherwise be served in more expensive and restrictive congregate care settings.

4) Repeals of Sunsets and Changes to Make Specified Programs Statewide

- a) Amends existing law related to development of a unified resource family approval process to replace existing multiple processes for licensing foster homes, approving relatives and nonrelative extended family members as foster care providers, and approving adoptive families. Specifies selection process for counties that will be called early implementation counties and process for authorizing statewide implementation.
- b) Eliminates provisions that would otherwise sunset statutes which prohibit peace officers from taking into temporary custody, without a warrant, a newborn who tested positive for exposure to illegal drugs and who is the subject of a proposed adoption.
- c) Eliminates provisions that would otherwise sunset statutes which authorize the use of tribal customary adoption. Tribal customary adoption means adoption by and through the tribal custom, traditions, or law of an Indian child's tribe. Termination of parental rights is not required to effect a tribal customary adoption.

5) Technical Changes

- a) Authorizes or requires county adoption agencies to perform activities for which 2011 realignment funding has been directed to them without licensure by the Department.

- b) Makes technical changes to appropriately identify funding and expenditures for specified child welfare and adoption programs, consistent with provisions relating to the Local Revenue Fund 2011, commencing with the 2011-12 fiscal year.
- c) Establishes a new framework and sharing ratios for the remittance of the federal share of foster care overpayments.
- d) Specifies the shares of costs required of tribes, consortiums of tribes, or tribal organizations that enter into an agreement with the state regarding the care and custody of Indian children and jurisdiction over Indian child custody proceedings.
- e) Repeals several obsolete references and provisions.

6) Other

- a) Revises licensing or certification standards applicable to transitional housing, including the Transitional Housing Placement-Plus-Foster Care program, which is intended to serve non-minor dependents between the ages of 18 and 20, inclusive.
- b) Increases basic care and supervision rates paid to foster families certified by foster family agencies and applies an annual cost-of-living adjustment to those rates, to bring them into parity with basic rates paid to licensed foster family homes (which were recently increased as a result of litigation). Specifies that these changes shall not change the remaining components of the foster family agency rate.
- c) Allows specified non-minor dependents to receive assistance during a window of time in which they might otherwise have a gap in eligibility (e.g., if they received assistance as an 18-year-old in 2012, but attained 19 years of age prior to January 1, 2013, when 19-year-old non-minor dependents become eligible to remain in the foster care system). Further, ensures that otherwise eligible non-minor dependents who are 20-years-old will benefit from continued support, effective January 1, 2014.
- d) Requires counties to expend family preservation and support services funding in a manner that maximizes federal financial participation.
- e) Requires counties to submit specified data regarding Independent Living Program expenditures and restricts, consistent with federal requirements, the amount that can be spent on housing. Further, requires counties to ensure that eligible youth are provided an opportunity to complete the National Youth in Transition Database survey.
- f) Specifies that after July 1, 2011, counties may allow designated former state employees of the department who become employed by counties to retain, as a county employee, specified benefits they had accumulated as state employees.
- g) Authorizes the department to implement rule changes related to specified provisions of this bill through all-county letters or similar instructions until regulations are adopted. Further, authorizes the department, in limited circumstances and after consultation with stakeholders, to implement newly enacted federal laws by means of all-county letters or similar instructions that would expire fifteen months after issuance.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1474
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Joe Stephenshaw
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012: Department of Alcohol and Drug Programs Realignment

Summary: Provides the statutory changes necessary to implement the Department of Alcohol and Drug Programs Realignment portions of the 2012 Budget Act.

Background: This is the Department of Alcohol and Drug Programs Realignment Trailer Bill. It contains the necessary changes to enact the budget act of 2012-13, as follows:

Transfer of Department of Alcohol and Drug Programs (DADP) Functions

Effective, July 1, 2013, transfers the administrative and programmatic functions of DADP to departments within the Health and Human Services Agency. Requires that, in consultation with stakeholders and affected departments, the Health and Human Services Agency prepare a detailed plan for the reorganization of DADP's functions, as specified. The plan is to be submitted to the Legislature as part of the 2013-14 Governor's Budget.

Alcohol and Drug Program Realignment

- Makes statutory changes necessary to implement and be consistent with the 2011 Public Safety Realignment.
- Requires the DADP and the Department of Health Care Services (DHCS) to annually report a summary of outcome and expenditure data that allows for monitoring of changes over time and indicates the degree to which programs are meeting state and county-defined outcome measures.

Drug Medi-Cal

- Makes programmatic changes necessary to implement and be consistent with the realignment of funding for the Drug Medi-Cal program and the transfer of remaining state responsibility for the program to the DHCS.
- Requires the DHCS to provide quarterly updates to the Legislature, stakeholders, and public on steps foreseen, planned, and completed for the Drug Medi-Cal transfer.
- Establishes Legislative support for the adoption of standardized and simplified forms and procedures in order to promote the drug treatment of indigent patients who are not eligible for Medi-Cal.

Women and Children's Residential Treatment Services (WCRTS)

Declares the state's interest in the WCRTS program, recognizes the eight current programs, and allows for the establishment of additional programs for the purpose of pursuing four primary goals: 1) demonstrate that alcohol and other drug abuse treatment services delivered in a residential setting and coupled with primary health, mental health, and social services for women and children, can improve overall treatment outcomes for women, children, and the family unit as a whole; 2) demonstrate the effectiveness of six-month or 12-month stays in a comprehensive residential treatment program; 3) develop models of effective comprehensive services delivery

for women and their children that can be replicated in similar communities; and 4) provide services to promote safe and healthy pregnancies and perinatal outcomes.

Substance Abuse Prevention and Treatment Block Grant (SAPT) - County Contracts

- Revises various sections to eliminate a county plan requirement and instead requires counties to, within 60 days after notice of the final allocation of SAPT funds, contract for federal funding from the state to provide alcohol and other drug prevention, treatment, and recovery services.
- Establishes that, when a county decides not to enter into a contract to provide alcohol and drug abuse services or programs, or both, the department shall determine the need for the services or programs and provide the services or programs directly through contract.
- Provides that the department may implement, interpret, or make amendments to various provisions by means of an all-county letter, plan letters, plan or provide bulletins, or similar instructions from the department until regulations are adopted. In addition, provides for adoption of emergency regulations by July 1, 2014, and authorizes the readoption of these emergency regulations, as specified.
- Removes population cap for two or more counties to jointly establish county alcohol and other drug programs and removes state authorization for county to county contracts for service.
- Establishes that funds in each county's Behavioral Health Subaccount of the Support Services Account of the Local Revenue Fund 2011 shall be considered state funds for the purposes of receipt of the federal block grant.
- Allows the director of DADP to reduce federal funding, on a dollar-for-dollar basis, to a county that has reduced or anticipates reducing expenditures in a way that would result in a decrease in the federal SAPT funds, as specified.

Drug Courts

Makes amendments necessary to implement the realignment of drug court funding pursuant to 2011 Public Safety Realignment.

Children and Family Services - Federal Disallowance Penalty

Establishes that if a federal disallowance or other financial penalty is imposed on the state based on the results of the federal Children and Family Services Review, the Department of Social Services, in consultation with the California State Association of Counties, shall develop an apportionment of the total counties' share of the penalty to the individual counties whose performance contributed to the failure to meet the federal outcome target, as specified.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1476
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultants:	Kim Connor and Kris Kuzmich
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012: K-12 and Higher Education.

Summary: This measure makes various changes to state laws regarding K-12 and higher education, including financial aid programs, necessary for the implementation of the Budget Act of 2012.

Proposed Law: This bill includes the following provisions:

1. K-14 EDUCATION CROSSCUTTING ISSUES.

- A. **2011-12 Overappropriation.** Assumes an \$893 million over-appropriation of the 2011-12 Proposition 98 guarantee. Scores up to \$672 million of the 2011-12 over-appropriation in satisfaction of the state’s “obligation” resulting from the settlement of CTA v Schwarzenegger (which created the QEIA program), including a \$450 million prepayment for 2012-13 and a \$222 million prepayment for 2013-14. Eliminates the remaining over-appropriation by reducing various 2011-12 Proposition 98 appropriations, which are backfilled by one-time Proposition 98 savings.
- B. **Quality Education Improvement Act (QEIA) Funding in 2012-13.** Appropriates \$361 million in Proposition 98 funding – instead of state General Fund -- for the QEIA program in 2012-13. Of this amount, \$313 million is appropriated for K-12 education and \$48 million is appropriated for the community colleges.
- C. **2011-12 General Fund Savings.** Reduces 2011-12 appropriations for several K-12 Proposition 98 programs by approximately \$221 million to reflect lower expenditures and offsets from prior year savings in order to achieve state General Fund savings.
- D. **Trigger Cuts.** The overall 2012-13 budget architecture relies on state revenues that would be raised only if approved by voters in November 2012. The Constitution requires that the annual state budget be balanced, and this uncertainty requires that the Legislature adopt contingency plans for addressing the \$8.5 billion in revenue that would not be raised if the revenues are not approved by the voters or if the initiative is approved but its provisions that temporarily modify personal income tax rates do not become operative due to a conflict with another initiative measure that is approved at the same election and receives a greater number of affirmative votes. The Governor has proposed “trigger reductions” effective January 1, 2013, as the contingency plan, including a total of approximately \$5.4 billion for K-14 education. The provisions of this bill implement reductions to K-14 programs if the trigger is implemented as follows:
 - i. Eliminates approximately \$2.3 billion in repayments of deferrals being made as part of the 2012-13 budget package, with about \$2.1 billion and \$210 million of that total attributed to K-12 schools and community colleges, respectively;

- ii. Enacts programmatic reductions of approximately \$3.1 billion by paying general obligation debt service and the Early Start Program from the Proposition 98 guarantee, with approximately \$2.7 billion and \$340 million of that total attributed to K-12 schools and community colleges, respectively (under current law, both of these obligations are paid for with non-Proposition 98 General Fund);
 - iii. Authorizes K-12 schools to reduce the school year by an additional 15 days – beyond the five days currently authorized – in 2012-13 and 2013-14. This would allow schools to reduce the instructional year to 160 days in each of these two years; and
 - iv. Authorizes the Chancellor of the California Community Colleges, as approved by the Department of Finance, to reduce community college district enrollment levels in proportion to the programmatic reduction. States legislative intent that districts, to the greatest extent possible, implement any necessary reductions in courses and programs outside of those needed for students to achieve their basic skills, workforce training, or transfer goals. Requires the Chancellor to report by October 15, 2013, on the implementation of this provision.
- E. **K-14 State Mandate Reform:** Makes the statutory changes necessary to implement a block grant funding mechanism for the majority of K-14 state mandates. The Budget Act of 2012 includes nearly \$200 million to fund this block grant, split between K-12 and community college districts based on the amount of historical claims for each over the past five years. This bill specifies a per pupil/student funding amount as follows: (1) K-12 districts, \$28 per pupil; (2) community college districts, \$28 per student; (3) charter schools, \$14 per pupil; and (4) county offices of education, \$28 + \$1 “extra” per pupil. Under the block grant, and per the provisions of this bill, a school district, county office of education, charter school, or community college district will choose to either participate in the block grant or to pursue the state mandate claiming process. LEAs participating in the block are also required to meet specified annual reporting requirements.
- F. **Repeal Gas Tax Rebenching.** Eliminates statute requiring the Proposition 98 guarantee to be held harmless from the effect of the gas tax swap previously adopted by the Legislature, which eliminated the sales tax on gasoline (previously included in the Proposition 98 calculation) and replaced it with an excise tax on gasoline (excluded from the Proposition 98 calculation). With the hold-harmless rebenching, the minimum guarantee was unaffected by the gas tax swap.
- G. **Repeals RDA Rebenching.** Repeals language from the 2011-12 budget that authorized rebenching of the Proposition 98 guarantee (to reflect receipt of funds that formerly flowed to redevelopment agencies) only in 2011-12, thus continuing the rebenching for roughly \$2.7 billion in General Fund savings.
- H. **Authorize Proposition 98 Split.** Suspends the statutory division of Proposition 98 funding among K-12 educational agencies, community colleges, and other state agencies, and instead conforms the division of funding to actual appropriations in the 2012-13 budget .

