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Governor Releases May Revision: Tax Collections Up, Less Balance, Backloaded Business Tax Breaks

Governor Brown released the May Revision to his 2011-12 Proposed Budget on May 16. The May Revision updates policy proposals, revenue projections, and estimated expenditures for both the current and upcoming budget years. The May Revision assumes a “remaining problem” of \$9.6 billion and that revenues will be \$6.6 billion above the level forecast in January and outlines \$10.8 billion in “solutions” to close the gap remaining after enactment of \$11.0 billion in “solutions” in the March budget agreement and provide a \$1.2 billion reserve. The May Revision also notes that after implementation of the March budget agreement, but prior to the enactment of additional revenues or expenditure cuts, the state faces deficits of approximately \$10 billion for the foreseeable future and notes that the state faces a significant debt from borrowing used to balance the budget in prior years.

Significant policy proposals contained in the May Revision include the elimination of 43 state departments, boards, and commissions and elimination of 5,500 positions from the state’s workforce. The May Revision reflects cuts already adopted or assumed by the Legislature as part of the March budget agreement in many areas, such as human services and higher education. In other areas, most notably the elimination of redevelopment agencies, the May Revision continues to assume savings outlined in the Governor’s January Budget that still must be enacted by the Legislature.

The following update provides a “quick and dirty” summary of key provisions of the Governor’s May Revision. As additional details become available, the California Budget Project (CBP) will update this document. The CBP also will prepare analyses of major proposals contained in the May Revision over the upcoming days and weeks. Please check the CBP website (www.cbp.org) for corrections and additions to this analysis as additional information becomes available. The Governor’s budget documents are available online at <http://www.ebudget.ca.gov/>.

As the Economy Moves Slowly From Recession to Recovery, Revenue Collections Improve

Most of the changes proposed in the May Revision reflect higher-than-anticipated revenues. The May Revision estimates that 2010-11 revenues will be \$2.8 billion above the level forecast in January and that 2011-12 revenues will be \$3.5 billion above previously assumed levels. The May Revision uses the higher-than-anticipated revenues largely to increase funding to public schools, as required by the Proposition 98 guarantee, and to scale back a number of the revenue proposals included in the

Governor's January Budget. The May Revision also assumes that legal challenges will prevent the shift of funds from First 5, supported by Proposition 10 of 1998, resulting in \$1.0 billion in lower savings and that "erosion" of solutions will result in \$2.0 billion in higher costs and/or lower revenues than was assumed in January. The May Revision also eliminates \$745 million of previously proposed loans from special funds to the General Fund.

In his press conference, the Governor noted that General Fund spending would be lower as a share of the state's economy than at any point since 1972-73. In fact, this statistic underestimates the impact of recent reductions on public structures and services, since the state assumed a larger share of responsibility for financing public services after Proposition 13 of 1978 reduced local property taxes used to finance schools and other services.

May Revision Scales Back Revenue Plan, Includes New Business Tax Breaks

The May Revision assumes the revenue proposals included in the Governor's January Proposed Budget with several significant changes. The Governor also proposed several new tax breaks for business, including a backloaded reduction in sales taxes paid on manufacturing equipment that will have a significant cost to the budget beginning in 2012-13. Changes to the Governor's revenue proposals include:

- Delaying the extension of the personal income tax surcharge enacted in the February 2009 for one year. Under the May Revision, the 0.25 percentage point personal income tax surcharge would be imposed for four years – 2012 to 2015 – rather than the five-year period proposed for the other tax extensions. The May Revision proposes to reduce the child and dependent tax credit for the full five-year period proposed in January.
- Dropping the Governor's January proposal to eliminate the Enterprise Zone Program for combined savings of \$924 million in 2010-11 and 2011-12 and, instead, proposing to modify the Zone Hiring Tax Credit. Under the Governor's May Revision proposal, zone hiring credits would be restricted to businesses that increase their level of employment, so-called "retroactive vouchering" would be prohibited by requiring future years' credits to be claimed on a taxpayer's original return and disallowing credits for prior tax years if the application for a voucher was made more than 30 days after an employee first begins work, and restructuring the amount of the credit to provide a \$5,000 credit for each full-time equivalent additional employee. The May Revision proposal would provide \$93 million in combined 2010-11 and 2011-12 savings.
- Creating a new sales tax break for firms that purchase manufacturing equipment beginning in 2012-13. New firms would be exempt from the full 5 percent state sales tax rate, while existing firms would be exempt from the 1-percent tax rate. The May Revision delays the effective date of the proposed tax break, which will cost \$261 million in its first year, until after the end of the budget year. The sales tax exemption would remain in effect for four years and would only be implemented if the temporary extension of the 1 percent sales tax rate is approved.
- Expanding eligibility for the temporary hiring tax credit created in 2009. The May Revision would expand the range of employers eligible for the credit to include businesses with up to 50 employees and increase the size of the credit from \$3,000 per new employee to \$4,000. The credit would sunset at the end of 2012. The expansion is expected to reduce 2010-11 and 2011-12 revenues by a total of \$94 million.

