

FINAL ACTIONS

August 26, 2004

Senate Bill 1113 (Chapter 208)
2004-05 Budget Bill

Senate Committee
on Budget and Fiscal Review

Wesley Chesbro, Chair

Ross Johnson, V. Chair
Gilbert Cedillo
Denise Moreno Ducheny
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CONTENTS

Overview of Budget Act

Introduction.....	Page 1
General Fund Summary	2
Major Features of SB 1113	2
Trailer Bill List	5

Budget Detail by Subcommittee

Index, Departments by Subcommittee and Item Number.....	6
<i>Subcommittee No. 1:</i> Education	1-1
<i>Subcommittee No. 2:</i> Resources, Environmental Protection , Public Safety, Energy	2-1
<i>Subcommittee No. 3:</i> Health, Human Services, Labor and Veterans Affairs	3-1
<i>Subcommittee No. 4:</i> Legislative, Executive, Judiciary, Transportation, and General Government.....	4-1

Governor's Vetoes

INTRODUCTION

At the end of July, the Legislature passed SB 1113, the 2004-05 Budget Bill (Chapter 208, Statutes of 2004). SB 1113 provides for a balanced budget as required by the State Constitution.

Enclosed is the Senate Final Action Report. The report provides a detailed summary of the 2004-05 budget actions taken by the Senate Budget and Fiscal Review Committee (via the subcommittee process) and the Budget Conference Committee along with the Governor's vetoes.

The report builds on the Major Action Report (issued May 28, 2004) which detailed the Senate version of the proposed 2004-05 budget. The actions are recorded by department or agency which, in turn, are organized by budget subcommittee. The Table of Contents will help you locate the specific departments or agencies that are of interest.

A list of budget trailer bills that were passed by the Legislature is also included. We hope you find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee should you have any questions.

GENERAL FUND SUMMARY
2004-05
(dollars in millions)

	<u>2003-04</u>	<u>2004-05</u>
Prior-Year Balance	\$4,178	\$3,127
Revenues and Transfers	76,582	77,251
Total Resources Available	\$80,760	\$80,378
Expenditures	\$77,633	\$78,681
Fund Balance	\$3,127	\$1,697
Reserves:		
Liquidation of Encumbrances	\$929	\$929
Economic Uncertainties	\$2,198	\$768

MAJOR FEATURES OF SB 1113

- The 2004 Budget Act (SB 1113) provides a balanced budget as required by the State Constitution.
- Total revised General Fund resources are estimated at \$80.4 billion, while estimated expenditures are approximately \$78.7 billion. (The total budget for all funding sources is projected at \$105.3 billion.)
- According to the Department of Finance, the budget includes a total General Fund reserve of \$768 million. Of this amount, approximately \$466 million is designated for non-Proposition 98 purposes and \$302 million is designated for Proposition 98.

- Does not include any general tax increases, but is premised on revenues from an increase in higher education and resource related fees, suspension of the teachers' tax credit, tax amnesty, and closure of a tax loophole related to the purchase of vehicles, vessels or aircraft purchased outside of California and subsequently brought back into the state within a specified time.
- Contains a Local Government agreement to provide \$2.6 billion in General Fund savings (over a two-year period) to the state while providing protection of future local government revenues.
- Suspends the Proposition 42 transfer of \$1.2 billion to transportation in 2004-05.
- Dedicates \$1.2 billion in new tribal gaming revenue for early repayment of transportation loans to the General Fund.
- Eliminates, as proposed by the Governor, the caps on enrollment for certain Medi-Cal programs as originally proposed by the Governor in his January budget.
- Eliminates, as proposed by the Governor, the 5 percent rate reduction on Medi-Cal fee-for-service rates and the additional 10 percent rate reduction on all Medi-Cal rates as originally proposed by the Governor in his January budget. The 5 percent reduction was eliminated due to a court injunction.
- Maintains all current IHSS program services and eligibility criteria.
- Retains pass-through of the federal January 2005 cost-of-living adjustment (COLA) for the Supplemental Security Income/State Supplementary Program (SSI/SSP) and delays the state COLA until April 2005.
- Maintains CalWORKs grants at their current level.
- Suspends, as proposed by the Governor, the Proposition 98 minimum guarantee saving the state approximately \$2 billion in 2004-05.
- Provides over \$36 million in General Fund to restore outreach programs at UC (\$29.3 million) and CSU (\$7 million). The CSU will redirect \$45 million

internally to restore full funding (\$52 million total) for outreach programs. The Governor's proposal would have eliminated all state funding for these programs.

- Authorizes the issuance of pension obligation bonds to pay \$929 million in state retirement costs. Bonds are financed through the savings generated by requiring new state employees to work for 24 months prior to joining PERS. In 2004-05, this action reduces the state's retirement costs by \$32 million.
- Establishes the Public Benefit Trust Fund and provides that an award of punitive damages shall be apportioned according to a specified formula. The expected budget year revenues from this proposal are \$450 million.
- Authorizes the Administration to make \$300 million in unallocated General Fund reductions during the fiscal year. State operations appropriations may be reduced by as much as 20 percent, and local assistance appropriations may be reduced by as much as 5 percent. Furthermore, no program, project, or function may be reduced by more than the designated percentage.

TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
SB 1096	Ch 211	Local Government - VLF	29-7	69-9
SB 1097	Ch 225	General Government. Technology, Trade and Commerce agency technical corrections	29-8	77-2
SB 1098	Ch 212	Transportation financing omnibus	38-1	79-1
SB 1099	Ch 210	Transportation -- Prop 42 suspension	27-11	54-26
SB 1100	Ch 226	Taxation	27-11	54-25
SB 1101	Ch 213	Education finance. Prop 98 suspension.	32-6	55-23
SB 1102	Ch 227	General Government omnibus	31-5	78-1
SB 1103	Ch 228	Health omnibus	27-11	58-21
SB 1104	Ch 229	Human Services omnibus	27-11	62-17
SB 1105	Ch 214	Public employee retirement: state employees	35-3	72-8
SB 1106	Ch 215	Pension obligation bonds	27-12	60-20
SB 1107	Ch 230	Resources omnibus	27-11	55-21
SB 1108	Ch 216	Education finance omnibus	32-6	68-7
SB 1110	Ch 217	State employees: State Bargaining Unit 6	27-10	63-14
SB 1111	Ch 218	Veterans Affairs	35-4	59-12
SB 1112	Ch 219	State responsibility area fire protection benefit fee.	31-7	78-2
SB 1113	Ch 208	Budget Act of 2004-05.	28-11	69-11
SB 1119	Ch 209	Ballot measures.	36-3	67-9
SB 1120	Ch 220	Budget Act of 2003: contingencies or emergencies (Deficiency Bill).	28-11	78-0
SB 1448	Ch 233	Pupil assessment (Alpert).	39-0	68-6
SB 1809	Ch 221	Labor Code Private Attorneys General Act of 2004 (Dunn).	38-0	79-0
SCA 4	Res. Ch 133	Local Government Constitutional Amendment (Torlakson).	34-5	64-13
AB 1554	Ch 263	School finance: emergency apportionments and lease financing (Keene).	31-1	71-0

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Jack Scott, Chair
John Vasconcellos
Bob Margett

Consultants

Kim Connor
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SUBCOMMITTEE No. 1

EDUCATION

K-12

Department of Education.....	1-1
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Child Development

California Department of Education—Child Development.....	1-4
---	-----

Higher Education

California State Library.....	1-5
California Postsecondary Education Commission.....	1-5
University of California.....	1-5
California State University.....	1-6
Hastings College of Law.....	1-6
California Community Colleges.....	1-6
Student Aid Commission.....	1-7

K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Appropriated the same level of Proposition 98 Funding for K-12 education programs as proposed by the Governor in 2004-05.
- Provided \$7,007 per pupil in Proposition 98 funds in 2004-05, which represents, according to the Legislative Analyst's Office, an increase of \$120 per pupil over the amount provided in 2003-04.
- Suspended the Proposition 98 minimum guarantee for 2004-05 through a separate budget trailer bill and sets funding \$2 billion below the level that would otherwise be required under the Constitution.
- Rejected the Governor's proposal to shift \$2 billion in funding for 22 education categorical programs into a new revenue limit "add-on" program.
- Provided \$1.3 billion in revenue limit and categorical program enrollment growth and COLA adjustments in 2004-05. This reflects a 0.95 percent ADA growth rate and a 2.41 percent COLA.
- Appropriated \$150 million annually for each fiscal year, beginning in 2006-07, to school districts and community colleges to "settle-up" the state's Proposition 98 obligation to schools and community colleges dating back to the 1995-96 fiscal year and continuing through the 2003-04 fiscal year.
- Approved \$270 million to reduce the deficit factor for revenue limits for school districts and county offices of education. This reduces the 2003-04 base deficit factor from 1.2 percent to 0.3 percent.
- Appropriated \$110.0 million in funding for revenue limit "equalization" in 2004-05 and allocated funds on the basis of average daily attendance using a post SB 727 approach.
- Augmented funding for instructional materials by \$88 million above the Governor's May Revision. Of this amount, \$30 million is directed for purchase of supplemental materials for English learners. In total, the 2004-05 budget provides \$363 million for instructional materials.
- Augmented funding for Deferred Maintenance by \$66.3 million above the Governor's May Revision, which brings total funding to \$250.3 million in the 2004-05 fiscal year.
- Provided \$188 million for purposes of settling the *Williams v. State of California* lawsuit. Of this amount:
 - \$138 million is for instructional materials for students attending schools in the lowest two deciles of the API; and

- \$50 million is set-aside as a part of the budget for unspecified, associated costs related to the *Williams* settlement.
- Denied the Governor's May Revision proposal to provide \$95 million in Proposition 98 Reversion Funds for school libraries and instead uses these and other one-time reversion funds to restore \$119.5 million in funding for child care programs in 2004-05.
- Deferred payment of all education mandates in 2004-05 for a savings of over \$300 million. Consistent with the administration's proposal.
- Appropriated \$58.4 million to buyout old education mandate claims that are no longer subject to audit. These funds are appropriated as a "balancer" to meet appropriation levels reflected in the 2004-05 budget.
- Fully funded the PERS employee costs consistent with the rates recently adopted by PERS. This generated savings of \$141 million compared to the Governor's May Revision because the rates that PERS adopted were lower than the May Revision assumed.
- Adopted \$36 million in the Governor's Budget for the PERS Mitigation Offset in order to assist school districts in making retirement contributions for classified employees.
- Adopted the Governor's May Revision to provide an additional \$31 million in permanent special education funds to assist LEAs in providing mental health related services to children with exceptional needs, pursuant to legislation. This increases total funding for these purposes to \$100 million in 2004-05.
- Adopted the Governor's May Revision to provide \$38.4 million in special education funds to implement revisions to the funding formula for students with exceptional needs who reside in licensed children's institutions and other out-of-home placements.
- Adopted the May Revision proposal of an additional \$29.6 million in federal Title I-Reading First funds for diagnostic reading assessments and remedial reading instruction to young students being considered for referral to special education.
- Authorized \$68 million in federal Title I-School Improvement funding to provide district accountability under the No Child Left Behind Act, per the Governor's May Revision, pursuant to legislation.
- Provided \$3 million in federal Title VI funds for the development of a standards-aligned primary language test, pursuant to legislation.
- Approved the Governor's May Revision to reduce funding for Excess Property Tax Districts by \$2.7 million in order to reduce categorical funding commensurate with an ongoing revenue limit deficit factor of 0.3 percent for LEAs.
- Adopted the May Revision proposal to continue \$7.7 million to provide one more year of funding for the Charter Schools Facilities Grant. The Governor's January budget proposed to eliminate funding for the program.
- Appropriated \$3 million in federal Title VI – Assessment funds, pursuant to legislation, for the development of a standards-aligned primary language test for students who are English language learners.

- Restored reductions proposed by the Governor's Budget for several categorical programs: Early Mental Health Initiative (\$5 million); Healthy Start (\$2 million); and Pre-Intern Program (\$3.5 million - partial restoration).
- Reduced non-Proposition 98 General Funds by \$167 million in 2004-05 to reflect savings associated with refinancing outstanding emergency loans to school districts through the state's Infrastructure Bank, pursuant to legislation.
- Increased non-Proposition 98 General Funds by \$60 million in 2003-04 as a set-aside for an emergency loan to the Vallejo City Unified School District.
- Eliminated funding, per Governor's veto, for the following programs restored by the Legislature: Local Education Art Partnerships (\$6 million); Academic Improvement and Achievement (\$5 million); and School-to-Career (\$1.7 million).
- Reduced funding for the Advancement Via Individual Determination (AVID) program by \$1.3 million (non-98) for advanced placement teacher training and tutoring services pursuant to Governor's veto, bringing total funding for the AVID program to \$9 million in 2004-05.
- Continued funding for Family Empowerment Centers at the 2004-05 level of \$2.7 million. The Governor vetoed an augmentation of \$700,000 in federal special education funding for this purpose.

