MENTAL HEALTH SERVICES FUNDING. TEMPORARY REALLOCATION. HELPS BALANCE STATE BUDGET

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**QUICK-REFERENCE GUIDE**

**PROP 1E**  MENTAL HEALTH SERVICES FUNDING. TEMPORARY REALLOCATION. HELPS BALANCE STATE BUDGET.

**SUMMARY**  
Holds balance state budget by amending the Mental Health Services Act (Proposition 63 of 2004) to transfer funds, for two years, to pay for mental health services provided through the Early and Periodic Screening, Diagnosis, and Treatment Program for children and young adults. Fiscal Impact: State General Fund savings of about $230 million annually for two years (2009–10 and 2010–11). Corresponding reduction in funding available for Mental Health Services Act programs.

**WHAT YOUR VOTE MEANS**

**YES**  A YES vote on this measure means: A portion of funds previously approved by the voters under Proposition 63 to support the expansion of community mental health programs will be redirected over the next two years to achieve state General Fund savings.

**NO**  A NO vote on this measure means: All Proposition 63 funds would continue to be used to support the expansion of community mental health programs. Other budget reductions or revenue increases would be needed to address the state's fiscal problems.

**ARGUMENTS**

**PRO**  This is a one-time redirection of funds to help close an unprecedented $42 billion budget shortfall. Voting yes on Prop. 1E will ensure that we can continue to provide critical services to our most vulnerable Californians. It's the right thing to do for those who need us most.

**CON**  The Mental Health Services Act's successful programs save the state and local governments money by reducing incarceration, homelessness, hospitalization, out-of-home placements, and school failure. During these difficult times, let's keep programs that work and respect the will of the people. Vote no on Proposition 1E.

**FOR ADDITIONAL INFORMATION**

**FOR**  
No contact information was provided.

**AGAINST**  
Rusty Selix  
No on Prop. 1E  
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www.NoProp1E.com

**PROP 1F**  ELECTED OFFICIALS' SALARIES. PREVENTS PAY INCREASES DURING BUDGET DEFICIT YEARS.

**SUMMARY**  
Encourages balanced state budgets by preventing elected Members of the Legislature and statewide constitutional officers, including the Governor, from receiving pay raises in years when the state is running a deficit. Directs the Director of Finance to determine whether a given year is a deficit year. Prevents the Citizens Compensation Commission from increasing elected officials' salaries in years when the state Special Fund for Economic Uncertainties is in the negative by an amount equal to or greater than one percent of the General Fund. Fiscal Impact: Minor state savings related to elected state officials' salaries in some cases when the state is expected to end the year with a budget deficit.

**WHAT YOUR VOTE MEANS**

**YES**  A YES vote on this measure means: Members of the Legislature, the Governor, and other elected state officials could not receive salary increases in certain cases when the state General Fund is expected to end the year with a deficit.

**NO**  A NO vote on this measure means: A commission established by voters in 1990 could continue to give salary increases to Members of the Legislature, the Governor, and other elected state officials in any year, including cases when the state General Fund is expected to end the year with a deficit.

**ARGUMENTS**

**PRO**  Yes on 1F: NO PAY RAISES FOR POLITICIANS WHEN CALIFORNIA IS RUNNING A DEFICIT. Prop. 1F prohibits legislators, the governor and other elected state officials from getting pay raises whenever the state is running a deficit.

**CON**  Proposition 1F won't work. Legislators won't change their voting behavior just because of a threatened salary freeze. This petty, vindictive attempt to punish the Legislature will give us no relief from budget stalemates, while unfairly penalizing innocent bystanders such as the Secretary of State and Board of Equalization.

**FOR ADDITIONAL INFORMATION**

**FOR**  
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**AGAINST**  
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MENTAL HEALTH SERVICES FUNDING. TEMPORARY REALLOCATION. HELPS BALANCE STATE BUDGET.

PROPOSITION 1E

OFFICIAL TITLE AND SUMMARY

MENTAL HEALTH SERVICES FUNDING. TEMPORARY REALLOCATION. HELPS BALANCE STATE BUDGET.

