



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

MAR 29 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Various Budget Bill Items, Support, Various Departments

It is requested that the General Fund Items listed below be decreased by a total of \$6,351,000 to reflect a 50-percent reduction of the previously proposed price increase for state support of health and human services departments. The remainder of the price adjustment is proposed to be eliminated through Control Section 4.04.

In order to provide funding for expenditure increases requested through the Spring process, the following reductions are requested:

Department	Item(s)	Proposed Adjustment
Health and Human Services Agency	0530-001-0001	-\$32,000
Emergency Medical Services Authority	4120-001-0001	-\$21,000
Office of Statewide Health Planning and Development	4140-001-0001	-\$2,000
Department of Aging	4170-001-0001	-\$14,000
Department of Alcohol and Drug Programs	4200-001-0001	-\$44,000
	4200-017-0001	-\$3,000
Department of Health Care Services	4260-001-0001	-\$688,000
	4260-017-0001	-\$46,000
Department of Public Health	4265-001-0001	-\$485,000
California Medical Assistance Commission	4270-001-0001	-\$4,000
Managed Risk Medical Insurance Board	4280-001-0001	-\$8,000
Department of Developmental Services	4300-003-0001	-\$948,000
	4300-001-0001	-\$66,000
Department of Mental Health	4440-001-0001	-\$353,000
	4440-011-0001	-\$1,724,000
	4440-016-0001	-\$306,000
	4440-017-0001	-\$12,000
Department of Rehabilitation	5160-001-0001	-\$630,000
Department of Child Support Services	5175-001-0001	-\$62,000
	5175-002-0001	-\$364,000
Department of Social Services	5180-001-0001	-\$539,000
Total		-\$6,351,000

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Keith Gmeinder, Assistant Program Budget Manager, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

Attachment

cc: Honorable Tom Torlakson, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review
Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mark Leno, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
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Attention: Mr. Peter Schaafsma, Staff Director
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Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Mr. Scott Carney, Assistant Secretary, Health and Human Services Agency
Ms. Lorna Fong, Assistant Secretary, Health and Human Services Agency
Ms. Trina Gonzalez, Assistant Secretary, Health and Human Services Agency
Ms. Eileen Kostanecki, Assistant Secretary, Health and Human Services Agency
Mr. Bob Sands, Assistant Secretary, Health and Human Services Agency



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Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Items 4120-001-0001, 4120-001-0312, and Reimbursements,
Support, Emergency Medical Services Authority**

Emergency Medical Services (EMS) Personnel Fund (Issue 001)—It is requested that Item 4120-001-0312 be reduced by \$143,000 and that Item 4120-001-0001 be amended to reflect this change. This request is for a technical adjustment to align the EMS Personnel Fund authority with expected expenditures in 2007-08.

Emergency Medical Technician—Paramedic Disciplinary/Legal Caseload (Issue 002)—It is requested that Item 4120-001-0312 be increased by \$77,000 and that Item 4120-001-001 be amended to reflect this change. This request would fund the establishment of 1.0 Legal Assistant position for increased workload associated with Emergency Medical Technician-Paramedic (EMT-P) disciplinary and legal actions. This position would be funded through the EMS Personnel Fund.

Emergency System for Advanced Registration of Volunteer Health Professionals (ESAR-VHP) (Issue 003)—It is requested that Item 4120-001-0001 be amended by increasing Reimbursements by \$222,000 and that 2.0 two-year limited term positions be established for the continued development and implementation of the ESAR-VHP. The ESAR-VHP is an automated pilot system which will allow volunteer health professionals to be registered in advance of a declared emergency. The requested resources will continue development and implementation of the system statewide. These positions will be funded through Reimbursements from the California Department of Health Care Services' Federal Health Resources and Services Administration grant.

The effect of my requested action is reflected on the attachment.

MAR 29 2007

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If you have any questions or need additional information regarding this matter, please call Eric Swanson, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

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Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Ms. Trina Gonzalez, Assistant Secretary, Health and Human Services Agency
Dr. Cesar Aristeguieta, Director, Emergency Medical Services Authority
Ms. Shirley Tsagris, Chief of Administration, Emergency Medical Services Authority
Mr. Rick Trussell, Budget Chief, Emergency Medical Services Authority



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Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Items 4140-001-0001 and 4140-001-0121, Support, Office of
Statewide Health Planning and Development**

Consolidation of Facilities Development Division (Issue 001)—It is requested that Item 4140-001-0121 be increased by \$1,427,000 and Item 4140-001-0001 be amended to reflect this change. This request would provide funding for the consolidation of the Facilities Development Division within the Office of Statewide Health Planning and Development (OSHDP) from the current three locations to one location. Current law requires that all hospitals rated as a potential collapse hazard be retro-fitted, replaced, or removed from acute care hospital service by January 1, 2008 or January 1, 2013, with an approved extension. The OSHPD is responsible for performing the review of hospital and skilled nursing facility construction plans to meet these deadlines. This proposal is designed to improve internal communication, review quality, and reduce the turnaround time of plan reviews and field reviews.

