

INTRODUCTION

The 2011 Budget Act closes a \$26.6 billion budget gap and makes substantial progress in addressing the state's long-term structural budget deficit. It also returns authority to local governments and makes state government more efficient.

As shown in Figure INT-01, the Budget relies on deep spending reductions. In total, the Budget reduces expenditures by \$15.0 billion. Targeted revenue increases of \$0.9 billion and other solutions of \$2.9 billion were also adopted. The remaining \$8.3 billion in changes are from the improvement in the state's revenue outlook. The total of \$27.2 billion in changes balances the Budget and leaves the state with a reserve of \$543 million. General Fund spending totals \$85.9 billion, a 6.1-percent reduction from 2010-11.

Figure INT-01
Closing the Budget Gap
 (Dollars in Millions)

	Two-year total	%
Expenditure Reductions	\$15,043	55.3
Revenues	947	3.5
Other	2,920	10.7
Natural Changes	8,287	30.5
Total Solutions and Changes	<u>\$27,197</u>	

REALIGNING SERVICES TO LOCAL GOVERNMENTS

The Budget includes a major realignment of public safety programs from the state to local governments. The realignment moves program and fiscal responsibility to the level of government that can best provide the service, eliminating duplication of effort, generating savings, and increasing flexibility. The implementation of the Community Corrections Grant Program authorized by AB 109 will end the costly revolving door of lower-level offenders and parole violators through the state’s prisons. Other realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services, and adult protective services.

The Budget funds the \$5.6 billion realignment using two fund sources: (1) the dedication of 1.0625 cents of the existing sales tax rate (\$5.1 billion) and (2) the redirection of vehicle license fee revenues (\$453.4 million).

See Figure INT-02 for a summary of Realignment Funding.

Figure INT-02
Realignment Funding
(Dollars in Millions)

Program	2011-12	2012-13	2013-14	2014-15
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Local Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction for Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	956.7	-	-	-
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	-	-	-
Mental Health Services				
EPSDT	-	629.0	629.0	629.0
Mental Health Managed Care	-	183.7	183.7	183.7
Existing Community Mental Health Programs	1,083.6	1,119.4	1,119.4	1,119.4
Substance Abuse Treatment	183.6	183.6	183.6	183.6
Foster Care and Child Welfare Services	1,567.2	1,567.2	1,567.2	1,567.2
Adult Protective Services	55.0	55.0	55.0	55.0
Existing Juvenile Justice Realignment	97.1	104.1	103.2	103.3
Program Cost Growth*	-	339.0	624.5	1,063.9
Total	\$5,559.1	\$6,024.8	\$6,467.9	\$6,841.3
VLF Funds	453.4	453.4	453.4	453.4
1.0625% Sales Tax	5,105.7	5,571.4	6,014.5	6,387.9
Total Revenues	\$5,559.1	\$6,024.8	\$6,467.9	\$6,841.3

*This amount will be subject to discussion and is intended to cover county costs and reimburse reasonable state costs.

REDUCING STATE GOVERNMENT

To reduce spending to match available resources, the Budget makes substantial cuts to state programs. General Fund spending as a share of the economy is now at its lowest level since 1972-73. Figure INT-03 summarizes the \$15 billion in spending reductions included in the Budget. These include the following:

Figure INT-03
Adopted Solutions Reduce Spending
(Dollars in Millions)

	2-Year Total
<u>EXPENDITURE REDUCTIONS</u>	
<u>Health and Human Services Programs</u>	
Medi-Cal	\$2,036.3
Proposition 63 Community Mental Health Services	861.2
CalWORKs	837.0
Developmental Services	567.2
In-Home Supportive Services (IHSS)	413.0
Supplemental Security Income/State Supplementary Payment Grants	178.4
Other Health and Human Services Programs	106.8
<u>Realignment Savings</u>	2,583.2
<u>Education</u>	
Proposition 98	2,082.9
UC and CSU	1,375.0
Cal Grant Program	153.0
Other Education	16.7
<u>All Other Reductions</u>	
Transportation Debt Service	1,130.2
Courts	743.6
Employee Compensation and State Operations Efficiencies	471.1
Corrections and Rehabilitation	366.0
State Mandates	327.5
Other Reductions	793.5
Total Expenditure Reductions	<u><u>\$15,042.6</u></u>

- Maintaining K-12 education funding at a similar level as 2010-11.
- Reducing State Supplementary Payment grants to below the level in effect in 1983.
- Reducing CalWORKs grants to below the 1987 level.
- Reducing California Department of Corrections and Rehabilitation's inmate population by 25 percent once realignment is fully implemented.

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- Requiring recipients of Medi-Cal health benefits to pay a share of the cost for doctor visits and other services.
- Shrinking the state's support for the University of California and California State University by 22 and 25 percent, respectively.
- Requiring community college students to pay \$10 more per class unit.
- Pausing the court system's construction program for one year.
- Eliminating the Adult Day Health Care program, Williamson Act subventions, and the refundable child care and dependent tax credit.
- Reducing the state's workforce by about 5,500 positions.
- Eliminating 20 boards, commissions, task forces, offices, and departments, including the California Medical Assistance Commission and the Office of Insurance Advisor.

IMPROVING REVENUE OUTLOOK

The May Revision reflected the state's continuing recovery from the Great Recession with \$6.6 billion in higher tax receipts compared to the January Budget. Since the May Revision, tax receipts have continued to come in higher than expected by an estimated \$1.2 billion in May and June. With the improved revenue receipts, the Budget projects an additional \$4 billion in estimated 2011-12 revenues.

The Budget recognizes the potential risk to the state's fiscal condition if the higher revenues do not materialize. Under the budget package, if revenues are projected to fall short of expectations by more than \$1 billion, an additional \$600 million in cuts to higher education, health and human services, and public safety would be implemented beginning in January 2012. If revenues are projected to fall short by more than \$2 billion, an additional \$1.9 billion in education reductions would be implemented—shortening the school year by 7 days, eliminating the home-to-school transportation program, and reducing community college apportionments. These potential cuts are summarized in Figure INT-04.

ADDRESSING THE STATE'S LONG-TERM CHALLENGES

In January, California's long-term fiscal problems were immense, with the budget forecast projecting an annual structural deficit of up to \$21.5 billion into the future.

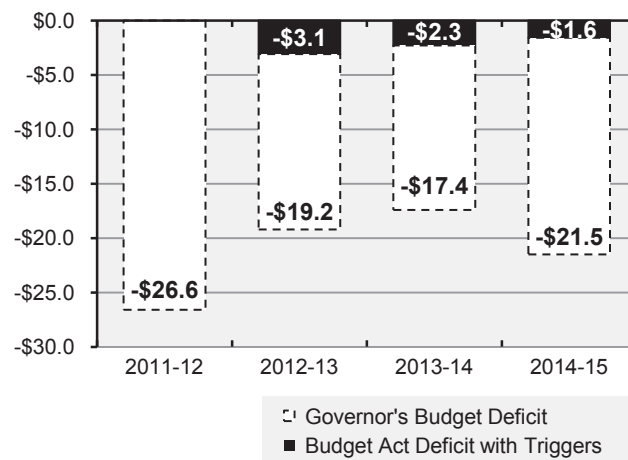
Figure INT-04
Trigger Reductions
 (Dollar in millions)

	2011-12
TIER 1 (If Revenues Fall Short of Budget Act Estimate By More Than \$1 billion)	
Unallocated Reduction to the University of California	\$100.0
Unallocated Reduction to California State University	100.0
Eliminate State Grants for Local Libraries	15.9
Additional Reduction to the Department of Developmental Services	100.0
In Home Supportive Services (IHSS)—20 percent Reduction in Service Hours	100.0
IHSS—Eliminate Funding for Local Anti-Fraud Efforts	10.0
Medi-Cal—Extend Provider Cuts and Copayments to all Managed Care Plans	15.0
Unallocated Reduction to the Department of Corrections and Rehabilitation (CDCR)	20.0
Juvenile Justice—Increase County Charge for Youthful Offenders Sent to CDCR	72.1
Eliminate Vertical Prosecution Grants	15.0
Proposition 98—Community College \$10 per unit fee increase	30.0
Child Care—4 percent Across-the-Board Reduction	23.0
Subtotal	\$601.0
TIER 2 (If Revenues Fall Short of Budget Act Estimate By More Than \$2 billion)	
Proposition 98—Reduce 7 Days of School	\$1,540.0
Proposition 98—Reduce Community College Apportionments	72.0
Proposition 98—Eliminate Home-To-School Transportation	248.0
Subtotal	\$1,860.0
Total Trigger Reductions	\$2,461.0

As shown in Figure INT-05, the 2011 Budget Act makes substantial progress in reducing this deficit through the combination of ongoing spending reductions and an improved revenue outlook. Under current projections, the structural deficit has been reduced to less than \$5 billion annually.

Despite eliminating most of the structural deficit, the state continues to face major long-term challenges and must address the remaining structural problem. California remains

Figure INT-05
State's Budget Gaps Have Been Nearly Eliminated
 (Dollars in Billions)



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burdened by \$35 billion in debt from a decade of unprecedented budgetary deferrals and borrowing. Education funding is more than \$6 billion below the level provided in 2007-08.