- Amends Mental Health Services Act (Proposition 63 of 2004) to transfer funds, for a two-year period, from mental health programs under that act to pay for mental health services for children and young adults provided through the Early and Periodic Screening, Diagnosis, and Treatment Program.
- Provides more than $225 million in flexible funding for mental health programs.
- Helps balance state budget during this difficult economic time.

Summary of Legislative Analyst’s Estimate of Net State and Local Government Fiscal Impact:

- State General Fund savings of about $230 million annually for two years (2009–10 and 2010–11) from redirecting a portion of Proposition 63 funds to an existing state program in place of state General Fund support.
- Corresponding reduction in funding available for Proposition 63 community mental health programs.

FINAL VOTES CAST BY THE LEGISLATURE ON SB 10 (PROPOSITION 1E)

<table>
<thead>
<tr>
<th>Senate:</th>
<th>Ayes 36</th>
<th>Noes 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assembly:</td>
<td>Ayes 76</td>
<td>Noes 4</td>
</tr>
</tbody>
</table>

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

County Mental Health Services

Counties are the primary providers of mental health care in California communities for persons who lack private coverage for such care. Both children and adults are eligible to receive such assistance. Counties provide a range of psychiatric, counseling, hospitalization, and other treatment services to patients. These services are intended to help improve the health and functionality of individuals with mental illness while also minimizing their potential for disability, homelessness, criminal activity, and hospitalization.

County mental health programs are paid for with a mix of state, local, and federal funds. Counties spend about $5 billion annually from these sources on these programs. Some support for county mental health programs is provided through the state budget act and thus is subject to annual actions by the Legislature and Governor. Some state revenues, however, are automatically set aside for the support of these programs.

Proposition 63

Mental Health Programs Funded With Personal Income Tax Surcharge. In November 2004, California voters approved Proposition 63, also known as the Mental Health Services Act. Proposition 63 provides state funding for certain new or expanded mental health programs through a personal income tax surcharge of 1 percent on the portion of a taxpayer’s taxable income in excess of $1 million. Revenues generated by the surcharge are dedicated to the support of specified mental health programs and, with some exceptions, are not appropriated by the Legislature through the annual budget act. Full-year annual Proposition 63 revenues to date have ranged from about $900 million to $1.5 billion, and could vary significantly in the future.

Program Activities Supported From Proposition 63.

Proposition 63 funding is generally provided for five major purposes: (1) expanding community services, (2) providing workforce education and training, (3) building capital facilities and addressing technological needs, (4) expanding prevention and early intervention programs, and (5) establishing innovative programs. Figure 1 provides additional detail on these major program activities, which are currently at different stages of planning and implementation.

How Proposition 63 Programs Are Administered.

The state Department of Mental Health (DMH), in coordination with certain other agencies, has the lead role at the state level in implementing most of the programs specified in the measure—generally through contracts with the counties. Counties draft and submit for state review and approval their plans for the delivery of certain mental health services funded under Proposition 63. Some Proposition 63 funds are used in combination with matching federal funding to provide mental health services for persons eligible under the Medi-Cal health care program. (Medi-Cal provides health care services to qualified low-income persons, primarily consisting of families with children and the aged or disabled.)
For text of Proposition 1E, see page 55.
When voters approved Proposition 63, the Mental Health Services Act, to provide community mental health services in California, it was one of my proudest achievements. Since the Mental Health Services Act was enacted in 2004, we have helped hundreds of thousands of people who have suffered from untreated and severe mental illness regain lives of meaning and dignity.

As the co-author of Proposition 63, I support diverting funds from the Mental Health Services Act only as a last resort to help balance the state budget this year. California faces an unprecedented $42 billion budget deficit. Solving a budget crisis of this magnitude has been painful and difficult. Everyone has had to give something. But as a collective we must all share in the sacrifice to help put California back on track.

Proposition 1E will save the state's General Fund over $225 million in 2009–10 and up to $234 million in 2010–11 by redirecting funds from the Mental Health Services Act account to the state's Early and Periodic, Screening, Diagnosis and Treatment (EPSDT) program for the next two years. Children served under the EPSDT program will continue to receive specialized care for their complex mental health needs.