These one-time costs would be financed from the Hospital Building Fund, a special revenue fund supported by fees charged to health facilities for plan review and construction observation. There is a sufficient balance in the Hospital Building Fund to provide for the cost of the consolidation.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Eric Swanson, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

Attachment

cc: On following page

MAR 29 2007

-2-

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Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Mr. Bob Sands, Assistant Secretary, Health and Human Services Agency
Dr. David Carlisle, Director, Office of Statewide Health Planning and Development
Mr. Robert David, Chief Deputy Director, Office of Statewide Health Planning and
Development
Ms. Karen Miskanis, Chief Budget Officer, Office of Statewide Health Planning and
Development

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**Addition of Budget Bill Item 4170-001-3085, Support, and Amendment to
Items 4170-101-0001 and 4170-101-0890, Local Assistance, California
Department of Aging**

Evidence-Based Health Promotion Initiative for Older Californians (Issue 001)—It is requested that Item 4170-101-0890 be increased by \$547,000 and that Item 4170-101-0001 be amended to reflect this change. The California Department of Aging has been awarded a total of \$840,000 from the federal Administration on Aging to administer project to develop and promote evidence-based prevention programs for the state's older adult population. Specifically, California would implement models focused on chronic disease self-care, fall prevention, and exercise encouragement in Fresno, Los Angeles, Madera, San Diego, and Sonoma counties. The grant requires a 25-percent match that would be funded through in-kind services from local public and private entities involved in the programs.

Improving Access to Mental Health Services for Older Persons and Adults with Disabilities (Issue 002)—It is requested that Item 4170-001-3085 be added in the amount of \$93,000 for 1.0 additional position to improve access to mental health services for older persons and adults with disabilities. This position would facilitate and provide technical assistance to Area Agencies on Aging in their efforts to establish and/or expand mental health service models and participate in state level policy and implementation activities related to the Mental Health Services Act. The position would be funded from the Mental Health Services Fund.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Eric Swanson, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

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Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Ms. Eileen Kostanecki, Assistant Secretary, Health and Human Services Agency
Ms. Lynn Daucher, Director, Department of Aging
Ms. Diane Paulsen, Deputy Director, Department of Aging
Mr. Bryan Hobson, Chief of Fiscal Operations, Department of Aging



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Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Various Budget Bill Items, Support and Local Assistance, Department of Health Care Services and the Department of Public Health

The 2007-08 Governor's Budget included the establishment of the Department of Public Health (DPH) pursuant to Chapter 241, Statutes of 2006 (SB 162), and separate budgets for the newly authorized DPH and the Department of Health Care Services (DHCS). The Administration has identified items in both DPH and DHCS which require technical correction to ensure appropriate funding for the state's public health and health care services delivery systems.

Technical Corrections and Adjustments: Department of Health Care Services

(Issue 601)—It is requested that various items, as specified in the attached, be adjusted to make technical corrections reflecting the fiscal impact of redirecting and reclassifying positions, and reallocating the DHCS' distributed administration costs relative to the split of the Department of Health Services pursuant to Chapter 241, Statutes of 2006 (SB 162). These corrections include an increase of \$284,000 General Fund. This increase is offset by a decrease in the DPH's budget of \$831,000 General Fund.

The requested change also would align position calculation adjustments to salary savings by decreasing the salary savings position amount by 51.5 positions. As the budgets for the DHCS and DPH were prepared, salary savings position reductions were calculated at 8.2 and 5.1 percent respectively. Salary savings calculations should have been applied equitably to the departments' position authority, and this technical correction will adjust the DHCS' salary savings to a 6.6 percent position reduction.

Technical Corrections and Adjustments: Department of Public Health (Issue 601)—It is requested that various items, as specified in the attached, be adjusted to make similar technical corrections within the DPH's budget. These adjustments include a decrease of \$284,000 General Fund.

Additionally, it is requested that the DPH's salary savings position reduction be increased by an additional 51.5 positions. This technical correction will adjust the DHCS' salary savings to a 6.6 percent position reduction from its current level of 5.1 percent.

Federal Pass-Through Funds: Department of Health Care Services and the Department of Public Health (Issue 602)—It is requested that Item 4260-111-0890 be decreased by \$9,039,000, Reimbursements be increased by \$9,039,000, and that Item 4260-111-0001 be amended to reflect this change.

It is also requested that Item 4260-001-0890 be decreased by \$1,817,000, Reimbursements be increased by \$1,817,000, and that Item 4260-001-0001 be amended to reflect this change. This adjustment reflects a technical correction in federal pass-through funds that either must be received by or provided to the DHCS.