The May Revision maintains the Governor's January proposal to maintain the 0.5 percentage point extension of the higher Vehicle License Fee rate for five years, but would allocate revenues from 0.1 percentage point of the extended rate to the General Fund. The Governor's January Proposed Budget allocated the full amount of the proposed extension to support the realignment of public safety, mental health, and other programs from the state to county governments. In his release of the May Revision, the Governor asked lawmakers to approve the tax extensions, but announced his intention to seek voters' ratification of the tax measures as soon as possible.

Governor's Economic Outlook Is Somewhat More Optimistic, But Remains Cautious

The Governor's revised economic outlook is somewhat more optimistic than his January forecast, reflecting the fact that both the state and national job markets improved in recent months. However, the Administration notes that the revised projections are subject to greater uncertainty given two recent international developments that could have significant consequences for California's and the US economy: the political uprisings in major oil-producing nations, which have contributed to increased gas prices and could prompt consumers to reduce spending on other purchases, slowing overall economic growth; and the devastation that resulted from Japan's recent earthquake, which could reduce trade and tourism between Japan and the US.

The May Revision economic forecast projects stronger economic growth this year for both the US and California. Specifically, the May Revision projects that inflation-adjusted gross domestic product (GDP) – the value of all goods and services produced in the US – will increase by 2.8 percent in 2011, nearly matching the estimated 2.9 percent rise in GDP in 2010 and up from the 2.2 percent increase projected for 2011 in January. In addition, California's total personal income – an indicator of statewide economic growth – is projected to increase by 4.4 percent in 2011 and 4.5 percent in 2012, up from projected increases of 3.8 percent and 4.0 percent, respectively, in the January forecast. The Governor's more optimistic personal income growth forecast reflects the fact that high-income Californians made significant wage and income gains in 2010. In particular, income from capital gains, which reflects the increase in the value of assets, such as stocks, rose substantially last year. Recent income gains are reflected in higher-than-anticipated 2010-11 personal income tax collections and higher-than-previously-forecast 2011-12 revenues.

The Governor's updated outlook anticipates stronger US job growth this year than was projected in January, while the forecast for California's employment growth is essentially unchanged even though job gains accelerated in recent months. The Administration projects that the national jobless rate will fall to 8.8 percent in 2011 – 0.8 of a percentage point lower than the 2011 rate projected in January. In contrast, California's unemployment rate is projected to average 12.1 percent in 2011, the same rate as that forecast in January. The Administration notes that the weak housing market and continued public sector job loss due to state and local budget cuts will continue to dampen California's job growth this year.

The Governor's revised forecast anticipates that the recovery in California's job market will continue to be "slow and steady" over the next few years. The outlook projects that California will not regain all of the jobs it lost during the recession until the third quarter of 2016 – 86 months after economists determined that the recession ended – and it could take several more years for the unemployment rate to fall to pre-recession levels. This projected timeframe for recovery in the state's job market is in line with the recent forecast published by the Legislative Analyst's Office (LAO).

Proposition 98

The May Revision assumes a 2011-12 Proposition 98 funding level of \$52.4 billion for K-14 education programs, \$3 billion more than than the Legislature approved in March. Despite the increase, the 2011-12 Proposition 98 funding level under the May Revision would be \$4.2 billion (7.4 percent) less than in 2007-08. The May Revision proposes to increase 2010-11 Proposition 98 funding to \$49.8 billion, slightly more than the \$49.7 billion provided by the Legislature after it suspended Proposition 98 for 2010-11.