Budget Trailer Bills

- SB 1101 (Committee on Budget and Fiscal Review) -- Proposition 98 Suspension. Suspended the Proposition 98 minimum guarantee for school districts and community colleges for the 2004-05 fiscal year and set funding \$2,003,996,000 below the level that would otherwise be required by the California Constitution. Chapter 213; Statutes of 2004.
- SB 1108 (Committee on Budget and Fiscal Review) -- Omnibus Education Budget. Made changes to a variety of education related statutes to implement provisions of the 2004-05 Budget Act. Chapter 216; Statutes of 2004.
- SB 1448 (Alpert) – Pupil Assessment. Extended the Standardized Testing and Reporting (STAR) program, with some revisions to grades levels tested and required the development of a primary language test for English learners to replace the Spanish Assessment of Basic Education (SABE). Chapter 233; Statutes of 2004.
- AB 1554 (Keene) – Emergency Loans. Authorized the state to make emergency loans to school districts through lease financing available through the California Infrastructure and Economic Development Bank. Chapter 263, Statutes of 2004.

CHILD DEVELOPMENT

6110 CALIFORNIA DEPARTMENT OF EDUCATION – CHILD DEVELOPMENT

- Reversed the majority of the Governor’s child care reform proposals and restored the programs to their 2003-04 levels using General Fund (Proposition 98), as follows:
 - Approved Governor’s proposal to shift 11- and 12-year-old children from subsidized child care to state and federal after-school programs.
 - Denied administration’s proposal to implement a tiered income eligibility system.
 - Denied Governor’s proposed child care family fee reforms.
 - Rejected Governor’s proposal to implement a tiered reimbursement rate schedule for child care providers.
 - Rejected Governor’s proposal to limit the length of time former CalWORKS recipients can receive subsidized child care services under Stage 3.
 - Denied administration’s proposal to limit the amount of time parents can be enrolled in education and vocational training programs and still retain subsidized child care services.
- Increased funding pursuant to the Governor’s proposal, for the federal 21st Century Learning Centers program, with additional funds specifically targeted at increasing slots for 11- and 12-year olds.
- Provided an additional 5.5 positions for the child development division of the California Department of Education to address compliance issues and develop and disseminate best practices information to practitioners.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Approved Governor's proposal to reduce funding for Public Library Foundation by \$1.4 million, bringing the total appropriation level for 2004-05 to \$14.4 million.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

- Approved operational funding for CPEC, as budgeted.

6440 UNIVERSITY OF CALIFORNIA (UC)

- Approved the majority of the Governor's higher education budget cut proposals.
- Increased undergraduate student fees by 14 percent, graduate student fees by 20 percent, and professional school fees by 30 percent (consistent with the fee increases approved by the UC Board of Regents).
- Provided \$29 million GF augmentation to support student academic preparation and outreach programs at the UC. Governor's proposal would have eliminated all state funding for these programs.
- Denied Governor's proposal to redirect 10 percent of UC's incoming freshman class to the California Community Colleges; adopted trailer bill language (contained in SB 1108, Chapter 216, Statutes of 2004) making student participation in the dual admissions program "voluntary;" and required the UC to redirect \$12 million of internal funding to support any redirected students who accept late offers to attend the UC.
- Sustained Governor's proposal, which does not provide support for either COLA or enrollment growth funding.
- Reestablished the Institute for Labor Studies at the UC and provided an augmentation of \$3.8 million GF to support the continuation of the Institute.
- Fully-funded (\$20 million) the operational start-up costs associated with the development of the new UC Merced campus.
- Accepted the Governor's proposal to decrease the amount of fee revenue set-aside for campus-based financial aid, from the current set-aside level of 33.3 percent to 20 percent.
- Approved all capital outlay projects as proposed by the Administration.

6610 CALIFORNIA STATE UNIVERSITY (CSU)

- Accepted the majority of the Governor's higher education budget cut proposals.
- Increased undergraduate fees by 14 percent and graduate fees by 25 percent. Post-baccalaureate students in the fields of nursing and teaching will have their fees increased by 20 percent increases (consistent with action taken by the CSU Board of Trustees).
- Restored \$7 million GF to support student academic preparation and outreach programs at the CSU. CSU will redirect \$45 million internally to restore full-funding (\$52 million total) for outreach programs. Governor's proposal would have eliminated all state funding for these programs.
- Denied Governor's proposal to redirect 10 percent of CSU's incoming freshman class to the California Community Colleges and provided \$21.1 million GF to support the enrollment costs affiliated with these 3,800 students. Adopted trailer bill language (contained in SB 1108, Chapter 216, Statutes of 2004) requiring the CSU to establish a voluntary dual admissions program.
- Provided an additional \$12.2 million GF to support 0.6 percent enrollment growth at the CSU.
- Sustained Governor's proposal which failed to provide for a COLA.
- Approved Governor's proposal to decrease the amount of fee revenue set-aside for campus-based financial aid, from the current set-aside level of 33.3 percent to 20 percent.
- Approved an unallocated reduction of \$24.4 million associated with the Governor's proposal to charge students the full cost of instruction if they enrolled in over 110 percent of the units required to obtain a degree.
- Approved all Capital Outlay projects as proposed by the Administration.

6600 HASTINGS COLLEGE OF LAW

- Approved fee increases of 30 percent and adopted other associated unallocated reductions, as proposed by the Governor.

6870 CALIFORNIA COMMUNITY COLLEGES

- Increased student fees from \$18 per unit to \$26 per unit, pursuant to the Governor's proposal.

- Denied Governor's proposal to charge community college students with a baccalaureate degree \$50 per unit, and instead provided \$4.8 million General Fund to "backfill" lost fee revenue and hold colleges harmless.
- Provided an additional \$80 million for Equalization, contingent upon the enactment of legislation. Allocation of funds is specified within the Education Omnibus Trailer Bill (SB 1108, Chapter 216, Statutes of 2004).
- Augmented the Governor's proposal to provide 3 percent enrollment growth by \$27 million to instead provide enrollment growth equivalent to 3.67 percent (for a total cost of \$148 million).
- Augmented Governor's noncredit education proposal by \$2 million to increase matriculation services to noncredit students by a total of \$6 million.
- Adopted Governor's proposal to fold the Partnership for Excellence categorical program into the General Apportionments "base" and adopted revised Budget Bill language specifying outcomes, goals, and reporting requirements.
- Reduced, pursuant to Governor's line-item veto, funding available for the Partnership for Excellence program by \$31.4 million, leaving \$193.6 million for the program.
- Augmented the amount of funding available in the current year (by \$28.4 million) for scheduled maintenance, special repairs, instructional equipment, and library materials due to an increase in the 2003-04 Proposition 98 guarantee. Augmentation was pursuant to Governor's May Revision.
- Continued the deferral of \$200 million worth of general apportionment expenditures from June 2005 to July 2005.

7980 CALIFORNIA STUDENT AID COMMISSION

- Rejected the Governor's proposal to decrease the income ceilings for the Cal Grant A and B programs and provided \$11.2 million GF to backfill the proposed reduction.
- Denied the Governor's proposal to decrease the maximum Cal Grant award level for students attending private colleges and universities and restored \$22 million (using an additional \$12.5 million from EdFUND's Student Loan Operating Fund (SLOF) to partially backfill the reduction). Maximum award level will be approximately \$8,300.
- Approved the Governor's proposal to retain Cal Grant funding for student fee increases at UC and CSU.
- Rejected the Governor's proposal to reduce the number of Competitive Cal Grant awards by 5,625.
- Denied the Governor's proposal to reduce the number of Assumption Program of Loans for Education (APLE) warrants and alter the priorities within the program.

- Approved the Governor's proposal to shift \$134 million worth of ongoing Cal Grant costs from the General Fund to the SLOF; and further increased the shift by \$12.5 million to accommodate the restoration of the private Cal Grant award level.

SUBCOMMITTEE 2

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson

Consultants

Keely Martin Bosler
Alex MacBain

SUBCOMMITTEE No. 2

RESOURCES, ENVIRONMENTAL PROTECTION, PUBLIC SAFETY, ENERGY, and GENERAL GOVERNMENT

Natural Resources

Secretary for Resources	2-1
Special Resources Programs.....	2-1
California Tahoe Conservancy	2-1
California Conservation Corps.....	2-1
Department of Conservation.....	2-2
Department of Forestry and Fire Protection	2-2
State Lands Commission	2-3
Department of Fish and Game.....	2-3
Wildlife Conservation Board.....	2-3
Department of Boating and Waterways.....	2-4
California Coastal Commission.....	2-4
State Coastal Conservancy	2-4
Native American Heritage Commission.....	2-5
Department of Parks and Recreation	2-5
Santa Monica Mountains Conservancy	2-5
San Francisco Bay Conservation and Development Commission	2-6
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	2-6
San Joaquin Conservancy.....	2-6
Baldwin Hills Conservancy	2-6
Delta Protection Commission.....	2-6
San Diego River Conservancy.....	2-6
Coachella Valley Mountains Conservancy.....	2-7
Department of Water Resources.....	2-7
CALFED Bay-Delta Authority.....	2-8

Environmental Protection

Secretary for Environmental Protection	2-9
Air Resources Board.....	2-9
Integrated Waste Management Board	2-10
Department of Pesticide Regulation.....	2-10
State Water Resources Control Board.....	2-10
Department of Toxic Substances Control	2-11
Office of Environmental Health Hazard Assessment.....	2-11

SUBCOMMITTEE No. 2

(CONTINUED)

Public Safety and Criminal Justice

Youth and Adult Correctional Agency	2-12
Office of the Inspector General	2-12
Department of Justice	2-12
Department of Corrections	2-12
Board of Corrections	2-13
Board of Prison Terms.....	2-14
Department of the Youth Authority.....	2-14
Commission on Correctional Peace Officers Standards and Training	2-14
Commission on Peace Officer Standards and Training.....	2-14
Victim Compensation and Government Claims Board.....	2-14
Control Section 24.10.....	2-15

Energy

Energy Resources, Conservation and Development Commission	2-16
Public Utilities Commission.....	2-16
California Consumer Power & Conservation Financing Authority	2-16
Electricity Oversight Board	2-17

General Government

Office of Emergency Services	2-18
California Horse Racing Board	2-18
Department of Food and Agriculture.....	2-18
California Law Revision Commission	2-19

NATURAL RESOURCES

0540 SECRETARY FOR RESOURCES

- Provided resources bond funding for River Parkway projects (\$38.4 million) and land acquisitions in the Sierra Nevada Cascade (\$9.2 million). The Governor vetoed \$28.4 million from the River Parkway appropriation and \$5 million from the Sierra Nevada Cascade appropriation.
- Provided \$4.6 million resources bond funding for grants to fund urban stream restoration projects.
- Allocated \$10 million in tidelands oil revenues to the Natural Resources Infrastructure Fund for ocean projects pursuant to the forthcoming California Ocean Protection Act.

Trailer Bill Language

1. Adopts guidelines and program criteria for a new River Parkway program and Sierra Nevada Cascade program. The bond funding for these programs was included in the trailer bill.

3110 SPECIAL RESOURCES PROGRAMS

- Approved as budgeted.

3125 CALIFORNIA TAHOE CONSERVANCY

- Approved as budgeted, including \$12 million for local grants for projects that support the Environmental Improvement Program in the Lake Tahoe Basin.

3340 CALIFORNIA CONSERVATION CORPS

- Approved \$1.8 million GF to fund health benefits for the corpsmembers. This level of funding will require a contribution of 20 percent of the premium costs from the corpsmembers.
- Approved \$1.6 million GF to keep the residential facility in Ukiah open in 2004-05. The Governor vetoed this item.
- Approved \$6.6 million resources bond funds for grants to local conservation corps for various resource conservation projects.

Budget Bill Language

1. Specifies that \$1,480,000 in reimbursements shall be to provide fire suppression and fuel reduction training and work opportunities for 75 additional corpsmembers in 2004-05. These funds are provided from the following sources: \$600,000 in reimbursements from the California Department of Forestry and Fire Protection; \$310,000 from Workforce Investment Act funds; \$25,000 from the Corps Proposition 40 allocation; and \$545,000 from increased reimbursements.