The Administration plans to seek voter approval of a ballot measure by November 2012 to better position California for the future by constitutionally protecting public safety realignment, supplementing the state's revenues to restore education funding, paying down the state's wall of debt, and balancing the Budget into the future. A structurally balanced Budget that preserves critical levels of government services will lay the groundwork for a strong economic recovery and employment growth. The resulting stability will give businesses the certainty and reassurance they need to expand investments in California.

SUMMARY CHARTS

This section provides various statewide budget charts and tables.

Figure SUM-01
**General Fund Budget Summary
 With All Budget Solutions**
 (Dollars in Millions)

	<u>2010-11</u>	<u>2011-12</u>
Prior Year Balance	-\$4,507	-\$1,206
Revenues and Transfers	<u>\$94,781</u>	<u>\$88,456</u>
Total Resources Available	\$90,274	\$87,250
Non-Proposition 98 Expenditures	\$55,789	\$53,058
Proposition 98 Expenditures	<u>\$35,691</u>	<u>\$32,879</u>
Total Expenditures	\$91,480	\$85,937
Fund Balance	-\$1,206	\$1,313
Budget Reserves:		
Reserve for Liquidation of Encumbrances	\$770	\$770
Special Fund for Economic Uncertainties	-\$1,976	\$543

Figure-SUM-02
2011-12 Revenue Sources
 (Dollars in Millions)

	<u>General Fund</u>	<u>Special Funds</u>	<u>Total</u>	<u>Change From 2010-11</u>
Personal Income Tax	\$50,408	\$1,047	\$51,455	\$556
Sales and Use Tax	19,009	9,713	28,722	-2,413
Corporation Tax	9,012	-	9,012	-951
Highway Users Taxes	-	5,509	5,509	-133
Motor Vehicle Fees	173	5,768	5,941	-746
Insurance Tax	1,893	-	1,893	-293
Liquor Tax	326	-	326	8
Tobacco Taxes	91	782	873	-25
Other	<u>7,544</u>	<u>9,159</u>	<u>16,703</u>	<u>1,526</u>
Total	\$88,456	\$31,978	\$120,434	-\$2,471

Note: Numbers may not add due to rounding.

Figure-SUM-03
2011-12 Total Expenditures by Agency
(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$3,151	\$3,039	\$340	\$6,530
State and Consumer Services	624	743	20	1,387
Business, Transportation & Housing	603	8,043	5,195	13,841
Natural Resources	1,946	2,377	1,000	5,323
Environmental Protection	51	1,050	369	1,470
Health and Human Services	23,043	13,865	166	37,074
Corrections and Rehabilitation	9,821	24	-	9,845
K-12 Education	34,302	84	1,380	35,766
Higher Education	10,248	41	851	11,140
Labor and Workforce Development	371	376	-	747
General Government				
Non-Agency Departments	469	1,614	2	2,085
Tax Relief/Local Government	996	1,737	37	2,770
Statewide Expenditures	312	1,187	-	1,499
Total	\$85,937	\$34,180	\$9,360	\$129,477

Note: Numbers may not add due to rounding.

Figure SUM-04
General Fund Expenditures by Agency
 (Dollars in Millions)

	<u>2010-11</u>	<u>2011-12</u>	Change from 2010-11	
			<u>Dollar Change</u>	<u>Percent Change</u>
Legislative, Judicial, Executive	\$3,146	\$3,151	\$5	0.2%
State and Consumer Services	583	624	41	7.0%
Business, Transportation & Housing	417	603	186	44.6%
Natural Resources	1,990	1,946	-44	-2.2%
Environmental Protection	75	51	-24	-32.0%
Health and Human Services	26,541	23,043	-3,498	-13.2%
Corrections and Rehabilitation	9,597	9,821	224	2.3%
K-12 Education	35,849	34,302	-1,547	-4.3%
Higher Education	11,608	10,248	-1,360	-11.7%
Labor and Workforce Development	42	371	329	783.3%
General Government:				
Non-Agency Departments	541	469	-72	-13.3%
Tax Relief/Local Government	970	996	26	2.7%
Statewide Expenditures	<u>121</u>	<u>312</u>	<u>191</u>	<u>157.9%</u>
Total	\$91,480	\$85,937	-\$5,543	-6.1%

Note: Numbers may not add due to rounding.

Figure SUM-05
2011-12 Vetoes by Agency
General, Special, and Bond Funds
(Dollars in Millions)

	Legislative Spending Plan	General Fund Vetoes	Special Fund and Bond Fund Vetoes	Totals
Legislative, Judicial, Executive	\$6,554	-24	-	\$6,530
State and Consumer Services	1,387	-	-	1,387
Business, Transportation & Housing	14,084	-	-243	13,841
Natural Resources	5,324	-	-1	5,323
Environmental Protection	1,470	-	-	1,470
Health and Human Services	37,074	-	-	37,074
Corrections and Rehabilitation	9,846	-1	-	9,845
K-12 Education	35,766	-	-	35,766
Higher Education	11,142	-2	-	11,140
Labor and Workforce Development	747	-	-	747
General Government				
Non-Agency Departments	2,085	-	-	2,085
Tax Relief/Local Government	2,770	-	-	2,770
Statewide Expenditures	1,496	3	-	1,499
Total	\$129,745	-\$24	-\$244	\$129,477

Note: Numbers may not add due to rounding.

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REVENUE ESTIMATES

The 2011 Budget Act estimates General Fund revenues to be \$94.8 billion in 2010-11 and \$88.5 billion in 2011-12. Since the May Revision, cash receipts for the big three revenue sources are projected to come in \$1.2 billion above the May Revision forecast through the end of June. It is anticipated that General Fund revenue will be \$4 billion higher than forecast in 2011-12.

GENERAL FUND REVENUE SOLUTIONS

Revenue solutions that were adopted as part of the 2011 Budget Act include the following:

- Financial Institutions Record Match—This provision requires financial institutions to participate in a record match process between financial institution customer records and Franchise Tax Board (FTB) debtor records. FTB will use the match information to collect delinquent state income tax debts using existing laws and collection methods. This proposal is expected to generate additional revenues of \$40 million in 2011-12.
- Tax Shelter Amnesty—This program will allow FTB to provide amnesty for taxpayers who used an abusive tax avoidance transaction (ATATs), which are generally tax schemes that serve no purpose other than reducing tax. The Internal Revenue Service, the FTB, and the courts generally deny claimed tax benefits of an ATAT if the transaction that gives rise to those benefits lacks economic substance independent of income tax considerations, even though such transactions may not

REVENUE ESTIMATES

break any tax law rules. By authorizing the FTB to provide a narrow tax amnesty for taxpayers that utilized an ATAT, this program is expected to generate additional revenues of \$270 million in 2010-11 and a reduction of revenues of \$50 million in 2011-12.

- **Use-Tax Look-Up Table**—This provision requires the FTB to revise the income tax instructions to include a use-tax table that would allow taxpayers to estimate the amount of use tax they owe, based on their adjusted gross income. This provision is expected to generate additional revenue of \$7 million per year starting in 2011-12.
- **Repeal the Refundable Portion of the Child and Dependent Care Credit**—Federal and state laws allowed a credit for expenses that taxpayers incur for qualified child or dependent care expenses necessary so that taxpayers may engage in or pursue gainful employment. For federal purposes, this credit is nonrefundable; for state purposes, it is refundable. This provision will revise the current child and dependent care expenses tax credit to be nonrefundable, and is expected to increase revenue by \$75 million starting in 2011-12.
- **Internet Retailer Use Tax Nexus**—This provision clarifies the obligations under existing law for out-of-state retailers to collect and remit use tax on sales of tangible personal property to California residents. Specifically, this bill expands the statutory definition of “retailer engaged in business in this state” to include any retailer entering into an affiliate agreement with a California resident under which the resident, for a commission or other consideration, directly or indirectly refers potential customers. Out-of-state retailers who sell less than \$10,000 into California through these affiliates or who sell less than \$500,000 into the state, are exempted from this requirement. This provision also requires use tax collection and remittance by a retailer who is a member of a combined reporting group for income tax purposes, when another member of the same group provides services in connection with the sale of tangible personal property in California. Finally, this provision establishes that any retailer with substantial nexus in this state is required to collect the use tax on behalf of the state. This provision is estimated to generate revenue of \$200 million starting in 2011-12.
- **Redirect Revenue from Sales and Use Tax (SUT) to Local Revenue Fund 2011**—This provision redirects revenue attributed to 1.0625 cents of the SUT rate to the Local Revenue Fund 2011 for realignment purposes. This provision is expected to redirect \$5.1 billion in 2011-12.

LEGISLATIVE, JUDICIAL, AND EXECUTIVE

Governmental entities classified under the Legislative, Judicial, and Executive section are either established as independent entities under the California Constitution or are departments that operate outside the agency structure. Constitutionally established bodies include the Legislature, the Judicial Branch, Governor’s Office, and Constitutional Officers.

The 2011 Budget Act includes total funding of more than \$9 billion for all programs included in this area.

JUDICIAL BRANCH

The Judicial Branch consists of the state-level judiciary which includes the Supreme Court, the Courts of Appeal, the Administrative Office of the Courts, and 58 superior courts.

ADOPTED SOLUTIONS

- Courts Reduction—A reduction of \$350 million to the court system. A portion of this reduction will be offset by a variety of fund shifts, the use of reserve balances, and expenditure delays.

