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California Capitol Hill Bulletin

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To expand communications between Washington and California, the California Institute provides periodic news bulletins regarding current activity on Capitol Hill that directly impacts the state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods.

SOCIAL PROGRAMS: WAYS & MEANS COMMITTEE EXAMINES IMPACT OF SOCIAL SECURITY OFFSETS

The House Ways and Means Social Security Subcommittee held a hearing on January 16, 2008 to assess the impact on public employees of adjustment provisions that reduce Social Security benefits.

About one-quarter of public employees do not contribute to Social Security, according to the Subcommittee. Instead, they participate only in employer-sponsored pension plans. Some public servants, however, become eligible for Social Security benefits through other employment or through their spouses. These beneficiaries are affected by two benefit adjustment provisions: the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). The GPO is an offset that reduces any benefit an individual qualifies for as a spouse or surviving spouse by the amount of his or her earned benefit, based on his or her own work. The WEP was intended to eliminate what was seen as "windfall" Social Security benefits for retired and disabled workers receiving pensions from employment not covered by Social Security. These provisions can significantly reduce or, in the case of the GPO, even eliminate federal Social Security benefits for some public employees. It has been a continuing issue for Californians enrolled in the CALPERS state retirement program.

The witnesses included: David A. Rust, Acting Deputy Commissioner for Disability and Income Security Programs, Social Security Administration; Laura R. Haltzel, Specialist in Social Legislation, Congressional Research Service; and Margaret Cagle, Teacher, Los Angeles Unified School District; Member, National Education Association, Chatsworth, California.

In discussing various bills that have been introduced to deal with the GPO and/or WEP issues, Commission Rust noted H.R. 82, introduced by Rep. Howard Berman (North Hollywood), which would completely eliminate the GPO and WEP. The bill has about 336 co-sponsors. S. 206, the companion bill in the Senate, was introduced by Senator Dianne Feinstein. Rust testified that, over 5 years, the bill is estimated to cost \$17.6 billion; over 10 years, the estimated cost would be \$41.7 billion. Rust detailed a provision in President Bush's 2008 budget intended to improve SSA's ability to administer the GPO and WEP by establishing a mandatory system for collecting data on pension income from non-covered State and local employment. This change, he said, would improve the equity in the application of these provisions because it

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would improve SSA's ability to identify State and local government retirees receiving pensions based on non-covered work in a manner similar to SSA's present ability to identify persons receiving Federal pensions based on non-covered work.

In her testimony, Ms. Haltzel stated that, according to SSA, as of December 2007, about 1 million beneficiaries, or 2% of the entire beneficiary population, had their benefits reduced by the current-law WEP. Of these, approximately 65% were men. Regarding the GPO, she testified that in June 2007, approximately 464,500 beneficiaries, or 1% of all Social Security beneficiaries, had spousal benefits reduced by the GPO (not counting those who were eligible for spousal benefits but were deterred from filing for them because of the GPO). Ms. Haltzel discussed the rationales for the two provisions and the arguments for and against their repeal. She also noted that amendments to Social Security passed in 2004 seek to ensure that SSA and government employers notify potentially affected individuals about the effect of the GPO and the WEP.

Ms. Cagle, an architect by training, discussed the negative impact that the WEP had on her when she chose to become a mathematics teacher in the Los Angeles Unified School District. She testified that if she had known of the financial penalty she would pay upon retirement she doubted that she would have embarked on a career in public service.

For the testimony of all witnesses, go to: <http://waysandmeans.house.gov>.

CLIMATE: SENATE ENVIRONMENT COMMITTEE EXAMINES EPA'S DENIAL OF CALIFORNIA EMISSIONS WAIVER

On Thursday, January 10, 2008, the Senate Environment and Public Works Committee, chaired by Senator Barbara Boxer, held a field hearing in Los Angeles to examine the Environmental Protection Agency's (EPA) recent decision to deny the state of California a waiver under the Clean Air Act to regulate greenhouse gas emissions from motor vehicles.

Senator Boxer remarked that the reason for the hearing is to "set the record straight."

"Two years ago", she said, "California asked for a green light to regulate global warming pollution from vehicles. EPA made us wait two years, they faced a lawsuit for their delay, and then three weeks ago, the Bush Administration said 'no.'"

"Since then, Administrator Johnson and the Bush EPA have made claims to justify their waiver denial and those claims just don't add up. We'll be taking those claims apart today, and telling the truth about the California waiver and why this outrageous decision should be overturned.

"There is no excuse for the Bush Administration's decision to block California and eighteen other states from protecting our planet and our people. One way or another, this unjustified, unprecedented, and illegal decision must be overturned."