2. K-12 EDUCATION.

- A. **Offsets for Education Protection Account Funds.** Scores funds provided to school districts, county offices of education, and charter schools from the Education Protection Account – pursuant to passage of the Schools and Local Public Safety Protection Act of 2012 by state voters – in satisfaction of the Proposition 98 guarantee.
- B. **Offsets for Redevelopment Agency (RDA) Related Funds.** Scores funds provided to school districts, county offices of education, and charter schools from RDA related property tax increments and liquid assets in satisfaction of the Proposition 98 guarantee.
- C. **RDA Adjustments for K-12.** Appropriates \$19 million for special education in 2011-12, if needed, to backfill any loss of anticipated local property tax revenue that previously flowed to RDAs. Appropriates an unspecified amount for special education in 2012-13 for the same purpose.
- D. **Revenue Limit Adjustments and Deficit Factors.** Establishes a county office of education revenue limit deficit factor of 22.549 percent and a school district deficit factor of 22.272 percent to reflect revenue limit adjustments in 2012-13. Revenue limit apportionments provide general purpose funding to school districts, county offices of education, and charter schools. Revenue limit deficit factors keep track of base reductions and foregone COLA increases in recent years, so they may be restored in future years when state funds are available.
- E. **Deferrals:**
- i. **Inter-Year Deferral Payment Buydown.** Reduces inter-year deferrals for K-12 school districts, county offices of education, and charter schools by approximately \$2.1 billion contingent on passage of the Schools and Local Public Safety Protection Act of 2012.
 - ii. **Intra-Year Deferral Adjustments.** Specifies adjustments in the schedule of intra-year deferrals to reflect additional funding if the Schools and Local Public Safety Protection Act of 2012.
 - iii. **Ongoing Inter-Year Categorical Program Deferrals.** Continues up to \$906 million in inter-year categorical payment deferrals from June to July of 2013. This amount is offset by no more than \$570 million in 2012-13 CSR deferral payments made in 2013-14. Extends the period of availability of deferred K-12 funds by one month, consistent with the continuing one-month deferral authorized in this bill.
- F. **Reappropriation of Proposition 98 Savings for Selected Programs.** Reappropriates approximately \$221 million in one-time Proposition 98 savings to offset other Proposition 98 expenditures in 2011-12 in order to achieve state General Fund savings.
- G. **Statutory Appropriation for K-3 Class Size Reduction (CSR) Program.** Continues statutory authorization for an unspecified amount of funding for the K-3 CSR program in 2012-13, as determined by the Superintendent of Public Instruction. This statutory appropriation is provided in lieu of a budget act appropriation for this program in 2012-13.

- H. **Suspends Cost-of-Living Adjustments (COLA) for K-12 Programs.** Establishes a zero percent COLA for K-12 programs – revenue limits and categorical programs – in 2012-13.
- I. **Continues “Fair Share” Reductions for Basic Aid Districts.** Authorizes reductions to categorical funding for basic aid districts, proportional to the revenue limit reductions applied to non-basic-aid districts in 2012-13. Basic Aid districts are defined as districts that do not receive state funding for revenue limits.
- J. **Suspends Funding Emergency Repair Program.** Suspends funding for the Emergency Repair Program in 2012-13. This program was created as a result of a settlement agreement for the Williams v. California case in 2004.
- K. **Special Education Workability Program Eligibility.** Specifies that state special schools, charter schools, and nonpublic, nonsectarian schools, as well as, school districts and county offices of education are eligible to apply for state Workability Program grants to provide work transition services for students with disabilities.
- L. **Special Education Maintenance of Effort.** Scores \$12.133 million of 2011-12 special education funding toward satisfaction of the state’s 2008-09 federal ‘maintenance of effort’ requirement.
- M. **Developer Fees.** Temporarily suspends Level III developer fees, which could soon be triggered if remaining school facility bond funds are exhausted.
- N. **Categorical Program Flexibility “Cleanup”.** Makes a technical correction to the previously-approved extension of K-12 education funding flexibility.
- O. Charter Schools:**
- i. **California School Finance Authority (CSFA).** Conforms statute to current practice by authorizing the CSFA to refinance (not just finance) revenue bonds issued for school facilities working capital and capital improvements. Makes other technical/cleanup changes to related statute.
 - ii. **Charter School Revolving Fund.** Authorizes the Department of Education, with Department of Finance approval, to transfer funds from the Charter School Security Fund to the Charter School Revolving Loan Fund to the extent necessary to replace funds lost due to loan defaults.
 - iii. **Access to External Borrowing.** Authorizes -- but does not require -- county or city and county boards of supervisors and county superintendents of schools to make short-term loans to charter schools, as they currently can make to school districts. Authorizes county offices of education to borrow funds or issue Tax and Revenue Anticipation Notes (TRANS) for the purpose of providing temporary revenue-backed loans to charter schools.
 - iv. **Deferral Waiver Process.** Authorizes charter schools to seek hardship deferral waivers from the Superintendent of Public Instruction and Department of Finance rather than their local authorizers.

- v. **Lease or Purchase of Surplus School Property.** Requires school districts to offer surplus property for sale or lease to charter schools before selling or leasing surplus property to other parties in 2012-13.

3. CHILD CARE AND DEVELOPMENT.

- A. Aligns state preschool eligibility to new kindergarten cutoff dates. Specifically, defines that state preschool programs are designed to facilitate the transition to kindergarten for 3- and 4-year olds children who have their 3rd or 4th birthday, respectively, on or before November of the 2012-13 fiscal year, October 1 of the 2013-14 fiscal year, and September 1 of the 2014-15 fiscal year and each fiscal year thereafter.
- B. Clarifies distinction between part-day preschool slots (funded with Proposition 98) and supplemental wraparound care for preschool-age children from families who need full-day care (funded with the General Fund-supported General Child Care program).
- C. Requires fees to be assessed and collected for families with children in part-day preschool programs and/or families receiving wraparound child care services.
- D. Effective for fiscal year 2012-13, the family fee schedule for child care and development services that was in effect for the 2011-12 fiscal year shall remain in effect, and continues existing policy that the family fees cannot exceed 10 percent of the family's total income.
- E. Repeals specified components of the Pre-Kindergarten Family Literacy Program and consolidate these provisions into the state preschool program, for preschool classrooms that apply for and receive a family literacy supplemental grant.
- F. Codifies in statute that the maximum allowable family income to receive subsidized child care and development services is 70 percent of the State Median Income.
- G. Implements across-the-board budget reductions of \$80 million for child care programs in 2012-13 by decreasing funding for the General Child Care Program, the Migrant Day Care Program, the Alternative Payment Program, the CalWORKs Stage 3 Program, and the Allowances for Handicapped Program by 8.7 percent, effective July 1, 2012. Requires the Department of Education to reduce the maximum allowable contract amounts for each of these programs. Allows the department to consider the contractor's performance or whether the contractor serves children in underserved areas when determining contract reductions as long as overall reductions for each program match budget appropriations.
- H. Extends authorization of a San Francisco child care pilot program by one year to allow the City and County of San Francisco to implement an individualized county child care subsidy plan until July 1, 2014. Requires the city and county to phase out the plan and implement the state's requirements for child care subsidies as of July 1, 2016. A final report shall be submitted by the city and county on or before June 30, 2014.
- I. Suspends the cost of living adjustment for child care and development programs for fiscal years 2012-13, 2014-15, and 2014-15.
- J. Allows the Department of Education to implement the changes to child care authorized in this bill through management bulletins and similar instructions. Specifies that the child care changes in this bill are not subject to appeal by the agencies holding child care contracts.

4. HIGHER EDUCATION: CALIFORNIA COMMUNITY COLLEGES

Background: Apportionment funding, which community college districts use for general purposes, comes from three main sources: (1) enrollment fee revenues; (2) local property taxes; and (3) the General Fund (GF), with local property taxes and the GF accounting for districts' funding under Proposition 98. In addition to the "regular" local property tax, and due to the dissolution of Redevelopment Agencies (RDAs), local property taxes will also now include ongoing RDA property tax (i.e., increment) and one-time RDA property tax related to the recovery of "liquid assets." Unlike K-12 education, the community colleges do not have an automatic GF backfill if property tax or enrollment fee revenues fail to materialize in a given year. It is a reasonable expectation that there will be increased local property tax revenues in 2012-13 (and ongoing) from the dissolution of RDAs. There is still uncertainty with these estimates; when coupled with the lack of a guaranteed backfill, the community colleges have legitimate concerns about budget estimates related to RDA revenues.

- A. **2011-12 General Fund Offset for Increased RDA Revenues, Including Hold Harmless Language.** Reduces 2011-12 apportionment funding by \$116.9 million to reflect an identical increase in offsetting local property taxes available to districts due to the dissolution of RDAs. Should these RDA-related revenues not materialize on or before June 30, 2012, and other funding adjustments do not offset the loss, requires the Director of Finance to provide a backfill of necessary funds from the GF.
- B. **2012-13 General Fund Offset for Increased RDA Revenues, Including Backfill Provisions.** The 2012 Budget Act estimates that community college districts will receive \$451.1 million in additional local property tax revenues from the dissolution of RDAs, thereby reducing GF support by a like amount. The total includes roughly \$211 million from one-time recovery of "liquid assets" and \$239.7 million from local property taxes (i.e., increment), both from the dissolution of RDAs. Of the \$239.7 million in RDA-increment revenues, roughly \$98 million is attributable to 2011-12 that is expected to be received in 2012-13. The provisions of this bill provide for a guaranteed GF backfill to the extent that these RDA-related revenues do not materialize by June 30, 2013.
- C. **Deferrals.** Repeals the current statutory schedule for community college deferrals, which total \$961 million. Contingent on the passage of the Schools and Local Public Safety Protection Act of 2012, provides that \$159.9 million of that total deferral will be "bought down" in 2012-13, specifies a schedule for the remaining \$801.1 million in deferred funds, and provides \$50 million to the community colleges as growth funding. Provides that should the voters reject the Schools and Local Public Safety Protection Act of 2012, a total of \$961 million will again be deferred per the schedule specified in this bill.
- D. **Neighboring State Student Fees.** Increases student fees for qualifying neighboring state students that attend a CCC based on reciprocal state attendance agreements to an amount that is twice the California resident student fee effective with the enactment of the bill. Effective July 1, 2013, and ongoing, institutes a fee level for qualifying neighboring state students that is three times the California resident student fee.

5. CALIFORNIA STUDENT AID COMMISSION: CAL GRANT PROGRAM.

- A. **Maximum Cal Grant A and B Tuition Award Amounts for Private For-Profit and Independent Non-Profit Institutions Reduced Beginning in 2013-14.** Implements

reductions in maximum tuition award levels beginning in 2013-14 as follows: (1) for new recipients attending independent non-profit institutions and private for-profit, Western Association of Schools and Colleges (WASC)-accredited institutions as of July 1, 2012, maximum grant awards will be reduced by 6.5 percent, from \$9,708 to \$9,084.; and (2) for new recipients attending all other private for-profit institutions, maximum grant awards will be reduced by 59 percent, from \$9,708 to \$4,000. In 2014-15, new maximum tuition awards at non-profit institutions and WASC-accredited for-profit institutions will be reduced by an additional 10.5 percent, from \$9,084 to \$8,056 (maximum awards for all other for-profits remain at \$4,000). In 2013-14, these changes are estimated to result in \$16 million in program savings with increased savings in the following years.

- B. Institutional Eligibility, Renewal Awards, and Notification to Students.** Implements a maximum cohort default rate (CDR) of 15.5 percent and a minimum graduation rate of 30 percent for institutions to be eligible to participate in the Cal Grant program. For institutions with a CDR of less than 10 percent and graduation rates between 20 and 30 percent, provides five years for these institutions to increase their six year graduation rates to the 30 percent threshold. In 2013-14, eliminates renewal awards for recipients who choose to remain at ineligible institutions (under current law, maximum awards are reduced by 20 percent for students who choose to renew their award and remain at ineligible institutions). Also requires additional notification and disclosure to students attending institutions that become ineligible. These changes result in savings of \$55 million in 2012-13 and savings of \$87 million in 2013-14, with increased savings in the following years. Consistent with current law, these changes will not apply to any participating institution with 40 percent or fewer of its students borrowing federal student loans to attend college. These proposals expand upon 2011 Budget Act changes, which instituted new restrictions on institutional eligibility for the Cal Grant program, excluding institutions if more than 24.6 percent of their former students default on federal student loans within three years of loan repayment, as defined and calculated by the federal government.
- C. Cal Grant B to Cal Grant A Switches upon Renewal.** Corrects an unintended consequence of Chapter 7, Statutes of 2011 (SB 70), which established tighter eligibility criteria for Cal Grant renewals, by ensuring that co-eligible students can switch from Cal Grant B to Cal Grant A if they meet all eligibility requirements for Cal Grant A awards upon renewal. Under Chapter 7, a co-eligible student who is assigned a Cal Grant B may become ineligible for a renewal award due to increased family income, even if that student remains well within the eligibility range for Cal Grant A. Current law is not clear that students could switch to a different award type once they have received a grant payment. This is an unintended consequence of the new Chapter 7 requirement resulting from a technical issue that was not evident when the Legislature approved the policy.
- D. California Community College (CCC) Transfer Entitlement Award Eligibility.** Reverses the recent California Student Aid Commission decision to expand access to CCC transfer entitlement awards, thereby avoiding \$70 million in new GF costs for the Cal Grant Program in 2012-13. Current practice requires students to begin university studies in the academic year immediately following community college enrollment to qualify for the transfer award. The CSAC decision would have allowed an interruption in studies prior to transferring. Also allows, for the 2011-12 student cohort only, an additional year of eligibility because of the possibility that this group of CCC students will have limited public four-year institution transfer options.