LEGISLATIVE, JUDICIAL, AND EXECUTIVE

- Conservatorship Program Suspension—A reduction of \$17.4 million General Fund related to statutory changes making the Conservatorship and Guardianship Act of 2006 permissive at the trial court level.
- General Fund Loan—A loan of \$350 million from the State Trial Court Construction Fund to the General Fund.
- Pause Court Construction Projects—A transfer of \$310.3 million from the Immediate and Critical Needs Account to the General Fund. Forty projects will be delayed for up to a year once the current acquisition or design phase is complete. As additional revenues above the transfer amount materialize, these projects will be able to start the next authorized phase.

OTHER CHANGES

The Budget includes the following significant change:

- Revocation Hearings—An increase of \$18.9 million for court workload resulting from the shift of responsibility for post-release supervision revocation hearings to the trial courts.

GOVERNOR'S OFFICE

The Office of the Governor provides for the overall direction and executive administration of all state agencies and departments under its purview. The Governor's Office is funded from the General Fund and a special fund that supports centralized state administrative costs.

ADOPTED SOLUTIONS

- 25-Percent Reduction—A reduction of \$4.5 million (\$3.7 million General Fund) to the Governor's Office. These savings will be generated by eliminating positions within the Governor's Office.

CALIFORNIA EMERGENCY MANAGEMENT AGENCY

The principal objective of the California Emergency Management Agency (Cal EMA) is to reduce vulnerability to hazards and crimes through emergency management and criminal justice.

ADOPTED SOLUTIONS

- California Disaster Assistance Act Payments—An ongoing reduction of \$20 million related to an adjustment of projected future disaster payment liabilities.

DEPARTMENT OF JUSTICE

As chief law officer of the state, the Attorney General has the responsibility to see that the laws of California are uniformly and adequately enforced through the programs of the Department of Justice.

ADOPTED SOLUTIONS

- Eliminate General Fund from the Division of Law Enforcement—A reduction of \$36.8 million beginning in 2011-12, and \$71.5 million in 2012-13 and ongoing. General Fund resources have been maintained for the forensic laboratory program, the Armed Prohibited Persons Program, and investigation teams to assist the Department's legal services division.
- Quest Settlement—A one-time transfer of \$20 million from the False Claims Act Fund to the General Fund resulting from the whistleblower settlement reached by the Attorney General against Quest Diagnostics.

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BUSINESS, TRANSPORTATION, AND HOUSING

The programs within the Business, Transportation, and Housing Agency promote the state's business and economic climate, transportation infrastructure, affordable housing, and patients' rights. The Agency also includes public safety programs, including the Department of Motor Vehicles, the California Highway Patrol, and the Department of Alcoholic Beverage Control. Funding for all programs is approximately \$19.9 billion, which is derived largely from special fund revenues, federal funds, and bond proceeds.

BTH AGENCY SECRETARY

The Secretary for the Agency oversees and coordinates the activities of 13 departments and several economic development programs and commissions. The Agency also directly administers several programs, including the Small Business Loan Guarantee Program, tourism promotion, the Infrastructure Bank, and the film commission.

ADOPTED SOLUTIONS

- Reduced Small Business Loan Guarantee Program—A decrease of \$20 million General Fund in 2010-11 given the large infusion of new federal funds and the need for General Fund savings.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (Caltrans) designs and oversees the construction of state highways, operates and maintains the system, funds three intercity passenger rail routes, and provides funding for local mass transit projects. Over 15,200 miles of highways and 12,000 state bridges are maintained, and 809 public-use and special-use airports and heliports are inspected. The largest sources of funding for transportation projects are excise taxes paid on fuel consumption, federal funds also derived from fuel taxes, and weight fees on trucks. Bond funds currently provide more than 32 percent of the total funding available for projects.

The 2011 Budget Act provides \$13.9 billion in state, federal, and bond funding for transportation, including \$4.2 billion for the operation and maintenance of the state highway system and the state's intercity rail service and \$9.7 billion for various state and local infrastructure projects.

ADOPTED SOLUTIONS

- **Excise Tax for Fuel Sales Tax Swap**—The 2010 Budget Act included funding from fuel excise taxes to reimburse the General Fund for the cost of debt service on transportation-related state bonds. Enactment of Proposition 22 in November 2010, precluded the use of excise taxes for debt service or loans. In response, Chapter 6, Statutes of 2011, funds transportation-related debt service and makes loans to the General Fund from weight fees on trucks and other revenues that are not restricted as gasoline taxes are. The Budget provided \$903.5 million in General Fund relief in 2010-11 in addition to the \$799.6 million in General Fund relief achieved prior to enactment of Proposition 22.
- **Debt Service Offset**—Pre-Proposition 22 debt service reimbursement from fuel excise taxes and post-Proposition 22 debt service reimbursement from weight fees and other revenues are expected to provide a total of \$714.9 million in General Fund relief in 2010-11. Weight fees and other revenues will provide another \$777.5 million in General Fund reimbursements for debt service costs in 2011-12.
- **Special Fund Loans**—A loan of \$550.8 million in 2010-11 and \$210 million in 2011-12 is provided from weight fee revenues. Repayment of \$971 million in weight fee loans made in recent years is delayed until the funds are needed to fund debt service on transportation bonds or June 30, 2021, and repayment of \$357 million in non-weight

fee loans made from the State Highway Account and the Public Transportation Account is also postponed until as late as June 30, 2021.

HIGH-SPEED RAIL

The High-Speed Rail Authority (Authority) is responsible for the development and construction of a high-speed passenger train service between San Francisco and Anaheim (Phase I), with extensions to San Diego and Sacramento and points in-between (Phase II). Proposition 1A, enacted in November 2008, authorizes \$9 billion in bond proceeds for the rail lines and equipment, and an additional \$950 million for state and local feeder lines. The federal government has awarded the Authority nearly \$3.5 billion, most of which has been designated to fund portions of the project in the Central Valley.

The 2011 Budget Act will allow the Authority to continue to work on design and environmental studies and to work with communities on issues related to the right-of-way for Phase I and portions of Phase II of the project. The Budget Act provides \$16.6 million Proposition 1A bond funds in state operations and \$138.6 million (\$72 million Proposition 1A bond fund, \$66.6 federal funds) in capital outlay funding for a total of \$155.2 million for 2011-12. This will fund the Authority's administrative and legal costs, as well as contracts for program oversight, environmental outreach and communication, and financial consulting. The capital outlay funding will be used for environmental work and preliminary design and engineering for the seven Phase I segments and two Phase II segments.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles has a budget of approximately \$945.9 million and 8,251 employees to provide vehicle licensing, drivers' license, and other vehicle-related services.

ADOPTED SOLUTIONS

The Budget includes the following significant changes:

- Reallocation of Motor Vehicle License Fee to support Local Law Enforcement Realignment—\$300 million will be shifted from departmental support costs to local public safety programs.

BUSINESS, TRANSPORTATION, AND HOUSING

- Vehicle Registration Fee Increase—An increase in registration fees of \$12 per vehicle will be implemented, which will generate approximately \$348 million in annual revenue. This will fully fund the Department’s vehicle registration program.

NATURAL RESOURCES

The Natural Resources Agency consists of 26 departments, boards, commissions, and conservancies responsible for administering programs to conserve, protect, restore, and enhance the natural, historical, and cultural resources of California.

The 2011 Budget Act includes total funding of \$10.3 billion (\$1.9 billion General Fund and \$8.4 billion other funds) for all programs included in this Agency.

ADOPTED SOLUTIONS

- State Responsibility Area Fees—A shift of \$50 million to new state responsibility area fees in 2011-12. Legislation requires the Board of Forestry to establish a fire prevention fee, up to \$150 per structure, within state responsibility areas. When fully implemented, state responsibility area fees will reduce General Fund costs, and ensure that residents living in developed wildland areas pay for a portion of the fire protection and medical emergency response benefits that they receive.
- Eliminate Funding for CAL FIRE’s Fourth Firefighter—A decrease of \$3.6 million in 2010-11 and \$30.7 million in 2011-12 as a result of reducing CAL FIRE’s staffing levels to three firefighters per engine.
- Risk-Based Reduction to CAL FIRE’s Fire Protection Program—A decrease of \$12.8 million in 2011-12. CAL FIRE will identify budget savings that will have the lowest public safety risk, such as reducing winter-time staffing in Southern California,

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switching the Very Large Air Tanker to a call-when-needed basis, and reducing funding for defensible space inspections.

- Reduction to State Parks—A decrease of \$11 million in 2011-12. The Department of Parks and Recreation developed a comprehensive park closure plan that takes into consideration several factors, including (1) the relative cultural and natural resource significance of each state park, (2) the attendance of each state park to minimize the impact to park visitation, and (3) net budget savings. When fully implemented, the expenditure reductions will generate \$22 million in ongoing General Fund savings.
- Proposition 1E Fund Shift—A shift of \$16 million to Proposition 1E funds in 2011-12 to support flood management activities. Proposition 1E, approved by the voters in 2006, authorizes \$4.09 billion in general obligation bonds to improve flood protection. The Budget will shift \$16 million currently dedicated to levee maintenance, Delta levees, and floodplain mapping activities from the General Fund to Proposition 1E.