While the services provided in the EPSDT program are consistent with the approach of Proposition 63, make no mistake about what we are doing here. We are diverting money from the Mental Health Services Act to help reduce the magnitude of cuts that would otherwise have occurred in other state funded programs.

When Proposition 63 was enacted in 2004, voters overwhelmingly approved a 1% income tax on individuals with incomes over $1 million. The success of Proposition 63 has saved the state hundreds of millions of dollars in unnecessary hospital and prison costs and reversed decades of neglect for people living with mental illness.

Nonetheless, delays in getting new programs started have resulted in $2.5 billion sitting in state coffers. This is more than is needed to fund current services. While in the long run this money is probably best spent on Proposition 63 programs, we cannot afford to only do that right now. And although this shift will reduce the availability of services in the future, we need this funding now to avoid even deeper cuts in other vital state services.

This is a one-time redirection of funds at a time when we face an economic crisis like we have never seen before. This should not be a precedent for diverting Proposition 63 funds in the future. We need every dollar to end the neglect of people living with mental illness.

The focus now is on finishing our work to close the budget gap. By voting yes on Proposition 1E, California can continue to provide critical mental health services to vulnerable children. It’s the right thing to do for those who need us most. Please vote Yes on Proposition 1E.

SENATE PRESIDENT PRO TEMPORE DARRELL STEINBERG
Co-Author, Proposition 63
Five years ago, California voters made the decision to invest in our public mental health system. Through the Mental Health Services Act, Proposition 63, Californians were clear in their commitment to expand community mental health services. Following forty years of neglecting the mentally ill, in 2004 voters turned a new page and passed Proposition 63 and thereby began to rebuild California’s public mental health system. Even in this difficult time, we ought to respect the will of the people.

The Mental Health Services Act is changing lives. More than 200,000 people have received mental health services. Among those, nearly 20,000 children, youth, adults, and older adults are getting the proper help—medication, therapy, housing and transportation—for them to recover from severe mental illness. Nearly 40 percent of these individuals had at least one emergency room visit before they enrolled in the Mental Health Services Act program. After they participated in Mental Health Services Act programs, fewer than 10 percent visited the emergency room.

These Mental Health Services Act programs are saving the state valuable resources by reducing pressure on our overburdened jails and prisons. People who have received Mental Health Services Act services are much more likely to receive treatment and not be incarcerated. Additionally, these programs have been shown to reduce homelessness, hospitalization, out-of-home placements, and school failures, further providing relief to strapped counties, school districts and hospitals.

Additionally, the Mental Health Services Act will reduce the need for future mental health services through early intervention and treatment. In California, 50,000 are children experiencing early symptoms of mental illness. The Mental Health Services Act emphasis on early intervention and treatment will help these children before their symptoms become debilitating.

Shifting Mental Health Services Act funds away from these programs will impede us from serving even more people. I recognize how difficult the current fiscal climate is. However, Mental Health Services Act programs are working and save the state money. We need to preserve programs that are effective and respect the will of the people. Please vote no on Proposition 1E.

LOU CORREA, State Senator

The opponents of Proposition 1E say that Proposition 63, the Mental Health Services Act, is providing essential and effective services for hundreds of thousands of people living with mental illness who weren’t receiving treatment before. I agree. The Mental Health Services Act is changing lives as we rebuild our public mental health system in California.

But we are facing an unprecedented crisis in California—a $42 billion budget shortfall, a deficit like we have never seen before. We have made painful cuts to education, colleges, health care and transportation as well as programs that serve seniors and families who need our help most. There are no easy choices.

Proposition 1E will redirect funds from the Mental Health Services Act to the state’s Early and Periodic, Screening, Diagnosis and Treatment (EPSDT) program, which provides mental health services to children, for the next two years. This will not reduce the level of Mental Health Services Act services currently being provided.