3480 DEPARTMENT OF CONSERVATION

- Approved \$12 million in resources bond funds for local grants to support the California Farmland Conservancy Program that purchases agricultural easements.
- Approved \$3.2 million in resources bond funds for local grants to provide grants to resource conservation districts for watershed projects that support the CALFED program.
- Approved \$400,000 from special funds for abandoned mine remediation.

Trailer Bill Language

1. Adopts Governor's proposal to increase the transfer of Williamson Act cancellation fees from the General Fund to the Soil Conservation Fund to support the department's Williamson Act program.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

- Approved \$7.5 million in resources bond funds for fuel reduction in the Sierra Nevada region. The majority of these bond funds will be for grants to private landowners or local fire safety councils.
- Approved \$4.4 million special fund revenues for various forest management programs, including operations of the state's demonstration forests, nurseries, and forest pest management activities. This is a 40 percent reduction from 2003-04 due to ongoing litigation relating to timber harvesting on Jackson State Demonstration Forest.
- Approved \$1.2 million resources bond funds for urban forestry grants to increase tree planting and follow-up care in urban areas.
- Backfilled the department's fire suppression budget with \$102.5 million General Fund to cover the loss of revenues due to the repeal of the State Responsibility Area fire fees.

- Backfilled the department's timber harvest plan budget with \$10 million General Fund in lieu of the enactment of a timber harvest plan fee.

Trailer Bill Language

1. Repeals the State Responsibility Area fire fees adopted as part of the 2003-04 budget.
2. Limits the size of trees harvested as part of a fuel reduction effort funded in the budget with bond funds under a Programmatic Timberland Environmental Impact Report developed by the department.

3560 STATE LANDS COMMISSION

- Approved as budgeted.

3600 DEPARTMENT OF FISH AND GAME

- Approved \$71.9 million in resources bond funds for local grants to fund ecosystem restoration projects that support the CALFED program.
- Approved \$7 million in resources bond funds for local grants for fisheries restoration projects.
- Transferred \$500,000 tidelands oil revenues to support implementation of the Marine Life Protection Act to develop a plan for establishing networks of marine protected areas.
- Transferred \$6.5 million tidelands oil revenues to the Salmon and Steelhead Trout Restoration Account for support of salmon and steelhead trout restoration.
- Transferred \$4 million tidelands oil revenues to the Fish and Game Preservation Fund for support of the state's fish hatcheries.

Trailer Bill Language

1. Amends current law to clarify that the Fish and Game Preservation Fund is not a continuously appropriated fund and is subject to appropriation in the annual Budget Act.

3640 WILDLIFE CONSERVATION BOARD

- Approved \$13.3 million resources bond funds for land acquisitions to support the Colorado River Regulatory Program.

- Approved \$21 million resources bond funds for Habitat Conservation Fund acquisitions.

Trailer Bill Language

1. Suspends the Natural Heritage Preservation Tax Credit for 2003-04 and 2004-05 and extends the tax credit for three additional years beyond 2004-05.

Budget Bill Language

1. Allocates tidelands oil revenues in the following order: (a) \$500,000 to the Department of Fish and Game to implement the Marine Life Protection Act; (b) \$165 million to the General Fund; (c) \$2.7 million to the Department of Parks and Recreation for parks in Los Angeles County and \$10 million to the Resources Secretary for projects to implement the California Ocean Protection Act; (d) \$6.5 million to the Department of Fish and Game for salmon and steelhead trout restoration; (e) \$1.5 million to the State Water Resources Control Board for environmental review related to adopting guidelines for instream flows on mid-coastal California rivers; (f) \$4 million for the state's fish hatcheries; and (g) any remaining tidelands oil revenues, after the above-noted expenditures and transfers, would be deposited in the General Fund.

3680 DEPARTMENT OF BOATING AND WATERWAYS

- Approved as budgeted.

3720 CALIFORNIA COASTAL COMMISSION

Trailer Bill Language

1. Clarifies the allocation of the Whale Tail license plate revenues between the Coastal Commission and the California Coastal Conservancy.

3760 STATE COASTAL CONSERVANCY

- Approved \$20 million in resources bond funds for various conservancy programs to provide increased public access to the coast, restore urban waterfronts, and enhance wetlands.

- Approved \$6.4 million in resources bond funds for the San Francisco Bay Conservancy Program to fund acquisitions and projects in the San Francisco Bay Area.
- Approved \$32.2 million in resources bond funds to acquire, protect, and restore land and water resources to protect coastal watersheds.
- Approved \$10 million in resources bond funds for projects to preserve land in the Central Coast region and to continue investments in the California Coastal Trail.

3780 NATIVE AMERICAN HERITAGE COMMISSION

- Approved as budgeted.

3790 DEPARTMENT OF PARKS AND RECREATION

- Approved Governor's proposal to reduce park support by \$15 million GF and to increase state park fees to backfill this reduction.
- Approved \$78.4 million in resources bond funds for local grants to acquire local parks.
- Approved \$6.8 million in resources bond funds to match federal funds to repair state park facilities damaged by the San Simeon earthquake and the southern California fires.
- Approved \$18.6 million in funds from the Off-Highway Vehicle Trust Fund for grants to purchase additional land and buffer zones for the State Vehicular Recreation Areas.
- Transferred \$2.7 million tidelands oil revenues to the Natural Resources Infrastructure Fund for local assistance to the City of Los Angeles for park acquisitions.

Trailer Bill Language

1. Transfers the California Main Street Program from the now defunct Technology, Trade, and Commerce Agency to the Office of Historic Preservation within the Department of Parks and Recreation.
2. Expands the department's management within the Mono Lake Tufa State Reserve to include the waters of Mono Lake.

3810 SANTA MONICA MOUNTAINS CONSERVANCY

- Restored \$21.9 million in resources bond funding to the Santa Monica Mountains Conservancy for grants and land acquisitions.

Budget Bill Language

1. Increases the oversight and accountability of bond funds expended by the conservancy.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION*Budget Bill Language*

1. Approves Budget Bill language to direct the commission to increase its permit fees to cover approximately 20 percent of its permitting program costs.

3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY

- Approved \$12.4 million in resources bond funds for grants land acquisitions by the conservancy.

3830 SAN JOAQUIN CONSERVANCY

- Approved \$11 million in resources bond funds for grants and land acquisitions to support the development of the San Joaquin River Parkway and to implement public access improvements.

3835 BALDWIN HILLS CONSERVANCY

- Approved \$7.2 million in resources bond funds for grants and land acquisitions by the conservancy.

3840 DELTA PROTECTION COMMISSION

- Approved as budgeted.

3845 SAN DIEGO RIVER CONSERVANCY

- Approved as budgeted.

3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY

- Approved \$3.6 million resources bond funds for grants and land acquisitions by the conservancy.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

- Approved \$77.4 million in resources bond funds for local grants for groundwater storage projects.
- Approved reappropriation of \$72.4 million in resources bond funds for projects to support the CALFED water supply reliability program.
- Approved reappropriation of \$49.8 million in resources bond funds for grants to integrated regional water management projects.
- Approved \$36.9 million in resources bond funds and reappropriated another \$34.2 million for local grants for water conservation projects.
- Approved \$31.8 million in resources bond funds for water purchases to support the CALFED program's Environmental Water Account.
- Approved reappropriation of \$25 million in resources bond funds for desalination grants.
- Approved \$19.9 million in resources bond funds to improve the levees in the Delta and support the CALFED program.
- Approved \$19.3 million in resources bond funds for local grants for watershed projects that support the CALFED program.
- Approved \$16.9 million in resources bond funds for grants to address flooding along the Yuba/Feather River and the Colusa Basin Drain.
- Approved \$13.6 million in resources bond funds and reappropriated another \$10.7 million to support the CALFED program's water storage studies.
- Approved reappropriation of \$11.5 million in resources bond funds for drinking water quality pilot programs.
- Reverted \$16.1 million GF proposed by the Governor for the lining of the Coachella branch of the All-American Canal. These funds are not needed in the budget year. Current law requires the state to pay \$172 million for this purpose by 2008-09.
- Provides DWR with 11 bond-funded positions to support selected Proposition 50 bond fund programs.

Trailer Bill Language

1. Increases fees levied on water users to fully support the state's

Watermaster Service Program.

2. Limits the state's liability related to taking over maintenance of flood management projects outside of the Central Valley and allows the state to recover all costs from locals if the state takes over the maintenance of flood management projects.

Budget Bill Language

1. Requires the California Energy Resources Scheduling division of DWR to report to the Legislature prior to expending funds in its contingency reserve.

3870 CALIFORNIA BAY-DELTA AUTHORITY

- Approved \$12.8 million in resources bond funds to support the CALFED science program.

Trailer Bill Language

1. Clarifies current law to require CALFED implementing agencies to include the Authority in the development of grants for projects that will contribute to CALFED objectives.

ENVIRONMENTAL PROTECTION

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

- Provided \$462,000 from the Unified Program Account to fund the Certified Unified Program Agencies (CUPA) to consolidate and coordinate environmental and emergency programs related to the metal plating industry. The Governor vetoed this item.
- Provided \$1.5 million from the Hazardous Waste Reduction Loan Account to assist the metal plating industry. The Governor vetoed this item.

Trailer Bill Language

1. Consolidates selected administrative functions at all of the boards, departments and offices within the Environmental Protection Agency.
2. Consolidates the state's climate change activities with the Secretary for Environmental Protection.

3900 AIR RESOURCES BOARD

- Provided \$61 million to fund the Carl Moyer clean air program from an increase in the smog check exemption fee.
- Approved \$1.5 million from special funds to implement the nontoxic dry cleaning incentive grant program to help dry cleaners to transition from perchloroethylene (perc)-based systems to other nontoxic systems.

Trailer Bill Language

1. Increases the smog check exemption fee by \$6 (total fee \$12 annually).
2. Provides additional revenues to fund the Carl Moyer program (\$61 million) and to increase funding for the low-income vehicle inspection and repair program (\$6.8 million) at the Bureau of Automotive Repair.
3. Extends from four to six the number of years a new car is exempt from the smog check requirements.

4. Exempts vehicles less than five years of age from the change of ownership smog inspection requirement.

3910 INTEGRATED WASTE MANAGEMENT BOARD

- Approved \$73.4 million from special funds to implement the Electronic Waste Recycling program to set up a system of collecting and recycling electronic devices that contain hazardous materials.

3930 DEPARTMENT OF PESTICIDE REGULATION

- Approved as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD

- Approved \$34.5 million for the Agriculture Water Quality grant program, including \$5 million to implement a new Dairy Water Quality Improvement program. These grants are for projects that help the agriculture industry meet its water quality requirements.
- Approved \$21.7 million in resources bond funds for local grants to fund water recycling projects.
- Approved a \$17 million increase in funding from the Underground Storage Tank Cleanup Fund for the clean up of contamination caused by underground storage tanks.
- Approved \$10 million in resources bond funds for groundwater monitoring.
- Approved \$3.2 million in funding from special funds to issue and enforce waivers for waste discharge permits.
- Provided \$202,000 from Waste Discharge Permit Fees to complete the development of septic tank standards and provide training to local jurisdictions on implementation of these standards.
- Allocated \$1.5 million in tidelands oil revenues to the Water Rights Fund for environmental review by the board of the guidelines for maintaining instream flows to protect fisheries resources downstream of water diversions in mid-California coastal streams.
- Approved \$202,000 from the Waste Discharge Permit Fund for the development of statewide septic tank system standards. The Governor vetoed this item.

Trailer Bill Language

1. Establishes a new Dairy Water Quality Improvement program.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

- Approved as budgeted.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

- Approved the Governor's proposal to shift funding from the General Fund to the Motor Vehicle Account to fund activities related to the health-impacts of motor vehicle-related pollutants and the children's health program.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0550 YOUTH AND ADULT CORRECTIONAL AGENCY

- Approved May Revise proposal to increase YACA by \$1.7 million GF and 12 positions to provide increased oversight and policy direction to departments under its supervision. Funding is provided through corresponding reductions to CDC (\$1.5 million) and CYA (\$200,000).

0552 OFFICE OF THE INSPECTOR GENERAL

- Approved Finance Letter for \$3.3 million GF and 28 positions to reinstate the OIG.
- Approved Finance Letter for an additional \$4.9 million and 25 positions to provide additional staff and resources to support the OIG and to establish the Office of Independent Review within the OIG.