OTHER CHANGES

The Budget includes the following significant change:

- Oil and Gas Permitting and Enforcement Augmentation—An increase of \$2.3 million Oil, Gas, and Geothermal Administrative Fund and 16.2 positions in 2011-12. California oil and gas operators have been experiencing significant delays in project approval, permitting, and construction site review. The Budget will enable the Department of Conservation to address additional permitting workload and enhance the Department's existing regulatory oversight of oil and gas development.

ENVIRONMENTAL PROTECTION

The Environmental Protection Agency works to restore, protect, and enhance environmental quality. The Agency coordinates state environmental regulatory programs and ensures fair and consistent enforcement of environmental laws.

ADOPTED SOLUTION

- Fund Shift to Support Water Quality and Water Rights Programs—A General Fund decrease to the State Water Resources Control Board in 2011-12 of \$24.3 million and increases in fees for Water Quality Programs (\$21.5 million Waste Discharge Permit Fund) and Water Rights Programs (\$3.5 million Water Rights Fund).

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HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees 12 departments and other state entities such as boards, commissions, councils, and offices that provide health and social services to California's most vulnerable and at-risk residents.

The 2011 Budget Act includes total funding of \$88.2 billion (\$28.6 billion General Fund and \$59.6 billion other funds) for all programs overseen by this Agency.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health insurance program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government dictates a mandatory set of basic services including, but not limited to, physician services, nursing facility services, hospital inpatient and outpatient services, laboratory and radiology services, and family planning. In addition to these mandatory services, the state provides optional benefits such as outpatient drugs, home and community based waiver services, and medical equipment, which avoid more costly services.

Medi-Cal costs historically have grown between 6 and 8 percent annually because of health care inflation and caseload growth. Over the current year, spending is projected to decline by approximately 4.7 percent due to enacted program savings (after adjusting for

the end of federal stimulus funding). Absent these savings, costs would have grown by approximately 4.9 percent.

ADOPTED SOLUTIONS

- **Limit Utilization of Services**—Established utilization controls at a level that ensures that 90 percent of the beneficiaries who utilize a particular service remain unaffected. Specifically, the controls set a maximum annual benefit dollar cap on hearing aids (\$1,510) and limits the number of doctor visits to seven per year prior to physician authorization. The limits on hearing aids save an estimated \$229,000 in 2011-12. The limit on physician visits saves an estimated \$41 million in 2011-12. These changes take effect October 1, 2011.
- **Require Beneficiaries to Share in the Cost of Services**—Beginning November 1, 2011, a \$5 copayment on physician, clinic, and dental services is required, resulting in savings of \$157.3 million in 2011-12. There will also be a \$50 copayment on emergency room services (saves \$96.8 million in 2011-12), a \$100/day and \$200 maximum copayment for hospital stays (saves \$128.7 million in 2011-12), and \$3/\$5 copayments for pharmacy based on the drug status (saves \$128.4 million in 2011-12).
- **Eliminate Adult Day Health Care and Other Benefits**—Eliminated the optional Adult Day Health Care program for savings of \$169.6 million in 2011-12. Approximately 35,000 beneficiaries use Adult Day Health Care services each month in about 330 centers statewide. Other benefit changes include restrictions to supplemental nutrition products (\$13.8 million) and ending coverage of over-the-counter cough and cold medications (\$2.1 million).
- **Provider Payment Reductions**—Reduced provider payments by 10 percent for physicians, pharmacy, clinics, medical transportation, home health, family health programs, certain hospitals, and nursing facilities. Consistent with the 10-percent reductions proposed for other providers, this proposal would also reduce rates for long-term care nursing facilities by 10 percent. This action will require federal approval and save an estimated \$623.4 million in 2011-12.
- **Extend the Existing Hospital Fee**—Extended the existing hospital fee through June 30, 2011. Fee revenue is used to leverage federal funding to provide supplemental payments to hospitals for the provision of Medi-Cal services and to offset General Fund. This is estimated to save \$210 million General Fund in 2010-11.

- **Collect Managed Care Drug Rebates**—Implemented an option provided by federal Health Care Reform to begin collecting drug rebates for drugs dispensed in managed care plans. The Medi-Cal program already collects significant rebates for drugs dispensed in the fee-for-service component of the program. This is estimated to save \$64 million General Fund in 2011-12.
- **Medi-Cal Waiver**—The recently approved Medi-Cal waiver provides for up to \$400 million in savings annually that can be claimed with expenditures in state-only programs (federal waiver funds can only be claimed if qualifying health care expenses are incurred). Current projections are that the state will fall short of that level in 2010-11. The state will petition the federal government to make additional waiver funds available that will be claimed with expenditures by public hospitals. The state will split the funds with public hospitals until the state achieves the full \$400 million savings target. This is estimated to save up to \$95.2 million General Fund in 2010-11 depending on the final expenditures for state-only programs.
- **State Share of Inter-Governmental Transfers**—Local governments that operate Medi-Cal managed care plans have the option of submitting an Inter-Governmental Transfer (IGT) to fund the non-federal share of rate increases, and this implements a fee equal to 20 percent of the IGT. Fee revenue will be used to offset General Fund costs in the Medi-Cal program. There are currently 17 counties that operate Medi-Cal managed care plans and they will be subject to the fee if they choose to participate in this voluntary program. This is estimated to save \$34.2 million General Fund in 2011-12.

OTHER CHANGES

The Budget includes the following significant changes:

- **Federal Drug Rebate Costs**—An increase of \$70 million in 2011-12 for drug rebate costs to be reimbursed to the federal government as a one-time reconciliation payment resulting from changes made by Health Care Reform.
- **Adult Day Health Care (ADHC) Transition**—An increase of \$85 million in 2011-12 to provide funding for ADHC transition assistance and other long-term care services.

MANAGED RISK MEDICAL INSURANCE BOARD

The Managed Risk Medical Insurance Board administers five programs that provide health coverage through commercial health plans, local initiatives and county-organized health systems to certain persons who do not have health insurance.

ADOPTED SOLUTIONS

- **Increase Premiums**—Increased Healthy Families Program premiums for families with incomes at or above 150 percent of poverty for General Fund savings of \$22.8 million. Upon federal approval, premiums would increase for the income group from 150 to 200 percent of poverty by \$14 per child (from \$16 to \$30) and increase the maximum limit for a family with three or more children by \$42 for a family maximum of \$90. For families with incomes from 200 to 250 percent of poverty, premiums would increase by \$18 per child (from \$24 to \$42) and the maximum limit for a family with three or more children would increase by \$54 to \$126.
- **Increase Co-Payments**—Increased Healthy Families Program co-payments for emergency room visits from \$15 to \$50 and inpatient stays from \$0 to \$100 per day (\$200 maximum per admission) to conform to a similar Medi-Cal cost-containment proposal. This would result in savings of \$4.9 million.
- **Vision Benefit Cost Containment**—Adopted cost containment measures for vision services to achieve \$3.3 million in General Fund savings in 2011-12.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services serves approximately 243,000 individuals with developmental disabilities in the community and 1,970 individuals in state-operated facilities. The Budget includes \$4.6 billion (\$2.6 billion General Fund). Services are provided through the developmental centers and one community facility and the regional center system.

ADOPTED SOLUTIONS

- **Developmental Services System Wide Reductions**—A net decrease of \$582.2 million over the two-year period from 2010-11 to 2011-12. Legislation authorized various cost containment measures to achieve ongoing savings of \$389.3 million.

DEPARTMENT OF MENTAL HEALTH

The Department of Mental Health provides oversight of community mental health programs and direct services through state hospitals. The Budget includes \$4.5 billion (\$1.3 billion General Fund) in 2011-12.

ADOPTED SOLUTIONS

- Fund Community Services Programs with the Mental Health Services Fund (MHSF)—A decrease of \$861.2 million in 2011-12. Legislation authorizes the one-time use of the MHSF for the Early and Periodic Screening, Diagnosis and Treatment program, the Mental Health Managed Care program, and mental health services to special education students.
- The Budget provides \$98.6 million MHSF to county mental health agencies on a one-time basis for mental health services to special education students. Ongoing responsibility for these services is realigned to school districts. Shifting the responsibility for providing mental health services, including out-of-home residential services, is expected to contain costs and ensure that services provided are related to educational outcomes.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.

ADOPTED SOLUTIONS

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

- Reduce the Time Limit on Aid for Adults—A decrease of \$102.6 million in 2011-12 from reducing the cumulative total number of months aided adults can receive a monthly cash benefit from 60 months to 48 months. This reduction will result in approximately 22,500 adults being removed from aid.
- Reduce Monthly Grants by 8 Percent—A decrease of \$314.3 million in 2011-12 from reducing the maximum monthly CalWORKs aid payment levels by 8 percent. This reduction will reduce the maximum monthly grant for a family of three from \$694 to \$638.

HEALTH AND HUMAN SERVICES

- Reduce Earned Income Disregard—A decrease of \$83.3 million in 2011-12 from reducing the amount of income that is not counted for purposes of calculating a family’s monthly grant. The income disregard will be modified to not count the first \$112 of monthly earned income and 50 percent of each dollar earned beyond \$112.
- Extend Short-Term Reforms—A net decrease of \$369.4 million in 2011-12 from extending, for one year, the reduction in the county single allocation for employment services and Stage 1 child care that has been in place since 2009-10.
- Suspend Cal-Learn Program—A decrease of \$43.6 million in 2011-12 from a one-year suspension of the Cal-Learn program, which provides intensive case management, supportive services, and fiscal incentives and disincentives to encourage teen parents to earn a high school diploma or equivalent degree. This reduction would maintain fiscal incentives during this period for pregnant or parenting teenagers who continue to make satisfactory progress on their education.