Congresswoman Hilda Solis (El Monte) was also present at the hearing. She too was angry with EPA's decision and the impact that it will have on Californians. She commented:

"Without the facts on its side, the Administration appears to have disregarded the process in order to craft the decision it favored. Reports

indicate that the EPA ignored standard Administration protocols, overruled unanimous recommendations of EPA's own legal and technical staff, refused to consult the Agency's technical experts and engaged instead with White House decision makers...[T]he Bush Administration has ignored the science, developed policy with corporate interests, and done so at the risk of worsening public health. Each time it has been up to our states to intervene and protect the health of its residents. This time is no different."

The primary witness present at the hearing was Edmund G. Brown Jr., Attorney General of California. Brown testified that "it is crucial that EPA's waiver decision be reversed. I understand that Administrator Johnson has declined to appear before the Committee today. That is unfortunate because he is the one who must be held accountable for EPA's egregious conduct." General Brown went on to describe the history of the issue, and explain to the Committee how California had reached this point. He expressed frustration with the EPA and vehement disapproval of its actions. He commented:

"EPA's conduct in the waiver process has been egregious. California's waiver request was submitted to EPA under the longstanding authority it has had since 1967 as the only state allowed by the federal Clean Air Act to set its own vehicle emission standards. Since 1970, California has asked EPA for many waivers and has never been denied. All California needs from the U.S. EPA is a normally-routine waiver that has been granted more than 50 times over the past four decades

"California met every criteria for the waiver on the merits. EPA should have granted the waiver a long time ago. EPA's denial of the waiver is a parting gift by this Administration to the automobile industry. Even when EPA's decision is reversed, it will have achieved the industry's goal of delay. Delay means more money in the pockets of automobile industry executives at the expense of the public health and welfare. Make no mistake -- EPA's decision will have longterm environmental consequences. It prevents not only California, but also the 17 other states ready to implement California's rule, from moving forward. Every day the denial is allowed to stand it harms the citizens of California and the rest of the nation -- indeed the planet, by denying us the ability to do everything we can to address the dire problem of global warming. I urge you to do everything you can to make EPA's decision as short-lived as possible and to fully investigate EPA's decision-making process in the waiver. We in California are doing everything we can, too."

For more information visit <http://www.epw.senate.gov> .

TRANSPORTATION: TRANSPORTATION HEARING REVIEWS RECOMMENDATIONS FOR SURFACE TRANSPORTATION COMMISSION

On Thursday, January 17, 2008, the House Committee on Transportation and Infrastructure held a hearing to receive testimony from members of the National Surface Transportation Policy and Revenue Study Commission regarding the Commission's recommendations on preserving and enhancing the nation's intermodal surface transportation system to meet future mobility, economic and quality of life needs.

The report contends that "Over the next 50 years, the population of the United States will grow by some 120 million people, greatly intensifying the demand for transportation services by private individuals and by businesses. Most of that growth will occur in metropolitan areas.

"Any effort to address the future transportation needs of the United States must come to grips with the sobering financial reality of such an undertaking. Estimates indicate that the U.S. needs to invest at least \$225 billion annually for the next 50 years to upgrade our existing transportation network to a good state of repair and to build the more advanced facilities we will require to remain competitive."

Following are some of the major recommendations made in the report:

* Increased Investment -To keep America competitive, the Commission recommends a significant increase in investment in our national surface transportation system

* Federal Government a Full Partner -the federal government should be a full partner — with states, local governments and the private sector — in addressing the looming transportation crisis. The report states: "The

problem is simply too big for the states and local governments to handle by themselves, even with the help of the private sector. We believe that the federal government must continue to be a major part of the solution.”

*A New Beginning – In addition to putting more money into the system, a system must be created where investment is subject to benefit-cost analysis and performance-based outcomes. The report urges that the system ensures each project is designed, approved and completed quickly; provides a fully integrated mobility system that is the best in the world; emphasizes modal balance and mobility options; dramatically reduces fatalities and injuries; is environmentally sensitive and safe; minimizes use of scarce energy resources; eases wasteful traffic delays; supports just-in-time delivery; and allows economic development and output more significant than ever seen before in history.

The report also gives indications of the type of scenarios we will see in the future that will complicate transportation further, giving more credence to its recommendations. Among the predictions is that “Economic activity in the U.S. is becoming increasingly concentrated in closely linked groups of metropolitan areas, referred to as ‘megaregions.’ This will intensify pressures on already congested commute and freight corridors.” Two of the 10 “megaregions” identified are in California: one is comprised of the Sacramento and Bay Areas, as well as the Central Valley; the other is the southern California region, not including San Diego.