The diversion of funds from Proposition 63 should never happen again. But solving a budget crisis of this magnitude has required that we all sacrifice for the collective good. Voting yes on Proposition 1E protects kids and ensures that our most vulnerable Californians will continue to receive critical services. Yes on Proposition 1E.

SENATE PRESIDENT PRO TEMPORE DARRELL STEINBERG
Co-Author, Proposition 63
prescribed in subdivision (a), the state commission may withhold funds that would otherwise have been allocated to the county commission from the California Children and Families Trust Fund pursuant to Section 130140 until the county commission submits the data as required by subdivision (a).

(c) The state commission shall make copies of each of its annual audits and reports available to members of the general public on request and at no cost. The state commission shall furnish each county commission with copies of those documents in a number sufficient for local distribution by the county commission to members of the general public on request and at no cost.

(d) Each county commission shall make copies of its annual audits and reports available to members of the general public on request and at no cost.

SEC. 3. Section 30131.4 of the Revenue and Taxation Code is amended to read:

30131.4. (a) All moneys raised pursuant to taxes imposed by Section 30131.2 shall be appropriated and expended only for the purposes expressed in the California Children and Families Act, and shall be used only to supplement existing levels of service and not to fund existing levels of service, except as authorized in subparagraph (H) of paragraph (1) of subdivision (d) of Section 130105 of the Health and Safety Code and Section 30131.45. No moneys in the California Children and Families Trust Fund shall be used to supplant state or local General Fund money for any purpose.

(b) Notwithstanding any other provision of law and the designation of the California Children and Families Trust Fund as a trust fund, the Controller may use the money raised pursuant to Section 30131.2 for the California Children and Families Trust Fund and all accounts created pursuant to subdivision (d) of Section 130105 of the Health and Safety Code and Section 30131.45 for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with interest commencing to accrue on the date the loan is made from the fund or account. This subdivision does not authorize any transfer that will interfere with the carrying out of the object for which this fund or those accounts were created.

SEC. 4. Section 30131.45 is added to the Revenue and Taxation Code, to read:

30131.45. Prior to the distribution of moneys from the California Children and Families Trust Fund as provided under Section 130105 of the Health and Safety Code, for state fiscal years 2009–10, 2010–11, 2011–12, 2012–13, and 2013–14, two hundred sixty-eight million dollars ($268,000,000) shall be transferred annually to the Proposition 10 Health and Human Services Fund, which is hereby created in the State Treasury, to support state health and human services programs for children up to five years of age. These funds shall be expended, upon appropriation by the Legislature, as part of the annual budget process or in another statute. For purposes of this section, “state health and human services programs” include, but is not limited to, early intervention and prevention services for infants and toddlers with developmental disabilities, child welfare services, adoption assistance, foster care, kinship guardianship assistance payments (Kin-GAP), and direct health care services.

PROPOSITION 1E

This amendment proposed by Senate Bill 10 of the 2009–2010 Third Extraordinary Session (Chapter 15, 2009–2010 Third Extraordinary Session) is submitted to the people in accordance with Section 10 of Article II of the California Constitution.

This proposed law amends sections of the Welfare and Institutions Code; therefore, provisions proposed to be deleted are printed in strikeout type and new provisions proposed to be added are printed in italic type to indicate that they are new.

PROPOSED LAW

SECTION 1. Section 5891 of the Welfare and Institutions Code is amended to read:

5891. (a) The funding established pursuant to this act shall be utilized to expand mental health services. These funds shall not be used to supplant existing state or county funds utilized to provide mental health services. These funds may only be used to pay for the programs authorized in Section 5892. These funds may be used to pay for any other program. These funds may not be loaned to the state General Fund or any other fund of the state, or a county general fund or any other county fund for any purpose other than those authorized by Section 5892.

(b) Notwithstanding subdivision (a), the Controller may use the funds created pursuant to this part for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with interest commencing to accrue on the date the loan is made from the fund. This subdivision does not authorize any transfer that would interfere with the carrying out of the object for which these funds were created.