IN-HOME SUPPORTIVE SERVICES (IHSS)

- Eliminate Services for Recipients without Medical Certification—A net decrease of \$67.4 million in 2011-12 from requiring the provision of IHSS to be contingent upon a written certification from a licensed health care professional that personal care services are necessary to prevent out-of-home care.
- Implement Community First Choice Option—A decrease of \$128 million in 2011-12 from the assumption that the state will receive a 6-percent increase in federal matching funds by exercising a federal option for home and community-based attendant services benefiting all IHSS federally eligible recipients.
- Implement Pilot Project for Medication Dispensing Machines—A decrease of \$140 million in 2011-12 from implementing a pilot project that would utilize automated medication dispensing machines with associated telephonic reporting services for monitoring and assisting Medi-Cal recipients with taking prescribed medications.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP)

- Reduce SSI/SSP Grants for Individuals to the Federal Minimum—A net decrease of \$178.4 million in 2011-12 from reducing monthly SSP grants for individuals to the federal minimum payment standard. With this reduction, the maximum monthly SSI/SSP cash grant for individuals will be reduced by \$15 per month (from \$845 to \$830). SSP grants for couples are already to the federal minimum.

INFORMATION TECHNOLOGY PROJECTS

- Delay Development of the LEADER Replacement Project—A decrease of \$14.1 million in 2010-11 and \$13 million in 2011-12 from delaying development of the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting Replacement (LEADER Replacement) system. This project will replace Los Angeles County's existing automated system for eligibility and benefit determination for CalWORKs, CalFresh, Medi-Cal, and various social services programs.

OTHER CHANGES

The Budget includes the following significant changes:

- Foster Care Rate Increase—An increase of \$17.4 million in 2011-12 to increase payment rates and grant a cost-of-living adjustment for foster family homes as well as prospective Adoption Assistance Payment, Kinship Guardianship Assistance Payment, and Non-Related Legal Guardian payment rates required by judicial decisions.
- Funding for Residential Care for Seriously Emotionally Disturbed Pupils—A decrease of \$68 million in 2011-12 to reflect a shift in responsibility of funding for Seriously Emotionally Disturbed placements from the DSS to schools and a decrease in county administrative costs for this program. Of the total amount, \$66.6 million will now be included in Proposition 98 General Fund for this program.

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CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) is responsible for the incarceration of convicted felons, the supervision of these felons after their release on parole, and the provision of rehabilitative strategies designed to successfully reintegrate offenders into their communities. The CDCR is responsible for providing safe and secure detention facilities and necessary support services to inmates, including food, clothing, academic instruction, and vocational training.

The 2011 Budget Act includes total funding of \$10.1 billion (\$9.8 billion General Fund and \$252 million other funds) for all programs included in this Agency.

ADOPTED SOLUTIONS

- Community Corrections (AB 109)—The Budget establishes a Community Corrections Grant Program and provides full funding for the implementation of AB 109. Lower-level offenders will begin to be sentenced, housed, supervised, and treated locally. Offenders who commit serious, violent, or sex offenses will continue to be sent to state prison. In addition, lower-level offenders will be supervised by local law enforcement upon release from state prison and revocation proceedings will be handled by the courts. Beginning July 1, 2013, the courts will also assume responsibility for providing revocation proceedings for state parolees. This historic change in California's criminal justice system will allow California to focus its resources and begin solving the prison overcrowding crisis while

improving public safety outcomes. The Budget also contains \$33.9 million for early implementation efforts and training related to this change.

- Rehabilitation Services—A one-time decrease of \$101 million General Fund for CDCR rehabilitation services to restructure these services in light of the significant changes to CDCR's inmate population.
- Reduction to Receiver's Medical Services Program—A decrease of \$82.6 million in 2010-11 and \$163.2 million in 2011-12, which represents 5-percent and 10-percent reductions, respectively. This reduction is intended to lower the cost of delivering medical care to inmates through the implementation of cost-saving measures.

OTHER CHANGES

The Budget includes the following significant changes:

- Community Corrections Performance Incentive Grants—The Budget includes \$89.2 million General Fund for the California Community Corrections Performance Incentive Act. The Act established a system of performance-based funding that shares state General Fund savings with county probation departments when they demonstrate success in reducing the number of adult felony probationers going to state prison. Through 2010-11, approximately 6,200 felony probationers were successfully kept out of state prison as a result of this program.
- Structural Shortfall Funding—An increase of \$414.9 million in 2010-11 as a result of various structural and operational shortfalls. With improved internal controls and transparency in the Department's fiscal operations, along with an increase of \$379.6 million General Fund beginning in 2011-12 to address CDCR's ongoing structural shortfalls, the Administration expects CDCR to manage its budget to avoid future shortfalls.
- Board of State and Community Corrections—The Budget includes legislation that will eliminate the Corrections Standards Authority as of July 1, 2012, and reconstitute it as an independent Board of State and Community Corrections. The Board will focus on community corrections issues which are particularly relevant given the public safety realignment enacted in AB 109.

K THRU 12 EDUCATION

The 2011 Budget Act includes total funding of \$64.1 billion (\$34.7 billion General Fund and \$29.4 billion other funds) for all K-12 Education programs.

PROPOSITION 98

A voter-approved constitutional amendment, Proposition 98, guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income and school attendance growth or decline. The sections that follow provide an overview of K-12 funding adjustments, while the Higher Education section contains the Proposition 98 adjustments for the Community Colleges.

For 2011-12, the Proposition 98 Guarantee is \$48.7 billion, of which \$32.9 billion is General Fund. This Guarantee level reflects an increase in General Fund revenues in 2011-12, the expiration of a variety of short-term tax increases, and the rebenching of the Guarantee for revenue and program shifts.

Rebenching the Proposition 98 Guarantee

According to the Proposition 98 constitutional formula, K-14 education is guaranteed the same percentage of General Fund revenue that was provided in 1986-87. When a factor in the calculation changes or a new program is added, Proposition 98 is adjusted

or “rebenched” to accurately reflect the base year distribution of state revenues to K-14 education. In 2011-12, there are four new rebenching impacts:

- An increase of \$578.1 million to ensure that the Guarantee does not decrease with the shift in motor vehicle fuel revenues. Legislation eliminated the sales tax and increased the excise tax on motor vehicle fuel in 2010-11, reducing the amount of revenue that is counted as General Fund within the State Appropriation Limit for the purposes of the Proposition 98 calculation.
- An increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care services within the Guarantee. The Budget shifts responsibility for mental health services, including out-of-home residential services, from local mental health and county welfare departments to school districts.
- A decrease of \$1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs, from Proposition 98. The Budget shifts the Child Care program fund source from Proposition 98 General Fund to non-Proposition 98 General Fund. The part-day preschool programs are still funded within Proposition 98.
- A decrease of \$1.7 billion to ensure that the total Guarantee is unchanged as a result of new local revenue related to redevelopment agencies. The Budget requires local agencies to provide remittances totaling \$1.7 billion in 2011-12 to K-12 school districts and county offices of education located within the project area of a redevelopment agency.

In addition to the above adjustments, Proposition 98 is decreased \$2.1 billion as a result of the reduction in General Fund sales tax revenue related to the realignment of public safety programs to counties.

PROPOSITION 98 K-12 EDUCATION

ADOPTED SOLUTIONS

- Defer \$2.1 billion in K-12 Education spending—This additional deferral is necessary to maintain funding for K-12 education programs at the 2010-11 funding level.
- Part-Day State Preschool—A decrease of \$62.3 million, reflecting the following: (1) a decrease of \$16.1 million to reduce income eligibility to 70 percent of the State Median Income; and (2) a decrease of \$46.2 million to reduce provider contracts across-the-board.

OTHER CHANGES

The Budget includes the following significant Proposition 98 General Fund policy and workload adjustments necessary to support the operations of K-12 Education programs:

- **Shift In Mental Health Services from Counties to Schools**—The Budget rebenchs the Proposition 98 guarantee and provides an increase of \$221.8 million Proposition 98 General Fund to shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health departments and county welfare departments to school districts. The Budget also reflects the repeal of the AB 3632 mandate. Additionally, the Budget includes \$2.8 million in one-time federal carryover funds for program oversight and technical assistance while transitioning these services from counties to schools, and for Office of Administrative Hearings caseload resulting from increased AB 3632 mental health service related disputes. The Budget continues to provide \$98.6 million in Proposition 63 funds to county mental health agencies on a one-time basis in 2011-12. Schools districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any costs exceeding this amount. In total, the Budget provides \$389.4 million from all fund sources, including \$69 million in federal funds currently budgeted for mental health services.
- **New Charter Schools**—A total of \$11 million to provide charter schools that commenced operations between 2008-09 and 2011-12 with supplemental categorical funding. This funding ensures new charter schools have access to the same funding as existing charter schools and traditional public schools. New conversion charter schools would be excluded from this funding and would instead receive a pass-through payment from the school district.
- **Clean Technology and Renewable Energy Training**—An increase of \$3.2 million to support the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program, which creates school-business partnerships that provide occupational training for at-risk high school students in areas such as conservation, renewable energy, and pollution reduction.
- **Extension of Flexibility for K-12 School Districts**—The Budget extends the following flexibility options to school districts for an additional two years: categorical program flexibility, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements, and local budget reserve requirement.