The report also recommends 10 new federal transportation initiatives, listed here:

- *Rebuilding America – state of good repair
- *Global Competitiveness – gateways and goods movement
- *Metropolitan Mobility – regions greater than 1 million population
- *Connecting America – connections to smaller cities and towns
- *Intercity Passenger Rail – new regional networks in high-growth corridors
- *Highway Safety – incentives to save lives
- *Environmental Stewardship – both human and natural environments
- *Energy Security – development of alternative transportation fuels
- *Federal Lands – providing public access on federal property
- *Research and Development – a coherent national research program

One of the more contentious recommendations discussed in the hearing was a desire by the Commission for Congress to “remove certain barriers to tolling and congestion pricing”. The commission thought this necessary in order to use “tolling to fund new capacity on the Interstate System, as well as the flexibility to price the new capacity to manage its performance; and congestion pricing on the Interstate System (both new and existing capacity) in metropolitan areas with greater than 1 million.”

Among the Commission members present to testify was Commissioner Steve Heminger Executive Director of the Metropolitan Transportation Commission, Oakland California. Heminger agreed with the idea of tolling with price flexibility on the Interstate in order to fund new capacity. He noted that most of the growth that the country will see will be concentrated in metropolitan areas, and the Bay area will face significant difficulties adapting if there is no new source of revenue. He said the focus of the new plan should be to “restore mobility to urban centers” and focus on “reducing traffic congestion rates rather than slowing the increase.” Also, he noted that significant funding is needed to address traffic safety – “40,000 Americans die on our highways every year, we need to make safety a top priority.”

In an effort to galvanize support for a nationwide strategic plan that also required investments from commuters, Heminger gave examples from regional governments in the Bay area introducing self-taxing ballot propositions to residents in order to raise funds to address transportation needs. “People are willing to pay for solutions [to traffic issues].” If the U.S. has a nationwide outlook and plan, “that model could work nationally,” Heminger concluded.

For more information visit <http://www.transportation.house.gov/hearings> .

IMMIGRATION: HOUSE JUDICIARY EXPLORES CAUSE OF NATIONALIZATION DELAYS

On January 17, 2007, the House Judiciary Subcommittee on Immigration, Citizenship, Refugees, Border Security, and International Law, chaired by Rep. Zoe Lofgren (San Jose), held a hearing on *Naturalization Delays: Causes, Consequences and Solutions*. The witnesses were: Emilio T. Gonzalez Ph.D, Director, U.S. Citizenship and Immigration Services, Department of Homeland Security; Arturo Vargas, Executive Director, NALEO Educational Fund; Fred Tsao, Policy Director, Illinois Coalition for Immigrant and Refugee Rights; and, Rosemary Jenks, Director of Government Relations, Numbers USA.

Dr. Gonzalez pointed out that the agency received over three million applications and petitions during the summer of 2007 alone. He acknowledged the challenges of dealing with that dramatic increase and outlined the agency's plan for handling it, which includes:

- staffing through multiple approaches, including but not limited to increasing allowable overtime for key functions;
- enhancing staff training programs to improve productivity;
- incorporating creative approaches into the agencies adjudication processes by increasing output without negatively impacting quality; and
- increasing efficiencies through the use of improved information technology.

Dr. Gonzalez also noted that under the new immigration fee structure, USCIS has begun hiring 1,500 new employees, of which 723 are adjudicators, to help handle the increased applications and petitions. Nevertheless, he stated, the "surge will have a serious impact on application processing times for the next couple of years. As a result, based on our response plan, most customers will wait much longer to have their applications completed. ... [t]he average processing time...has increased from the current average of seven months or less to approximately 18 months. Family-based adjustment-of-status applications increased from the current average of six months or less to 12 months. ... [The] two-year response plan will help [USCIS] accomplish reducing processing times to six months by the third quarter of Fiscal Year 2010."

To view the testimony of all the witnesses, go to: <http://www.judiciary.house.gov> .

WATER: KLAMATH SETTLEMENT AGREEMENT DISTRIBUTED FOR COMMENT

The proposed Klamath River Basin settlement agreement was released to the public for comment on January 15, 2008. Representatives of diverse communities in the Klamath Basin, working with federal, state, and county governments, developed the Proposed Klamath Basin Restoration Agreement to rebuild fisheries, sustain agricultural communities, and resolve other long-standing disputes related to the allocation of water resources.

Key provisions of the Proposed Agreement include:

- A comprehensive program to rebuild fish populations sufficient for sustainable tribal, recreational, and commercial fisheries. Elements include: Actions to restore fish populations and habitats, including a program to reintroduce anadromous species in currently-blocked parts of the Basin; actions to improve fish survival by enhancing the amount of water available for fish, particularly in drier years; and other efforts to support tribes in fisheries reintroduction and restoration efforts.