Additionally, it is requested that Item 4265-001-0890 be decreased by \$32,053,000, Reimbursements be increased by \$33,603,000, and that Item 4265-001-0001 be amended to reflect this change. It is also requested that Item 4265-111-0890 be increased by \$8,039,000 and that Item 4265-111-0001 be amended to reflect this change.

These corrections will ensure that Title XIX funds, which are awarded to the DHCS, can be received and expended by the DPH. Additionally, this correction will ensure that federal Title V funds, which are awarded to the DPH, can be received and expended by the DHCS.

Adjustment to State Operations Reimbursement Authority: Department of Health Care Services (Issue 603)—It is requested that Item 4260-001-0001 be amended by increasing Reimbursements \$9,160,000 to allow the DHCS to enter into Interagency Agreements with the DPH for information technology and audit services.

Adjustments to Local Assistance Expenditure Authority: Department of Public Health (Issue 603) and the Department of Health Care Services (Issue 603)—It is requested that Item 4265-111-0890 be increased by \$2,471,000 and Item 4265-111-0001 be amended to reflect this change. A corresponding decrease of \$2,471,000 is requested for Item 4260-101-0890, and that Item 4260-101-0001 be amended to reflect this change. As separate DHCS and DPH budgets were developed, efforts were made to adjust excess expenditure authority for the two departments. The amounts noted above were incorrectly adjusted within the respective departments in the Governor's Budget.

Correction to One-Time Adjustment of Proposition 99: Department of Public Health (Issue 604) and the Department of Health Care Services (Issue 604)—It is requested that Item 4260-111-0236 be decreased by \$1.0 million and that Item 4260-111-0001 be amended to reflect this change. It is also requested that Item 4265-111-0236 be increased by \$1.0 million and that Item 4265-111-0001 be amended to reflect this change. The Budget Act of 2006 authorized \$1.0 million in one-time funding for the Seasonal Agricultural Worker and the Rural Health Services Development Clinic Programs. While these programs reside in the DHCS, this funding was incorrectly removed from the DPH's budget whereas the reduction should have occurred in the DHCS budget.

One-Time Adjustment for Public Health Preparedness for Chemical and Radiological Disasters: Department of Public Health (Issue 604)—It is requested that Item 4265-001-0001 be decreased by \$547,000. One-time funding for office automation and equipment to support emergency preparedness activities was not removed from the 2007-08 Governor's Budget.

Baseline Corrections for Rental Rate Payments: Department of Public Health

(Issue 605)—It is requested that Item 4265-001-0001 be increased by \$9,000 and Item 4265-001-0203 be increased by \$3,000. This adjustment correctly itemizes rental rate payments as assigned by the Department of General Services through Control Section 4.75. Corresponding decreases of \$9,000 to Item 4265-003-0001 and \$3,000 to Item 4265-003-0203 are also requested.

Baseline Correction to the Child Health Safety Fund: Department of Public Health

(Issue 605)—It is requested that Item 4265-111-0279 be increased by \$409,000 and that Item 4265-111-0001 be amended to reflect this change. Revenues in the Child Health Safety Fund (CHSF) are to be appropriated each year pursuant to statutory distributions (Welfare and Institutions Code 18285) and fund various child health and safety programs. This baseline adjustment to the CHSF was not made in the 2007-08 Governor's Budget.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Ken DaRosa, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

Attachment

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Attention: Mr. Bob Franzosa, Staff Director
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Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Ms. Trina Gonzalez, Assistant Secretary, Health and Human Services Agency
Mr. Mark Hutchinson, Deputy Director, Administration, Department of Health Services
Mr. John Eastman, Chief, Financial Management Branch, Department of Health Services



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Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Item 4260-001-0001 and Reimbursements, Support,
Department of Health Care Services**

Federally Funded Bioterrorism Efforts (Issue 351)—It is requested that Item 4260-001-0001 be amended by increasing Reimbursements by \$347,000 for federally funded bioterrorism efforts. This augmentation will fund an agreement with the Department of Public Health (DPH) to support 3.0 positions to audit local health departments' use of federal bioterrorism funds, as required by Health and Safety Code Section 101317(g)(3). The DPH has sufficient federal fund authority to support this increase, so no corresponding augmentation for the DPH is requested for this purpose.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Thomas Williams, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

Attachment

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Services
Mr. John Eastman, Chief, Financial Management Branch, Department of Health Care
Services

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Attention: Mr. Danny Alvarez, Staff Director (2)

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Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Addition of Budget Bill Item 4265-491 and Amendment to Various Items, Department of Public Health

Reversion and Reappropriation of Health Care Surge Capacity Funding (Issue 353)—It is requested that \$37,662,000 in savings, due primarily to a reduced need for medical equipment from the original estimates, be reverted from Item 4260-111-0001 to the General Fund. The Budget Act of 2006 appropriated \$194.8 million to the Department of Health Services to address health care surge capacity needs.