SEC. 2. Section 5892 of the Welfare and Institutions Code is amended to read:

5892. (a) In order to promote efficient implementation of this act allocate the following portions of funds available in the Mental Health Services Fund in 2005–06 and each year thereafter:

(1) In 2005–06, 2006–07, and in 2007–08 10 percent shall be placed in a trust fund to be expended for education and training programs pursuant to Part 3.1.

(2) In 2005–06, 2006–07 and in 2007–08 10 percent for capital facilities and technological needs distributed to counties in accordance with a formula developed in consultation with the California Mental Health Directors Association to implement plans developed pursuant to Section 5847.

(3) Twenty percent for prevention and early intervention programs distributed to counties in accordance with a formula developed in consultation with the California Mental Health Directors Association pursuant to Part 3.6 (commencing with Section 5840) of this division.

Each county’s allocation of funds shall be distributed only after its county commission from the California Children and Families Trust Fund has established prudent purposes expressed in the California Children and Families Act, and the state commission may withhold funds that would otherwise have been allocated to the county commission from the California Children and Families Trust Fund pursuant to Section 130140 until the county commission submits the data as required by subdivision (a).

SEC. 2. Section 5892 of the Welfare and Institutions Code is amended to read:

5892. (a) In order to promote efficient implementation of this act allocate the following portions of funds available in the Mental Health Services Fund in 2005–06 and each year thereafter:

(1) In 2005–06, 2006–07, and in 2007–08 10 percent shall be placed in a trust fund to be expended for education and training programs pursuant to Part 3.1.

(2) In 2005–06, 2006–07 and in 2007–08 10 percent for capital facilities and technological needs distributed to counties in accordance with a formula developed in consultation with the California Mental Health Directors Association to implement plans developed pursuant to Section 5847.

(3) Twenty percent for prevention and early intervention programs distributed to counties in accordance with a formula developed in consultation with the California Mental Health Directors Association pursuant to Part 3.6 (commencing with Section 5840) of this division.

Each county’s allocation of funds shall be distributed only after its annual program for expenditure of such funds has been approved by the Mental Health Services Oversight and Accountability Commission established pursuant to Section 5845.

(4) The allocation for prevention and early intervention may be increased in any county which the department determines that such increase will decrease the need and cost for additional services to severely mentally ill persons in that county by an amount at least commensurate with the proposed increase. The statewide allocation for prevention and early intervention may be increased whenever the Mental Health Services Oversight and Accountability Commission determines that all counties are receiving all necessary funds for services to severely mentally ill persons and have established prudent reserves and there are additional revenues available in the fund.
(5) The balance of funds shall be distributed to county mental health programs for services to persons with severe mental illnesses pursuant to Part 4 (commencing with Section 5850), for the children’s system of care and Part 3 (commencing with Section 5800), for the adult and older adult system of care.

(6) Five percent of the total funding for each county mental health program for Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division, shall be utilized for innovative programs pursuant to an approved plan required by Section 5830 and such funds may be distributed by the department only after such programs have been approved by the Mental Health Services Oversight and Accountability Commission established pursuant to Section 5845.

(7) Prior to the distribution of funds under paragraphs (1) to (5), inclusive, effective July 1, 2009, the sum of two hundred twenty-six million seven hundred thousand dollars ($226,700,000) shall be redirected to support the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program as administered by the State Department of Mental Health for the 2009–10 fiscal year. For the 2010–11 fiscal year prior to the distribution of funds under paragraphs (1) to (5), inclusive, effective July 1, 2010, the sum of two hundred twenty-six million seven hundred thousand dollars ($226,700,000) shall be redirected to support the EPSDT program, except that this amount may be adjusted to fund caseload as appropriate in the EPSDT program, but the total amount redirected for the 2010–11 fiscal year shall not exceed the sum of two hundred thirty-four million dollars ($234,000,000). This paragraph shall become inoperative on July 1, 2011.

(b) In any year after 2007–08, programs for services pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850) of this division may include funds for technological needs and capital facilities, human resource needs, and a prudent reserve to ensure services do not have to be significantly reduced in years in which revenues are below the average of previous years. The total allocation for purposes authorized by this subdivision shall not exceed 20 percent of the average amount of funds allocated to that county for the previous five years pursuant to this section.