A reliable and certain allocation of water sufficient for a sustainable agricultural community and national wildlife refuges.

A program to stabilize power costs for the Upper Basin's family farms, ranches, and for the two national wildlife refuges.

A program intended to insure mitigation for counties that may be impacted by the removal of the hydroelectric facilities.

Further information on the proposal can be obtained at: <http://www.edsheets.com/Klamathdocs.html>

EDUCATION: CALIFORNIA INSTITUTE HOSTS BRIEFING ON PROFESSIONAL SCIENCE MASTERS PROGRAMS

On January 15, 2008, the California Institute, in collaboration with the California State University, California Healthcare Institute, Council of Graduate Schools, and Abbott, hosted a briefing on the emerging Professional Science Masters (PSM) Program. David Gollaher, President and CEO, California Healthcare Institute; Michael Teitelbaum, Vice President of the Alfred P. Sloan Foundation, a financial supporter of the PSM initiative; Carol Lynch, Director of the PSM Initiative for the Council of Graduate Schools; and Gail Naughton, Dean of the College of Business Administration at San Diego State University, delivered the briefing.

As the worldwide leader in biomedical research and innovation, California's more than 2,700 biotechnology, medical device and diagnostics companies invest \$26 billion a year toward the development of new tests, technologies and therapies for ailments such as cancer, diabetes, Alzheimer's and HIV/AIDS, as well as cardiovascular, respiratory and infectious diseases. The life sciences industry is also an important engine of economic growth for the state, providing more than \$18 billion in wages and salaries to 258,000 workers.

The participants stressed that the industry's continued growth and vitality depends largely on the availability of well-educated, talented scientists and engineers. To meet these workforce demands, an increasing number of colleges and universities are developing Professional Science Master's (PSM) degrees. The PSM is an innovative graduate degree designed to allow students to pursue advanced training in science, while simultaneously developing workplace skills highly valued by employers. PSM programs prepare graduates for careers in business, government, or nonprofit organizations, combining rigorous study in science or mathematics with course work in management, policy, law or related fields.

Dr. Gollaher spoke of the importance of the PSM program to fuel the growth of the biotech and life sciences industries in California and to build a core of workers that appreciate and are prepared for career opportunities in the industry. Dr. Teitelbaum noted that the benefit of a PSM degree for students is that it is more agile and adaptable than a traditional Ph.D. The PhD, he said, is more focused on a particular area and is heavily research based, whereas the PSM allows people to fill multiple roles.

The PSM degree retains a focus on knowledge of particular subject areas, Dr. Lynch reiterated, as 75% of the requirements remain in the advanced science and math disciplines. However, a major factor in distinguishing the PSM degree is that there is an emphasis on the development of professional skills along with the mastery of the given subject area. Dr. Naughton explained that the process of taking an idea from concept, to FDA approval, to the market is a daunting task that takes billions of dollars in investment. PSM students, with their professional skills and knowledge of the regulatory structures that govern these efforts, will help to move innovation more quickly and effectively. She stated that the California State University system is the ideal institution to lead the way in this effort, as it already produces 44% of California's life sciences and health professions majors, and 65% of California's business degrees.

All presenters concurred that most of the candidates for a PSM degree are not diverted from seeking a PhD, but rather from leaving the field of science altogether. The number of students seeking PhD's in the sciences has been steadily decreasing. With the emergence and expansion of careers in the life sciences industry, more students with science majors and interests can continue to work in the field in which they were trained.

For more information visit www.cgsnet.org .

BIOMED: WEDNESDAY EVENT ON CAPITOL HILL TO LAUNCH BAYBIO:IMPACT 2008

BayBio, Northern California's life science industry trade association, will launch BayBio:IMPACT 2008, on January 23, 2008 in Washington. The breakfast event will be held in Room 2168 Rayburn House Office Building (the Gold Room) starting at 9:30 a.m.

BayBio:IMPACT 2008 is an industry report providing an in-depth look at Northern California's life sciences industry, which has developed hundreds of innovative life-saving drugs and technologies. Northern California is the largest cluster of life sciences companies in the United States with over 900 companies with 90,000 employees. The industry has created 6,000 new jobs in the past 12 months, according to BayBio.

At the event, Matthew Gardner, President of BayBio, will discuss the challenges facing the industry and policy recommendations to ensure it realizes its full potential in California. Kim Popovits, President and COO of Genomic Health, and Paul Hastings, President and CEO of OncoMed Pharmaceuticals, will also participate.

Copies of the report, BayBio:IMPACT 2008, will be available at the briefing. To attend, please RSVP to Travis Blaschek-Miller: (ph) 650-871-7101 x207 or (email) travis@baybio.org. For more information, visit: <http://www.baybio.org>.