0820 DEPARTMENT OF JUSTICE

- Approved a proposed reduction of \$1 million GF and 13 vacant positions for the California Methamphetamine Strategy Programs (CALMS) and approved an augmentation of \$2.4 million in federal funds for electronic surveillance equipment and overtime expenditures for CALMS.
- Approved a proposed reduction of \$5.5 million GF and 41.8 positions allocated to the Division of Law Enforcement, the Criminal Justice Information Systems Division, the Firearms Division, and the Administrative Services Division.
- Approved a May Revise proposal to augment \$7.3 million GF to support increased litigation workload within the Criminal Law, Civil Law, and Public Rights Divisions. Also approved an increase of \$4 million in reimbursements through an increase in the hourly rate charged special fund clients.

5240 DEPARTMENT OF CORRECTIONS

- Approved proposal to augment budget by \$99.5 million GF and 1,239 positions to adjust the budgeted relief factor for correctional officers, sergeants, and lieutenants. The proposal increases relief coverage to levels currently being used and provides relief coverage not previously funded for training.

- Approved May Revise proposal to increase \$18.2 million GF and 114.9 positions to provide positions and overtime funding for the costs of medical guarding and transportation.
- Approved the May Revise proposal to increase \$22.2 million and 164 positions to implement the Valdivia Remedial Plan.
- Approved the May Revise proposal for \$16.8 million and 195.6 positions related to additional resources for administrative segregation overflow.
- Approved creation of a separate line item in the budget for CDC education programs.
- Approved reductions of \$35.3 million from operational efficiencies, including consolidated purchasing, reduced energy expenditures, headquarters reductions, classification services unit reductions, and reduced cadets at the basic correctional officer academy.
- Rejected proposed savings of \$1.3 million related to only serving two hot meals on weekends and holidays.
- Approved a reduction of \$35.5 million for various healthcare service improvements including Hepatitis C clinical management (\$1.2 million), improved pharmacy and medication management (\$4.8 million), a reduction in contract medical expenditures (\$26.1 million), and a reduction in reimbursements for hospital and ambulance emergency services (\$3.4 million).
- Rejected proposal to save \$1.4 million from reclassifying staff psychiatrists to nurse practitioners. The Governor vetoed \$1.4 million from the Department of Corrections budget, indicating that the Department will reclassify these positions thereby eliminating the need for the funding.
- Approved net savings of \$86.8 million related to the parole accountability proposal. Reductions include \$18.3 million from providing more opportunities for graduated sanctions, \$14.4 million from allowing technical and minor violators access to graduated sanctions, and \$59.5 million from parole discharge after 12 months, consistent with current law. Other reductions include \$3.3 million from expansion of the restitution work furlough program, and \$6.1 million from expansion of the Substance Abuse Treatment and Recovery (STAR) program. Increases include \$4.9 million for expansion of the restitution work furlough program, \$1.4 million for expansion of the STAR program, \$1 million for the expansion of the Parolees and Corrections Teams (PACT) program, \$1.2 million for additional electronic monitoring units, \$2.7 million for the LEADS database, \$630,000 for program evaluation, \$1.2 million for additional records staff, and \$1.8 million for implementation of a GPS pilot program.
- Approved delay of two months for the activation of Delano II for savings of \$12.4 million.

5430 BOARD OF CORRECTIONS

- Augmented funding by \$134 million GF to replace funding to county probation departments for juvenile camps, ranches, and services that were previously being provided by federal TANF Block Grant funds.

- Rejected the proposal to convert the funding source for the Executive Office, Local Adult and Juvenile Facilities Standards and Inspections, and the Juvenile Hall Suitability Inspection Process from GF to a city/county reimbursed fee structure. Provided \$1.2 million GF and \$601,000 in federal funds for these functions.

5440 BOARD OF PRISON TERMS

- Approved an increase of \$117,000 from revised workload projections.
- Approved May Revise proposal for \$35.4 million and 134.3 million positions to implement the Valdivia Remedial Plan.

5460 DEPARTMENT OF THE YOUTH AUTHORITY (YA)

- Approved proposal for savings of \$25.9 million from the closure of the Fred C. Nelles Youth Correctional Facility in Whittier.
- Approved savings of \$2.4 million from the closure of the Mount Bullion Camp.

5480 COMMISSION ON CORRECTIONAL PEACE OFFICERS STANDARDS AND TRAINING

- Approved as budgeted.

8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

- Approved \$25.9 million to reimburse local law enforcement agencies for officers participating in POST-certified training courses.

8700 VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

- Approved as budgeted.

**CS 24.10 TRANSFER SURPLUS OF DRIVER TRAINING PENALTY ASSESSMENT
FUND TO THE GENERAL FUND**

- Approved Budget Bill language that would transfer up to \$14 million from the Driver Training Penalty Assessment Fund to the Peace Officer Training Fund and would transfer up to \$4.1 million from the Driver Training Penalty Assessment Fund to the Victim Witness Assistance Fund. Any remaining unallocated funds would be transferred to the General Fund.

ENERGY/UTILITIES

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

- Transferred \$12 million from the Energy Resources Programs Account to the GF.

Trailer Bill Language

1. Extends the Energy Technologies Research, Development and Demonstration account, which is a depository of Petroleum Violation Escrow Account funds used to finance revolving loan programs that provide loans for energy efficiency improvements to small businesses and the agriculture industry.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

- Eliminated funding for the California Teleconnect Fund Program.
- Approved increase in funding for the Universal Lifeline Telephone Service program by \$11.3 million to cover program costs in 2004-05.

Trailer Bill Language

1. Requires the commission to limit Teleconnect Fund subsidies to qualified schools and libraries only to the remaining portion of the telecommunication bill after the federal E-Rate subsidy is applied.
2. Requires the commission to give priority to bridging the “digital divide” in setting subsidies in order to encourage expanded access to advanced telecommunications technologies for rural, inner-city, low-income, and disabled Californians.

8665 CALIFORNIA CONSUMER POWER & CONSERVATION FINANCING AUTHORITY

- Rejected Governor’s proposal to eliminate the California Consumer Power and Conservation Financing Authority (CPA) and increased funding for the Authority by \$800,000. The Governor vetoed this augmentation.

8770 ELECTRICITY OVERSIGHT BOARD

- Approved as budgeted.

GENERAL GOVERNMENT

0690 OFFICE OF EMERGENCY SERVICES

- Approved adjusted funding of \$35.9 million GF for recovery from the wildfires in Southern California.
- Approved increases of \$49.5 million for the 2003 federal Urban Area Security Initiative (federal funds) and \$156.1 million for the 2004 federal Homeland Security Grant and the 2004 federal Urban Area Security Initiative (federal funds), to provide anti-terrorism grants to local and state agencies.
- Approved a May Revise proposal to provide \$2 million in federal funds and 13 positions for the establishment of the Office of Homeland Security.
- Augmented the Domestic Violence Grant program by \$2 million GF to backfill the loss of funding provided to domestic violence shelters through AB 664.

8550 CALIFORNIA HORSE RACING BOARD

- Approved as budgeted.

8570 DEPARTMENT OF FOOD AND AGRICULTURE

- Approved \$8 million GF to support the Mediterranean fruit fly preventative release program.
- Approved \$500,000 GF for Los Angeles County to assist the county in transitioning its temporary agricultural inspectors to full time employees as required by Chapter 832, Statutes of 2003 (AB 185, Horton). The Governor vetoed this item.

Trailer Bill Language

1. Requires the department to adhere to standard administrative practices in establishing new positions.
2. Exempts positions funded by the Agriculture Fund from the rule that eliminates vacant positions after six-months.

8830 CALIFORNIA LAW REVISION COMMISSION

- Rejected the May Revise proposal to eliminate the Commission and approved an increase of \$150,000 for increased workload. The Governor vetoed the \$150,000 increase, leaving a total of \$527,000 for the Commission.

SUBCOMMITTEE 3

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Wesley Chesbro, Chair
Gilbert Cedillo
Tom McClintock
Bruce McPherson
Deborah Ortiz

Consultants

Brian Annis
Ana Matosantos
Diane Van Maren

SUBCOMMITTEE No. 3

HEALTH, HUMAN SERVICES, LABOR, and VETERANS AFFAIRS

Health

California Health and Human Services Agency.....	3-1
Department of Managed Health Care.....	3-1
State Council on Developmental Disabilities.....	3-1
Emergency Medical Services Authority.....	3-1
Department of Health Services.....	3-1
Managed Risk Medical Insurance Board.....	3-7
Department of Developmental Services.....	3-8
Department of Mental Health.....	3-9

Human Services

Health and Human Services Agency Data Center.....	3-11
Office of Statewide Health Planning and Development.....	3-11
Department of Aging.....	3-11
Commission on Aging.....	3-12
Department of Alcohol and Drug Programs.....	3-12
Department of Community Services and Development.....	3-12
Department of Rehabilitation.....	3-12
State Independent Living Council.....	3-12
Department of Child Support Services.....	3-13
Department of Social Services.....	3-13

Labor

Labor and Workforce Development Agency.....	3-17
Employment Development Department.....	3-17
Department of Industrial Relations.....	3-17

Veterans Affairs

Office of Inspector General for Veterans Affairs.....	3-19
Department of Veterans Affairs and Veterans Homes of California.....	3-19

HEALTH

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

- Augmented by almost \$1.4 million (General Fund) to provide additional funds to support additional positions for the CHHS Agency.

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved as budgeted.

4100 STATE COUNCIL ON DEVELOPMENTAL DISABILITIES

- Approved as budgeted.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Approved as proposed six limited-term positions and \$6 million (federal funds) to continue bioterrorism response preparedness activities related to hospitals. This is being done in coordination with the Department of Health Services.
- Increased by \$250,000 (federal funds) for the development of anti-terrorism programs.

4260 DEPARTMENT OF HEALTH SERVICES

The Medi-Cal Program

- Eliminated the caps on enrollment for certain Medi-Cal Programs as originally proposed by the Governor in his January budget.
- Eliminated the 5 percent rate reduction on Medi-Cal fee-for-service rates and the additional 10 percent rate reduction on all Medi-Cal rates as originally proposed by the Governor in his January budget. The 5 percent piece was eliminated due to a court injunction. The state is appealing the injunction. It is unknown at this time when the appeal may be heard. It should be noted that the 5 percent reduction, as contained in the Budget Act of 2003, has been applied to Medi-Cal Managed Care plans effective January 1, 2004 for total savings of \$123 million (\$61.5 million General Fund). In addition, the budget was augmented by \$926,000 (General Fund) to eliminate the 5 percent reimbursement reduction for the Multipurpose Senior Services

Program (MSSP). The Omnibus Health Trailer bill (SB 1103, Chapter 228, Statutes of 2004) also contains language to exempt the MSSP, as well as the Breast and Cervical Cancer Early Detection Program from any rate reduction.

- Delayed the Medi-Cal checkwrite for the last week in June 2005 to July 2005 for savings of \$287.4 million (\$143.9 million General Fund). The providers would still receive reimbursement but it would be delayed by a few days.
- Delayed the Medi-Cal checkwrite by one week beginning as of July 1, 2004, and continuing indefinitely, to enable the DHS to more closely review billings for anti-fraud purposes. Savings of \$287.4 million (\$143.9 million) were identified for the checkwrite deferral into the next year and an additional \$2 million (\$1 million General Fund) was identified for anti-fraud savings.
- Changed how Medi-Cal reimburses pharmacy providers for net savings of \$104.2 million (\$52.1 million General Fund). This savings figure is the result of two key changes. First, it reflects an increase in the amount paid pharmacists for dispensing drugs from \$4.05 per prescription to \$7.25, except for long-term care pharmacies who will receive \$8.00 per prescription. Second, it changes the reimbursement for drug ingredient costs from Average Wholesale Price (AWP) minus 20 percent to AWP minus 17 percent. The budget assumes an implementation date of September 1, 2004. This action required statutory changes. In addition, a special adjustment was adopted for pharmacies which serve a high proportion of individuals with HIV/AIDS and provide case management services; this adjustment is discussed below.
- Adopted an augmentation of \$1.5 million (\$750,000 General Fund) for the DHS to provide a special adjustment for non-profit pharmacies that serve a high proportion of individuals with HIV/AIDS and provide case management services. This augmentation was vetoed by the Governor.
- Modified the Governor's proposal for Adult Day Health Centers (ADHCs) by recognizing total savings of \$16.3 million (\$8.2 million General Fund) attributable to revised assumptions regarding baseline funding and the moratorium. Approved modified trailer bill language regarding the moratorium and rejected the Administration's proposal to craft a new federal Waiver for the program through the budget process. The new federal Waiver framework will instead proceed through the policy committee process. This action required trailer bill language.
- Reduced by \$57.3 million (\$28.6 million General Fund) by adjusting the interim hospital payments for acute inpatient services by ten percent effective September 1, 2004. This action required trailer bill language.
- Proposed savings of \$12.5 million General Fund by implementing a Quality Assurance Fee for Managed Care plans providing services under the Medi-Cal Program. This action required trailer bill language.
- Rejected trailer bill language regarding establishing an Average Selling Price for medical supplies. No savings were attributable to this proposal and the DHS has not yet implemented other cost containment proposals for medical supplies that were adopted through the Budget Act of 2003.