6. FINANCIAL AID: MISCELLANEOUS.

- A. Scholarshare Investment Board: Reverts to the General Fund Excess Funds from Governor's Scholarship Program.** Reverts \$63.1 million to the General Fund of moneys previously set aside for the now-defunct Governor's Scholarship Program. These are unused funds from scholarship grants provided to high school students for performance on standardized tests in 2000 through 2002. The grant program was repealed in 2003; recipients have access to disbursement through age 30, after which time their funds revert to the state General Fund. This provision results in \$20 million remaining in the reserve to assure funding for participants thereby ensuring the state continues to honor program obligations for tests taken in 2000-2002.

Support: Unknown

Opposed: Unknown

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1480
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Keely Bosler
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: 2011 Public Safety Realignment.

Summary: This bill provides an overall financing structure for the 2011 Public Safety Realignment. The funding structure includes the creation of accounts and rules that govern the flexibility of counties to transfer monies between accounts. The bill also directs the allocation of funding among accounts, including the allocation of growth funding.

Background: Chapter 40, Statutes of 2011 (AB 118, Budget) enacted 2011 Public Safety Realignment that transferred approximately \$5.6 billion in state fiscal responsibilities for public safety programs from the state to local governments. This realignment also redefined 1.0625 of the state sales and use tax as a local sales and use tax to support \$5.1 billion of the realignment starting in the 2011-12 fiscal year and redirected \$453.4 million in vehicle license fee revenues in Chapter 35, Statutes of 2011 (SB 89, Budget) from the state to local governments to specifically support local law enforcement programs previously funded by the state. The *Schools and Local Public Safety Protection Act of 2012* is a Constitutional Amendment that is qualified for the November 6, 2012 general election that will constitutionally protect the revenues transferred to local governments as part of the enactment of 2011 Public Safety Realignment. This constitutional amendment, among other things, also provides various mandate protections for the state and guidance related to cost sharing of future changes to federal entitlement programs realigned to the counties.

Proposed Law: The legislation (AB 118, Budget) that provided the framework for the 2011 Realignment provided for a temporary financing structure for the 2011-12 fiscal year only. This legislation enacts a permanent financing structure for the 2011 Realignment, including account structures, funding allocations among accounts and counties, allocations of available growth funding, and various other issues. Specifically, this bill does the following:

1. **Creates Account Structure in State Treasury.** This bill amends the current account structure created in the Local Revenue Fund 2011 within the State Treasury and directs the transfer of all remaining funds in the original funds to designated successor funds. Specifically, the bill abolishes all of the original accounts in the Local Revenue Fund 2011 except for the Mental Health Account. The bill also creates and designates permanent successor accounts. The bill creates three main accounts within the Local Revenue Fund; the Support Services Account, the Law Enforcement Services Account, and the Sales and Use Tax Growth Account.

The Support Services Account includes the Protective Service Subaccount and Behavioral Health Subaccount and this bill directs the deposit of funds from the original subaccounts into the new subaccounts and special accounts as follows:

Original Subaccount	Successor Subaccount
Adult Protective Services Subaccount	Protective Services Subaccount
Foster Care Assistance Subaccount	
Foster Care Administration Subaccount	
Child Welfare Services Subaccount	
Adoptions Subaccount	
Adoption Assistance Program Subaccount	
Child Abuse Prevention Subaccount	

Original Subaccount	Successor Subaccount
Drug Court Subaccount	Behavioral Health Subaccount
Nondrug Medi-Cal Substance Abuse Treatment Services Subaccount	
Drug Medi-Cal Subaccount	
Women and Children’s Residential Treatment Services Subaccount	Women’s and Children’s Residential Treatment Services Special Account

The successor Women’s and Children’s Residential Treatment Services Special Account is created as a special account within the Behavioral Health Subaccount. The Support Services Account also includes the creation of a new County Intervention Support Services Subaccount.

The Law Enforcement Services Account has the following Subaccounts and this bill directs the deposit of funds from the original funds into the new subaccounts and special accounts as follows:

Original Fund	Successor Subaccount
Trial Court Security Account	Trial Court Security Subaccount
Local Community Corrections Account	Community Corrections Subaccount
Local Law Enforcement Services Account	Enhancing Law Enforcement Activities Subaccount
District Attorney and Public Defender Account	District Attorney and Public Defender Subaccount
Juvenile Justice Account	Juvenile Justice Subaccount
Youthful Offender Block Grant Subaccount	Youthful Offender Block Grant Special Account
Juvenile Reentry Grant Subaccount	Juvenile Reentry Grant Special Account

The successor Youthful Offender Block Grant Special Account and Juvenile Reentry Grant Special Account are both created as special accounts within the Juvenile Justice Subaccount. The Vehicle License Fee revenues dedicated to 2011 Realignment by Chapter 35, Statutes of 2011 (SB 89, Budget) are deposited directly in the Enhancing Law Enforcement Activities Subaccount.

This bill creates the Sales and Use Tax Growth Account in the Local Revenue Fund 2011. Within this account is created the Support Services Growth Subaccount and the Law Enforcement Services Growth Subaccount. The Support Services Growth Subaccount contains two special accounts, the Protective Services Growth Special Account and the Behavioral Health Services Growth Special Account. The Law Enforcement Services Growth Subaccount contains four special accounts, as follows; Trial Court Security Growth Special Account, Community Corrections Growth Special Account, District Attorney and Public Defender Growth Special Account and Juvenile Justice Growth Special Account.

There is also created in the Enhancing Law Enforcement Activities Subaccount an Enhancing Law Enforcement Growth Special Account where any vehicle license fee revenues allocated by Chapter 35, Statutes of 2011 (SB 89, Budget) are deposited above \$489.9 million.

As of September 15, 2012 all of the funds in the original funds and subaccounts are transferred to the successor subaccounts and special account.

2. **Directs Creation of County Account Structure.** This bill directs the county treasurer to amend the current account structure created in the County Local Revenue Fund 2011. The account structure mirrors the subaccount and special account structure in the state fund, but does not direct the creation of the County Intervention Support Services Subaccount. This bill also directs the creation of a Support Services Reserve Subaccount in the Support Services Account.

The bill also directs the creation of a Contract Special Account within the Protective Services Subaccount for designated counties to support funding of multi-county or statewide contracts. The bill also directs the creation of a Local Innovation Subaccount within the Law Enforcement Services Account in 2015-16. Starting in 2015-16 the funds deposited in this account will be able to be used more flexibly for eligible public safety related activities.

This bill requires only the counties of Alameda, Los Angeles, Marin, San Diego, San Francisco, and San Joaquin to create a County Women and Children's Residential Treatment Services Special Accounts within their Behavioral Health Subaccount.

As of September 15, 2012 all of the funds in the county original funds and subaccounts are transferred to the county successor subaccounts and special accounts and the original funds and subaccounts are abolished. The accounts mirror those created in the state treasury with the aforementioned exceptions.

3. **Transferability Between Subaccounts in Support Services Account.** This bill authorizes the counties to allocate up to 10 percent between subaccounts in the Support Services Account. The 10 percent is based on the amount deposited in the subaccount in the previous year with the lowest balance. The authorization to make this transfer must occur in a regularly scheduled public hearing of the board of supervisors and must be based on the most cost effective use of available resources to maximize client outcomes. Any reallocations made shall only be in effect for the fiscal year in which the allocation was made and shall not be considered a permanent funding allocation or a permanent funding source for any program or service receiving the reallocation. These transfers must be documented annually to the State Controller and reported to the Legislature. This bill allows counties authorized to operate an integrated and comprehensive county health and human services system to not withstand the transferability rules set up in this bill.

4. **Use of Support Services Reserve Account.** This bill authorizes a county's board of supervisors to reallocate funds from the Protective Services Subaccount or Behavioral Health Subaccount, or both to the Support Services Reserve Subaccount. The amount of these transfers may not exceed 5 percent of the total funds allocated to the Protective Services Subaccount or Behavioral Health Subaccount in the State Treasury (excludes growth). The authorization to make allocations to the Support Services Reserve Account must occur in a regularly scheduled public hearing of the board of supervisors. The allocations to the reserve accounts must be documented annually to the State Controller and reported to the Legislature.

5. **Specifies Eligible Uses for Funds Deposited in 2011 Realignment Subaccounts and Special Accounts.** This bill requires that all funds deposited in the County Local Revenue Fund 2011 be used exclusively for public safety services, as defined by this bill and Article XIII of the

Constitution as proposed in *The Schools and Local Public Safety Protection Act of 2012*. Current law restricts the expenditure of funds deposited in the original funds and accounts created for 2011 Realignment. This bill updates those accounts to the new successor subaccounts and special accounts and subjects these updated subaccounts and special accounts to the same restrictions, including funding in the various growth special accounts.

In addition, this bill adds planning, implementation and training costs for revocation proceedings as an eligible use of funds deposited in the District Attorney and Public Defender Subaccount and associated growth special account.

This bill also specifies that funding in the Enhancing Law Enforcement Activities Subaccount and associated growth special account shall be used to provide grants and funding to local law enforcement as provided by statute.

This bill also specifies that funds deposited in the Local Innovation Subaccount within the Law Enforcement Services Account shall be used to fund local needs, which include any eligible expenditure in the Juvenile Justice Subaccount, the District Attorney and Public Defender Subaccount, the Community Corrections Subaccount, and the Trial Court Security Subaccount.

This bill defines that the counties have 100 percent of the nonfederal share of costs of programs that are part of 2011 Realignment. These costs shall be covered by funds deposited in the Local Revenue Fund 2011. Also specifies that funds shall be expended in a manner that maintains eligibility for federal funding.

This bill adds Medi-Cal specialty health services, including the Early and Periodic Screening, Diagnosis, and Treatment Program and mental health managed care to the list of programs funded from within 2011 Realignment. These programs were funded outside of 2011 Realignment in 2011-12.

This bill directs the expenditure of any residual funds remaining in the Reserve Account and Undistributed Account of the Local Revenue Fund 2011 to fund entitlements for the 2011-12 fiscal year. After these accounts are liquidated they are abolished on January 1, 2013.

6. **Community Corrections Grant Program.** This bill specifies that the monies in the Community Corrections Subaccount and the Community Corrections Growth Special Account constitute funding for the Community Corrections Grant Program established by Chapter 15, Statutes of 2011 (AB 109, Budget).

7. **Defines 2011 Realignment Legislation.** This bill defines “2011 Realignment Legislation” as legislation entitled 2011 Realignment and provides for the assignment to local agencies responsibilities for public safety services. This legislation must be enacted by September 30, 2012. Furthermore, this bill also provides that no new program may be assigned to local agencies after January 1, 2012, except for the Early and Periodic Screening, Diagnosis, and Treatment program and mental health managed care. This statutory framework is provided until Article XIII of the Constitution is added per *The Schools and Public Safety Protection Act of 2012* on the November 6, 2012 statewide general election.

8. **Mandate Protection for State.** This bill provides statutory guidance directing that any mandate of a new program or higher level of service on a local agency imposed by 2011 Realignment Legislation shall be paid from the from funding provided in the Local Revenue Fund 2011. This statutory framework is provided until Article XIII of the Constitution is added per *The Schools and Public Safety Protection Act of 2012* on the November 6, 2012 statewide general election.

9. **County Protection against New State Imposed Costs for Realigned Programs.** This bill provides that any legislation enacted after September 30, 2012 that has the overall effect of increasing the costs for programs or levels of service mandated by the 2011 Realignment Legislation shall apply to local agencies only to the extent that the State provides annual funding for the cost increase. This bill also provides that any regulations, executive orders, or administrative directives, implemented after October 9, 2011 that are not necessary to implement 2011 Realignment and have the overall effect of increasing the costs for programs or levels of service mandated in 2011 Realignment shall apply to local agencies only to the extent that the state provides annually funding for the cost increase. This bill also limits the state from submitting to the federal government any plans or waivers, or amendments to those plans or waivers that have an overall effect of increasing the cost by a local agency for programs or levels of service mandated by 2011 Realignment.

This bill clarifies that that the state is not required to provide funds for a mandate that is imposed by the state at the request of a local agency or to comply with federal law. This bill also makes it clear that any new mandates imposed by the state shall not be funded from 2011 Realignment, ad valorem property tax, or 1991 Realignment. This bill also clarifies that it is a county option to provide a new program or a higher level of service, but it does not require a subvention of funds from the state.