EDUCATION: RAND HOSTS PANEL ADDRESSING PROGRESS OF NO CHILD LEFT BEHIND

On January 9, 2008, RAND hosted a panel discussion on the progress of No Child Left Behind (NCLB), as a supplement to a 2007 RAND study entitled “Standards Based Accountability Under No Child Left Behind: Experiences of Teachers and Administrators in Three States.”

The key findings of the study were:

- Most superintendents considered three improvement strategies most important: using data for decisionmaking, aligning curriculum with state standards, and focusing on low-performing students.
- Teachers changed their instruction in both desirable and undesirable ways.
- Most educators felt challenged by insufficient alignment among state standards, curriculum, and tests.
- The researchers recommend improving alignment among standards, tests, and curriculum; providing educators with professional development assistance; and exploring ways to measure performance more accurately.

The panel discussion was aimed at hearing directly from school administrators of their experiences with NCLB. The panelists included several authors of the report, as well as John Deasy, Superintendent of Prince George's County Schools and Michelle Rhee, Chancellor of the D.C. Public Schools.

Rhee said that in her experience the goals of NCLB are “so far off from where most public schools are.” She also emphasized that most teachers and administrators don’t know exactly what’s expected from them. “How can we address accountability at the end of the year when no body knows what to expect going in?” she asked. Most teachers she has interacted with are not cognizant of whether they meet Adequate Yearly Progress (AYP) standards, additionally there are “glaring misunderstandings by principals.”

Though she acknowledged her frustration with the misunderstanding that is pervasive among District staff, she agreed that she can use “NCLB as a very clear management tool.” She recommended that there be an increased focus on teacher effectiveness, rather than looking simply at their credentials, which fall under the “teacher quality” label. She said that we need to look at teachers’ progress “based on student achievement gains.”

The report’s authors recommended that standards and proficiency levels be uniform across all states. For more information visit http://rand.org/pubs/research_briefs/RB9259/.

STATE & LOCAL ACTIVITY: HIGHLIGHTS FROM GOVERNOR SCHWARZENEGGER’S PROPOSED 2008-2009 CALIFORNIA STATE BUDGET

Governor Arnold Schwarzenegger released his Budget Proposal for fiscal year 2008-2009 the week of January 13, 2008. The budget proposes more than \$17 billion in budget solutions to bring the state’s 2008-09 budget into balance.

According to the Department of Finance, “In order to close the \$14.5 billion budget gap, the proposed Governor’s Budget includes 10-percent across-the-board reductions to all General Fund departments and programs, Boards, Commissions, and elected offices – including the legislative and judicial branches – except where such a reduction is in conflict with the state constitution or impractical. This statewide across-the-board reduction approach touches nearly every General Fund program in every department within each branch of state government.”

The Legislative Analysts’ Office (LAO) disagrees with this approach: “In contrast to the Governor’s approach of across-the-board reductions, in our view the Legislature should (1) eliminate or further reduce

low-priority programs in order to minimize the impact on higher priority programs and (2) examine additional revenue options as part of a more balanced approach.”

In response to the budget, Assembly Republican Leader Mike Villines (Fresno) said the following: “The budget unveiled today by Governor Schwarzenegger is only the first of many steps that must be taken to get the deficit under control. Assembly Republicans share the Governor’s commitment to budget reform and no tax increases, and will introduce proposals to help fix the system... We believe the only responsible way to solve our budget problem is to cut wasteful spending and start living within our means. While the choices before us are difficult ones, across-the-board cuts, including the Legislature’s budget, are a good way to start the discussion about how to cut spending because they avoid picking winners and losers.”

Assembly Speaker Fabian Nuñez concurred with the LAO’s analysis. He commented: “The Legislative Analyst underscores some of the key concerns Assembly Democrats have as we work to address the state's budget imbalance: across the board cuts don't adequately reflect the state's needs and demands, revenue sources from closing tax loopholes and credits must be on the table, and the budget reform proposals put forward so far have serious flaws. This report is more evidence that we should focus on a real and comprehensive approach that makes sure California's expenditures balance with revenues, and that our priorities balance with our values.”

Following are highlights of the “Budget Balancing Reductions” contained in the budget and expected income from federal funds:

Business, Transportation, and Housing

Budget-balancing reductions for BTH total \$0.2 million in 2007-08 and \$2.03 million and 4.1 personnel years in 2008-09.

The major reductions in 2008-09 are described below:

- * \$481,000 in 2008-09 for the Small Business Loan Guarantee Program. This reduction will result in fewer loan guarantees available to small businesses in California.