- Reduced by \$66.7 million (\$33.3 million General Fund) to reflect a reconciliation of state and county Medi-Cal eligibility records within Los Angeles County. Through this reconciliation process, about 130,000 recipients will receive notices that their Medi-Cal eligibility is in question.
- Adopted the Governor's proposal to eliminate the supplemental wage payment for nursing homes for savings of \$92 million (\$46 million General Fund).
- Provided \$30.3 million (\$15.1 million General Fund) to increase the Medi-Cal reimbursement rates paid to County Organized Health Systems (COHS) by an average of 3 percent effective with each plan's 2004-05 contract rate period.
- Rejected the Administration's proposal to eliminate the Alternative Payment Method provided to Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs) as provided under the state's existing Medi-Cal State Plan for increased expenditures of \$9.8 million (\$4.9 million General Fund).
- Adopted several pieces of trailer bill language regarding FQHCs/RHCs to (1) expedite implementation of the scope-of-service changes under the Prospective Payment System, (2) recognize the Administration's intent to pay 100 percent of the owed retroactive payments, and (3) clarify how consolidated cost reports will be handled.
- Reduced by \$46 million (\$23 million General Fund) the appropriation for county administration of Medi-Cal eligibility and related activities as proposed by the Administration. Also adopted modified trailer bill language to implement a cost control plan with the counties, and rejected the Administration's budget bill language which was unnecessary.
- Recognized \$18 million (\$9 million General Fund) in savings as proposed to have counties more expeditiously reconcile certain data files with the state's Medi-Cal Eligibility Data System. Also adopted modified trailer bill language for implementation purposes, and rejected the DHS request for a position for additional savings of \$100,000 (\$50,000 General Fund).
- Rejected the DHS proposal to hire a contractor to conduct validation reviews of counties to find potentially ineligible individuals for which the contractor would receive payment. Though it was unlikely that savings would be achieved from this proposal, \$6 million (\$3 million General Fund) was provided to backfill for the proposed reduction.
- Restricted the billing of Medi-Cal for electromyography and nerve conduction tests to physicians who have received specialized training in these types of tests for savings of \$1.3 million (\$652,000 General Fund).
- Rejected trailer bill language related to making asset determinations for individuals seeking Medi-Cal eligibility for long-term care services because the proposal lacked clarity with existing federal law and proposed to bypass the state's regulatory process.
- Continued implementation of the County Performance Accountability Standards from the Budget Act of 2003 for savings of \$167.2 million (\$83.6 million General Fund) in 2004-05.
- Continued implementation of semi-annual reporting regarding Medi-Cal eligibility for savings of \$167.8 million (\$83.9 million General Fund) in 2004-05.

- Continued implementation of increased Medical Case Management for savings of \$16.5 million (\$8.3 million General Fund) in 2004-05.
- Commenced implementation of contracting for certain durable medical equipment and clinical laboratory services for savings of \$15.1 million (\$7.5 million General Fund).
- Continued implementation of the frequency limits placed on certain laboratory services as directed in the Budget Act of 2003. A total of \$10.7 million (\$5.4 million General Fund) will be saved in 2004-05 from this action.
- Assumed savings of \$18 million (\$9 million General Fund) due to increased third-party reimbursement from personal injury recovery cases and estate recoveries.
- Assumed savings of \$15 million (\$7.5 million General Fund) from increased audits of nursing homes related to payments for Medicare and Medi-Cal crossover recipients.
- Adopted savings of \$5.8 million (General Fund) and \$1.5 million (Tobacco Settlement Fund) by identifying past appropriations which can be reverted within the Medi-Cal Program.
- Continued implementation of the Orthopaedic Hospital Settlement for hospital outpatient rates to reflect a total rate adjustment of 43.4 percent over the 2000-01 base period. Total expenditures for 2004-05 are \$212.9 million (\$106.5 million General Fund).
- Rejected the proposed transfer of eligibility processing from the state to the counties for the Breast and Cervical Cancer Treatment Program for net savings of \$950,000 (General Fund).
- Approved 18 positions, or half of what was requested, for the DHS to process more treatment authorization requests (TARs) in Medi-Cal for expenditures of \$2.0 million (\$511,000 General Fund). Also adopted modified trailer bill language regarding changes to the TAR process.
- Denied the proposed increase of \$3.1 million (\$1.5 million General Fund) for DHS staff and contract resources to design and implement a new federal Waiver for the Medi-Cal Program. This action was taken in relation to the Administration's announcement of delaying any major Medi-Cal Program redesign until early in 2005. The Administration also assumes submission of an 1115 Waiver to the federal government by September 2004. Further, an added component to the redesign effort is to restructure existing hospital financing with regards to intergovernmental transfer funds and disproportionate share hospital inpatient funding.
- Approved as proposed an increase of \$225,000 (General Fund) and 5 positions to proceed with implementation of a federal Independence Plus Waiver for the In Home Support Services Program (IHSS).
- Augmented by \$277,000 (\$139,000 General Fund) to provide three new positions for the DHS audits and investigation unit to review IHSS cases as part of the IHSS Quality Assurance Initiative to be implemented by the Department of Social Services.
- Approved 20 new positions in lieu of the requested 41 positions to conduct more non-contract hospital field audits for savings of about \$6.2 million (\$3.1 million General Fund).
- Approved as proposed an increase of \$301,000 (General Fund) to make changes to the licensing and certification process as it pertains to criminal background checks.

- Adjusted the Administration's proposal to hire 5 new staff to conduct activities related to the federal Medicare Prescription Drug Act for expenditures of \$437,000 (\$151,000 General Fund) by providing funding for only three positions for savings of \$59,000 (General Fund).
- Deleted requested funds of \$590,000 (\$194,000 General Fund) to support four new positions and purchase tracking software to better oversee the Fiscal Intermediary contract with Electronic Data System as recommended by the Legislative Analyst's Office.
- Rejected trailer bill language regarding counterfeit-proof prescription pads and referred the proposal to the policy committee process. The proposed language represented no savings in the budget year.
- Adopted trailer bill language to extend the sunset of the 250 percent Working Disabled Program from April 1, 2005 to September 1, 2008.
- Adopted trailer bill language to eliminate the sunset date for the Graduate Medical Education Program which provides supplemental federal funding to certain California hospitals that serve as teaching hospitals.
- Approved trailer bill language to continue the existing carve out for the California Children's Services Program from Medi-Cal Managed Care for another three years (until September 1, 2008).
- Adopted trailer bill language that identifies County Organized Health Systems and Local Initiatives as governmental entities.
- Adopted Budget Bill language to require the DHS to provide the Legislature with a copy of the Error Rate Study pertaining to the state's Medi-Cal anti-fraud efforts by no later than November 1, 2004.

Public Health Programs

- Appropriated \$72.4 million (federal funds) to local health jurisdictions to proceed with extensive activities associated with various federal bioterrorism requirements. However, the state appropriation for these grant funds was reduced by \$2.3 million since the DHS has not yet finalized the Cooperative Agreement with the federal government. As such, this \$2.3 million (federal funds) will be available for appropriation through the policy committee process as was done last year. In addition, Budget Bill language was adopted to (1) require the DHS to include in the Cooperative Agreement application a provision requesting funding for Chapter 891, Statutes of 2002, pertaining to low-level radioactive waste and (2) require the DHS to keep the Legislature informed as to the approval of the state's application and any changes proposed by the federal government. Further, trailer bill language was crafted to provide the DHS with authority to expedite the dissemination of bioterrorism funds to local health jurisdictions, hospitals, emergency medical entities, and the poison control center.
- Appropriated a total of \$110.1 million, including state support, for Proposition 50—the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 related grants (\$10.4 million is for Chapter 3-related functions and \$99.8 million is for Chapter 4-related functions). Also obtained a commitment from the Administration to work on crafting a policy bill to

provide a framework for the dissemination of some of these bond funds to private water companies.

- Provided \$20 million (CalWORKs TANF Funds) to support the Community Challenge Grant Program that provides parenting assistance and serves to mitigate teenaged pregnancies.
- Provided full funding for the AIDS Drug Assistance Program (ADAP) which includes an increase of \$26.9 million (\$21 million Drug Rebate Funds, \$2.7 million General Fund, and \$3.1 million federal funds) over the Governor's January budget. Also adopted trailer bill language to establish a special fund for the collection of drug rebate funds.
- Approved trailer bill language regarding the expansion of the Newborn Screening Program and provided \$2.711 million (Genetic Disease Testing Fund) and four positions to implement the expansion by July 1, 2005.
- Adopted trailer bill language to establish a special fund for the collection of rebates for the California Children's Services (CCS) Program and Genetically Handicapped Persons Program (GHPP). This action will ensure greater accountability and fiscal tracking of these rebates.
- Appropriates \$232,000 (General Fund) and two positions to implement SB 322 (Ortiz), Statutes of 2003, regarding Stem Cell research.
- Rejected the Administration's January proposal to repeal existing statute related to (1) SB 308 (Ducheny), Statutes of 2003; (2) SB 617 (Speier), Statutes of 2003; (3) AB 1676 (Dutra), Statutes of 2003; and (4) AB 71 (Horton), Statutes of 2003.
- Provided \$3.8 million (Infant Botulism Fund) and transfers an additional \$500,000 from the Health Statistics Fund as a loan to support the production and distribution of BabyBIG to treat infant botulism by neutralizing botulinum toxin.
- Continued the deferral of \$20 million (General Fund) for the County Medical Services Program for one more year. This action required trailer bill language.
- Approved \$590,000 (\$208,000 General Fund) and five positions for the California Partnership for Long-Term Care Program. Also adopted trailer bill language to (1) eliminate the sunset for the program and (2) require specified insurance issuers to reimburse the state \$20,000 annually for common marketing materials.
- Adopted Budget Bill language to require the DHS to report to the Legislature by November 1, 2004 on what actions have been taken to improve their contracting process.
- Approved the Administration's proposal regarding the appropriation of Proposition 99 Funds, but rejected proposed trailer bill legislation that would have hindered the expenditure of funds for anti-tobacco media efforts.
- Increased by \$2.5 million (General Fund) to provide additional funds for Adult Influenza Vaccine.
- Reduced by \$2 million (General Fund) the Administration's proposed loan of \$5 million for the Genetic Disease Testing Program.

- Approved the Administration's request for seven positions and an increase of \$394,000 (Genetic Disease Testing Fund) for the Genetic Disease Testing Program to improve revenue collection and to make other program improvements.
- Approved the Governor's budget for the Cancer Research Program and the Prostate Cancer Program.
- Approved implementation of the Medical Marijuana ID Program as proposed by the Administration, including 8 positions and a \$983,000 loan from the Health Statistics Fund.
- Augmented by \$977,000 (General Fund) to fund two positions and contract dollars to conduct research and data analysis regarding West Nile Virus.
- Rejected proposed trailer bill legislation to eliminate the Methadone Regulatory Program.
- Approved \$44.7 million (reimbursements which are federal funds transferred by the DSS) for expansion of the California Nutrition Network.
- Denied Budget Bill language regarding the Radiologic Health Program since it is not clear what activities or inspections would be reduced by the Governor's proposed action.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

- Approved \$872 million (\$319.1 million General Fund) for the Healthy Families Program to serve an enrollment of about 774,000 children as of June 30, 2005. This appropriation level assumes no enrollment caps or block grant proposals as was contained in the Governor's January budget proposal.
- Adopted trailer bill language to implement premium increases in the Healthy Families Program beginning July 1, 2005 (i.e., 2005-06 fiscal year). Specifically, the Governor's proposal increases monthly premiums from \$9 per child to \$15 per child in families with incomes from 201 percent of poverty to 250 percent of poverty. Co-payments for certain services still remain the same. Also augmented by \$263,000 (General Fund) to fund administrative costs associated with the proposed change.
- Deleted \$175,000 (General Fund) for the consumer survey in the Healthy Families Program.
- Eliminated the \$1 million (Proposition 99 Funds) special reserve in the Access for Infants and Mothers (AIM) Program and redirected these funds as backfill to the General Fund in support of caseload adjustments in the State Hospitals.
- Recognized \$115.1 million (federal S-CHIP Funds) to be available for the County Health Initiative Matching Fund Program which enables counties to obtain a federal match for certain health care services provided to children with family incomes between 250 percent and 300 percent of poverty.
- Approved as budgeted the Managed Risk Medical Insurance Program (MRMIP).