(c) The allocations pursuant to subdivisions (a) and (b) shall include funding for annual planning costs pursuant to Section 5848. The total of such costs shall not exceed 5 percent of the total of annual revenues received for the fund. The planning costs shall include funds for county mental health programs to pay for the costs of consumers, family members and other stakeholders to participate in the planning process and for the planning and implementation required for private provider contracts to be significantly expanded to provide additional services pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850) of this division.

(d) Prior to making the allocations pursuant to subdivisions (a), (b) and (c), the department shall also provide funds for the costs for itself, the California Mental Health Planning Council and the Mental Health Services Oversight and Accountability Commission to implement all duties pursuant to the programs set forth in this section. Such costs shall not exceed 5 percent of the total of annual revenues received for the fund. The administrative costs shall include funds to assist consumers and family members to ensure the appropriate state and county agencies give full consideration to concerns about quality, structure of service delivery or access to services. The amounts allocated for administration shall include amounts sufficient to ensure adequate research and evaluation regarding the effectiveness of services being provided and achievement of the outcome measures set forth in Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division.

(e) In 2004–05 funds shall be allocated as follows:

(1) 45 percent for education and training pursuant to Part 3.1 (commencing with Section 5820) of this division.

(2) 45 percent for capital facilities and technology needs in the manner specified by paragraph (2) of subdivision (a).

(3) 5 percent for local planning in the manner specified in subdivision (c) and

(4) 5 percent for state implementation in the manner specified in subdivision (d).

(f) Each county shall place all funds received from the State Mental Health Services Fund in a local Mental Health Services Fund. The Local Mental Health Services Fund balance shall be invested consistent with other county funds and the interest earned on such investments shall be transferred into the fund. The earnings on investment of these funds shall be available for distribution from the fund in future years.

(g) All expenditures for county mental health programs shall be consistent with a currently approved plan or update pursuant to Section 5847.

(h) Other than funds placed in a reserve in accordance with an approved plan, any funds allocated to a county which have not been spent for their authorized purpose within three years shall revert to the state to be deposited into the fund and available for other counties in future years, provided however, that funds for capital facilities, technological needs or education and training may be retained for up to 10 years before reverting to the fund.

(i) If there are still additional revenues available in the fund after the Mental Health Services Oversight and Accountability Commission has determined there are prudent reserves and no unmet needs for any of the programs funded pursuant to this section, including all purposes of the Prevention and Early Intervention Program, the commission shall develop a plan for expenditures of such revenues to further the purposes of this act and the Legislature may appropriate such funds for any purpose consistent with the commission’s adopted plan which furthers the purposes of this act.

PROPOSITION 1F

This amendment proposed by Senate Constitutional Amendment 8 of the 2009–2010 Regular Session (Resolution Chapter 3, Statutes of 2009) expressly amends the California Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in strikeout type and new provisions proposed to be added are printed in italic type to indicate that they are new.

PROPOSED LAW

PROPOSED AMENDMENT TO SECTION 8 OF ARTICLE III

SEC. 8. (a) The California Citizens Compensation Commission is hereby created and shall consist of seven members appointed by the Governor. The commission shall establish the annual salary and the terms for any purpose consistent with the commission’s adopted plan which furthers the purposes of this act.

(b) The commission shall consist of the following persons:

(1) Three public members, one of whom has expertise in the area of compensation, such as an economist, market researcher, or personnel manager; one of whom is a member of a nonprofit public interest organization; and one of whom is representative of the general population and may include, among others, a retiree, homemaker, or person of median income. No person appointed pursuant to this paragraph may, during the 12 months prior to his or her appointment, have held public office, either elective or appointive, have been a lobbyist, as defined by the Political Reform Act of 1974.

(2) Two members who have experience in the business community, one of whom is an executive of a corporation incorporated in this State which ranks among the largest private sector employers in the State based on the number of employees employed by the corporation in this State and one of whom is an owner of a small business in this State.