NON-PROPOSITION 98 K-12 EDUCATION

ADOPTED SOLUTIONS

- Eliminate the Office of the Secretary of Education—A decrease of \$1.9 million to OSE and a shift of \$274,000 to the State Board of Education as part of streamlining government operations. These adjustments result in an overall decrease of \$1.6 million General Fund in 2011-12, and \$400,000 in the current year.
- Child Care and Development—A decrease of \$180.4 million to child care and development programs, reflecting the following: (1) a decrease of \$37.4 million to reduce license-exempt provider rates from 80 percent to 60 percent of licensed rates for voucher-based programs; (2) a decrease of \$12.4 million to reduce income eligibility to 70 percent of the State Median Income; and (3) a decrease of \$130.7 million to reflect an across the board reduction in provider contracts.

OTHER CHANGES

The Budget includes the following significant change:

- Eliminate Funding for CALTIDES—A decrease of \$2,124,000 federal funds and 3.0 positions to the Department of Education to reflect the elimination of California Longitudinal Teacher Integrated Data System (CALTIDES) funding. The CALTIDES was intended to provide a statewide longitudinal teacher database that would serve as the central state repository of information regarding the teacher workforce; however, this data system is not a critical need.

HIGHER EDUCATION

California's system of higher education performs an important role in equipping Californians with the knowledge and skills necessary to meet the challenges of the future. Major entities comprising higher education in California include the University of California (UC), the California State University (CSU), the California Community Colleges (CCC), and the California Student Aid Commission (CSAC).

The 2011 Budget Act includes total funding of \$22.1 billion (\$12.2 billion General Fund and \$9.9 billion other funds) for all programs included in these agencies.

UNIVERSITIES, COLLEGES, AND COMMISSIONS

The Budget contains the following Higher Education solutions:

ADOPTED SOLUTIONS

- Reductions—A decrease of \$650 million each to UC and CSU, and a decrease of \$1.5 million to the Hastings College of the Law. The budget reductions will be implemented in a manner that minimizes tuition and enrollment impacts.
- Community College Apportionment Reduction—A decrease of \$400 million General Fund in apportionment funding as a result of implementing a base reduction. Furthermore, apportionment funding decreased by \$129 million due to an additional deferral that will be repaid in the 2012-13. However, these reductions are offset by

HIGHER EDUCATION

\$110 million in additional student fee revenue as a result of increasing student fees from \$26 per unit to \$36 per unit. Therefore, the net apportionment reduction is \$419 million.

- Income and Need Verification for Cal Grant Program Renewal Awards—A decrease of \$100 million in 2011-12. This solution requires the CSAC to verify each year that Cal Grant renewal recipients do not exceed income and asset ceiling levels as a requirement to remain program eligible.
- Student Loan Default Risk Index for Cal Grant Program Participation—A decrease of \$10.7 million in 2011-12. Any institution of higher education whose three-year student loan default rate exceeds certain levels is prohibited from participating in the Cal Grant program for one academic year.
- State Support for Local Libraries—A decrease of \$15.2 million General Fund local assistance for public libraries provided through the following programs administered by the California State Library: Public Library Foundation, California English Acquisition and Literacy Program, and the California Library Services Act.
- California Postsecondary Education Commission (CPEC) Reduction—To achieve statewide efficiencies and reduce state operations, General Fund support of CPEC is eliminated in 2011-12. CPEC would continue to administer a component of the federal Improving Teacher Quality Grants Program in 2011-12.

LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency was established to address issues relating to California workers and their employers. The Agency is primarily responsible for three functions: labor law enforcement; workforce development; and benefit payment and adjudication.

The 2011 Budget Act includes total funding of \$26.4 billion (\$370.7 million General Fund and \$26 billion other funds) for all programs included in this Agency.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The Employment Development Department (EDD) administers the Unemployment Insurance (UI), Disability Insurance and Paid Family Leave programs and collects payroll taxes from employers, including the Personal Income Tax. The EDD connects job seekers with employers through a variety of job services programs and at one-stop service centers, and provides employment training programs through the Employment Training Panel and the Workforce Investment Act of 1998. The Budget includes \$26 billion (\$361 million General Fund) to support the EDD programs.

ADOPTED SOLUTIONS

- Offset Unemployment Interest Payment—A savings of \$319.5 million in 2011-12. The Budget authorizes a loan from the Unemployment Compensation Disability Fund to the General Fund to pay for the UI interest expense.

OTHER CHANGES

The Budget includes the following significant change:

- Alternative Base Period Program Support—An increase of \$48 million Unemployment Fund in 2010-11 to implement an Alternative Base Period methodology which expands eligibility for UI benefits to new entrants and sporadic participants in the labor market who were previously ineligible. Legislation amends the 2010 Budget Act and appropriates \$48 million from the American Recovery and Reinvestment Act incentive funds tied to implementation of an Alternative Base Period methodology. These funds will be used to support program operations through fiscal year 2014-15.

GENERAL GOVERNMENT: NON-AGENCY DEPARTMENTS

The 2011 Budget Act includes total funding of \$2.1 billion (\$468.9 million General Fund and \$1.6 billion other funds) for General Government programs.

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

The California Department of Food and Agriculture protects and promotes California's agriculture industry and ensures that only safe and quality food reaches the consumer. Following the adopted solutions below, approximately \$75 million General Fund remains in the Department's 2011-12 budget for a number of programs, such as agricultural plant and animal health, pest prevention, and food safety services.

ADOPTED SOLUTIONS

- Eliminate General Fund Support for the Network of California Fairs—A permanent decrease of \$32 million beginning in 2011-12 as a result of eliminating state funding for support of the fairs.
- Reduce General Support—A permanent decrease to various department programs of \$19 million in 2011-12. In 2012-13, an additional \$12 million in ongoing reductions will be implemented, resulting in total annual savings of \$31 million. This reduction impacts various programs relating to measurement standards, animal health and food safety, and plant health and pest prevention.

PUBLIC UTILITIES COMMISSION

The California Public Utilities Commission (PUC) regulates privately owned telecommunications, electric, natural gas, and water companies. The PUC oversees the safety of gas transmission and distribution systems in California.

ADOPTED SOLUTION

- The Budget includes a one-time transfer of up to \$155 million from the Gas Consumption Surcharge Fund to the General Fund. In addition, the PUC was authorized to suspend programs funded by the Gas Consumption Surcharge Fund, such as energy efficiency financing programs, if sufficient funding from this source is not available.

OTHER CHANGES

The Budget includes the following significant change:

California Renewable Resources Act—An increase of \$2.1 million Public Utilities Reimbursement Account and 10 positions in 2011-12 to implement a 33-percent Renewable Portfolio Standard (RPS) by 2020. The enabling legislation requires the PUC to determine annual procurement targets and enforce compliance, review and approve investor-owned utility (IOU) renewable energy procurement plans, review IOU contracts for RPS eligible energy, establish standard terms and conditions for IOU contracts for eligible renewable energy, and calculate market price referrals for non-renewable energy as benchmarks for renewable energy pricing.

COMMISSION ON STATE MANDATES

The Commission on State Mandates is a quasi-judicial agency that hears test claims to determine whether local agencies and school districts are entitled to reimbursement for increased costs mandated by the state. The Constitution requires the Legislature to either fund or suspend specified mandates in the annual Budget Act.

ADOPTED SOLUTIONS

- Suspension of State Mandates—A decrease of \$233.5 million in 2011-12 as a result of suspending most mandates not related to law enforcement or property taxes.

- Deferral of Pre-2004 Mandate Obligations—A decrease of \$94 million in 2011-12 as a result of deferring the 2011-12 payment for costs incurred prior to 2004-05.

VETERANS AFFAIRS

California owns and operates six veterans homes located in Yountville, Chula Vista, Barstow, Lancaster, Ventura, and West Los Angeles. Two additional homes in Redding and Fresno are under construction. These homes provide residential and medical care services to honorably discharged California veterans who served on active duty and are over the age of 62 or disabled. County Veterans Services Offices, in coordination with the California Department of Veterans Affairs, assist veterans in receiving the federal benefits for which they are eligible.

ADOPTED SOLUTIONS

- Delay Opening of Redding and Fresno Veterans Homes—A decrease of \$20.2 million to reflect savings achieved by delaying the opening of the Redding and Fresno Veterans Homes.
- Reduce State Support for County Veterans Services Offices—A decrease of \$7.3 million to reduce state operations for veterans' services and local assistance to County Veterans Services Offices.
- Greater Los Angeles and Ventura County Veterans Home Skilled Nursing Facility (SNF) Delay and Reduced Staffing Costs—A decrease of \$6.1 million to reflect a postponement to the opening of the SNF at the West Los Angeles Veterans Home and to reflect revised census projections at the Lancaster and Ventura Veterans Homes.
- Enterprise-Wide Veterans Home Information System and Federal Sharing Agreements Savings—A decrease of \$5.6 million to reflect savings achieved through efficiencies of the Enterprise-Wide Veterans Homes Information System and savings resulting from the cancellation of federal sharing agreements at the West Los Angeles Veterans Home.