It is also requested that Item 4265-491 be added to the Budget Bill to authorize reappropriation authority of \$8,476,000 from the 2006-07 surge capacity funding, and to authorize expenditure of this funding until June 30, 2011. The Joint Legislative Budget Committee approved the storage of medical supplies and equipment in warehouses, rather than trailers as originally proposed. This change will better meet the state's needs for surge capacity when hospital capacity is exceeded. The requested reappropriation will provide the funding needed to implement this change. The reappropriation language is provided in Attachment 1.

Proposition 84 Drinking Water Projects (Issue 354)—It is requested that Item 4265-001-6051 be increased by \$2,042,000 and Item 4265-001-0001 be amended to reflect this change. It is also requested that Item 4265-111-6051 be increased by \$45,250,000 and Item 4265-111-0001 be amended to reflect this change. This augmentation will fund 16.5 positions to administer the Proposition 84 program, provide emergency and infrastructure improvement grants, and provide grants and loans for drinking water projects. Given the nature of construction contracting and planning, additional time is necessary to obligate and expend the local assistance funding. Suggested provisional language (Attachment 1), to be added to Item 4265-111-6051, would allow this funding to be available for expenditure until June 30, 2010.

Nuclear Planning Assessment Special Account (CPI) Adjustment (Issue 360)—It is requested that Item 4265-001-0029 be increased by \$32,000 and Item 4265-001-0001 be amended to reflect this change. This augmentation reflects a CPI adjustment to this account pursuant to Government Code 8610.5.

Health Facilities Consumer Information Systems (Issue 501)—It is requested that Item 4265-001-3098 be increased by \$254,000 and Item 4265-001-0001 be amended to reflect this change. These funds, along with \$801,000 in funding proposed in the Governor's Budget, will be used to develop and establish an Internet-based consumer information system to provide

updated and accurate information to the general public and consumers regarding long-term care facilities and hospitals in their communities.

Funding for Temporary Managers/Receiverships for Long-Term Health Care Facilities (Issue 502)—It is requested that Items 4265-002-0942 and 4265-003-0942 be increased by \$1,462,000 and \$466,000, respectively. These one-time augmentations will fund statutorily required temporary managers/receiverships for long-term health care facilities, which are appointed when a facility has serious quality of care and/or financial problems. The number of these appointments and the resulting costs have increased dramatically over the last two years, resulting in deficiency requests of \$1.5 million in 2005-06 and \$3.0 million in 2006-07. The \$1.9 million increase requested for 2007-08 would be funded from increased revenues projected for citation penalties.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Ken DaRosa, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

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 Ms. Trina Gonzalez, Assistant Secretary, Health and Human Services Agency
 Mr. Mark Hutchinson, Deputy Director, Administration, Department of Health Services
 Mr. John Eastman, Chief, Financial Management Branch, Department of Health Services

**April 2007 Amendment to Various Budget Bill Items
Department of Public Health Services**

Reappropriation Budget Bill Language

4265-491—Reappropriation, Department of Public Health. The amount specified in the following citation is reappropriated to the Department of Public Health for the purposes provided for in Chapter 241, Statutes of 2006 (SB 162), and shall be available for encumbrance or expenditure until June 30, 2011.

0001- General Fund

(1) \$8,476,000 in Item 4260-111-0001, Budget Act of 2006

Proposition 84 Provisional Language

4265-111-6051—For local assistance, State Department of Public Health, for payment to Item 4265-111-0001, payable from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006.....45,250,000

Provisions:

1. The amount appropriated in this item shall be available for expenditure until June 30, 2010.



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Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Addition of Budget Bill Item 4265-301-0001, Capital Outlay, Department of Public Health

It is requested that Item 4265-301-0001 be added to provide \$482,000 for the preliminary plans and working drawing phases to upgrade a biosafety level 3 laboratory at Richmond Labs to meet new federal guidelines for safely working with highly pathogenic influenza viruses. This project will provide an appropriate environment for the identification and handling of avian influenza viruses and other high mortality pathogens brought into the state. Early identification will be crucial towards instituting early containment measures and developing antiviral treatments, thereby limiting the spread of any outbreak.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Theresa Gunn, Principal Program Budget Analyst, at (916) 445-9694.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

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cc: Honorable Tom Torlakson, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzosa, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review
Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mark Leno, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Elaine Alquist, Chair, Senate Budget and Fiscal Review Committee No. 3
Honorable Patty Berg, Chair, Assembly Budget Subcommittee No. 1
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Ms. Trina Gonzalez, Assistant Secretary, Health and Human Services Agency
Mr. Mark Hutchinson, Deputy Director, Administration Division, Department of Health
Services
Mr. Arch Price, Chief, Program Support Branch, Department of Health Services



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

MAR 29 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Various Budget Bill Items, Support, Managed Risk Medical Insurance Board