K-12 Education

The May Revision:

- Reduces the deferral of revenue limit spending for school districts and county offices of education from 2011-12 to 2012-13 by \$2.1 billion. In March, the Legislature adopted the Governor's January proposal to increase a prior \$7.4 billion inter-year deferral of K-12 education spending by \$2.1 billion. The May Revision also provides \$434 million to reduce other deferrals. Revenue limits provide general purpose funding for schools.
- Reduces revenue limit and special education payments to school districts and county offices of education by \$690.3 million in 2011-12 and by \$551.8 million in 2010-11 due to higher-than-anticipated local property tax revenues.
- Reduces K-14 education mandate funding by \$38.2 million to reflect recommendations made by a workgroup convened by the LAO as a result of legislation enacted in 2010. The workgroup agreed that "specific mandates should be maintained only if they serve a fundamental statewide interest" and presented three options that reflected the most to least restrictive definition of a statewide interest. The May Revision reflects savings based on the least restrictive of these definitions.
- Eliminates \$2.9 million in federal funding for the California Longitudinal Pupil Achievement Data System (CALPADS). The May Revision proposes to suspend CALPADS funding in 2011-12 pending a review of data collection requirements.
- Eliminates \$560,000 in federal funds and \$84,000 in state funds for the California Longitudinal Teacher Integrated Data Education System (CALTIDES) in 2011-12 to reflect the proposed termination of CALTIDES.
- Increases funding for mental health services by \$221.8 million and adjusts the Proposition 98 guarantee upwards to reflect the additional responsibility assigned to schools. The May Revision transfers responsibility for "AB 3632" state-mandated mental health services for special education students – including out-of-home residential services – to school districts. In January, the Governor proposed to use realignment revenues to fund AB 3632 services, which have historically been provided by counties. In contrast, the May Revision removes mental health services for special education students from proposed realignment of program responsibilities to counties.
- Increases funding for the Charter School Categorical Block Grant and Economic Impact Aid Programs by \$19.5 million to reflect enrollment growth.
- Increases funding for county offices of education by \$13.9 million in 2011-12 and by \$14.6 million in 2010-11 to pay for changes in unemployment insurance costs, attendance growth, and deficit factor adjustments.
- Increases funding for charter schools that began operating between 2008-09 and 2011-12 by \$8 million to replace funding for which the schools are not able to apply under current categorical flexibility provisions.
- Increases funding by \$3.2 million for the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program. This program provides "occupational training for at-risk high school students" according to the May Revision.

California Community Colleges

The May Revision reduces the deferral of community college apportionments from 2011-12 to 2012-13 by \$350 million. In March, the Legislature adopted the Governor's January proposal to defer \$129 million in community college apportionments from 2011-12 to 2012-13. The May Revision restores \$350 million in community college apportionment funding in 2011-12, reducing the total amount of deferred apportionment funding from \$961 million to \$611 million.

Realignment

The May Revision modifies the Governor's January proposal to shift, or "realign," primary responsibility for a number of programs, along with a dedicated funding source, to counties beginning in 2011-12. Specifically, the May Revision:

- Removes fire protection services, funding for peace officer and corrections training, and a range of law enforcement mandates, including those related to domestic violence arrest policies and sexually violent predators, from the realignment package.
- Increases funding by \$44.6 million to reflect additional costs – including an increased workload for public defenders and district attorneys – associated with transferring responsibility for lower-level offenders and parolees to counties. In March, the Legislature approved the Governor's proposal to give counties responsibility for adult offenders who have not committed serious, violent, or sexual crimes as well as for juvenile offenders who are currently supervised by the state. These changes will not take effect until the Legislature provides funding to implement them, according to the Governor's signing statement for AB 109 (Committee on Budget, Chapter 15 of 2011).
- Removes "AB 3632" state-mandated mental health services for special education students from the realignment package. In January, the Governor proposed to use realignment revenues to fund AB 3632 services, which have historically been provided by counties. In contrast, the May Revision proposes to transfer responsibility for these services – including out-of-home residential services – to school districts, with funding provided through the Proposition 98 school funding guarantee.
- Modifies the Governor's January proposal to shift child welfare costs to counties, primarily to reflect a \$68 million reduction in Foster Care Program costs due to shifting AB 3632 services to school districts.