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TAX RELIEF AND LOCAL GOVERNMENT

This part of the Budget contains state and federal funds used for tax relief and provided to local governments. The largest programs are the homeowners' property tax exemption (\$442 million General Fund), the apportionment of fuel taxes to local governments (\$1.7 billion special fund), and the apportionment of Vehicle License Fees to local governments (\$153 million special fund).

ADOPTED SOLUTIONS

- Eliminate Funding for Williamson Act Subventions—A decrease of \$10 million. The funding partially backfilled revenues lost by local governments when they entered into voluntary contracts with landowners to assess property at a lower rate in exchange for the landowners' agreement to use the land only for agricultural or open space purposes.
- Voluntary Alternative Redevelopment Program—Savings of \$1.7 billion in 2011-12 associated with ABx1 27, which allows redevelopment agencies (RDAs) to continue in operation provided their establishing cities or counties agree to make \$1.7 billion in payments to K-12 schools. This will reduce the state's Proposition 98 General Fund costs in 2011-12 by a commensurate amount. RDAs whose establishing cities or counties do not agree to make these payments will shut down pursuant to ABx1 26. If an RDA is shut down, any property tax remaining after its debt service payments and allowable administrative costs will be distributed to cities, counties, special districts, and K-14 schools.

TAX RELIEF AND LOCAL GOVERNMENT

- Redirection of Motor Vehicle License Fee (MVLF) Revenues to Realignment
—Savings of \$153.4 million by shifting MVLF revenues from cities and counties, and using it to fund public safety activities that have been realigned from the state to the counties. Of the shifted funds, \$105.6 million was previously distributed to cities and \$47.8 million comes specifically from Orange County. The latter funds were initially provided to repay debt issued by the County in the wake of its 1994 bankruptcy.

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State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 87.

Item 0250-101-0932—For local assistance, Judicial Branch, payable from the Trial Court Trust Fund. I reduce this item from \$2,915,501,000 to \$2,892,629,000 by reducing:

- (1) 45.10-Support for Operation of Trial Courts from \$1,991,184,000 to \$1,969,663,000, and
- (2) 45.15-Trial Court Security from \$497,780,000 to \$496,429,000.

I am reducing this item to conform to the action I have taken in Item 0250-111-0001.

Item 0250-111-0001—For transfer by the Controller to the Trial Court Trust Fund. I reduce this item from \$1,316,997,000 to \$1,294,125,000 and delete Provisions 1 and 2.

I am reducing this item by \$22,872,000 because the trial courts' assumption of revocation-hearing responsibilities under AB 109 (Chapter 15, Statutes of 2011) is being delayed.

I am deleting Provision 1, which would require the Judicial Branch to provide a report to the Legislature related to the AB 109. There would not be sufficient data for the Judicial Branch to include in this report because the trial courts' assumption of responsibilities is being delayed. However, because the Judicial Branch will need to track this information to determine the appropriate geographical allocation for these resources, I am requesting that the Judicial Branch provide as much information as possible. I am deleting Provision 2, which would require any unspent resources for this purpose to revert to the General Fund, because it is unnecessary.

Item 0510-001-0001—For support of Secretary of State and Consumer Services. I reduce this item from \$1,038,000 to \$793,000 by reducing:

- (1) Support from \$2,466,000 to \$2,036,000, and
- (3) Amount payable from the Central Services Cost Recovery Fund (Item 0510-001-9740) from -\$786,000 to -\$601,000.

I am reducing this item by \$245,000. This reduction to the Office of Privacy Protection is necessary to bring ongoing expenditures in line with available resources.

I am revising this item to conform to the action taken in Item 0510-001-9740.

Item 0510-001-9740—For support of Secretary of State and Consumer Services. I reduce this item from \$786,000 to \$601,000.

I am reducing this item by \$185,000 to be consistent with the action I have taken in Item 0510-001-0001.

Item 0552-001-0001—For support of the Office of the Inspector General. I reduce this item from \$21,769,000 to \$20,619,000 by reducing:

- (1) 10-Office of the Inspector General from \$21,769,000 to \$20,619,000.

I am reducing this appropriation by \$1,150,000 to reflect a reduction to the Office of the Inspector General's (OIG) special reviews, audits, and investigations. This action will provide the minimum amount of resources necessary to meet the OIG's statutory requirements. The California Department of Corrections and Rehabilitation's Office of Audits and Compliance will continue to conduct internal audits and investigations to ensure compliance with state and federal guidelines, departmental policies, and court mandates. Continuing to fund the OIG for these functions already being performed by the Department would be an unnecessary use of scarce General Fund resources.

Additionally, this action will allow the Inspector General to continue to conduct warden vettings, medical inspections, and use of force reviews at existing levels.

Item 1100-001-0001—For support of California Science Center. I revise this item by deleting Provision 3.

I am deleting Provision 3 because it eliminates funding for positions within the Office of Exposition Park Management, including the Exposition Park Manager required by Section 4108 of the Food and Agricultural Code and necessary security positions.

Item 1730-004-0001—For support of Franchise Tax Board. I delete this item and Provision 1.

I am deleting this item, which confers authority to enter into a contract for the development of a transfer pricing audit program, because this authority is unnecessary. The Internal Revenue Service has undertaken a significant amount of work of this nature and a separate state effort would likely be duplicative.

Item 2240-001-0001—For support of Department of Housing and Community Development. I delete Provision 1.

I am deleting Provision 1, which directs the Department to use \$158,000 for redevelopment agency oversight and housing preservation technical assistance. The \$158,000 referenced in this provision is no longer accurate. As part of the reductions to achieve administrative efficiencies pursuant to Control Section 3.91, \$123,000 for redevelopment oversight will be reduced, which will leave \$35,000 for the housing preservation activities. Additionally, I am deleting Provision 1 because it is unnecessary to direct the Department to expend funds for an ongoing program.

Item 2240-001-0648—For support of Department of Housing and Community Development. I revise this item by reducing:

- (3) 30-Housing Policy Development Program from \$3,711,000 to \$2,711,000,
- (20) Amount payable from the Building Equity and Growth in Neighborhoods Fund (Item 2240-001-6038) from -\$1,295,000 to -\$295,000,

and delete Provision 3.

I am reducing this appropriation because bond funding is not an appropriate or legal funding source to support on an ongoing basis the Regional Housing Needs Assessment process and housing element review.

Item 2240-001-6038—For support of the Department of Housing and Community Development. I reduce this item from \$1,295,000 to \$295,000.

I am reducing this item by \$1,000,000 to conform to the action I have taken in Item 2240-001-0648.

Item 2660-001-0042—For support of Department of Transportation, payable from the State Highway Account, State Transportation Fund. I reduce this item from \$2,722,594,000 to \$2,716,186,000 by reducing:

(9) 40-Transportation Planning from \$114,454,000 to \$108,046,000.

I am reducing this item by \$6,408,000 to reduce personnel years by 47.5. State funds should be reserved to fund state projects and not to subsidize locally funded projects on the state highway system.

Item 2660-104-6043—For local assistance, Department of Transportation. I reduce this item from \$154,261,000 to \$7,000,000 by reducing:

(1) 30.10-Mass Transportation from \$154,261,000 to \$7,000,000.

While I am sustaining \$7,000,000 to fund positive train control safety projects in various local rail corridors, I am reducing this item by \$147,261,000. These funds are available from Proposition 1A bond proceeds to enhance local transit lines as feeder routes to the high-speed rail system. The High-Speed Rail Authority (Authority), the Department of Transportation (Caltrans), and local jurisdictions should work together to develop a comprehensive statewide rail plan. The projects identified for funding by Caltrans and the California Transportation Commission appear unrelated to the high-speed rail project or an integrated rail plan. As plans for the high speed route are further developed, the Authority should work with local agencies to build mutually beneficial projects.

Item 2660-304-6043—For capital outlay, Department of Transportation. I reduce this item from \$108,110,000 to \$20,810,000 by reducing:

(1) 30.10-Mass Transportation from \$108,110,000 to \$20,810,000.

While I am sustaining \$20,810,000 to fund positive train control safety projects on various state intercity rail corridors, I am reducing this item by \$87,300,000, consistent with the action taken in Item 2660-104-6043.

Item 2665-004-6043—For support of High-Speed Rail Authority. I reduce this item from \$17,682,000 to \$16,582,000 by reducing:

(4) 40-Fiscal and Other External Contracts from \$3,100,000 to \$2,000,000.

I am reducing this item by \$1,100,000 which would provide funding for the High-Speed Rail Authority's Memorandum of Understanding with the Peninsula Corridors Joint Powers Board (Caltrain). Workload associated with Caltrain should be charged to Schedule (1) of Items 2665-305-6043 and 2665-305-0890. These items have a combined appropriation of \$48,710,000 (\$8,308,000 for the San Francisco-San Jose segment) and an anticipated carryover of approximately \$36.8 million (\$4.4 million for the San Francisco-San Jose segment) from 2010-11 for design. If necessary, the High-Speed Rail Authority can seek an augmentation from the Public Works Board for additional capital outlay funding.

Item 3500-001-0133—For support of Department of Resources Recycling and Recovery. I revise this item by deleting Provision 2.

I am deleting Provision 2, which would require the Department of Resources Recycling and Recovery to conduct monthly work group meetings with legislative staff and the Legislative Analyst's Office. The list of issues the Legislature has identified for discussion relates to administrative and operating issues. This provision is unnecessarily burdensome.