Federal Medicaid Payment Error Rate Measurement Implementation (Issue 101) – It is requested that Item 4280-001-0001 be increased by \$76,000 and Item 4280-001-0890 be increased by \$140,000 to support two auditor positions. The Centers for Medicare and Medicaid Services came to agreement with the Managed Risk Medical Insurance (MRMIB) in February 2007 on the implementation of the Federal Medicaid Payment Error Rate Measures (PERM) regulations. These federal regulations require all states to implement new audit procedures for the State Children's Health Insurance Program (SCHIP) funds. Under PERM, reviews will be conducted in three areas: (1) fee for services, (2) managed care, and (3) program eligibility. The results of these reviews will be used to produce the national program's error rates, as well as state-specific error rates. CMS has developed a national contracting strategy for measuring the fee for services and managed care areas. States are responsible for measuring program eligibility and for coordination with the national contractors on the other areas.

California is among 17 states which are to begin these new audits in 2007. Each PERM audit continues over a three year period, with a new audit to begin immediately thereafter. This establishes a permanent, ongoing audit process. PERM also requires the use of an independent auditor contract in addition to duties performed by the MRMIB. Costs for this independent auditor will be reflected in the 2007 May Revision Estimate by the MRMIB. Assuming federal reauthorization of the SCHIP program beyond 2007, implementation of these audits will ensure that California continues to receive federal funding under this program, currently valued at approximately \$800 million per year.

The effect of my requested action is reflected on the attachment.

MAR 29 2007

-2-

If you have any questions or need additional information regarding this matter, please call Thomas Williams, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

Attachment

cc: Honorable Tom Torlakson, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
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Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Mr. Bob Sands, Assistant Secretary, Health Services Agency
Ms. Leslie Cummings, Executive Director, Managed Risk Medical Insurance Board
Ms. Terresa Krum, Deputy Director, Managed Risk Medical Insurance Board
Mr. Glenn Hair, Budget Office, Managed Risk Medical Insurance Board

MAR 23 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 4300-001-0001, 4300-003-0001, and Reimbursements, Support, Department of Developmental Services

Coleman-Related Salary Increases for Filled Mental Health Classifications (Issue 304)—It is requested that Item 4300-001-0001 be increased by \$40,000, Item 4300-003-0001 be increased by \$3,988,000, and Reimbursements be increased by \$2,876,000. This augmentation is necessary to bring salaries for filled Department of Developmental Services (DDS) professional and level-of-care mental health classifications closer to parity with California Department of Corrections and Rehabilitation (CDCR) salaries, which were increased as a result of the *Coleman* court decision. The increases are necessary to ensure staff retention at the state developmental centers. The augmentation reflects salary increases for filled Psychiatrist and Senior Psychologist classifications at 5 percent less than CDCR salaries and 18 percent less than CDCR salaries for all other filled level-of-care mental health classifications.

Salary Increases for Medical Services Personnel – Plata Decision (Issue 303)—It is requested that Item 4300-003-0001 be decreased by \$5.0 million, and Reimbursements be increased by \$5.0 million. This adjustment is necessary because the funding split for DDS Services Plata salary increases was incorrectly calculated in the Governor's Budget.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call John Doyle, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

Attachment

cc: On following page

MAR 29 2007

-2-

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Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Mr. Scott Carney, Assistant Secretary, Health and Human Services Agency
Ms. Terri Delgadillo, Director, Department of Developmental Services
Mr. Jose Ortiz, Deputy Director, Administration, Department of Developmental Services
Ms. Deborah Aldama, Financial Services Branch, Department of Developmental Services
Ms. Jane Christopherson, Acting Chief, Budget Section, Department of Developmental
Services

MAR 29 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 4440-001-0001, 4440-011-0001, and Reimbursements, Support, Department of Mental Health

Continued Implementation of the Mental Health Services Act (Proposition 63) (Issue 110)—

It is requested that Item 4440-001-3085 be increased by \$17,814,000 and that Item 4440-001-0001 be amended to reflect this change. This request includes funding for 109.2 positions (including 13.0 two-year limited-term positions) and new or existing contracts for continued implementation of the Mental Health Services Act (MHSA). These resources are necessary to staff and support ongoing MHSA policy, program design, and implementation; an extensive statewide stakeholder process; integrated county plan reviews; the California Mental Health Planning Council and the Mental Health Services Oversight and Accountability Commission.

Coleman-Related Salary Increases for Filled Mental Health Classifications (Issue 120)—It is requested that Item 4440-011-0001 be increased by \$28,840,000 and Reimbursements be increased by \$715,000. This augmentation is necessary to bring salaries for filled Department of Mental Health (DMH) professional and level-of-care mental health classifications closer to parity with California Department of Corrections and Rehabilitation (CDCR) salaries, which were increased as a result of the *Coleman* court decision. This action is necessary to ensure staff retention at the state hospitals. The augmentation reflects salary increases for filled Psychiatrist and Senior Psychologist classifications at 5 percent less than CDCR salaries and 18 percent less than CDCR salaries for all other filled level-of-care mental health classifications.