- * \$343,000 in 2008-09 for the Office of Migrant Services. This reduction will require four centers to be closed, resulting in fewer housing opportunities for migrant agricultural workers in California.

- * \$401,000 in 2008-09 for the Emergency Shelter Program. This reduction in assistance to local homeless emergency shelters would result in approximately 1,900 fewer shelter spaces annually.

Higher Education

Total budget-balancing reductions for the Higher Education segments amount to \$1.1 billion in 2008-09. Of this amount, \$649.4 million is for General Fund programs and \$483.5 million is for Community College Proposition 98 local assistance programs.

The major reductions in 2008-09 are described below:

- * \$331.9 million for the University of California. Of this amount, \$32.3 million is allocated to the Institutional Support program (which includes campus administration and the Office of the President) and the remainder is unallocated to allow the Regents the flexibility to meet the reduction in a way that minimizes impacts to core instructional programs. It is anticipated that the Regents will address this reduction through a combination of fee increases, limitations on enrollment levels, increased efficiency and reductions to other existing programs, including research, student services, academic support and public services programs.

- * \$312.9 million for the California State University. Of this amount, \$43.2 million is allocated to the Institutional Support program (which includes campus administration and the Chancellor's Office) and the remainder is unallocated to allow the CSU Trustees the maximum flexibility to meet the reduction in a way that minimizes the adverse impacts to core instructional programs. It is anticipated that the Trustees will address this reduction through a combination of fee increases, limitations on enrollment levels, increased efficiency and reductions to other existing programs including student services, academic support, and public services.

- * \$2.2 million for the Student Aid Commission. Of this amount, \$1.6 million is allocated to the state operations administrative support budget and \$637,000 is allocated to the California Student Opportunity and Access Program local assistance budget. Also, the number of new APLE warrants is reduced by 10 percent,

or 800 awards, for a revised total of 7,200 awards for 2008-09. Policy changes for Cal Grants are addressed in the Other Budget Reductions section below.

* \$483.5 million for Community College local assistance. Of this amount, \$291.7 million reflects a reduction to apportionments by eliminating the 4.94-percent workload COLA and \$111.8 million reflects a reduction to enrollment growth. The remaining \$80 million reflects similar reductions to categorical programs.

* \$1.1 million for the Hastings College of Law. Of this amount, \$252,000 is allocated to the Institutional Support program and the remainder is unallocated to allow the Hastings Board the maximum flexibility to meet the reduction in a way that minimizes adverse impacts to instructional programs.

Health and Human Services

Total budget-balancing reductions for the HHS amount to \$246.6 million (\$181.1 million General Fund) and 11.2 positions in 2007-08 and \$4.5 billion (\$2.7 billion General Fund) and 367.5 positions in 2008-09. These reductions assume necessary statutory changes will be enacted by March 1, 2008.

Some of the major reductions are described below:

DEPARTMENT OF HEALTH CARE SERVICES

* \$33.4 million in 2007-08 and \$602.4 million in 2008-09 from reducing Medi-Cal provider rates for physicians and other medical and service providers. A proportionate reduction will be made to managed care rates.

* \$34.4 million in 2008-09 by shifting federal Safety Net Care Pool payments from designated public hospitals to the portions of the California Children's Services (CCS), the Genetically Handicapped Persons, the Medically Indigent Adult-Long-term Care, and the Breast and Cervical Cancer Treatment programs, which are eligible for these funds. This shift will allow a corresponding reduction in General Fund for these programs.

* \$30 million in 2008-09 by reducing reimbursement rates for hospitals that do not contract with Medi-Cal.

* \$56.8 million in 2008-09 payments from a reduction in the payments to certain long-term care facilities.

* \$24 million in 2008-09 from reduced Medi-Cal Disproportionate Share Hospital replacement payments for private hospitals. These payments are allocated to hospitals based on their uncompensated Medi-Cal and uninsured care costs.

* \$10 million in 2007-08 and \$134 million in 2008-09 by eliminating certain Medi-Cal optional benefits for adults including incontinence creams and washes, acupuncture, dental, audiology, optometry, optical, chiropractic, podiatry, psychology, and speech therapy.

* \$4.2 million in 2007-08 and \$50.1 million in 2008-09 related to stopping the payment of Medicare Part B premiums for Medi-Cal share-of-cost beneficiaries who do not become Medi-Cal certified by meeting their share-of-cost during the month.

* \$92.2 million in 2008-09 by reducing the 12 month Medi-Cal eligibility period for children and restoring quarterly status reports for both children and parents. Currently, children's eligibility is determined annually, while parent's eligibility is determined semi-annually. This proposal would reinstate quarterly status reports, which would allow an evaluation of the person's eligibility for Medi-Cal on a quarterly basis.