10. **Cost Sharing Provisions for Unanticipated New Program Costs.** The 2011 Realignment includes realignment of programs and funding for federal entitlement programs. This bill provides that the state shall provide at least 50 percent of the nonfederal share of costs of any changes in federal statutes or regulations that alter the conditions under which federal matching funds are obtained.

For the federal entitlement programs that are part of 2011 Realignment, this bill also requires the state to pay for 50 percent on the nonfederal share of costs related to judicial or administrative orders that impose a cost in the form of a monetary penalty. Payment is not required if the state determines that the settlement or order relates to one or more local agencies failing to perform a legal obligation in good faith. This bill states that judicial complaints related to a state or local agency's failure to perform under 2011 Realignment shall have priority over all other civil matters in state judicial proceedings.

11. **Conditions of Expenditure of 2011 Realignment Funds.** This bill directs that funds deposited in the County Local Revenue Fund 2011 be spent in a manner designed to maximize the state's eligibility for federal matching funds and ensure compliance with applicable federal standards governing the provision of services included in 2011 Realignment.

Funds deposited in the County Local Revenue Fund 2011 may not be used by local agencies to supplant other funding for public safety services.

12. **Public Notification of Reductions to Optional and Discretionary Programs.** This bill requires that significant reductions ("significant" defined as 10 percent in one year or 25 percent over three years) made to optional or discretionary behavioral health, adult protective services, and child welfare services programs that are part of 2011 Realignment must be made in an open session of a duly noticed meeting of the board of supervisors.

13. **Share of Costs Definition.** This bill specifies that for the programs realigned as part of 2011 Realignment the state shall not have a share of costs. The funding provided is specifically intended to be in an amount sufficient to fund the cost of the state mandates. This bill requires that the county first exhaust funding provided in 2011 Realignment and then 1991 Realignment

for any state mandated costs related to 2011 Realignment. This statutory framework is provided until Article XIII of the Constitution is added per *The Schools and Public Safety Protection Act of 2012* on the November 6, 2012 statewide general election.

This bill also specifies that that state does not have a share of costs for programs described in 2011 Realignment that were originally funded by 1991 Realignment. This provision shall become operative if Article XIII of the Constitution is added per *The Schools and Public Safety Protection Act of 2012* on the November 6, 2012 statewide general election.

14. **Reporting by the State Controller.** The State Controller is required to post monthly the amounts received by the Local Revenue Fund 2011. The State Controller shall also post the amounts allocated to every account, subaccount and special account within the Local Revenue Fund 2011. Annually the State Controller shall provide detailed information as to the source of the funding deposited in each account, subaccount and special account. Also, starting in 2014-15 the State Controller is required to report the highest amount ever allocated to the subaccounts in the Local Revenue Fund 2011 and how much growth funding may need to be provided as restoration in a future fiscal year to achieve that level. Annually, the State Controller shall make a detailed report on how much each county, city and city and county received in each subaccount.

15. **Clarifications on Entitlement Programs.** This bill clarifies that nothing in 2011 Realignment impacts in any way the rights provided by federal entitlement programs. This bill also specifies that counties shall fund Medi-Cal Specialty Mental Health Services, including Early and Periodic Screening, Diagnosis and Treatment from monies received from the Behavioral Health Subaccount and the Behavioral Health Growth Special Account. Funding for this program shall also come from 1991 Realignment funds and to the extent permissible under the Mental Health Services Act, the Mental Health Services Fund. This bill requires that the provision of services for these mental health programs be based on the requirement of federal law.

16. **Technical Amendments to 2011-12 Funding Allocations.** This bill makes technical amendments to the 2011-12 funding allocations for 2011 Realignment. Mainly these amendments clarify that cash for any given fiscal year include cash received until August 15, 2012 to account for the lag in receipt of sales tax revenues.

17. **Makes 2012-13 Funding Allocations.** This bill makes funding allocations to the accounts and subaccounts within the Local Revenue Fund 2011 for the 2012-13 fiscal year. The first allocations made from the Local Revenue Fund 2011 are as follows:

(in Millions)

Account	Amount
Mental Health Account	\$1,120.6

Account	Amount
Enhancing Law Enforcement Activities	\$489.9 from Vehicle License Fee (VLF) revenues and if VLF revenues are not enough to reach this level additional funds from sales tax revenues deposited in the Local Revenue Fund 2011
Enhancing Law Enforcement Growth Special Account	Any remaining VLF revenue above \$489.9

After the above allocations are made the remaining funds deposited in the Local Revenue Fund 2011 are allocated as follows for the 2012-13 fiscal year:

(in Millions)

Account	Amount
Support Services Account	64.1975% or up to \$2,604.9
Law Enforcement Services Account	35.8025% or up to \$1,452.7

The following allocations are then made from the accounts above to the following subaccounts for the 2012-13 fiscal year:

(in Millions)

Support Services Account	Amount
Behavioral Health Subaccount	37.0264% or up to \$964.5
Protective Services Subaccount	62.9736% or up to \$1,640.4

Law Enforcement Services Account	Amount
Trial Court Security Subaccount	34.1721% or up to \$496.4
Community Corrections Subaccount	58.0217% or up to \$842.9
District Attorney and Public Defender Subaccount	1.0050% or up to \$14.6
Juvenile Justice Subaccount	6.8012% or up to \$98.8

From the Behavioral Health Subaccount an amount of \$5.1 million is allocated to the Women and Children's Residential Treatment Services Special Account.

18. **Makes 2013-14 Funding Allocations.** This bill makes funding allocations to the accounts and subaccounts within the Local Revenue Fund 2011 for the 2013-14 fiscal year. The first allocations made from the Local Revenue Fund 2011 are as follows:

(in Millions)

Account	Amount
Mental Health Account	\$1,120.6

Account	Amount
Enhancing Law Enforcement Activities	\$489.9 from Vehicle License Fee (VLF) revenues and if VLF revenues are not enough to reach this level additional funds from sales tax revenues deposited in the Local Revenue Fund 2011
Enhancing Law Enforcement Growth Special Account	Any remaining VLF revenue above \$489.9

After the above allocations are made the remaining funds deposited in the Local Revenue Fund 2011 are allocated as follows for the 2013-14 fiscal year:

(in Millions)

Account	Amount
Support Services Account	2012-13 amount + \$20.4 + 2012-13 Growth
Law Enforcement Services Account	2012-13 amount + \$158.5 + 2012-13 Growth for Trial Court Security Subaccount and Juvenile Justice Subaccount only

The following allocations are then made from the accounts above to the following subaccounts for the 2013-14 fiscal year:

(in Millions)

Support Services Account	Amount
Behavioral Health Subaccount	36.7391% or up to 2012-13 amount + 2012-13 Growth
Protective Services Subaccount	63.2609% or up to 2012-13 amount + \$20.4 + 2012-13 Growth

Law Enforcement Services Account	Amount
Trial Court Security Subaccount	30.8105% or up to 2012-13 amount + 2012-13 Growth
Community Corrections Subaccount	61.9960% or up to \$998.9
District Attorney and Public Defender Subaccount	1.0613% or up to \$17.1
Juvenile Justice Subaccount	6.1322% or up to 2012-13 amount + 2012-13 Growth

From the Behavioral Health Subaccount an amount of \$5.1 million is allocated to the Women and Children's Residential Treatment Services Special Account.

The special adjustments made to the Protective Services Subaccount adjust the base funding level for the implementation of Chapter 559, Statutes of 2010 (AB 12, Beall) that provides for supportive transitional services to foster youth until the age of 21. The adjustments made to the Community Corrections Subaccount and the District Attorney and Public Defender Subaccount are based on caseload adjustments being made according to the implementation of Chapter 15, Statutes of 2011 (AB 109, Budget).

19. **Makes 2014-15 Funding Allocations.** This bill makes funding allocations to the accounts and subaccounts within the Local Revenue Fund 2011 for the 2014-15 fiscal year. The first allocations made from the Local Revenue Fund 2011 are as follows:

(in Millions)

Account	Amount
Mental Health Account	\$1,120.6

Account	Amount
Enhancing Law Enforcement Activities	\$489.9 from Vehicle License Fee (VLF) revenues and if VLF revenues are not enough to reach this level additional funds from sales tax revenues deposited in the Local Revenue Fund 2011
Enhancing Law Enforcement Growth Special Account	Any remaining VLF revenue above \$489.9

After the above allocations are made the remaining funds deposited in the Local Revenue Fund 2011 are allocated as follows for the 2014-15 fiscal year:

(in Millions)

Account	Amount
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Support Services Account	2013-14 amount + \$15.3 + 2013-14 Growth
Law Enforcement Services Account	2013-14 amount - \$66.1 + 2013-14 Growth for Trial Court Security Subaccount and Juvenile Justice Subaccount only

The following allocations are then made from the accounts above to the following subaccounts for the 2014-15 fiscal year:

(in Millions)

Support Services Account	Amount
Behavioral Health Subaccount	36.5258% or up to 2013-14 amount + 2013-14 Growth
Protective Services Subaccount	63.4742% or up to 2013-14 amount + \$15.3 + 2013-14 Growth

Law Enforcement Services Account	Amount
Trial Court Security Subaccount	32.1286% or up to 2013-14 amount + 2013-14 Growth
Community Corrections Subaccount	60.4543% or up to \$934.1
District Attorney and Public Defender Subaccount	1.0226% or up to \$15.8
Juvenile Justice Subaccount	6.3945% or up to 2013-14 amount + 2013-14 Growth

From the Behavioral Health Subaccount an amount of \$5.1 million is allocated to the Women and Children's Residential Treatment Services Special Account.

The special adjustments made to the Protective Services Subaccount adjust the base funding level for the implementation of Chapter 559, Statutes of 2010 (AB 12, Beall) that provides for supportive transitional services to foster youth until the age of 21. The adjustments made to the Community Corrections Subaccount and the District Attorney and Public Defender Subaccount are based on caseload adjustments being made as Chapter 15, Statutes of 2011 (AB 109, Budget) is implemented.

20. **Establishes Ongoing Annual Funding Allocation Starting in 2015-16.** This bill establishes funding allocations to the accounts and subaccounts within the Local Revenue Fund 2011 for the 2015-16 fiscal year and each subsequent year thereafter. The first allocations made from the Local Revenue Fund 2011 are as follows:

(in Millions)

Account	Amount
Mental Health Account	\$1,120.6

Account	Amount
Enhancing Law Enforcement Activities	\$489.9 from Vehicle License Fee (VLF) revenues and if VLF revenues are not enough to reach this level additional funds from sales tax revenues deposited in the Local Revenue Fund 2011
Enhancing Law Enforcement Growth Special Account	Any remaining VLF revenue above \$489.9

After the above allocations are made the remaining funds deposited in the Local Revenue Fund 2011 are allocated as follows for the 2015-16 fiscal year and each year subsequent:

(in Millions)

Account	Amount
Support Services Account	Funding + Growth from immediately preceding fiscal year
Law Enforcement Services Account	Funding + Growth for all accounts from immediately preceding fiscal year

The following allocations are then made from the accounts above to the following subaccounts for the 2014-15 fiscal year and each subsequent fiscal year:

(in Millions)

Support Services Account	Amount
Behavioral Health Subaccount	Funding + Growth from immediately preceding fiscal year
Protective Services Subaccount	Funding + Growth from immediately preceding fiscal year

Law Enforcement Services Account	Amount
Trial Court Security Subaccount	Funding + Growth from immediately preceding fiscal year
Community Corrections Subaccount	Funding + Growth from immediately preceding fiscal year
District Attorney and Public Defender Subaccount	Funding + Growth from immediately preceding fiscal year
Juvenile Justice Subaccount	Funding + Growth from immediately preceding fiscal year

From the Behavioral Health Subaccount an amount of \$5.1 million is allocated to the Women and Children's Residential Treatment Services Special Account.

If there are insufficient funds in the Support Services Account or the Law Enforcement Services Account to make the allocations to the subaccounts described above the State Controller shall allocate the funding based on a proportional share that the subaccounts received in the immediately preceding fiscal year. The Department of Finance will annually prepare a schedule that provides the proportional allocations to direct the Controller's allocation if funds are not sufficient to provide the intended allocations described above.

21. Establishes Allocations for Growth Funding. Within the Local Revenue Fund 2011 is the Sales and Use Tax Growth Account. This account receives sales and use tax revenue growth above the base allocations described in this bill. This bill establishes an allocation methodology for these funds to the subaccounts and special accounts within the Sales and Use Tax Growth Account for fiscal years 2012-13, 2013-14, and 2014-15. This bill also specifies a permanent growth allocation methodology starting in 2015-16 for most of the special accounts.