Revised State Hospital Estimate for Jessica's Law and Chapter 337, Statutes of 2006 (SB 1128) (Issue 130)—

It is requested that Item 4440-011-0001 be decreased by \$21,655,000. This augmentation reflects an estimated 50 percent reduction in the number of Sexually Violent Predator (SVP) commitments to the state hospitals included in the Governor's Budget. With the passage of SB 1128 (Alquist) and Jessica's Law in the November 2006 general election, the DMH methodology assumed that 8 percent of the SVP referrals from the CDCR would result in a commitment to a state hospital. Based on the most recent data since the enactment of these laws, the DMH has updated the rate to 4 percent. The state hospital estimate will be updated in the May Revision to reflect the associated position reductions.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call John Doyle, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

Attachment

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Attention: Mr. Bob Franzosa, Staff Director
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Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
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Honorable Patricia Berg, Chair, Assembly Budget Subcommittee No. 1
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Scott Carney, Assistant Secretary, Health and Human Services Agency
Dr. Stephen W. Mayberg, Director, Department of Mental Health
Ms. Terrie Tatosian, Deputy Director, Administrative Services, Department of Mental Health
Ms. Harriet Kiyan, Chief, Financial Services, Department of Mental Health



MAR 29 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 4700-001-0890, Support, Department of Community Services and Development

It is requested that Item 4700-001-0890 be revised by reducing the Temporary Help Blanket by 6.0 positions and adding 6.0 Regular/Ongoing positions for the Energy Utility Program. This program provides eligibility verification and program certification for low-income reduced rate programs offered by California utility companies. The Department of Community Services and Development began providing these services in 1994 and, as the utility program grew, funded positions for this purpose out of the Temporary Help Blanket. This technical adjustment would shift 6.0 positions from the Temporary Help Blanket to Regular/Ongoing, in order to appropriately budget the positions as they are being used.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Nick Buchen, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

Attachment

cc: On following page

MAR 29 2007

-2-

cc: Honorable Tom Torlakson, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzosa, Staff Director
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Honorable Elaine Alquist, Chair, Senate Budget and Fiscal Review Committee No. 3
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Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Ms. Lorna Fong, Assistant Secretary, Health and Human Services Agency
Mr. Lloyd Throne, Director, Department of Community Services and Development
Mr. Dick Bueche, Chief, Financial Services Manager, Department of Community Services
and Development

MAR 29 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to and Addition of Various Budget Bill Items, Support, Local Assistance, and Reappropriation, Department of Child Support Services

California Child Support Automation System (CCSAS) Federal Certification (Issue 021)—

It is requested that Item 5175-001-0001 be increased by \$65,000, Item 5175-001-0890 be increased by \$127,000, Item 5175-002-0001 be decreased by \$65,000, and Item 5175-002-0890 be decreased by \$127,000. This request supports an interagency agreement with the State Controller's Office to fund 2.0 one-year limited term positions that provide services related to implementation and maintenance of the CCSAS. There is no net budget increase for this request, as funds would be re-directed from existing contract services funds. Funding will be available for redirection in 2007-08 due to the planned expiration of various contracts.

It is also requested that Item 5175-490 be added to provide \$39,802,000 in reappropriation authority from unspent 2004-05 funds. These funds would be used to accelerate payments to the CCSAS vendor for services related to federal certification of the system and to pay costs associated with a project delay. This language also would allow the Department of Child Support Services (DCSS) to reappropriate additional unspent funds from 2004-05, 2005-06, and 2006-07 to cover additional costs associated with implementation of the CCSAS and obtaining federal certification, after 30 day notification to the Legislature (See Attachment 1).

California Child Support Automation System (CCSAS) Functionality (Issue 022)—It is requested that Item 5175-001-0001 be increased by \$394,000 and Item 5175-001-0890 be increased by \$767,000. It is also requested that Item 5175-002-0001 be decreased by \$394,000 and Item 5175-002-0890 be decreased by \$767,000. This request would fund the establishment of 9.0 permanent and 2.0 one-year limited term positions. The positions would support CCSAS implementation activities. There is no net budget increase for this request, as funds would be re-directed from existing contract services funds. Funding will be available for redirection in 2007-08 and ongoing due to the planned expiration of various contracts.

Recovery of Non-Sufficient Funds Items (Issue 023)—It is requested that Item 5175-001-0001 be increased by \$296,000 and Item 5175-001-0890 be increased by \$576,000. It is also requested that Item 5175-002-0001 be decreased by \$148,000, Item 5175-002-0890 be decreased by \$288,000, Item 5175-101-0001 be decreased by \$148,000, and Item 5175-101-0890 be decreased by \$288,000. This request would fund the establishment of 7.0 permanent and 3.0 one-year limited term positions for workload associated with the recovery of non-sufficient funds Items. There is no net budget increase for this request, as 50

percent of the funds would be redirected from existing contract services funds. Funding will be available for redirection in 2007-08 due to the planned expiration of various contracts. The remaining 50 percent would be re-directed from local assistance funds, which will be available, as this function is currently performed by the local child support agencies.