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES**Community-Based Services**

- Enacted an unallocated reduction of \$7 million (General Fund) in lieu of approving the proposed statewide Purchase of Services (POS) standards as proposed by the Governor. As such, an increase of \$4.9 million (General Fund) was provided since the Governor's POS standards would have resulted in proposed savings of \$11.9 million (General Fund).
- Continued cost containment actions for Regional Center services enacted through the Budget Act of 2003 including the (1) application of the federal standard for substantial disability, (2) elimination of the SSI/SSP rate pass-through to Community Care Facilities, (3) service level freeze for Community Care Facilities, (4) suspension of funding for the start-up of new services unless it is associated with the placement of an individual in the community, (5) rate freeze on Adult Day Programs, (6) rate freeze for vendor-provided services conducted under contract to the Regional Centers, and (7) extension of the amount of time allowed for Regional Centers to conduct assessment of new consumers from 60 days to 120 days following initial intake. Also adopted modified trailer bill legislation to maintain the integrity of what was approved last year.
- Adopted a series of technical caseload and utilization adjustments for an increase of \$36.9 million (total funds) to the Purchase of Services item.
- Approved the Administration's fiscal assumptions for implementation of the Family Cost Participation Program, but adopted modified trailer bill language which provides for a fair hearing process and recognizes exceptions for medical needs. As noted in the trailer bill language, co-pays will be assessed on respite, camp, and day care services only and will *not* be applicable to families with incomes below 400 percent of poverty.
- Shifted \$48 million in federal Title XX funds to General Fund support due to the need for the federal funds to be utilized within the CalWORKs Program.
- Recognized \$29.9 million in increased federal funds attributable to South Central Regional Center of Los Angeles receiving federal Waiver approval and uses these funds as an offset for General Fund support in the Purchases of Services item.
- Approved the Administration's proposal to reduce Regional Center Operations funding by \$6.5 million (General Fund) as an unallocated reduction.
- Rejected the proposed increase of \$6.1 million (General Fund) for Regional Center Operations to implement the Governor's proposed statewide POS standards.
- Adopted trailer bill language to continue the freeze on the rates paid for habilitation services into 2004-05.
- Deleted \$1.7 million (General Fund) from the Purchase of Services to reflect the adoption of trailer bill language which defers implementation of changing the consumer-to-job coach ratio from 1 to 4 in the Habilitation Services Program until July 1, 2005.
- Increased by \$2.8 million (General Fund) Regional Center Operations to accelerate enrollment into the Home and Community-Based Waiver. This action will ensure that eligible individuals will be enrolled in the Waiver and therefore, save General Fund moneys as applicable.

- Re-appropriated \$5.1 million (General Fund) for the California Developmental Disabilities Information System (CADDIS). Also adopted Budget Bill language to more closely monitor the project.
- Reverted \$5 million (General Fund) in unexpended funds for the Bay Area Project.
- Provided funds to support seven new positions, and specified contract services, at the DDS to develop future other cost containment measures regarding standardizing rates and obtaining a Self-Determination Waiver.
- Deleted funds and two positions for DDS associated with the implementation of the statewide POS standards for savings of \$185,000 (General Fund).

Developmental Centers

- Captured the Administration's proposed \$11.1 million (General Fund) slated to be spent on expanding Sonoma Developmental Center (DC) due to the postponement of the Agnews DC closure until at least 2006, and placed these funds into a special account. Adopted Budget Bill language that controls the allocation of the funds for community-based living options for current residents of the Agnews DC in lieu of providing funds for Sonoma. This Budget Bill Language also provides for a 60-day review period by the Joint Legislative Budget Committee prior to expenditure of funds.
- Appropriated \$714.6 million (\$362 million General Fund) to serve 3,307 residents who reside in the state Developmental Center system. It should be noted that the Governor rescinded his proposal to contract out for food services.
- Rejected proposed trailer bill language related to the provision of protective services at the Developmental Centers.

4440 DEPARTMENT OF MENTAL HEALTH

Community-Based Services

- Rejected the Governor's proposal to double the county share of cost under the Early Periodic Screening Diagnosis and Treatment (EPSDT) Program from 10 percent to 20 percent. Increased funding of \$12.6 million (General Fund) was needed to backfill for this action.
- Approved a modified EPSDT Program audit process to use claims data for analysis in lieu of other methods for local assistance savings of \$3.9 million (General Fund), and reduced the state administrative augmentation by \$200,000 (General Fund) to reflect the revised workload need.
- Restored \$20 million (General Fund) to the Children's System of Care Program to ensure that this effective, cost-beneficial program continues to provide necessary mental health services to children diagnosed with serious emotional disturbances. However, the Governor vetoed the entire restoration except for \$350,000 which will be used to support the Cathie Wright Technical Assistance Center.

- Adopted the Administration's funding level for Mental Health Managed Care which does not provide a cost-of-living-adjustment for the third straight year in a row.
- Restored \$60 million (\$40 million General Fund) for the EPSDT Program to reflect the Administration's withdrawal of their flawed re-basing proposal that would have resulted in California losing over \$50 million in federal funds and would have devastated mental health outpatient services.
- Augmented by \$5 million (Proposition 98 Funds) the Early Mental Health Program for pupils in grades K through Third.
- Rejected the DMH proposal to eliminate \$724,000 (General Fund) from selected counties, including Sacramento County, for their psychiatric health facility, and 13 other counties that use these funds to obtain federal matching funds under the rehabilitation waiver.
- Approved uncodified trailer bill language related to enforcing mental health parity.
- Increased by \$500,000 (\$250,000 General Fund) to develop federally required informing materials for Medi-Cal recipients and related activities associated with recent federal regulation changes.
- Approved an increase of \$275,000 (Reimbursements from MRMIB) for supplemental mental health benefits provided under the Healthy Families Program.
- Saved \$246,000 (General Fund) by deleting three positions proposed to conduct activities associated with implementation of HIPAA.

State Hospitals

- Adopted the budget for the State Hospitals as proposed since the enrollment caps were rescinded by the Governor.
- Restored \$13.5 million (General Fund) related to a series of proposed changes by the Administration to the state's Sexually Violent Predator (SVP) Program since the proposed changes raised significant constitutional and legal issues which require further discussion through the policy committee process.
- Provided an increase of \$218,000 (General Fund) for the Conditional Release Program that serves SVPs.
- Adopted the Administration's proposal to defer the activation of Coalinga State Hospital until September, 2004 which saves \$10.7 million (General Fund).
- Rejected the Administration's proposal to shift financial responsibility to the counties for any patients in the State Hospitals who are deemed Incompetent to Stand Trial and who remain in the State Hospital for more than 10 days after a certificate of restoration of competency has been received by the courts. A General Fund backfill of \$360,000 was provided for this purpose.

HUMAN SERVICES

4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER

- Adopted Budget Bill language to establish specific deadlines and requirements relative to the CWS/CMS go-forward plan and to allow the Department of Finance to augment DSS and HHSDC to transition the CWS/CMS hardware to the state.
- Adopted Budget Bill language and trailer bill language to require the Data Center to report annually to the Department of Finance and the LAO regarding the cost factors reflected in its rates and for the DOF to use the report to review the Data Center's rate setting methodologies.
- Increased spending authority by \$17.8 million to support the Unemployment Insurance Modernization Project, which will increase the Employment Development Department's capacity to detect and control fraud in the Unemployment Insurance system.
- Reduced funding for the Statewide Fingerprint Imaging System for savings of \$536,000.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Shifted the Song Brown Family Physician Training Program from the GF to the California Health Data and Planning Fund, on a one-time basis, for budget-year savings of \$4.1 million GF.
- Adopted uncodified trailer bill language to require OSHPD to develop alternative funding strategies to provide long-term stability and non-GF support for the Song Brown program and to report on the strategies at budget hearings.

4170 DEPARTMENT OF AGING

- Rejected the Governor's proposal to block grant funding for aging services and restored \$1.7 million to maintain program funding at the current-year level.
- Adopted placeholder trailer bill language to prohibit denial of aging services to eligible persons who are receiving IHSS and to require improved coordination of services and funding in a manner that maximizes cost effectiveness to the state and to counties.

4180 COMMISSION ON AGING

- Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Adopted the Governor's proposal to retain the Office of Problem Gambling within the Department of Alcohol and Drug Programs and to provide \$3 million from the Indian Gaming Special Distribution Fund to support the operations of the office.
- Appropriated \$1.8 million in federal funds to support expansion of dependency drug court programs. Adopted trailer bill legislation to require the department to establish data collection and reporting requirements to measure program outcomes and cost-effectiveness, including the amount of foster care savings realized by the programs.
- Adopted the Administration's proposal to increase by \$3.5 million in federal funding to support the delivery of alcohol and drug screening, intervention, referral, and treatment services to adult patients in medical settings across four counties.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- Appropriated \$1.5 million GF to support the Naturalization Services Program, which assists legal permanent residents in obtaining citizenship.

5160 DEPARTMENT OF REHABILITATION

- Made a series of adjustments, reductions, and redirections to address a reduction in Social Security Reimbursements. Maintained funding for vocational rehabilitation counseling and placement services, the business enterprise program, and the Orientation Center for the Blind in the current year and the budget year.
- Adopted the following adjustments to maintain funding for personal services: a redirection of \$4 million in Vocational Rehabilitation program costs; a \$960,000 reduction in assistive technology grants; \$771,000 in program efficiencies; and \$2 million in a redirection of establishment grants. In addition, DOR plans to eliminate a contract with the Center for the Partially Sighted and instead support the Center's delivery of Vocational Rehabilitation services through a case services contract.

5170 STATE INDEPENDENT LIVING COUNCIL

- Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Adopted the following May Revision changes regarding the California Child Support Automation System (CCSAS): (1) a \$27.3 million (\$6.2 million GF) augmentation to support CCSAS activities; (2) Budget Bill language that would allow the Department of Finance to augment funding for the CCSAS Project and State Disbursement Unit, if needed to achieve federal certification; and (3) Budget Bill language to reappropriate prior-year funds for county conversions to reflect changes in the project schedule.
- Eliminated the proposed \$220 million for payment of the alternative federal penalty in the budget year, as the federal government will allow California to pay the penalty in the following fiscal year. Rejected the proposed legislation to require counties to pay a share of the federal penalty.
- Maintained the current policy of distributing child support collections made on behalf of families receiving public assistance to the federal, state, and county governments based on their share of funding for assistance programs. This action to reject the proposed elimination of the county share of child support collections will reduce GF revenues in the budget year by \$35.9 million.
- Appropriated \$4.2 million (\$1.4 million GF) to augment funding for Los Angeles County's Child Support Agency. Adopted Budget Bill language to require the agency to improve its performance, to increase child support collections by a specified amount, and to repay the funds if it does not achieve the required outcomes.