For the 2012-13 fiscal year, the Growth is allocated to the two subaccounts in the account as follows:

Account	
Support Services Growth Subaccount	65 percent
Law Enforcement Services Subaccount	35 percent

Starting in 2013-14 there is a definition of the amount necessary to provide full base funding and the growth funds are allocated accordingly to provide full base funding in each subaccount. If there is not enough funding to provide full base funding to the subaccounts, the growth is distributed in the same proportion as the base allocations were made for the 2013-14 fiscal year. If there are additional growth monies after the amount necessary to provide full base funding, these monies will be allocated 65 percent to the Support Services Growth Subaccount and 35 percent to the Law Enforcement Services Subaccount. The amounts necessary to provide full base funding for each of the accounts is defined as follows for the 2013-14 fiscal year:

Support Services Account	Amount
Behavioral Health Subaccount	Maximum amount allocated in 2012-13
Protective Services Subaccount	Maximum amount allocated in 2012-13

Law Enforcement Services Account	Amount
Trial Court Security Subaccount	Greater of 2011-12 amount and 2012-13 amount + 2012-13 growth
Community Corrections Subaccount	Maximum amount allocated in 2012-13
District Attorney and Public Defender Subaccount	Maximum amount allocated in 2012-13
Juvenile Justice Subaccount	Greater of 2011-12 amount and 2012-13 amount + 2012-13 growth

Starting in 2014-15 the definition of the amount necessary to provide full base funding for each subaccount is provided in the table below. If there is not enough funding to provide full base funding, the growth is distributed in the same proportion as the base allocations were made for the 2014-15 fiscal year. If full base funding is available for each subaccount then additional growth monies will be allocated 65 percent to the Support Services Growth Subaccount and 35 percent to the Law Enforcement Services Subaccount. The amounts necessary to provide full base funding for each of the accounts is as follows for the 2014-15 fiscal year:

Support Services Account	Amount
Behavioral Health Subaccount	Greater of the maximum amount that could have been allocated in 2012-13 or the largest amounts received (base + growth) in any prior year beginning with 2013-14
Protective Services Subaccount	Greater of the maximum amount that was allocated in 2012-13 and the maximum amount that was allocated in 2013-14

Law Enforcement Services Account	Amount
Trial Court Security Subaccount	Greater of 2011-12 amount or the largest amounts received (base + growth) in any prior year beginning with 2012-13
Community Corrections Subaccount	Greatest amount allocated in a single year beginning with 2012-13
District Attorney and Public Defender Subaccount	Greatest amount allocated in a single year beginning with 2012-13
Juvenile Justice Subaccount	Greater of 2011-12 amount or the largest

	amounts received (base + growth) in any prior year beginning with 2012-13
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Starting in 2015-16 and for each subsequent year, after the definition of the amount necessary to provide full base funding for each subaccount is provided in the table below. If there is not enough funding to provide full base funding, the growth is distributed in the same proportion as the base allocations were made for the 2015-16 fiscal year and for each subsequent year. If there are additional growth monies after the amount necessary to provide full base funding, these monies will be allocated 65 percent to the Support Services Growth Subaccount and 35 percent to the Law Enforcement Services Subaccount. The amounts necessary to provide full base funding for each of the accounts is as follows:

Support Services Account	Amount
Behavioral Health Subaccount	Greater of the maximum amount that was allocated in 2012-13 or the largest amounts received (base + growth) in any prior year beginning with 2012-13
Protective Services Subaccount	Greater of the maximum amount that was allocated in 2012-13, the maximum allocated in 2013-14, or the largest amounts received (base and growth) in any prior year beginning with 2012-13

Law Enforcement Services Account	Amount
Trial Court Security Subaccount	Greater of 2011-12 amount or the largest amounts received (base + growth) in any prior year beginning with 2012-13
Community Corrections Subaccount	Greater amount (base + growth) in a single year beginning with 2014-15 or highest amount authorized to receive in any single fiscal year beginning with 2012-13
District Attorney and Public Defender Subaccount	Greater amount (base + growth) in a single year beginning with 2014-15 or highest amount authorized to receive in any single fiscal year beginning with 2012-13
Juvenile Justice Subaccount	Greater of 2011-12 amount or the largest amounts received (base + growth) in any prior year beginning with 2012-13

This bill also specifies growth allocation to the special accounts within the Support Services Growth Subaccount and the Law Enforcement Services Growth Subaccount in the Sales and Use Tax Growth Account for the 2012-13 fiscal year. Additional growth funding is dedicated to child welfare services until the Director of Finance certifies that \$200 million has been allocated to the Protective Services Growth Special Account. The allocations are as follows:

Support Services Growth Subaccount	
Mental Health Subaccount	5 percent
Protective Services Growth Special Account for Child Welfare Services	40 percent
Protective Services Growth Special Account	42.03 percent
Behavioral Health Services Growth Special Account	12.97 percent

Law Enforcement Services Growth Subaccount	
Trial Court Security Growth Special Account	10 percent
Community Corrections Growth Special Account	75 percent
District Attorney and Public Defender Growth Special Account	5 percent
Juvenile Justice Growth Special Account	10 percent

Growth will not be added to the base to create a “rolling base” for the Community Corrections Subaccount and the District Attorney and Public Defender Subaccount until 2015-16.

This bill also specifies the growth allocation to the special accounts within the Support Services Growth Subaccount in the Sales and Use Tax Growth Account for the 2013-14 fiscal year as follows:

Support Services Growth Subaccount	
Mental Health Subaccount	5 percent
Protective Services Growth Special Account for Child Welfare Services	40 percent
Protective Services Growth Special Account	21.81 percent
Behavioral Health Services Growth Special Account	33.19 percent

This bill states that once the Director of Finance has certified that \$200 million in funding has been provided to county child welfare services programs and the Protective Services Growth Special Account, the allocation to the special accounts and subaccounts of the Support Services Growth Subaccount are as follows:

Support Services Growth Subaccount	
Mental Health Subaccount	5 percent
Protective Services Growth Special Account	45 percent
Behavioral Health Services Growth Special Account	50 percent

22. Creates System of State Intervention for Medi-Cal Programs in 2011 Realignment.

The bill authorizes a process and procedure for the Department of Health Care Services to intervene if the department determines that a county is failing to perform functions and could jeopardize the receipt of federal funds for these programs. This bill authorizes, after notification, that the State Controller deposit the portion of the county’s allocation attributable to the effected program into the County Intervention Support Services Subaccount. The amounts deposited in this Subaccount will then be used by the Department to fund the program or programs in the county where the county was failing to perform necessary functions to maintain federal funds.

23. Protection for Counties if Funding Supporting Realignment is Reduced or Repealed.

This bill requires the state to annually provide moneys to the Local Revenue Fund 2011 in an amount equal to or greater than the aggregate amount that otherwise would have been provided by the taxes supporting 2011 Realignment if the taxes are reduced or eliminated. If the state fails to annually appropriate that amount, the State Controller shall transfer that amount from the General Fund. A process for this backfill of funding satisfies a requirement of Article

XIII of the Constitution to be added per *The Schools and Public Safety Protection Act of 2012* on the November 6, 2012 statewide general election.

24. **Provides Juvenile Justice Subaccount Allocations.** This bill makes technical amendments to the allocation of funding within the Juvenile Justice Subaccounts for the 2011-12 fiscal year. This bill also proposes to allocate these funds to the special accounts in 2012-13 and every subsequent fiscal year as follows:

Juvenile Justice Subaccount	
Youthful Offender Block Grant Special Account	96.015 percent
Juvenile Reentry Grant Special Account	3.085 percent

25. **Directs Allocation of Funds from State to County and Among Counties.** This bill specifies that the revenues collected between August 16 and August 15 of the following year constitutes a fiscal year for the purposes of 2011 Realignment. This bill specifies allocation of the funds to the counties as follows:

- Funds in the Mental Health Account shall be allocated on the 20th of each month to the local Mental Health Subaccount that was created in 1991 Realignment.
- Funds in the Trial Court Security Subaccount shall be allocated by the State Controller on the 27th of each month. Money in the Trial Court Security Subaccount cannot be used to pay for general county administrative expenses. This bill also provides for an allocation of the Trial Court Security Subaccount among the counties. This allocation is based on the 2011-12 allocation adjusted for expected increased workload associated with the implementation of Chapter 15, Statutes of 2011 (AB 109, Budget).
- Allocates funding from the Community Corrections Subaccount to the counties for the 2012-13 and 2013-14 fiscal years only. This allocation was developed by the California State Association of Counties and allowed counties to pick the most favorable formula from three formulas that included: (1) caseload; (2) population between 18 and 64; and (3) the 2011-12 formula, which was based on a weighted formula composed of caseload, population, and the SB 678 probation incentive program success rate. A new methodology and schedule for allocating funds shall be developed by the Department of Finance in consultation with the California State Association of Counties commencing with the 2014-15 fiscal year.
- Allocates funding from the from the District Attorney and Public Defender Subaccount to the counties for the 2012-13 and 2013-14 fiscal years only. A new methodology and schedule for allocating funds shall be developed by the Department of Finance in consultation with the California State Association of Counties commencing with the 2014-15 fiscal year.
- Funds deposited in the Enhancing Law Enforcement Activities Subaccount are allocated among counties according to current law.
- On August 25 of each year, funds allocated to the Enhancing Law Enforcement Activities Growth Special Account shall be allocated as follows: (1) 38.40 percent to the Juvenile Probation and Camps Funding program; (2) 27.08 percent to the Community Oriented Policing Services Program; (3) 27.08 percent to the Juvenile Justice Crime Prevention Act program; and (4) 7.44 percent to the Juvenile Camps and Ranches program.
- Directs the monthly allocation of funds from the Protective Services Subaccount to the County Protective Services Subaccount. For the 2012-13 fiscal year the distribution to each county shall be the same as that used to distribute funds in the 2011-12 fiscal year adjusted to reflect updated expenditures on Foster Care Assistance and Adoptions Assistance Program payments and for the distribution of the estimated funding for implementation of Chapter 559, Statutes of 2010 (AB 12). For the 2013-14 fiscal year

and each year subsequent the Department of Finance may develop a schedule in consultation with the California State Association of the Counties per criteria. This bill authorizes up to \$32,721,000 annually to be transferred to a Contract Special Account of a designated county.

26. Directs Deposit of Growth Funds in County Accounts. This bill directs the growth funds in state growth special accounts to the appropriate county accounts as follows:

Growth Account	Local Account
Protective Services Growth Special Account	Protective Services Subaccount
Behavioral Health Services Growth Special Account	Behavioral Health Subaccount
Trial Court Security Growth Special Account	Trial Court Security Subaccount
Community Corrections Growth Special Account	Community Corrections Subaccount
District Attorney and Public Defender Growth Special Account	District Attorney and Public Defender Subaccount
Juvenile Justice Growth Special Account	Juvenile Justice Subaccount

The bill further directs that the growth funds shall be allocated to the local subaccounts in the percentages provided. However, if the allocation methodology is not specified in this bill, the growth funds shall be allocated in accordance with schedules developed by the Department of Finance in consultation with the California State Association of Counties and in accordance with any criteria contained in this bill.

27. Creates Local Innovation Subaccount. Starting in 2015-16, each county shall transfer to the Local Innovation Subaccount 10 percent of the moneys received during a fiscal year from each of the following state accounts:

- Trial Court Security Growth Special Account
- Community Corrections Growth Special Account
- District Attorney and Public Defender Growth Special Account
- Juvenile Justice Growth Special Account

28. Incentive Funding from Protective Services Growth Special Account. Starting in 2012-13, 10 percent of the growth funding from the Protective Services Growth Special Account shall only be allocated to counties that have expended in that fiscal year an amount at least equivalent to that which the county would have had to spend in the absence of 2011 Realignment Legislation to access augmentation funding pursuant to Section 10609.9 of the Welfare and Institutions Code. This determination will be made as of August 1 of each year with data from the prior fiscal year. This bill exempts small counties from this provision. This bill also allocates this growth funding among the counties per a schedule.

29. Community Corrections Growth Allocation. This bill requires the Department of Finance to develop a schedule for allocating the growth funding in the Community Corrections Growth Special Account. The schedule shall reflect priorities that promote the effective implementation of the 2011 Public Safety Realignment including the following: (1) minimum allocations for each county; (2) establishment of appropriate small county minimum allocations; (3) adjustments for average daily population variations; (4) other factors; and (5) implementation of 2011 Public Safety Realignment consistent with cost effective evidence based practices. This bill requires that the Department of Finance consider a county’s commitment to continuing, expanding, or initiating community corrections practices, programs and strategies that manage

felony offender populations most cost effectively by using evidence-based practices when developing this formula to allocate the growth over the next two years.