* \$75.8 million in 2008-09 in Medi-Cal payments to counties. Adjustments include: elimination of the California Necessities Index-based cost-of-living adjustment that would be provided to county eligibility, administrative, and support positions; elimination of caseload growth funding that is used to hire additional county staff to address increased workload due to increases in Medi-Cal eligibles; a reduction of the county administration base, which provides funding for staff, support, and staff development costs associated with the Medi-Cal eligibility process; and reductions in funding for administration of the CCS and Child Health Disability Prevention programs.

DEPARTMENT OF PUBLIC HEALTH

* \$11 million in 2008-09 for AIDS programs. This reduction will be achieved by reducing state support and local assistance for various programs, including AIDS Education and Prevention, AIDS Epidemiology Studies and Surveillance, AIDS Drug Assistance, and HIV Counseling and Testing. At this reduced level of funding, the state will continue to meet the federal maintenance-of-effort requirement for receipt of Ryan White Act funds.

* \$5.4 million for family health programs. This will result in a reduced level of state support and local assistance funding for case management services for at-risk teens, domestic violence prevention activities, and education activities including breastfeeding, nutrition, and Sudden Infant Death Syndrome risk reduction.

* \$3.3 million for local chronic disease programs. This will result in a reduced level of state support and local assistance funding for cancer and injury prevention surveillance activities, developing public health interventions, and monitoring environmental contaminants.

MANAGED RISK MEDICAL INSURANCE BOARD

* \$41.9 million in 2008-09 by reducing rates for Healthy Families Program plans, increasing premiums and co-pays, and instituting an annual cap on dental benefits.

DEPARTMENT OF DEVELOPMENTAL SERVICES

* \$348.3 million (\$235.1 million General Fund) in 2008-09 through extension of existing Regional Center cost containment measures, including rate freezes on targeted program categories that are scheduled to sunset June 30, 2008.

* \$18.3 million (\$14.2 million General Fund) in 2008-09 to freeze rates negotiated by regional centers for all provider types not yet frozen and to set parameters or limits on the rates for new providers with whom the regional centers may negotiate.

DEPARTMENT OF MENTAL HEALTH

* \$8.2 million General Fund in 2007-08 and \$23.8 million General Fund in 2008-09 for managed care primarily by eliminating the annual cost-of-living increase and reducing the non-inpatient State Maximum Allowance (SMA).

* \$6.7 million General Fund in 2007-08 and \$46.3 million General Fund in 2008-09 for the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. The savings would be achieved primarily by requiring prior authorization by mental health providers for EPSDT day treatment that exceeds six months, eliminating the annual cost-of-living increase, and reducing the non-inpatient State Maximum Allowance (SMA).

DEPARTMENT OF SOCIAL SERVICES

* \$73.7 million in 2007-08 and \$389.1 million in 2008-09 for the CalWORKs program. The savings would be achieved as part of a reform proposal intended to improve the state's work participation rate, as necessary to avoid federal sanctions. The proposal combines work incentives with sanctions for not meeting work requirements.

* \$83.7 million in 2008-09 in reduced Child Welfare Services allocations to counties. Counties will decide how to apportion the reduced allocation.

* \$6.8 million in 2007-08 and \$81.5 million in 2008-09 for foster care and adoptions programs. The proposal would reduce rates for Foster Family Agencies, foster family homes, group homes, Adoptions Assistance, and Kin-GAP recipients.

* \$23.3 million in 2007-08 and \$300.3 million in 2008-09 for the SSI/SSP program, achieved by suspending the June 2008 and June 2009 state COLAs. Recipients will still see increased benefit payments in both years due to provision of the federal COLAs.

* \$109.4 million in 2008-09 for the In-Home Supportive Services (IHSS) program by reducing the hours allocated to IHSS recipients for non-medical services.

K through 12 Education

Total budget-balancing reductions for K-12 Education programs amount to \$4.4 billion in 2008-09. These reductions assume necessary statutory changes will be enacted by July 1, 2008.

The major reductions are described below:

* \$2.6 billion in 2008-09 for school district and county office of education revenue limit apportionments. This will eliminate the 4.94 percent COLA and reduce existing revenue limit levels, thereby creating a 6.99 percent deficit factor.

* \$357.9 million in 2008-09 for Special Education. No COLA will be provided and existing state funding for local schools' special education costs will be reduced. Schools may have to backfill most of this reduction as the program is federally mandated.

* \$198.9 million in 2008-09 for Child Development programs. No COLA or growth will be provided for this program and, after accounting for normal program savings, approximately 8,000 existing slots will be reduced. Normal attrition rates in these programs should reduce the likelihood of a currently enrolled child losing their slot.