State Operations

The May Revision reduces state operations – amounts spent directly by state departments and agencies – by \$41.5 million in 2011-12 by eliminating or consolidating state boards, commissions, and departments; reducing state programs; and selling state properties. Specifically, the May Revision:

- Eliminates 43 boards, commissions, task forces, offices, and departments, including the California Law Revision Commission, the California Postsecondary Education Commission, the Commission on the Status of Women, the Commission on Uniform State Laws, the Economic Strategy Panel, and the Office of Privacy Protection, in addition to those mentioned in other sections of this summary.
- Merges the State Personnel Board and the Department of Personnel Administration into a single entity, the Department of Human Resources, effective July 1, 2012. According to a report released by the Governor's Office, the Governor's plan would not eliminate the State Personnel Board, proper, because its role is established in the State Constitution.
- Directs the Department of General Services to identify "nonessential or under-utilized" state properties that can be sold and to determine ways to use office space more efficiently in order to reduce costs. Properties already identified for sale include the Los Angeles Coliseum, properties owned and managed by the Capitol Area Development Authority in Sacramento, the Ramirez Canyon property in Southern California, and the state's share of the Montclair Golf Course in Oakland.

Resources

The May Revision maintains the Governor's January proposal to reduce Department of Parks and Recreation expenditures by \$11 million in 2011-12. The Governor's January proposal was adopted by the Legislature in March, and the Department of Parks and Recreation recently released a list of 70 state parks currently slated for closure in order to achieve budgeted savings.

In addition, the May Revision:

- Eliminates the Colorado River Board, the Salton Sea Council, the State Mining and Geology Board, and nine advisory committees and review panels under the Department of Fish and Game.
- Increases the Oil, Gas, and Geothermal Administrative Fund by \$4.7 million in 2011-12 to address additional workload requirements and enhance oversight of oil and gas development in California.
- Eliminates General Fund support for the Watermaster Program and instead supports the program with fees paid by those who benefit from the service for state savings of \$1.23 million in 2011-12.
- Eliminates General Fund support for the Tahoe Conservancy for savings of \$193,000 in 2011-12.

Corrections

The May Revision:

- Cuts, by 25 percent, funding for "various departments" that administer public safety programs that the Governor proposes to realign to counties beginning in 2011-12. The Administration indicates that reductions in state staffing would not be fully implemented until July 1, 2013 "given the time necessary for departments to develop and implement layoff processes."
- Requests \$414.9 million in 2010-11 to make up for "various structural and operational shortfalls" in the California Department of Corrections and Rehabilitation (CDCR). These funds are in addition to the \$379.6 million in "deficiency funding" for CDCR in 2011-12 included in the Governor's January proposal.
- Increases court funding by \$41.8 million in 2011-12 to reflect additional parole revocation hearing workload anticipated from the passage of AB 109, which was signed into law on April 4, 2011. AB 109 shifted the responsibility for parole and post-release supervision revocation hearings from the Board of Parole Hearings to local courts.
- Increases funding for Community Corrections Performance Incentive Grants by \$30 million. This grant program shares a portion of state savings with counties that demonstrate success in reducing the number of felony probationers who return to state prison. The May Revision notes that counties have kept approximately 6,200 felony probationers out of state prison due to the program.
- Scales back the Office of the Inspector General (OIG), which monitors the CDCR, for savings of \$6.4 million in 2011-12. The Administration suggests that OIG inspections are "less critical" due to "improved internal controls at the CDCR" and oversight already provided by the Bureau of State Audits.
- Eliminates the Office of Gang and Youth Violence Prevention for savings of \$0.6 million in 2011-12.
- Eliminates the California Council on Criminal Justice for federal fund savings of \$30,000 beginning in 2011-12.

Proposition 10

The May Revision drops the Governor's January proposal to divert \$1 billion in tobacco tax revenues generated from the tax imposed by Proposition 10 of 1998 to pay for Medi-Cal services for children up to age 5 in 2011-12. In March, the Legislature adopted the Governor's January proposal to use these revenues, which are currently allocated to the

state and 58 county First 5 commissions. The Legislature, however, rejected the Governor's proposal to shift approximately half of local First 5 commissions' future Proposition 10 revenues to the state on an ongoing basis. Several local First 5 commissions have challenged the state's authority to shift the funds, which the state says it will continue to defend in court. Although the Governor says the decision to restore General Fund costs reflects a conservative budget approach, local First 5 commissions must continue to set aside money for the state through June 30, 2012 as required by legislation passed as part of the March budget agreement. As a result, local commissions argue that they cannot spend the money available and will continue to make reductions to comply with the March budget agreement unless that requirement is repealed.