30. **Re-Enacts Definitions Related to Child Welfare Services.** This bill re-enacts definitions related to child welfare services that were realigned in the 2011 Realignment. This provision of law is related to 2011 Realignment.

31. **Women and Children's Residential Treatment Services Program.** This bill authorizes six counties to establish the Women and Children's Residential Treatment Services Special Account within their Behavioral Health Subaccount. These six counties currently have established programs and this bill would dedicate money to these programs in 2012-13 and ongoing. Funding is allocated to Alameda County, Marin County, Los Angeles County, San Diego County, San Francisco City and County, and San Joaquin County for this purpose.

32. **Contract Back with State Authorization.** This bill authorizes counties to contract with the State Department of Health Care Services or the Department of Social Services to provide or administer the Drug Medi-Cal Treatment Program and the Agency adoptions program. Contracts would be exempt from certain aspects of the Public Contract Code and contracts shall include reimbursement to the state for the cost of providing the services or activities.

33. **Creates Contract Special Account.** This bill authorizes that up to \$32,721,000 may be allocated annually to the Contract Special Account of a designated county. This account would be used to contract directly with the Department of Social Services for the following programs, services, and functions:

- The Private Agency Adoptions Reimbursement Program.
- The Chafee Post Secondary Education and Training Voucher Program.
- Health Care Oversight for Children in Foster Care.
- Training, technical assistance, and other contracts of statewide benefits.
- Other contracts that counties, in consultation with the Department of Social Services determine are in the best interests of counties and the state.

Funds in this account shall not be subject to the reallocation rules. If the funding is not fully expended in a given fiscal year it shall be retained in the fund for expenditure in the subsequent fiscal year. After consultation with the Department of Social Services and the California State Association of Counties, funding may be redistributed back to all counties in the proportion that it was provided to the Contract Special Account if it is determined it is not needed to support the activities described above.

34. **Allocations of the Youthful Offender Block Grant and Juvenile Justice Reentry Grant.** This bill directs the allocation of the Youthful Offender Block Grant Special Account and the Juvenile Justice Reentry Special Account to each county according to current law. Under current law the Director of Finance determines allocations that are distributed monthly to the counties.

35. **Reporting.** This bill requires transmittal of all schedules developed by the Department of Finance for the allocation of funding that are transmitted to the Controller also be transmitted to the fiscal committees of the Legislature.

36. **1991 Realignment Funding Swap.** The 2011 Realignment interacts with 1991 Realignment by providing \$1,120,551,000 from 2011 Realignment to fund mental health services that were previously funded by 1991 Realignment. The 1991 Realignment funding that is no longer supporting these mental health funds is transferred at the county to the county CalWORKS

Maintenance of Effort Subaccount in an amount up to \$1,120,551,000. Growth associated with 1991 realignment funding should continue to accrue to the 1991 Mental Health Subaccount per current law and practice.

Fiscal Effect: Legislation that enacted 2011 Realignment shifted approximately \$5.6 billion in state revenues and funding responsibilities to local governments. This bill furthers the implementation of the 2011 Realignment. To the extent that the revenues realigned to the local governments are growing beyond the natural growth of caseload and costs related to the entitlement programs realigned the counties may be accruing additional funding beyond what would have reasonably been provided for by the state in the annual budget act. However, conversely if revenues are not performing at the level expected when 2011 Realignment was enacted the state may be saving additional costs that would have otherwise been provided in the budget act because the county is being required to manage unfunded program growth in entitlements from within the designated allocations.

This bill may have minor costs for the State Controller and the Department of Finance related to creating and publishing various schedules for allocation of funding as directed by this bill.

The 2011 Realignment clarifies that reasonable costs borne by local governments in implementing 2011 Realignment are required to be funded from 2011 Realignment funds. Therefore, this bill does not create new mandates on local governments.

Support: Unknown

Opposed: Unknown

Comments: This bill provides an ongoing statutory framework and financing structure for 2011 Realignment. By 2014-15, the 2011 Realignment is expect to grow to over \$6.8 billion, which will provide counties with about \$1 billion in additional resources to cover necessary costs related to 2011 Realignment.

According to the Administration, the financing structure and the allocation methodology for base allocations and growth allocations were developed in consultation with the California State Association of Counties.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1481
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Joe Stephenshaw
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012: Public Safety Omnibus

Summary: Provides the statutory changes necessary to implement the Public Safety portions of the 2012 Budget Act.

Background: This is the Public Safety Omnibus Trailer Bill. It contains the necessary changes to enact the budget act of 2012-13, as follows:

1. Court Fees

Eliminates statutory sunsets on court fee increases imposed in 2010 (SB 857) which results in continued revenue of approximately \$110 million per year for trial courts. These include the surcharge on first paper filing fees, the summary judgment motion fee, the pro hac vice fee, the court operations assessment (previously the security fee), and the telephone appearance fee.

Increases revenue for courts by approximately \$57 million per year, as follows: 1) the complex case fee increases from \$550 to \$1000 (\$7.1million); 2) the motion fee increases from \$40 to \$60 (\$8.3 million); 3) the first paper filing fee increases from \$395 to \$435 (\$21.1 million); 4) the jury deposit, makes nonrefundable and moves up payment timeline, (\$11.7 million); 5) a new will deposit fee of \$50 (\$2.2 million); 6) a new court reporter fee of \$30 for services under an hour (\$5.5 million); and 7) a 20 percent increase (\$120 first filing, \$65 response) in the appellate court filing fees (\$1 million).

2. Court Funding and Operations

Makes the following changes relative to trial court funding and operations: 1) restricts spending, from the Trial Court Trust Fund, on the Court Case Management System and, beginning January 1, 2013, for any purpose other than allocation to trial courts unless authorized by statute; 2) requires negotiation prior to changing court transcription fees; 3) specifies that, prior to June 30, 2014, a trial court may carry over all unexpended funds from the courts operating budget from the prior fiscal year; 4) specifies that, commencing June 30, 2014, a trial court may carry over unexpended funds in an amount not to exceed one percent of the court's operating budget from the prior year; 5) establishes a statewide reserve of two percent of trial court funding to be distributed to courts throughout the year, as specified; and 6) establishes the State Trial Court Improvement and Modernization Fund as the successor fund of the Trial Court Improvement Fund and the Judicial Administration Efficiency and Modernization Fund.

3. Trial Court Security

Makes necessary modifications to reflect the new realignment funding structure of trial court security. In addition, recasts existing law with the addition of a dispute resolution process when the Presiding Judge of a county and a Sheriff cannot agree on a security plan.

4. California Department of Corrections and Rehabilitation (CDCR) Organizational Structure

Makes various technical changes to statute, primarily to ensure that the correct titles of CDCR's officers are reflected in code. These changes also remove an outdated cap on the amount of compensation that can be paid to certain CDCR employees and makes the Executive Director of the Board of State and Community Corrections (BSCC) a confirmable position.

5. Declare Surplus and Authorize the Sale of the Southern Youth Correctional Reception Center and Clinic (SYCRCC)

Authorizes the Director of General Services to sell or lease the Southern Youth Correctional Reception Center and Clinic to the County of Los Angeles at market value, until January 1, 2015. After that date, if not sold or leased to the County of Los Angeles, this bill authorizes the sale or lease of that property to any other person or entity subject to a competitive bid process. This bill provides that the proceeds of the sale or lease be expended on bond payments, as specified, and other costs including costs for the review of the sale of the property and bond counsel.

6. Lawsuit Settlement Expenditure Authority

Specifies that any money recovered by the CDCR from a union paid leave settlement shall be available to the department for expenditure in the fiscal year it is received. Further specifies that if not enacted by July 1, 2012, then any funds received in fiscal year 2011-12 shall be available for expenditure in fiscal year 2012-13. The bill requires the department to report the amounts of the recoveries to the Department of Finance.

7. Retired Annuitant Usage Clarification

Specifies that a retired annuitant may not be paid more than the monthly maximum paid to other staff doing similar work and restricts the hours a retired annuitant can work yearly to 960 regardless of the number of employers.

8. Female Offender Alternative Custody Program Expansion

Currently, CDCR is authorized to offer an alternative custody program to female inmates, pregnant inmates, or inmates who were primary care givers immediately prior to incarceration and who do not have a current or prior serious, violent, or sex offense conviction requiring registration. This bill expands the alternative custody program to most female offenders who do not have a current violent or serious conviction or a current or prior sex offense conviction requiring registration. This bill would also specify that when available and appropriate evidence based practices shall be prioritized in setting individual treatment and rehabilitation plans for female inmates placed in the alternative custody program.

9. Community Prisoner Mother Program Expansion

Currently, the CDCR is authorized to place inmates with young children in a community treatment program, as specified. This bill would allow the Secretary of the CDCR to consider certain inmates for placement into the program on a case-by-case basis, including those convicted of certain violent offenses, controlled substance offenses, and inmates with an Immigration and Customs Enforcement hold.

10. Community Corrections Performance Incentive Grants

SB 678 of 2009 (Leno) established the Community Corrections Performance Incentive Act (CCPIA). The program measures the reduction in prison population resulting from improved probation success and shares the state savings with probation. This bill would amend the CCPIA statute to account for certain changes due to public safety realignment. Specifically, the bill would require certain reporting to delineate between felony probation failures to

prison and county jail. The amendments also raise the minimum grant from \$100,000 to \$200,000 and specify that the amount provided to the courts for administrative costs may also be used for implementing and administering the 2011 Public Safety Realignment.

11. Medical Parole Medi-Cal Reimbursements

SB 1399 (Leno) established the medical parole program providing that, as specified, any prisoner who the head physician for the institution where the prisoner is located determines is permanently medically incapacitated with a medical condition that renders the prisoner permanently unable to perform activities of basic daily living, and results in the prisoner requiring 24-hour care, and that incapacitation did not exist at the time of sentencing, shall be granted medical parole, if the Board of Parole Hearings determines that the conditions under which the prisoner would be released would not reasonably pose a threat to public safety. This language would codify the existing Medi-Cal reimbursement process related to the medical parole program.

12. Integrated Services for Mentally Ill Parolees

Continues the Integrated Services for Mentally Ill Parolees Program, which is a supportive housing program that provides wraparound services to mentally ill parolees who are at risk of homelessness, and improves the program by strengthening the housing component and prioritizing contracts with providers that can help provide a continuum of care after the offender is off of parole. This program was previously required as a condition of AB 900 (Solorio).

13. Use of Generic Pharmaceuticals for Inmates

Mandates certain aspects of CDCR's pharmacy program, including the use of generic drugs except where a doctor determines that a name brand medication is required, as specified.

14. CDCR Reporting Requirement

Requires the department to submit, as specified, estimated expenditures for each state or contracted facility housing offenders and for the cost of supervising offenders on parole by region, for inclusion in the annual Governor's Budget and the May Revision. Require the departmental estimates, assumptions, and other supporting data to be forwarded annually to the Joint Legislative Budget Committee and the public safety policy committees and fiscal committees of the Legislature.

15. Future of Corrections Plan (Blueprint) Accountability

Requires the CDCR, as directed by the Department of Finance, to work with the appropriate budget and policy committees of the Legislature and the Legislative Analyst's Office to establish appropriate oversight, evaluation, and accountability measures, to be adopted as part of the Blueprint, as specified. The bill would require a periodic review, conducted by the Department of Finance's Office of State Audits and Evaluations that assesses the implementation of the fiscal components of the plan, including the CDCR's progress in meeting timelines, benchmarks, and targeted performance goals. The bill would require that the Office of State Audits and Evaluations report annually to the Governor and the Legislature on its findings and recommendations.

16. Office of the Inspector General (OIG) Oversight

Stipulates that the OIG shall conduct an objective, metric-oriented oversight and inspection program to review reforms at CDCR outlined in the Blueprint. Specifically, they shall examine the increase in inmate participation in programs; adherence to the standard staffing model; establishment and adherence to a new inmate classification system; establishment of and adherence to a new prison gang management system; and, implementation and adherence to the comprehensive housing plan.

17. Board of State and Community Corrections (BSCC)

Cleans up implementing language for the BSCC, which goes into effect July 1, 2012, by specifying that the Governor may appoint the executive director who is the head of the board and abolishing the Office of Gang and Youth Violence Policy in the California Emergency Management Agency and transferring the responsibility to the BSCC.

18. County and Court Data

Would task the BSCC, in consultation with the Administrative Office of the Courts (AOC), the California State Association of Counties, the California State Sheriffs Association, and the Chief Probation Officers of California to develop and implement a first phase baseline data collection instrument to reflect the impact of 2011 Public Safety Realignment. This bill also requires the AOC to collect relevant data from the courts.

19. BSCC Jail Standards

Existing law requires the BSCC to establish minimum standards for local correctional facilities and for state correctional facilities. This bill removes the requirement that they establish state standards. The effect is that the BSCC will have jurisdiction over local correctional facilities only.