5180 DEPARTMENT OF SOCIAL SERVICES**In-Home Supportive Services and SSI/SSP**

- Adopted the May Revision proposal to restore funding to the IHSS Residual program and to assume federal financial participation in IHSS Residual program costs. Adopted trailer bill legislation to: (1) implement the Waiver; (2) shift eligible consumers from the Residual program to the waiver; and (3) retain the Residual program for services and persons not covered by the waiver. Federal funding for the Residual Program is contingent on approval of the IHSS Plus Waiver by the Centers for Medicare and Medicaid Services. The Budget Act assumes \$216.5 million General Fund savings from implementation of the waiver.
- Rejected the Governor's proposal to eliminate state participation in IHSS provider wages and benefits above the minimum wage. (\$129 million GF)

- Rejected the Governor's proposal to repeal the IHSS employer-of-record requirement, eliminate state funding for public authorities, and make the establishment of IHSS Advisory Committees optional for an increase in program costs of \$2.0 million GF.
- Restored funding, pursuant to the May Revision, to maintain domestic services for consumers who reside with family members and rejected the proposed trailer bill legislation to eliminate the aforementioned services "to the extent permissible under federal law".
- Assumed \$11.4 million in net GF savings from implementation of quality assurance efforts that seek to increase standardization in the authorization of services, prevent fraud and overpayments, and reduce program costs. Adopted trailer bill legislation which requires the state and counties to conduct case reviews, error rate studies, and claims audits, to prevent fraud and assure services are authorized appropriately. The legislation defines overpayment and fraud for purposes of IHSS; establishes mechanisms for fraud investigation and overpayment collection; and requires the state to implement guidelines for assessments and authorization of services.
- Rejected the Governor's proposal to withhold the federal SSI cost-of-living adjustment in the 2004-05 fiscal year. Delayed the 2004-05 state SSI/SSP COLA to April. (\$112.8 million GF)
- Rejected the Governor's proposed elimination of the California Veterans Cash Benefit Program at a \$5.5 million GF cost. The program provides cash assistance to Filipino World War II veterans who were receiving SSP in 1999 and who relocated to the Philippines.
- Adopted the May Revision rescission of enrollment caps and block grants for various human services programs that serve legal immigrants including the Cash Assistance Program for Immigrants (CAPI), the California Food Assistance Program and CalWORKs.
- Adopted trailer bill legislation to require counties to assist CAPI recipients in applying for the federal SSI program and to require DSS to reimburse counties for legal fees incurred during successful SSI appeals, subject to a cap. Assumes \$3.1 million in savings from the successful transition of persons from CAPI to SSI.

CalWORKs and Food Programs

- Rejected the Governor's proposed grant reduction. Suspended the 2004-05 CalWORKs cost-of-living adjustment (COLA) for three months. (\$194.1 million GF)
- Adopted revised CalWORKs work requirements that increase the program's emphasis on work. Specifically, adopted legislation to require CalWORKs participants to enter into a welfare-to-work plan within 90 days of becoming eligible for aid and to engage in 20 hours per week of core work activities, as part of their 32 to 35 hours of required participation in welfare-to-work activities. Core work activities includes employment, on-the-job training, vocational education (up to 1 year), and supervised community service. Under specified conditions, core work activities may include mental health or substance abuse treatment, and some education activities. The Budget Bill assumes \$14.5 million in savings from the reforms.

- Rejected the Governor's proposed safety net grant reductions and deeper grant reductions to families in sanction status. Required that the Department of Social Services examine the CalWORKs sanction policy, its implementation, and effect on work participation, and develop recommendations to improve its effectiveness by April 1, 2005.
- Restored \$50 million to fund CalWORKs administration and employment services activities.
- Adopted trailer bill legislation to reappropriate up to \$40 million in unspent county CalWORKs administration, employment services, and child care funds to support welfare-to-work services in the budget year. The Governor vetoed \$40 million in federal TANF funds for employment services to nullify the effect of the trailer bill legislation.
- Rejected the Governor's proposed reimbursement rate reforms and some eligibility reforms at a cost to the CalWORKs program of \$28.8 million. Reduced the amount of TANF funds to support Stage 2 child care by \$44.4 million.
- Maintained the reduction to Tribal TANF funding to be implemented as an across the board reduction to all Tribal TANF programs. Adopted trailer bill language specifying the use of \$15.5 million in unspent Tribal TANF funds to support the programs in the budget year and to establish, beginning in July 1, 2005, a new caseload-based methodology to determine state funding for existing Tribal TANF programs.
- Appropriated \$2.1 million to support delivery of mental health and substance abuse services by Indian Health Clinics to low-income families.
- Adopted the May Revision proposal to transfer \$20 million in TANF funds to the Department of Health Services for support of the Community Challenge Grant Program, which works to mitigate teen pregnancy and nonmarital births.
- Rejected the Governor's proposed TANF transfers to foster care and to the Department of Developmental Services and restored GF support to the affected programs. Adopted Budget Bill language to prohibit TANF fund transfers from the CalWORKs reserve to the Social Services block grant.
- Maintained Transitional Food Stamps benefits and recent eligibility reforms, which will extend food assistance to 81,000 low-income California households and will generate \$4.5 million in ongoing GF revenue (\$1 million net GF revenue increase in the budget year).

Community Care Licensing

- Rejected proposed legislation to increase community care licensing fees, over three years, to replace GF support for the licensing program. Assumed \$5.8 million in increased fee revenue and adopted trailer bill legislation to adjust fees to realize the assumed level of revenue.
- Required that community care licensing fees be deposited into the Technical Assistance Fund to improve legislative oversight and assure that fee revenues are used for their intended purpose.
- Maintained a \$4.6 million (\$2.6 million GF) increase to support workload associated with criminal background checks and processing of subsequent arrest information. Approved

requested funding increase to support conviction information processing, which may reduce workload associated with investigating arrest reports.

- Adopted trailer bill legislation to require the Health and Human Services Agency, to the extent feasible, to examine existing background check processing, develop alternatives to streamline and standardize background check processing, and to report at budget hearings.

Automation Projects

- Adopted Budget Bill language to establish specific deadlines and requirements relative to the CWS/CMS go-forward plan, and to allow the Department of Finance to augment DSS and HHSDC to transition the CWS/CMS hardware to the state.
- Adopted trailer bill legislation to specify the provisions of the new In-Home Supportive Services Case Management Information and Payrolling System, including case management, payrolling and program management, and to require that procurement begin by August 2004.

Children and Youth Services

- Adopted foster care reforms for savings of \$4.7 million. The reforms include: eliminating the requirement that counties examine foster care eligibility on a semi annual basis, and eliminating state reimbursement for audit costs incurred by small foster care providers.
- Rejected a number of proposed foster care reforms that were not expected to generate budget year savings. The reforms include: reducing the foster care grant for children placed with relatives after four years of placement; various changes to the group home audit processes; and developing and implementing performance based contracting for foster care providers.
- Rejected the Governor's proposal to require a county-match of the Child Welfare Services Augmentation, which has been funded by the state since 1998 to address program "under funding" and provide workload relief. The Governor vetoed the legislative restoration, reducing program funds by up to \$90 million if counties do not provide the new county-match. (\$17 million GF).
- Approved \$33.2 million (\$6.7 million GF) in increased funding to support program reforms and improvements to the child welfare services system, including implementation of the new CWS outcomes and accountability system, the state's program improvement plan, components of the CWS Redesign and expanded child abuse prevention efforts.
- Adopted Budget Bill language to reappropriate unspent CWS Redesign funding to support various activities in the budget year, including the development and implementation of a standardized safety assessment system and differential response.
- Adopted a May Revision increase of \$25.8 million (\$3.8 million GF) to implement the *Rosales v. Thompson* court decision which expanded eligibility for federal foster care funding to thousands of low-income relatives caring for foster children.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Approved as budgeted.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved Control Section 6.60, to allow state government workers' compensation savings, up to \$40 million, to augment funding for Employment Training Panel grants.
- Approved Finance Letter to add provisional budget language allowing the Employment Development Department to augment the Employment Development Contingent Fund appropriation in order to make interest payments on a federal Unemployment Fund loan.
- Approved Finance Letter that schedules Workforce Investment Act Discretionary Fund expenditures. Added a provision to specify that up to \$310,000 of the funds shall be used to support fire and fuel reduction training for California Conservation Corps members.
- Approved a \$20.8 million augmentation from the Employment Development Department Contingent Fund to offset a reduction in federal funds and maintain the current level of funding for Unemployment Insurance administration.
- Approved a \$12.6 million augmentation from the Benefit Audit Fund to offset a reduction in federal funds and maintain funding for UI benefit payment control activities at the current level.
- Approved a \$16.1 million augmentation from the Employment Development Department Contingent Fund to partially offset a loss in federal funds to the Job Service Program.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Eliminated the Industrial Welfare Commission to generate GF savings of \$235,000.
- Approved Finance Letter to augment \$20.1 million from the Workers' Compensation Administration Revolving Fund and add 249 new positions for workload related to Chapter 639, Statutes of 2003 (SB 228).

- Approved Finance Letter that provides authority for the Director of Finance to augment the Workers' Compensation Administration Revolving Fund for workload associated with Chapter 34, Statutes of 2004 (SB 899).
- Augmented funding by \$300,000, General Fund, to improve labor-law enforcement.

Trailer Bill Language

1. Amended the Labor Code Private Attorneys General Act of 2004 (SB 796) to add specified procedural and administrative requirements.

VETERANS AFFAIRS

0553 OFFICE OF INSPECTOR GENERAL FOR VETERANS AFFAIRS

- Approved as budgeted, which eliminates the Office of Inspector General.

8955-8966 DEPARTMENT OF VETERANS AFFAIRS AND VETERANS HOMES OF CALIFORNIA

- Approved Finance Letter to augment funding by \$2 million GF and decrease reimbursements by the same amount to better align the budget to actual reimbursements.
- Rejected Governor's Budget proposal to shift funds collected from members' estates from the Morale, Welfare and Recreation Fund to the GF for unreimbursed cost of care.
- Approved position reductions to generate GF savings of \$426,000, but shifted all of the reductions from the homes to the headquarters.

SUBCOMMITTEE 4

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Joseph Dunn, Chair
Denise Ducheny
Ross Johnson

Consultants

Brian Annis
Alex MacBain
Dave O'Toole

SUBCOMMITTEE No. 4

LEGISLATIVE, EXECUTIVE, JUDICIARY, TRANSPORTATION, and GENERAL GOVERNMENT

Transportation

Secretary for Business, Transportation, and Housing	4-1
California Transportation Commission	4-1
Special Transportation Programs	4-1
Department of Transportation	4-1
High Speed Rail Authority	4-3
California Highway Patrol.....	4-3
Department of Motor Vehicles	4-3

State Administration

State Controller.....	4-4
Department of Insurance	4-5
Board of Equalization.....	4-5
Secretary of State.....	4-6
Scholarshare Investment Board	4-6
California Debit Limit Allocation Committee	4-6
California Tax Credit Allocation Committee	4-6
California Alternative Energy & Advanced Transportation Financing Authority	4-6
Consumer Affairs	4-7
Fair Employment and Housing.....	4-7
Franchise Tax Board.....	4-7
Department of General Services.....	4-8
State Personnel Board.....	4-9
Public Employee Relations Board.....	4-9
State Teachers' Retirement System.....	4-9
Alcoholic Beverage Control	4-9
Department of Financial Institutions	4-10
Department of Corporations	4-10
Department of Housing and Community Development.....	4-10
Department of Real Estate.....	4-10
Stephen P. Teale Data Center.....	4-11
California Arts Council	4-11
Personnel Administration	4-11
Fair Political Practices Commission.....	4-11
Department of Finance	4-11
Office of Administrative Law.....	4-11
Tax Relief.....	4-12
Local Government Financing	4-12

SUBCOMMITTEE No. 4

(CONTINUED)

State Administration (continued)

Support for Health and Dental Benefits for Annuitants	4-13
Augmentation for Employee Compensation	4-13
Augmentation for Contingencies and Emergencies	4-13
Reform of Real Property Asset Management.....	4-13
Contributions to Public Retirement Benefits.....	4-13
Employee Compensation Savings	4-14
Contribution to Public Employees Contingency Reserve Fund	4-14
Loaned Positions	4-14
E-Budget.....	4-14
Contract Savings.....	4-15
Workers' Compensation Savings	4-15
Federal Reimbursements	4-15
State Appropriations Limit	4-15
Special Loan Funds: Department of Consumer Affairs	4-15
Data Center Consolidation	4-15
Tribal Gaming Revenue/Repayment of Transportation Loans.....	4-16
Deficiency Reporting Requirements	4-16
Prohibits Excess Expenditures	4-16
Strategic Sourcing	4-16
Public Benefit Trust Fund	4-16
General Fund Deficit Recovery Payments.....	4-17
Estimated General Fund Revenue	4-17

Judiciary

Judiciary	4-18
Commission on Judicial Performance.....	4-18
Contributions to Judges' Retirement System	4-18
State Trial Court Funding.....	4-18

TRANSPORTATION

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Transferred the \$1.1 million Film California First Fund balance to the GF.
- Approved Finance Letter to provide \$600,000, General Fund, for the Film Permitting Online System.
- Augmented funding by \$350,000, General Fund, for the Office of Military Base Retention and Reuse.