State Disbursement Unit Bank Exceptions (Issue 024)—It is requested that Item 5175-001-0001 be increased by \$98,000, Item 5175-001-0890 be increased by \$190,000, Item 5175-002-0001 be decreased by \$98,000, and Item 5175-002-0890 be decreased by \$190,000. This request would fund the establishment of 2.0 permanent positions and 1.0 one-year limited term position. The positions would support workload associated with processing of bank exceptions. There is no net budget increase for this request, as funds would be re-directed from existing contract services funds. Funding will be available for redirection in 2007-08 and ongoing due to the planned expiration of various contracts.

Information Security Office (Issue 025)—It is requested that Item 5175-001-0001 be increased by \$230,000, Item 5175-001-0890 be increased by \$447,000, Item 5175-002-0001 be decreased by \$230,000, and Item 5175-002-0890 be decreased by \$447,000. This request would fund the establishment of 6.0 permanent positions to implement the DCSS' information security plan. The purpose is to ensure appropriate access to data systems, protect confidential data from outside threats, and meet security requirements for federal certification. There is no net budget increase for this request, as funds would be redirected from existing contract services funds. Funding will be available for redirection in 2007-08 and ongoing due to the planned expiration of various contracts.

Centralized Financial Worker (Issue 026)—It is requested that Item 5175-001-0001 be increased by \$85,000, Item 5175-001-0890 be increased by \$165,000, Item 5175-002-0001 be decreased by \$85,000, and Item 5175-002-0890 be decreased by \$165,000. This request would fund the establishment of 3.0 two-year limited term positions to process suspended collections. There is no net budget increase for this request, as funds would be redirected from existing contract services funds. Funding will be available for redirection in 2007-08 and ongoing due to the planned expiration of various contracts.

The effects of my requested actions are reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Eric Swanson, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Tom Torlakson, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review
Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mark Leno, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Elaine Alquist, Chair, Senate Budget and Fiscal Review Committee No. 3
Honorable Patty Berg, Chair, Assembly Budget Subcommittee No. 1
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Ms. Lorna Fong, Assistant Secretary, Health and Human Services Agency
Mr. David Maxwell-Jolly, Chief Deputy Director, Department of Child Support Services
Ms. Cher Woehl, Deputy Director, Administrative Services Division, Department of Child
Support Services
Mr. Mark Beckley, Chief Financial Officer, Department of Child Support Services

Attachment 1

5175-490--Reappropriation, Department of Child Support Services. The balances of the appropriations provided in the following citations are reappropriated and shall be available for encumbrance or expenditure until June 30, 2008, for unanticipated costs occurring during the 2007-08 fiscal year associated with the California Child Support Automation System project, and may be expended upon the written approval of the Department of Finance issued on or before that date:

0001-General Fund

- (1) Item 5175-001-0001, Budget Act of 2004 (Ch. 208, Stats. 2004)
- (2) Item 5175-001-0001, Budget Act of 2005 (Chs. 38 and 39, Stats. 2005)
- (3) Item 5175-001-0001, Budget Act of 2006 (Chs. 47 and 48, Stats. 2006)
- (4) Item 5175-002-0001, Budget Act of 2004 (Ch. 208, Stats. 2004)
- (5) Item 5175-002-0001, Budget Act of 2005 (Chs. 38 and 39, Stats. 2005)
- (6) Item 5175-002-0001, Budget Act of 2006 (Chs. 47 and 48, Stats. 2006)
- (7) Item 5175-101-0001, Budget Act of 2004 (Ch. 208, Stats. 2004)
- (8) Item 5175-101-0001, Budget Act of 2005 (Chs. 38 and 39, Stats. 2005)
- (9) Item 5175-101-0001, Budget Act of 2006 (Chs. 47 and 48, Stats. 2006)

0890-Federal Trust Fund

- (1) Item 5175-001-0890, Budget Act of 2004 (Ch. 208, Stats. 2004)
- (2) Item 5175-001-0890, Budget Act of 2005 (Chs. 38 and 39, Stats. 2005)
- (3) Item 5175-001-0890, Budget Act of 2006 (Chs. 47 and 48, Stats. 2006)
- (4) Item 5175-002-0890, Budget Act of 2004 (Ch. 208, Stats. 2004)
- (5) Item 5175-002-0890, Budget Act of 2005 (Chs. 38 and 39, Stats. 2005)
- (6) Item 5175-002-0890, Budget Act of 2006 (Chs. 47 and 48, Stats. 2006)
- (7) Item 5175-101-0890, Budget Act of 2004 (Ch. 208, Stats. 2004)
- (8) Item 5175-101-0890, Budget Act of 2005 (Chs. 38 and 39, Stats. 2005)
- (9) Item 5175-101-0890, Budget Act of 2006 (Chs. 47 and 48, Stats. 2006)