20. County to County Inmate Transfer

Under existing law counties can contract with nearby counties for the housing of adult misdemeanants and any persons required to serve a term of imprisonment in a county adult detention facility as a condition of probation. This bill expands county authority, allowing them to enter into an agreement with any county or multiple counties for the purpose of housing any adult offender serving a term in a county jail. The expanded authority sunsets on July 1, 2015.

21. Division of Juvenile Justice (DJJ) Jurisdiction and Fees

Makes the following changes related to the states jurisdiction of juvenile offenders: 1) Existing law states that the maximum age of jurisdiction for youths committed to the DJJ in the CDCR, or on parole from one of those facilities is 25. This bill lowers that age to 23. 2) Existing law terminates juvenile parole as of July 1, 2014. This bill moves that date up to January 1, 2013. 3) Existing law requires counties to pay the state \$125,000 per year to incarcerate a youth in the DJJ. This bill reduces that figure to \$0 as of January 1, 2012, and imposes a \$24,000 per year fee for any offender committed on or after July 1, 2012.

22. DJJ Time-Adds

Currently, DJJ staff has the ability to extend the date that a juvenile offender, under their care, appears before the Juvenile Parole Board for consideration of parole. This bill would eliminate that authority, thus standardizing the process for parole consideration for DJJ commitments.

23. Sunset of the Civil Addicts Program

The civil narcotics program allows a judge to, in lieu of incarceration locally, send a person guilty of misdemeanor crimes, who is addicted to, or is in imminent danger of becoming addicted to, narcotics, to the narcotic detention, treatment, and rehabilitation facility within the CDCR. This bill provides that commencing July 1, 2012, no new commitments may be made pursuant to those provisions, and that the provisions become inoperative as of April 1, 2014 and are repealed as of January 1, 2015.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1482
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Joe Stephenshaw
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012: Public Safety Facilities

Summary: Provides the statutory changes necessary to implement the Public Safety Facilities portions of the 2012 Budget Act.

Background: This is the Public Safety Facilities Trailer Bill. It contains the necessary changes to enact the budget act of 2012-13, as follows:

1. AB 900 Authority

AB 900 (Solorio, 2007) provided for lease-revenue bond funding, and General Fund, for CDCR to construct infill housing, re-entry facilities, and increase the availability of medical and mental health services to inmates. AB 900 contained approximately \$6.1 billion in lease revenue bond funding available in two separate phases for prison construction: Spending was restricted to Phase I (\$3.6 billion) until a set of benchmarks was achieved and then Phase II (\$2.5 billion) funding was to become available.

This bill revises AB 900 authority by: 1) dedicating \$700 million for court-ordered medical upgrades; 2) dedicating \$167 million for the conversion of the Dewitt juvenile facility (1,133 beds, including 953 health care beds); 3) relinquishing approximately \$4.1 billion in lease revenue bond authority that is no longer needed for implementation of CDCR's facilities plan; 4) deleting various sections of the Penal Code related to construction of reentry facilities and the benchmarks associated with phase two of infill, reentry, and health care facilities; 5) allowing for use of specific AB 900 funds for medication distribution facilities improvement projects; and 6) revising reporting requirements so that the remaining projects are subject to an approval process that is similar to other state capital outlay projects.

2. Shift Relinquished AB 900 Phase I Jail Financing to Phase II

AB 900 authorized the sale of lease revenue bonds for the construction of local jails in two Phases of \$617.1 million and \$602.9 million. This bill reduces the Phase I authorization to \$445.8 million and increase the Phase II authorization to \$774.2 million; effectively shifting \$171.3 million from Phase I to Phase II. This shift of funds is consistent with legislation associated with the 2011 Budget Act that allowed counties to relinquish their Phase I funding and reapply in Phase II.

3. County Jail Facilities Financing

Authorizes \$500 million in lease-revenue bonds to fund the construction of local jail facilities. The Board of State and Community Corrections will administer the program with consideration given to counties that are seeking to replace existing compacted, outdated, or unsafe housing capacity or seeking to renovate existing or build new facilities that provide adequate space for the provision of treatment and rehabilitation services, including mental health treatment. In addition, specifies that a participating county may only add capacity using this authority if it clearly documents an existing housing capacity deficiency and does

not lease housing capacity to any other public or private entity for 10 years. Local agencies would be required to provide a 10 percent match to any award they received.

4. **CDCR Infill Projects**

Authorizes \$810 million in lease revenue bond authority for CDCR to construct three Level II dorm facilities at existing prisons with the intent that the facilities provide flexible housing for various inmate subpopulations, including, but not limited to, those with disabilities, intermediate medical needs, or mental health treatment needs.

5. **Closure of The California Rehabilitation Center**

Requires the CDCR to close the California Rehabilitation Center (CRC) located in Norco, California, upon completion of the three infill facilities authorized by this bill. CRC is one of the oldest and most dilapidated facilities the state operates and its closure will offset the cost of the new infill facilities.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1483
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Joe Stephenshaw
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012: Public Safety Realignment

Summary: Provides the statutory changes necessary to implement the Public Safety Realignment portions of the 2012 Budget Act.

Background: This is the Public Safety Realignment Trailer Bill. It contains the necessary changes to enact the budget act of 2012-13, as follows:

1. Sentencing Changes

Consistent with 2011 Public Safety Realignment, revises statute to specify that the following felony crimes are punishable by imprisonment in state prison:

- Sale of a controlled substance to a minor in a park.
- Harmful matter, seduction of a minor, as specified.
- Repeat violation of various sex offenses with children under 16 or 14 years of age.
- Breaking and entering to molest or annoy a child under 18 years of age.
- Solicitation to commit by force or violence rape, sodomy, oral copulation, or other similar offenses, as specified.
- Escape from custody causing serious bodily injury to a peace officer.
- Escape from a mental hospital.
- Evasion of police by driving the wrong way on the highway.
- Purchase, possession or ownership of body armor, as specified.

Consistent with 2011 Public Safety Realignment, revises statute to make the following crimes punishable by imprisonment in county jail, as specified:

- Possession of an explosive substance or any dirk or dagger.
- Manufacturing, importing, selling, providing, or possessing any of the following; a military practice or replica hand-grenade, any air gauge knife, any belt buckle knife, any cane sword, any lipstick case knife, any shobi-zue, any writing pen knife, any ballistic knife, any metal knuckles, any nunchaku, any leaded cane, any shuriken, any camouflaging firearm container, any cane gun, any firearm not immediately recognizable as a firearm, any wallet gun, any ammunition that contains or consists of any flechette dart, any bullet containing or carrying an explosive agent, any unconventional pistol, any large capacity magazine, any multi-burst trigger activator, any short-barreled rifle or shotgun, or any zip gun.
- Check Fraud.

2. Mandatory Supervision

Makes the following changes pertaining to mandatory supervision, as established in 2011 Public Safety Realignment legislation to allow a court to suspend all or part of a jail term and in turn commit the offender to mandatory supervision in the community:

- Defines mandatory supervision as the portion of a defendant's sentenced term during which time he or she is supervised by the county probation officer, as specified.
- Clarifies that mandatory supervision qualifies as a prior term for the purpose of imposing a one-year sentence enhancement.
- Extends the authority of probation officers and parole agents to those on mandatory supervision.
- Specifies that any time period which is suspended because a person has absconded would not be credited toward the period of supervision.
- Specifies that in addition to probationers, those on mandatory supervision may be transferred to the jurisdiction of another county on the motion of the petitioner.

3. Parole - Board of Parole Hearings Revocation Process Changes

Per 2011 Public Safety Realignment, effective July 1, 2013, the trial courts will be responsible for conducting revocation proceedings for four distinct categories of supervision: probation, mandatory supervision, post release community supervision, and parole. Under the current statutory scheme, distinct procedural requirements are prescribed for each of the four types of supervision. To reduce confusion and promote consistency across the four types of significantly similar procedures, this bill amends various statutes to apply current probation revocation procedures to all four categories of supervision. Specifically, this bill:

- Requires that court proceedings to revoke, modify, or terminate mandatory supervision, post release community supervision, and, beginning July 1, 2013, parole, be conducted under current procedural requirements for probation revocations.
- Preserves court authority to employ hearing officers to conduct parole and post release community supervision revocation proceedings.
- As of July 1, 2013, vests the courts with sole authority to issue warrants for parolees, and clarify that warrants issued by the Board of Parole Hearings before July 1, 2013, remain in effect until served or recalled by the board.
- Clarifies that persons supervised on parole and post-release community supervision are prohibited from petitioning courts for early discharge of supervision under that section.
- Various non-substantive conforming changes.

4. Parole Violator Jurisdiction

Specifies that a parolee held in a local jail is under the sole legal custody and jurisdiction of the local county facility even if placed in an alternative custody program by the Sheriff. Further, when released from the local jail or county alternative custody program, the parolee shall be returned to the parole supervision of the CDCR for the duration of parole.

5. Terms for Multiple Offenses

Clarifies law regarding cases where a person is on bail for a primary felony offense, and is accused of a second felony offense while on bail. If an individual is ultimately found guilty of both offenses, and the first offense would receive prison time rather than jail time, then the term of the second offense shall be served consecutive to the term of the first offense and be served in prison rather than jail. Specifies that for any concurrent term of imprisonment in the state prison for any one crime, the term for all crimes shall be served in the state prison.

6. Proposition 69, DNA Identification Evidence

Existing law, as amended by Proposition 69, approved by the voters, requires certain offenders to provide genetic samples for the purposes of solving crimes and exonerating the innocent. Current law also requires the samples to be collected from any person on

probation, parole or other release, including any juvenile, who has a record of any past or present conviction for specified offenses. This bill adds offenders on post-release community supervision or mandatory supervision.

7. County Population Cap Release

Current law specifies that where a jail exceeds its population cap, the administrator of that jail may begin releasing inmates up to five days before their scheduled release date. This bill increases that timeframe to 30 days.

8. Post-Release Community Supervision Time Limit Clarification

Existing law requires a parolee released from prison prior to October 1, 2011, who violates parole and is subsequently released after November 1, 2011, to remain on parole or be placed on post-release community supervision. This bill specifies that a person on post-release community supervision as described above could serve no more time than they would have had had they remained on parole.

9. Revocation Time Limit Clarification

Existing law allows a parole violator or post-release supervision violator to serve up to 180 days in county jail. This bill specifies the 180 day limitation applies per revocation or for each custodial sanction.

10. Notification Terms

Converts post-release community supervision from an agreement both parties enter into, to a notification to the offender of the terms of their release.

11. Reporting Timeline for Post-Release Supervision

Provides that receiving local agencies can require offenders released from a jail or local correctional facility onto post-release community supervision to report to local authorities within two days or less of their release date. This bill also allows local law enforcement to release inmates one to two days early when an inmate's release date falls on a holiday day or a weekend.

12. County Contracting Authority

Removes the January 1, 2015, sunset on county authority to contract with other public agencies to provide inmate housing in community correctional facilities.

13. DOJ Criminal History Information Availability

Existing law requires the Department of Justice to provide criminal history information to a district attorney or public defender when representing a person in a criminal case or parole revocation hearing. This bill extends that authority to post-release community supervision and mandatory supervision revocation hearings. Similar authority is provided for local agencies providing local criminal history information.

14. Pre-Trial Electronic Monitoring

Existing law allows a county to authorize an electronic monitoring program for inmates held without bail if they have spent 30 days in jail following arraignment for a misdemeanor crime or 60 days on a felony charge. This bill adds, as a third category eligible for release, any inmate appropriate for the program based on a determination by the correctional administrator the inmate's participation would be consistent with the public safety interests of the community.

15. HIV and Hepatitis Testing

Standardizes HIV and Hepatitis testing and notification requirements for all persons subject to local supervision.

16. Booking Fees

This bill makes statutory changes consistent with 2011 Public Safety Realignment, including setting the amount available for booking fees at \$35 million per year beginning in 2012-13 from the Enhancing Law Enforcement Activities Subaccount within the Law Enforcement Services Account.

17. Community Oriented Policing Services (COPS)/Juvenile Justice Crime Prevention Act (JJCPA) Funding

Makes statutory changes consistent with 2011 Public Safety Realignment, including specifying that a total of 43.72 percent, or 21.86 percent per program, of the funds deposited in the Enhancing Law Enforcement Activities Subaccount would be allocated to the COPS (provides funding to supplement front line law enforcement services) and JJCPA (provides funding for juvenile probation services) programs. This would provide \$107.1 million per year for each of these programs; or, \$214.2 million total.

18. Small and Rural Sheriff's funding

Makes statutory changes consistent with 2011 Public Safety Realignment, including specifying that 3.78 percent (approximately \$18.5 million) of the monies annually deposited in the Enhancing Law Enforcement Activities Subaccount be allocated to county sheriffs pursuant to a specific schedule.