Managed Risk Medical Insurance Board

The May Revision shifts nearly 871,000 children from the Healthy Families Program to Medi-Cal in 2011-12 for net state savings of \$31.2 million. The Affordable Care Act of 2010 (ACA) requires all individuals with incomes at or below 133 percent of the federal poverty line to enroll in Medi-Cal beginning January 1, 2014. Approximately 190,000 children currently enrolled in Healthy Families would qualify for Medi-Cal under the federal health law and would have been transferred into the program on that date.

The May Revision also eliminates the Managed Risk Medical Insurance Board (MRMIB), which administers the Healthy Families Program, and transfers the remaining programs administered by the board to the Department of Health Care Services (DHCS) by 2012-13. The MRMIB currently administers five health coverage programs, including Healthy Families, the Access for Infants and Mothers Program, the County Children's Health Initiative Program, and two programs for individuals who have been denied coverage by insurance companies – the Major Risk Medical Insurance Program and the federal Pre-Existing Condition Insurance Plan.

Medi-Cal

The May Revision:

- Continues the imposition of an existing hospital fee for one year through June 30, 2012 for state savings of \$320 million. In recent years, proceeds from a hospital fee were used to draw down federal matching funds and provide additional dollars for health coverage for children in Medi-Cal and Healthy Families. The fee originally expired December 31, 2010, but the Legislature adopted an extension of the fee as part of the Governor's January proposal. The May Revision extends the fee for an additional year.
- Limits the number of times individuals in a Medi-Cal managed care plan can switch plans for state savings of \$1.7 million in 2011-12.
- Provides \$25 million in 2011-12 to help individuals enrolled in Adult Day Health Care (ADHC) programs transition to other Medi-Cal services, which is a reduction from the amount currently provided in the 2011-12 budget. In March, the Legislature adopted the Governor's January proposal to eliminate ADHC coverage as a Medi-Cal benefit and provided \$85 million in state funds for the transition in addition to creating an alternative program under a new federal waiver.

Department of Public Health

The May Revision:

- Reduces expenditures in the AIDS Drug Assistance Program by providing comprehensive coverage to individuals with HIV/AIDS through the Pre-Existing Condition Insurance Program and expands the Comprehensive AIDS

Resources Emergency/Health Insurance Premium Payment Program for state savings of \$17 million in 2010-11 and \$21 million in 2011-12.

- Partially restores funding to local health departments for their purchases of flu vaccine for the elderly and at-risk Californians for a General Fund increase of \$7.3 million in 2011-12.

Department of Mental Health

The May Revision:

- Eliminates the Department of Mental Health (DMH) and transfers some of the department's current responsibilities to counties as part of realignment, including the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program and mental health managed care. The balance of the DMH's responsibility overseeing state hospitals would be transferred to a new Department of State Hospitals.
- Enhances support for state mental hospital safety by \$50 million in 2010-11 to address a funding shortfall. The May Revision also proposes to expand safety and security at Napa State Hospital, Metropolitan State Hospital, and Patton State Hospital, increasing state spending by \$9.5 million in 2011-12. The May Revision also proposes to begin planning for the California Health Care Facility with the CDCR, increasing state spending by \$1.4 million 2011-12.

Other Health and Human Services Programs

The May Revision increases funding by \$10.7 million in 2011-12 to increase payment rates for foster families and non-related legal guardians, as well as for the Adoption Assistance Program and the Kinship Guardianship Assistance Payment Program. This funding increase comes in response to a federal court's ruling that California's foster family home rates do not comply with federal law. The May Revision notes that \$1.6 million of the increase is offset by the elimination of the supplemental clothing allowance for foster family homes.

The May Revision also eliminates a number of advisory boards and commissions that advise the state on state health and human services issues. The functions performed by these appointed bodies would be folded into existing state departments and agencies. Specifically, the May Revision eliminates the:

- California Health Policy and Data Advisory Commission. The commission advises the state Office of Statewide Health Planning and Development (OSHPD) on data collection, dissemination, and reporting programs.
- California Medical Assistance Commission (CMAC) by July 1, 2012. CMAC negotiates contracts with hospitals. The commission's responsibilities would be transferred to the DHCS following implementation of a revised hospital payment structure.
- Rehabilitation Appeals Board (RAB). The RAB is responsible for hearing appeals from Department of Rehabilitation consumers who are dissatisfied with decisions relating to their eligibility for services or the types of services they receive. The Governor's proposal would transfer this function to hearing officers.
- Continuing Care Advisory Committee (CCAC). The CCAC advises the Department of Social Services regarding continuing care retirement communities, which provide long-term residential care for the elderly.
- Commission on Emergency Medical Services. This commission advises the Emergency Medical Services Authority (EMSA) and approves regulations presented to them by the EMSA. Under the Governor's proposal, the EMSA would obtain input from "various other groups without the commission structure in place."
- Healthcare Workforce Policy Commission, which advises OSHPD on issues related to increasing the number of medical training slots in California. These functions would be performed by OSHPD "with public input."