* \$59.6 million in 2008-09 for Before and Afterschool Programs. The Administration will propose a ballot initiative to amend Proposition 49 to achieve these savings.

* \$14.2 million in 2008-09 for Child Nutrition Programs. This reduction will cut the free and reduced price meal reimbursement rate by approximately \$0.02. However, the program received a \$0.06 per meal augmentation in 2007-08.

* \$1,095.7 million in 2008-09 for other K-12 categorical programs. COLA adjustments will not be provided and proportional funding rate reductions will be applied to programs such as Class Size Reduction, the Charter School Categorical Block Grant, Instructional Materials, Supplemental Instruction, Home-to-School Transportation, Supplemental School Counseling and various Career Technical Education programs.

* \$9.2 million in 2008-09 for the Department of Education State Special Schools. This reduction is unallocated to provide maximum flexibility to the Superintendent and the State Special Schools.

* \$5.1 million in 2008-09 for the California State Library. This will reduce state support to local libraries and reduce state reimbursement of the costs for inter and intra-library book loan programs.

Environmental Protection

Total budget-balancing reductions for the Environmental Protection Agency amount to \$1.6 million in 2007-08 and \$8.3 million and 16.5 personnel years in 2008-09. The major reductions are described below:

* \$4.3 million and 12.0 personnel years in 2008-09 for the State Water Resources Control Board. These reductions will result in delays to the Board's capacity to issue permits for pollutant discharge elimination systems that regulate the discharge of wastewater to surface waters in the state. The reduction will also decrease contract funding for Total Maximum Daily Load (TMDL) action plans to restore clean water.

* \$1.3 million in 2007-08 and \$2.4 million in 2008-09 for the Department of Toxic Substances Control's Site Mitigation and Brownfields Reuse Program. This reduction will decrease the annual number of drug lab cleanups performed by the state.

Below are Highlights of Expected Income from Federal Funds:

General Government

Regional Operational Readiness—The Governor's Budget proposes \$1.6 million General Fund, \$1.6 million in federal funds, and 18.1 positions to increase staff at the Office of Emergency Services' (OES) three regional offices to enhance the coordination of emergency preparedness, response, and recovery operations.

Increasing staffing at the Inland, Coastal, and Southern regions will provide for better coordination of mutual aid and other emergency-related resources and activities.

Business, Transportation and Housing

Caltrans will receive an additional \$460.3 million in federal funding in 2007-08 from both reimbursement for emergency funds expended in past years and from federal funding that other states were unable to use. These funds will be used to complete additional pavement rehabilitation work.

State Operations

The Governor's Budget proposes \$4.2 billion in state operations funding to support Caltrans in 2008-09, including \$2.9 billion from the State Highway Account, \$362 million in federal funds, and \$990 million from other special funds, a \$14 million increase from currently estimated 2007-08 expenditures.

Health and Human Services

County Administration - The Governor's Budget proposes \$196.9 million General Fund to fund local agency administrative costs, which includes the same level of funding for local program expenditures provided in 2007-08. The Governor's Budget also continues to provide \$20 million in federal funds to be matched by \$10 million in voluntary county funding for the support of local child support agency staff and program services.

Community Colleges

\$331,000 in anticipated federal funds is proposed to fund the Cash for College program pursuant to Chapter 741, Statutes of 2007.

For more information, visit <http://www.ebudget.ca.gov> or <http://www.lao.ca.gov> .

UPCOMING: THURSDAY (1/24/08) CAPITOL HILL BRIEFING BY KLAMATH RIVER AGREEMENT STAKEHOLDERS

TENTATIVE: On Thursday, January 24, 2008, key participants in the development and execution of the Klamath River Basin settlement agreement are expected to outline details of the agreement that was opened to public comment on January 15. (See above article for more information about the accord.)

If an appropriate event venue can be secured, the California Institute plans to hold a luncheon briefing for Congressional members and staff, and any other interested individuals. Once details are finalized, an invitation will be circulated to those on the California Institute's events distribution. An invitation will also be posted at <http://www.calinst.org/events.htm> .

UPCOMING: TUESDAY (1/29/08) PPIC LUNCHEON BRIEFING TO EXAMINE CALIFORNIA'S POST-PARTISAN FUTURE

The next luncheon briefing by experts from the Public Policy Institute of California will take place on Tuesday, January 29, 2008, at noon, in Room B-338 of the Rayburn House Office Building. It will feature details from the latest PPIC report -- "*California's Post-Partisan Future*" -- delivered by PPIC President and report author Mark Baldassare, with commentary from political expert panelists from the University of California, the Kaiser Family Foundation, and the Washington Post. An invitation to the event will be forthcoming in the next few days.