Provisions:

1. Notwithstanding any other provision of law, upon request of the Department of Child Support Services, the Department of Finance may transfer any funding reappropriated in this item to Items 5175-001-0001, 5175-002-0001, and 5175-101-0001 of Section 2.00 of this act.
2. Notwithstanding any other provision of law, upon request of the Department of Child Support Services, the Department of Finance may transfer any funding reappropriated in this item to Items 5175-001-0890, 5175-002-0890, and 5175-101-0890 of Section 2.00 of this act.
3. Notwithstanding any other provision of law, any funding reappropriated in this item may be transferred from the Department of Child Support Services to the Franchise Tax Board.
4. \$39,802,000 is reappropriated and available for expenditure in 2007-08. No other expenditure or transfer authorized in this item may become effective sooner than 30 days after notice is provided in writing to the chairpersons of

sooner than 30 days after notice is provided in writing to the chairpersons of the fiscal committees of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or no sooner than whatever lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.



**DEPARTMENT OF
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OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

MAR 29 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Various Budget Bill Items, Support, Department of Social Services

Department of Social Services Headquarters Renovation (Issue 001)—It is requested that Item 5180-001-0001 be increased by \$1,240,000, Item 5180-001-0890 be increased by \$715,000, and Reimbursements be increased by \$43,000. In addition, it is requested that Item 5180-001-0271 be increased by \$2,000, Item 5180-001-0279 be increased by \$3,000, and Item 5180-001-0803 be increased by \$4,000. These requests would provide funding to support the relocation of Department of Social Services (DSS) staff from state-owned Office Building (OB) #9 to OB #8 and a temporary privately-leased space while OB #9 is renovated. This augmentation would enable continued implementation of a project initially approved in the Budget Act of 2002, which appropriated \$107.3 million within the Department of General Services budget to fund the renovation. The entire renovation/relocation project, scheduled to be completed during the 2009-10 fiscal year, will result in the consolidation of 1,600 DSS staff into OB #8 and OB #9.

It is also requested that Budget Bill language be added to ensure the increased funding is spent only to the extent costs materialize. Proposed language is included in Attachment I.

Translation Services for Medi-Cal Disability (Issue 035)—It is requested that Item 5180-001-0001 be increased by \$325,000 and Reimbursements be increased by \$325,000. These funds will be used to establish 4.0 permanent positions to provide translation services to enable limited English proficient individuals to apply for and receive Medi-Cal disability benefits. The DSS also proposes to contract with a telephone interpreter service to meet the needs of these individuals. This will enable the DSS to comply with state and federal civil rights laws and avoid costly discrimination litigation.

Correction to Fall Proposal to Increase Community Care Licensing Facility Inspections (Issue 067)—It is requested that Item 5180-001-0001 be decreased by \$2,256,000 and Item 5180-001-0890 be decreased by \$115,000 to reflect a technical adjustment to reduce 30.5 positions for Community Care Licensing facility inspections. The 2007-08 Governor's Budget included \$4.9 million (\$4.6 million General Fund) to fund 65.0 positions to increase random sample inspections from 20 percent to 30 percent. It recently was determined that workload standards were applied to an incorrect base of Licensing Program Analyst staff when building the 2007-08 Governor's Budget. As a result, the request is overstated by 30.5 positions.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Nick Buchen, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

Attachment

cc: Honorable Tom Torlakson, Chair, Senate Appropriations Committee
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Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Joe Munso, Deputy Secretary, Health and Human Services Agency
Mr. Scott Carney, Assistant Secretary, Health and Human Services Agency
Mr. Cliff Allenby, Interim Director, Department of Social Services
Mr. Eric Fujii, Deputy Director, Administration Division, Department of Social Services
Ms. Gail Tanaka, Chief, Budget Bureau, Department of Social Services

Proposed Budget Bill Language**Attachment I****Department of Social Services Headquarters Renovation**

Add the following provision to Item 5180-001-0001:

6. Of the amount appropriated in this item, \$1,240,000 shall be available to support relocation efforts related to the renovation of the Department of Social Services' headquarters (state-owned Office Buildings #8 and #9). These funds may be expended only to the extent that relocation costs materialize and are necessary to accommodate the Department of General Services' renovation project schedule.

Add the following provision to Item 5180-001-0890:

3. Of the amount appropriated in this item, \$715,000 shall be available to support relocation efforts related to the renovation of the Department of Social Services' headquarters (state-owned Office Buildings #8 and #9). These funds may be expended only to the extent that relocation costs materialize and are necessary to accommodate the Department of General Services' renovation project schedule.