Item 3540-001-0001—For support of Department of Forestry and Fire Protection. I revise this item by deleting Provision 6.

I am deleting Provision 6, which would require the Department of Forestry and Fire Protection (CAL FIRE) to contract for an independent analysis of wildland firefighting costs as compared to other western states. While this analysis could provide useful information to the wildland firefighting working group, the provisional language would impose an additional unfunded cost to CAL FIRE without regard to the availability of funds. In an effort to minimize state costs, I am asking CAL FIRE to gather as much useful information as possible within existing resources.

Item 3600-001-0001—For support of Department of Fish and Game. I revise this item by reducing:

- (3) 30-Management of Department Lands and Facilities from \$64,948,000 to \$64,448,000,
- (21) Amount payable from the Hatchery and Inland Fisheries Fund (Item 3600-001-3103) from -\$24,718,000 to -\$24,218,000,

and by deleting Provision 3.

I am revising this item to conform to the action I have taken in Item 3600-001-3103.

I am deleting Provision 3, which would prohibit the Department of Fish and Game from using funds appropriated in this item for suction-dredge regulation, permitting, or other activities, except enforcement and litigation costs. This provision would prohibit the Department from completing a court-ordered Environmental Impact Report regarding the impacts of suction dredge mining on Coho salmon and other threatened or endangered species. While I am vetoing this language to ensure the Department is not in violation of the court order, I direct the Secretary of Resources to examine the program and associated policies before restarting the permit process.

Item 3600-001-3103—For support of Department of Fish and Game. I reduce this item from \$24,718,000 to \$24,218,000 for the Heritage and Wild Trout Program and delete Provisions 1 through 3.

I am reducing this item by \$500,000 because these funds are unnecessary. The Department of Fish and Game already dedicates \$2 million annually to the Heritage and Wild Trout Program as specified by Chapter 689, Statutes of 2005 (AB 7).

I am also deleting Provisions 1 through 3, which directs funding from the Hatchery and Inland Fisheries Fund for timber harvest plan review, state forestry nurseries, and the Heritage and Wild Trout Program. Federal law prohibits hunting and fishing license revenue from being diverted for other purposes. Consequently, these provisions could put federal funds at risk, potentially resulting in a loss of approximately \$30 million.

Item 3790-001-0392—For support of Department of Parks and Recreation. I revise this item by deleting Provision 7.

I am vetoing Provision 7 because it would prohibit the Department of Parks and Recreation from entering into a new concession agreement prior to legislative approval. Existing law authorizes the Department to enter into a new concession agreement through a competitive bid process. Therefore, I believe this Provision interferes with the existing state competitive bidding process.

Item 3860-001-0001—For support of Department of Water Resources. I revise this item by deleting Provision 4.

I am deleting Provision 4, which would prohibit new positions, dedicated for implementation of Biological Opinions, from participating in any study or analysis supporting legal challenges to the U.S. Fish and Wildlife Service and the National Marine Fisheries Service. This provisional language is ill advised because it would effectively preclude any revisions to existing Biological Opinions based on additional scientific information gathered from subsequent environmental studies.

Item 3960-001-0001—For support of Department of Toxic Substances Control. I revise this item by deleting subsection (b) of Provision 1. These changes are technical in nature in order to conform to Item 3960-001-0014.

“1. The Director of Toxic Substances Control may expend from this item: ~~(a)~~ \$12,052,000 for the following activities at the federal Stringfellow Superfund site: (1) operation and maintenance of pretreatment plants to treat contaminated groundwater extracted from the site, (2) site maintenance and groundwater monitoring, and (3) implementation of work to stabilize the site, and ~~(b)~~ \$802,000 for the operation of the Illegal Drug Laboratory Removal Program.”

Item 4260-101-0001—For local assistance, Department of Health Care Services. I delete Provision 13.

I am sustaining the \$60 million General Fund augmentation to be used by the Department of Health Care Services to transition current beneficiaries of the Adult Day Health Care program to other appropriate services. As part of the transition, the Department of Health Care Services will work with the Legislature to assess the needs of the population to determine to what extent additional services are needed during and after the transition. This may include seeking federal waiver services and developing alternative funding arrangements to preserve services at existing centers. The provision of any additional ongoing services after the transition must consider other existing home and community based services; ensuring that the services provided complement those of other programs; that no duplication of services occurs; and, that

the state is taking a coordinated and integrated approach to providing services that reduce Medi-Cal beneficiaries' risk of institutionalization. While I am sustaining the funding, I am deleting Provision 13 because it requires a specified spending level for the program that does not consider other services available to these individuals that preserve their ability to remain in the community.

Item 5225-001-0001—For support of Department of Corrections and Rehabilitation. I revise this Item by deleting Provision 9.

I am deleting Provision 9, which would restrict the California Department of Corrections and Rehabilitation (CDCR) from implementing further reductions to its rehabilitative programs than those already included in this budget for fiscal year 2011-12. Although I support efforts to rehabilitate inmates and parolees, and sustained a \$49,000,000 augmentation in funding for these services, I am deleting this language as it could restrict CDCR's efforts to achieve sufficient savings related to the realignment of lower level adult offenders to local jurisdictions.

Item 5225-002-0001—For support of the Department of Corrections and Rehabilitation. I reduce this item from \$2,359,379,000 to \$2,358,776,000 by reducing:

- (2) 25-Adult Corrections and Rehabilitation Operations—General Security from \$282,266,000 to \$282,086,000, and
- (5) 50.30-Mental Health Services—Adult from \$385,157,000 to \$384,734,000.

This technical veto reduces this item by \$603,000 to conform with the Legislature's intent.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$34,779,000 to \$34,456,000 by reducing:

- (2) 20-Instructional Support from \$138,943,000 to \$136,496,000, and
- (9) Amount payable from Federal Trust Fund (6110-001-0890) from -\$151,689,000 to -\$149,565,000.

I am reducing the legislative augmentation of \$734,000 General Fund for workload in the Charter Schools Division by \$323,000 General Fund. With this reduction, \$411,000 in augmented funding remains to provide additional support for 1.0 Staff Counsel, 1.5 Education Fiscal Consultants, and 1.0 Education Program Consultant to be redirected from within the Department of Education to the Charter Schools Division. This level of support will ensure that core functions of the division are accomplished and will encourage the Department to identify efficiencies and streamline processes.

I am also revising this item to conform to the actions taken in the 6110-001-0890.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$151,689,000 to \$149,565,000.

I am reducing this item by \$2,124,000 federal Title II and federal Institute of Education Sciences grant funds, and 3.0 limited-term positions to eliminate funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). These reductions are necessary to avoid the development of a costly technology program that is not critical.

I am deleting Provision 29 to conform to this action.

Item 6360-001-0408—For support of Commission on Teacher Credentialing. I reduce this item from \$4,779,000 to \$4,695,000 by reducing:

(1) 10-Standards for Preparation and Licensing of Teachers from \$4,929,000 to \$4,695,000,

and by deleting

(2) Reimbursements (-\$150,000)

and by deleting Provisions 5 and 6.

I am reducing this item by \$84,000 Test Development and Administration Account, Teacher Credentialing Fund, \$150,000 Reimbursements, and 2.5 limited-term positions to eliminate funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). These reductions are necessary to avoid the development of a costly technology program that is not critical.

I am deleting Provisions 5 and 6 to conform to this action.

Item 6420-001-0001—For support of California Postsecondary Education Commission. I reduce this item from \$1,927,000 to \$0 by reducing:

(1) 100000-Personal Services from \$1,893,000 to \$194,000,

(2) 300000-Operating Expenses and Equipment from \$482,000 to \$253,000;

and by deleting:

(3) Reimbursements (\$-1,000)

and by deleting Provision 1.

I am vetoing the California Postsecondary Education Commission's (CPEC) \$1.9 million General Fund appropriation, and 19.1 positions. While I appreciate the importance of coordinating and guiding state higher education policy, I believe CPEC has been ineffective. I am requesting that the state's three public higher education segments, along with other higher education stakeholders, explore alternative ways to more effectively improve coordination and development of higher education policy. CPEC would continue to administer a component of the federal Improving Teacher Quality Grants Program in 2011-12. This action is consistent with my actions to reduce the cost of state operations and the size of state government through eliminations, consolidations, reductions, and efficiencies.

I am deleting Provision 1 to conform to this action.

Item 8660-001-0462—For support of California Public Utilities Commission. I delete Provision 2.

I am deleting Provision 2 prohibiting the California Public Utilities Commission (PUC) from using any funds for regulatory, statutory, or rulemaking processes related to distributed generation. This provision would prevent the Commission from implementing existing authorized renewable distributed generation programs and would preclude the PUC from working on a host of initiatives directly related to my Clean Energy Plan.

Item 8820-001-0001—For support of Commission on the Status of Women. I reduce this item from \$465,000 to \$265,000 by reducing:

(1) 10-Administration, Legislation, Research and Information from \$467,000 to \$267,000.

I am reducing this item by \$200,000 to help bring ongoing expenditures in line with existing resources. Given our constrained state resources, this reduction reflects the need for government to focus on its core functions. While the statutory goals of the Commission are worthy, I continue to believe there are other formal and informal venues for policy development and advocacy that do not require General Fund expenditures.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 87.

/s/ Edmund G. Brown Jr.

EDMUND G. BROWN JR.