19. Juvenile Probation Funding

Makes statutory changes consistent with 2011 Public Safety Realignment, including specifying that 33.38 percent of deposits into the Enhancing Law Enforcement Activities Subaccount in the Local Revenue Fund 2011 (about \$152 million) be allocated for juvenile probation pursuant to the specific county by county allocation of these funds as specified in statute.

20. Juvenile Camp Funding

Makes statutory changes consistent with 2011 Public Safety Realignment, including setting the juvenile camp funding at 6.01 percent of deposits into the Enhancing Law Enforcement Activities Subaccount in the Local Revenue Fund 2011, or about \$29.4 million.

21. California Emergency Management Agency (CalEMA) Grant Funding

Makes statutory changes consistent with 2011 Public Safety Realignment, including dedicating 8.35 percent of deposits into the Enhancing Law Enforcement Activities Subaccount in the Local Revenue Fund 2011 (approximately \$40.9 million) to various long standing grants previously administered by CalEMA. These funds will now go directly to counties and cities according to specific percentage allocations established in this bill. The affected programs are: The California Multi-Jurisdictional Methamphetamine Enforcement Teams (47.52 percent of the CalEMA total); Multi-Agency Gang Enforcement Consortium (0.2 percent); Sexual Assault Felony Enforcement Teams (12.48 percent); the High Technology Theft Apprehension and Prosecution Program (26.83 percent); the Gang Violence Suppression Program (3.91 percent); and the Central Valley and Central Coast Rural Crime Prevention Programs (9.06 percent). In addition, removes sunsets for the Central Valley Rural Crime Prevention Program and the Central Coast Rural Crime Prevention programs.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1493
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Mark Ibele and Keely Bosler
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: State Cash Management.

Summary: This is a trailer bill containing necessary statutory and technical changes to implement the Budget Act of 2012. This bill creates a fund within the State Treasury to which local governments can voluntarily deposit moneys to be used by the state for cash flow purposes.

Background: The state revenue pattern is substantially different from the pattern of program expenditures. As a result, there is a periodic need for the state to borrow both internally, from other funds, and externally, through the capital markets, to cover periods of cash shortage. These borrowing methods enable the state to pay its obligations in a timely fashion. This bill provides an additional means to assure cash flow continuity by establishing a new account for voluntary participation by local governments.

Proposed Law: This bill includes the following key changes necessary to implement the Cash Management related provisions of the 2012 Budget Act. The bill includes the following provisions:

- 1) Creates the Voluntary Investment Program Fund within the State Treasury, for the receipt of voluntary deposit by local governments.
- 2) Allows cities, counties, school districts or special districts to deposit between \$200 million and \$10 billion into the fund, upon approval by their governing bodies. The bill specifies that deposit amounts may not exceed the amount needed to address actual or anticipated General Fund cash shortfalls.
- 3) Directs deposits in the fund to be invested in the Pooled Money Investment Account (PMIA), allows the State Treasurer to use the fund for the state's cash flow purposes, and specifies the continuous appropriation of those funds.
- 4) Allows terms and conditions of the deposits to be set by the Director of Finance in consultation with the State Treasurer, with such terms to include:
 - a. Size of the deposit from a particular local entity;
 - b. Length of time for the deposit;
 - c. Availability of funds for withdrawal;

- d. Annual rate of interest to be paid, except that interest is to be calculated based on the PMIA rate, plus an enhanced amount determined by the Director of Finance in consultation with the State Treasurer.

Fiscal Effect: Access to the funds in this account would simply displace the need for other short term borrowing actions. As a result, this measure would result in no additional fiscal impacts on the state other than those related to short-term borrowing.

Support: Unknown

Opposed: Unknown

Comments: The ability of the state to use internal borrowing results in reduced need for cash borrowing on the capital markets and typically results in lower associated costs than would otherwise prevail. The Voluntary Investment Program Fund established in the bill would also result in interest costs that would also be typically lower than prevailing rates in the capital markets. By way of this measure, the state would benefit from the somewhat different revenue/expenditure pattern that prevails among local governments and local governments would be afforded a potential investment opportunity.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1494
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultant:	Michelle Baass
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Budget Act of 2012

Summary: This bill transitions children in the Healthy Families Program to the Medi-Cal program beginning January 1, 2013. This transition achieves \$13.1 million General Fund savings in 2012-13, \$58.4 million in 2013-14, and \$72.9 million in 2014-15.

This bill also reduces rates for laboratory services in the Medi-Cal program and rescinds prior Senate action on the funding source for certain California Children's Services therapies.

Specifically, this bill:

1. **Healthy Families Program Transition to Medi-Cal.** Transitions approximately 880,000 children from the Healthy Families Program (HFP) to the Medi-Cal program beginning January 1, 2013.
- **Transition Phases.** Provides that the transition occur in four phases.
 - Phase 1 - Begins January 1, 2013 and includes about 415,000 children in Healthy Families Program (HFP) health plan that matches a Medi-Cal health plan.
 - Phase 2 - Begins April 1, 2013 and includes about 249,000 children in a HFP health plan that is a subcontractor of a Medi-Cal managed care health plan.
 - Phase 3 - Begins August 1, 2013 and transitions about 173,000 children enrolled in a HFP plan that is not a Medi-Cal managed care plan and does not contract or subcontract with a Medi-Cal managed care plan into a Medi-Cal managed care plan in that county.
 - Phase 4 - Begins no earlier than September 1, 2013 and transitions about 43,000 children in HFP residing in a county that is not Medi-Cal managed care into the Medi-Cal fee-for-service delivery system.
- **Transition Plan.** Requires the California Health and Human Services Agency to work with the Managed Risk Medical Insurance Board, the Department of Health Care Services (DHCS), and the Department of Managed Health Care to develop a

transition plan for this transition of children from HFP to Medi-Cal no later than October 1, 2012. This plan shall include at least the following information:

- State, county, and local administrative activities that will facilitate a successful transition.
- Methods and processes for stakeholder engagement to assist in the transition.
- State monitoring of managed care health plans' performance and accountability for provision of services.

Also requires the Administration to convene a stakeholder workgroup process for preparation and transition, as well as to have ongoing meetings during the phases.

- **Implementation Plans.** Requires DHCS to submit an implementation plan for each phase prior to transitioning children to Medi-Cal to ensure continuity of care with the goal of ensuring there is no interruption in services and there is continued access to coverage for transitioning individuals. Requires department to consult with stakeholders on the development of the implementation plans.
- **Readiness Requirements.** Specifies requirements that must be in place prior to implementation of phase 1, such that Medi-Cal managed care plan performance measures shall be integrated and coordinated with the HFP performance standards. Requires the Department of Managed Health Care to verify health plan and network readiness prior to any transition.
- **Monitoring of Transition.** Requires monthly status reports on the transition to be submitted to the Legislature. These reports must include, but not be limited to, information on health plan grievances related to access to care, continuity of care requests and outcomes, changes to provider networks (including provider enrollment and disenrollment).
- **Dental Coverage.** For Sacramento and Los Angeles counties, requires that dental coverage for individuals transferring continue to be provided by their current dental managed care plan if the HFP dental plan is a Medi-Cal dental managed care plan. For Sacramento County, if their plan is not a Medi-Cal dental managed care plan, the individual shall be assigned to a plan with preference to a plan with which their current provider is a contracted provider. For Los Angeles County, if their plan is not a Medi-Cal dental managed care plan, the individual may select a Medi-Cal dental managed care plan or choose to move into Medi-Cal fee-for-service dental coverage. For all other counties, dental coverage for these children would transition to Medi-Cal fee-for-service dental coverage.
- **County Eligibility Determinations.** Specifies county performance standards with regard to county eligibility determinations for individuals transitioning from HFP to Medi-Cal.
- **Notification to Individuals Transitioning.** Ensures that individuals who are transitioning from HFP to Medi-Cal are notified of this transition at least 60 days prior to the phase 1 transition and at least 90 days prior to the phase 2, 3, and 4 transitions.

- **Department of Managed Health Care – Consumer Assistance.** This bill appropriates \$400,000 from the Managed Care Fund to the Department of Managed Health Care for administration of the call center to assist individuals with the Healthy Families transition, and health plan readiness and coordination functions with DHCS.

- 2. **Laboratory Rate Reduction.** This bill provides DHCS the authority to establish a reimbursement rate methodology for setting Medi-Cal rates of reimbursement for clinical lab services provided to Medi-Cal beneficiaries. The proposed methodology would develop rates that are based on the lowest amounts other payers are paying for similar clinical laboratory services. Until the implementation of the new methodology, payments for clinical laboratory services would be subject to an additional 10 percent provider payment reduction. This bill would exempt the Family Planning, Access, Care, and Treatment (FPACT) program from the 10 percent rate reduction. This achieves \$7.7 million in General Fund savings. (This proposal was originally included in AB 1467, the omnibus health trailer bill, but is amended in this bill.)

- 3. **California Children’s Services (CCS) Medical Therapy Program.** This bill rescinds the changes in AB 1467 (the omnibus health trailer bill) which would have required that all services assessed and determined as educationally necessary by the Individualized Education Program (IEP) team and contained in the child’s IEP shall be provided in accordance with the federal Individuals with Disabilities Education Act (IDEA), rather than the CCS program. This change would have provided for \$24.6 million in savings (\$12.2 million General Fund and \$12.4 million county funds).

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Mark Leno, Chair

Bill No:	AB 1498
Author:	Committee on Budget
As Amended:	June 25, 2012
Consultants:	Brady Van Engelen and Kris Kuzmich
Fiscal:	Yes
Hearing Date:	June 25, 2012

Subject: Government Operations and Efficiencies Omnibus Trailer Bill

Summary: Statutory changes necessary to implement government operations and efficiencies related provisions of the Budget Bill.

Proposed Law: This bill includes the following key changes necessary to implement the Government Operations and Efficiencies related provisions of the Budget Act:

1. **Revision of the Commission of the Status of Women and Girls.** Restructures the mission and construct of the Commission on the Status of Women and Girls.
2. **Commission on Uniform State Laws.** Consolidates the Commission on Uniform State Laws within the Legislative Counsel Bureau.
3. **Elimination of the Fair Employment and Housing Commission.** Consolidates the Fair Employment and Housing Commission within the Department of Fair Employment and Housing and constructs a council within the Department that would conduct public hearings and take regulatory action when necessary. Also allows the courts to award reasonable attorney's fees and costs to the Department. Creates a special fund for the deposit of awarded costs that, upon appropriation by the Legislature, transfer to the General Fund or support departmental functions.
4. **Eliminate Technology Services Advisory Board.** Repeals provisions establishing the Technology Services Board. Currently, the Secretary of the California Technology Agency is required to submit the proposed rates of the Office of Technology Services' to the board for consideration. The Secretary is also required to submit any rate change to the Department of Finance.
5. **Eliminate the Electronic Funds Transfer Task Force.** Eliminates a Task Force that was responsible for devising a plan on the development and implementation of a new payment dispersal system using electronic funds transfer technology. AB 1585 (Chapter 7, Statutes of 2010) defined the report as obsolete thus making the Task Force mission obsolete.
6. **Transfer State Mediation and Conciliation Services to Public Employment Relations Board.** Makes the necessary conforming, technical changes to statute to effectuate the transfer of the State Mediation and Conciliation Service from the Department of Industrial Relations to the Public Employment Relations Board. This is one several government efficiency proposals contained in the 2012 Budget Act. This request has a net-zero budget impact between the two budget items but results in the reduction of one limited-term position.

7. **Department of Industrial Relations Reorganization: Consolidated Public Works Enforcement.** Eliminates the Division of Labor Statistics and Research and establishes consolidated public works enforcement within the Division of Labor Standards Enforcement within the Department of Industrial Relations. This is one of several government efficiency proposals contained in the 2012 Budget Act. This consolidation will result in the reduction of one position and on-going savings of \$231,000 GF.

8. **California Unemployment Insurance Appeals Board Reforms.** Reduces the size of the California Unemployment Insurance Appeal Board by two members (from a total of seven to five) and increases the qualifications of the Board members to require that they, at a minimum, be an attorney and have one year of experience in conducting judicial hearings or five years of experience in the practice of law. This is one of several government efficiency proposals contained in the 2012 Budget Act. The proposal also retains the Board level review of the appeals caseload and eliminates vacant positions; when combined with the reduction in the size of the Board, results in savings of \$1.2 million (other funds) in 2013-14 and on-going.

Fiscal Effect: This bill should not result in any changes to the budget act in related budget actions.

Comments: This bill provides the necessary statutory references to enact the 2012-13 budget related to the consolidation, reorganization and restructuring of state entities.