- Rural Health Policy Council, which formulates and establishes rural health policy for the state. The state Health and Human Services Agency will interact “with rural Supervisors and constituents regarding health care policy . . . in a less formal and more consistent manner.”
- Public Health Advisory Committee, which is set to expire in June 2011. The Committee advises the state Department of Public Health (DPH) on developing policies to prevent illness and promote public health. The DPH will “obtain this advice from ongoing consultation rather than a formal committee.”

Child Care and Development Programs

The May Revision:

- Estimates a net decrease of \$123.5 million in funding for CalWORKs Stages 2 and 3 child care due to a “significant decline” in the Stage 3 caseload that occurred after former Governor Schwarzenegger vetoed Stage 3 funding effective November 1, 2010. Stage 3 enrollment has declined despite the fact that the state subsequently restored funding for the program, which provides child care for working families who have successfully transitioned off CalWORKs cash assistance.
- Eliminates the Early Learning Advisory Committee (ELAC) for a loss of \$3.6 million in federal funds in 2011-12. The state established ELAC in 2009 in order to qualify for federal funds to develop a data-tracking system for children up to age 5.
- Eliminates Child Care Monitoring Support, currently administered by the Department of Housing and Community Development, for savings of \$10,000 in 2011-12.

Labor and Workforce Development Agency

The May Revision maintains the Governor’s January proposal to borrow from the Unemployment Compensation Disability Fund – commonly known as the State Disability Insurance fund – to pay interest due on loans from the federal Unemployment Insurance (UI) trust fund but reduces the amount borrowed from \$362.3 million to reflect a revised amount of interest due of \$319.5 million. The May Revision requests that the deadline for implementing an alternate base period (ABP) that uses workers’ recent earnings in calculating eligibility for UI benefits be extended from September 2011 to April 2012.

The May Revision also increases funding for implementation of the ABP by:

- Increasing funding for the Single Client Database Conversion, which is required for implementation of the ABP, by \$15.6 million.
- Appropriating \$48 million in federal American Recovery and Reinvestment Act funding for ABP program operations through 2014-15.

In addition, as part of the Governor’s reductions to state operations, the May Revision:

- Eliminates the Unemployment Insurance Appeals Board, which handles appeals of Employment Development Department decisions regarding UI and Disability Insurance claims, in 2012-13.
- Reduces Labor and Workforce Development Agency staffing and moves the agency from rented space to offices of the Employment Development Department.
- Eliminates the Occupational Safety and Health Standards Board and transfers responsibility for setting workplace standards to the Department of Industrial Relations’ Division of Occupational Safety and Health.

Housing

As part of the Governor's reductions to state operations, the May Revision:

- Eliminates the Fair Employment and Housing Commission for savings of \$344,000 in 2011-12. According to May Revision documents, the Director of the Department of Fair Employment and Housing will handle appeals of employment and housing discrimination cases.
- Eliminates Department of Housing and Community Development oversight of redevelopment agencies' low- and moderate-income housing funds for savings of \$123,000 in 2011-12. This proposal is part of the Governor's proposed elimination of redevelopment agencies.
- Reduces funding for the Division of Housing Policy Development for savings of \$1.3 million in 2011-12.
- Eliminates funding for the Department of Housing and Community Development to provide assistance that helps prevent subsidized housing from being converted to market rents when subsidy periods expire.

In addition, the May Revision rescinds the Governor's January proposal to impose a one-year freeze in new awards of bond funds for housing project loans and grants. The May Revision allows the Department of Housing and Community Development to approve pending and future awards from Proposition 1C bonds. The May Revision also increases Proposition 1C bond funding by \$63 million in 2011-12 to support the Housing Urban-Suburban-and-Rural Parks Program, the Transit-Oriented Development Program, and the Building Equity and Growth in Neighborhoods Program.