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved Finance Letter to restore three positions originally proposed for elimination in the Governor's' Budget, but changed the designation of the positions from limited-term to permanent.
- Restored the Legislative Director position that was one of the five positions vacant on June 30, 2003 and eliminated. The Governor vetoed the augmentation related to this position.

2640 SPECIAL TRANSPORTATION PROGRAMS

- Approved Finance Letter to augment the Special Transportation Programs by \$15.9 million, based on higher revenue projections.

2660 DEPARTMENT OF TRANSPORTATION

- Approved additional appropriation authority of \$150 million federal funds and \$150 million State Highway Account with expenditure of the funds contingent on the receipt of increased federal funds. Revised the proposed language to specify the funds should primarily support new State Highway Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) project allocations.
- Approved transfer of \$108 million in non-Article XIX revenue from the State Highway Account to the GF. Added provisional language that states no funds shall be transferred that would result in federal penalties.
- Approved an augmentation of \$151.7 million and 540 positions for the Capital Outlay Support Program. Modified the Governor's proposal to increased State-staff resources and decreased

contract-out resources such that the total workload will be split 7.6 percent contract-out staff and 92.4 percent state staff. This workload split is the same as that of the 2003 Budget Act.

- Approved position restorations to perform critical workload in the following programs: Toll Collections (\$318,000 and 7 positions); Traffic Operations (\$1.6 million and 18 positions); and Maintenance (\$6.8 million and 64 positions).
- Rejected the Governor's proposal to transfer \$745,000 from the Aeronautics Account to the General Fund.

Budget Bill Language

1. Approves a reporting requirement for any issuance of Grant Anticipation Revenue Vehicles (GARVEE) bonds in excess of \$800 million.

Trailer Bill Language

1. Approves new Indian gaming compacts and approved the following distribution of \$1.2 billion in Indian gaming bond revenue to partially repay transportation loans to the General Fund:
 - \$457 million to the State Highway Account.
 - \$290 million to the Traffic Congestion Relief Fund.
 - \$275 million to the Public Transportation Account.
 - \$192 million to cities and counties for local streets and roads.
2. Approves suspension of Proposition 42 in 2004-05 with a requirement that the amount suspended be repaid with interest by June 30, 2008.
3. Approves amendments to transfer \$140 million in sales tax "spillover" revenue to the Traffic Congestion Relief Fund (TCRF) instead of to the Public Transportation Account. This transfer, along with a \$43 million transfer from the General Fund to the TCRF, repays \$183 million in transportation loans to the General Fund.
4. Rejects language that would allow the Business, Transportation, and Housing Agency to prioritize future Traffic Congestion Relief Program project allocations without legislative approval.
5. Amends statute to require a long-range highway maintenance plan.

2665 HIGH SPEED RAIL AUTHORITY

- Augmented budget by \$720,000 to complete the Environmental Impact Report. The Governor vetoed this augmentation.

2720 CALIFORNIA HIGHWAY PATROL

- Augmented budget by \$28 million, to allow the California Highway Patrol to fill 270 vacant officer positions.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved Finance Letter to augment expenditure authority by \$16.1 million, in order to retain 400 temporary positions and reduce wait times at field offices.

STATE ADMINISTRATION

0840 STATE CONTROLLER'S OFFICE

- Augmented the State Controller's Office (SCO) by \$1.5 million reimbursements, \$2.5 million special and nongovernmental funds, and 11 one-year limited-term positions for workload and information technology procurement for the Human Resource Management System—21st Century Project. This project will replace the SCO's employment history, payroll, leave accounting, and position control systems.
- Augmented the Unclaimed Property Program budget by \$329,000 GF and 5.9 permanent positions to process increased claims workload.
- Increased the State Disability Insurance (SDI) Program budget by \$614,000 GF and two one-year limited-term positions to modify the human resources and payroll systems for the SDI Program.
- Approved a request for \$985,000 in reimbursements to continue development of the California Automated Travel Expense Reimbursement System.
- Rejected proposed budget bill language to amend the SCO's authority to conduct performance audits.
- Amended statute to allow the state to collect unclaimed property residing in foreign countries. Estimated revenues in the budget year are \$2 million GF.

Budget Bill Language

1. Allows various special and nongovernmental funds to be assessed up to \$2.5 million for support expenditures related to the Human Resource Management System—21st Century Project.

Trailer Bill Language

1. Makes legislative declarations and authorizes the SCO to assess departments and establish agreements to procure funding for the Human Resource Management System—21st Century Project.
2. Amends statute to allow the state to collect unclaimed property residing in foreign countries. Estimated revenues in the budget year are \$2 million GF.

0845 DEPARTMENT OF INSURANCE

- Augmented the Department of Insurance by \$1.3 million (Insurance Fund) and 12 positions to investigate and prosecute health and disability insurance fraud.
- Increased funding for employee compensation costs for county investigators by \$987,000 (Insurance Fund).
- Distributed \$2.9 million (Insurance Fund) from the Fraud Automobile and Urban Grant Programs to local District Attorneys.

Trailer Bill Language

1. Amends the Vehicle Code to transfer the balance of \$2.9 million in the California Earthquake Recovery Fund from the Earthquake Grants and Loans Program to the GF.

0860 BOARD OF EQUALIZATION

- Decreased salary savings by \$4.7 million GF and \$2.9 million reimbursements to fund 160 positions. This salary savings correction is estimated to generate \$8.4 million in GF revenues in the budget year and \$18.9 million GF ongoing.
- Appropriated \$564,000 GF for an alternative cigarette tax stamp. The new stamp is estimated to generate \$5.2 million GF and \$28.2 million special funds annually.
- Appropriated \$59,000 GF and \$300,000 other funds to commence the repair process for the exterior curtainwall of the Board of Equalization building in Sacramento.
- Appropriated \$8.1 million (Cigarette and Tobacco Products Compliance Fund) to implement the Tobacco Licensing Act (Chapter 890, Statutes of 2003), which mandated that the BOE administer a statewide program to license businesses that distribute cigarettes and tobacco products. This program is estimated to generate annual revenues of between \$58 million and \$87 million (various funds).

Trailer Bill Language

1. For 2004-05 and 2005-06, closes a tax loophole related to the purchase of vehicles, vessels or aircraft by requiring buyers who purchase outside of California but who bring their purchase into the state within 12 months of the date of purchase to be subject to the use tax. BOE costs for this activity are \$2.3 million GF, \$1.2 million reimbursements, and 14 positions. This action is expected to generate an estimated \$25.9 million GF in budget year tax revenue.

0890 SECRETARY OF STATE

- Augmented the budget-year appropriation by \$260 million (federal funds) and 15 positions to carry out provisions of the Help America Vote Act (HAVA). The Administration and Legislature will review the spending plan for these funds prior to their expenditure.

Trailer Bill Language

1. Repeals a longstanding suspended mandate related to involuntary lien notices.

0954 SCHOLARSHARE INVESTMENT BOARD

- Increased the GF reserve by up to \$50 million to reflect funds set aside but as yet unclaimed from the Governor's Scholars Program. Award payments will still be made from the GF and no eligible students will be affected. This will be one-time savings only.

0959 CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

- Approved a loan of \$3.5 million from the California Debt Limit Allocation Committee Fund to the GF, to be repaid in October 2006.

0968 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

- Approved a loan of \$35 million from the Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account to the GF, to be repaid in October 2006.
- Approved a loan of \$31 million from the Tax Credit Allocation Fee Account to the GF, to be repaid in October 2006.

0971 CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY*Trailer Bill Language*

1. Increases the amount that the Authority may issue in bonds from \$350 million to \$1 billion.

1110 CONSUMER AFFAIRS*Trailer Bill Language*

1. Approves conversion of the Athletic Commission from General Fund to Special Fund. Denies fee increase for boxing events.

1700 FAIR EMPLOYMENT AND HOUSING

- Approved Finance Letter to increase the federal appropriation by \$1.0 million to address an operating expenses and equipment funding shortfall.

1730 FRANCHISE TAX BOARD

- Rejected trailer bill language to impose a compliance audit fee on candidates and lobbyists at the time of filing statements with the Secretary of State.
- Increased prior-year revenue estimates by \$100 million GF to reflect updated revenue numbers from the Voluntary Compliance Initiative that occurred in 2003-04.
- Increased the FTB's GF appropriation by \$4.3 million GF to provide funding for contracts with tax shelter experts and to backfill 42 audit positions that are being redirected by the FTB to work on abusive tax shelter cases. Estimated revenues are \$28 million GF in 2004-05.
- Augmented by \$17,473,000 (\$5.9 million GF and \$11.5 million reimbursements) to provide funding for 9 positions and vendor payments in order to continue the development phase of the California Child Support Automation System (CCSAS) project.
- Approved an Administration request to increase the FTB's support item \$1.3 million GF and two limited-term positions to provide funding to defend a lawsuit filed by a taxpayer.
- Added 28.1 personnel-years and \$1.8 million GF for manual review of approximately 268,000 potential personal income tax nonfiler accounts. This review will enable the FTB to generate approximately \$63 million in new GF revenues beginning in 2007-08.
- Augmented the FTB budget by \$6.5 million (\$6 million GF) to provide maintenance and operations costs associated with the FTB's new state office building complex.
- Augmented the FTB budget by \$2.8 GF million to fund financial experts who will assist the FTB in combating abusive tax shelters and for backfilling vacant auditor positions. Revenues are estimated to be \$6.5 million GF.
- Increased FTB funding by \$1 million GF to provide funding for increased computer processing capacity and memory.

Trailer Bill Language

1. Enacts a statewide tax amnesty program to occur between February 1 and March 31, 2005. Unlike the targeted amnesty of 2003-04, this amnesty will be widely publicized and available for all eligible taxpayers. Estimated revenues from personal income and corporate taxes, as well as sales and use taxes, are over \$330 million GF.
2. Establishes within the Franchise Tax Board (FTB) fees for setting up payment by installment arrangements and "rush" services for estimated savings of \$1 million GF in the budget year.
3. Suspends the teacher retention credit for two years. The credit was enacted in 2000 and grants a credit to credentialed teachers ranging from \$250 to \$1,500 per year dependent on length of service.

1760 DEPARTMENT OF GENERAL SERVICES

- Approved a loan of \$35 million from the Public School Planning, Design, and Construction Review Revolving Fund to the GF, to be repaid in October 2005.
- Approved a loan of \$5 million from the Disability Access Account to the GF, to be repaid in October 2005.
- Decreased funding by \$2.4 million GF and 4.8 personnel-years to eliminate budget authority for the "eGovernment" initiative program that will be transferred to the Department of Personnel Administration.
- Increased funding by \$7 million (\$4 million GF, \$3 million Service Revolving Fund) for ongoing Capitol security operations, maintenance, and enhancements.
- Increased support by \$4.8 million and 28.3 personnel-years to allow the DGS to operate and maintain the Caltrans District 7 (Los Angeles) office building.
- Increased support by \$7.4 million GF and 71.4 personnel-years to allow the DGS to operate and maintain the Franchise Tax Board headquarters building.
- Augmented DGS local assistance funding by \$3 million (State Emergency Telephone Number Account) to support deployment of enhanced wireless 911 telephone services.

Budget Bill Language

1. Adds language to require a report to the Department of Finance and the Legislative Analyst's Office on the cost factors reflected in statewide rental rates.

Trailer Bill Language

1. Adopts statutory changes to clarify terminology related to the Department of General Services' design-build process and clarifying the Public Works Board's authority to augment capital outlay projects and establish a construction reserve.

1880 STATE PERSONNEL BOARD

- Rejected the Administration's proposal to make a \$465,000 GF reduction to staffing and operating expenses related to merit appeals, examination services, bilingual services, and information technology services. This restoration was decreased by \$135,000 (from \$600,000) through a veto by the Governor.
- Approved the Administration's request to increase the State Personnel Board's main support item by \$549,000 reimbursements and 5.5 positions.

1900 PUBLIC EMPLOYEE RELATIONS BOARD

- Approved as budgeted.

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Increased funding by \$94 million GF pursuant to a June 30, 2004, STRS valuation in which it was determined that additional funding for member benefits must be provided in order to meet statutory requirements.

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved Finance Letter to augment funding by \$496,000, special funds, and establish 10 new positions to perform licensing functions and reduce wait times.

Trailer Bill Language

1. Broadens the authority of Alcoholic Beverage Control to accept petitions for an offer in compromise and assess a fine in lieu of a suspension, which will provide an additional \$1.3 million in GF revenue.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Augmented \$679,000, special funds, and established 6.0 new positions to implement the Financial Information Privacy Act (SB 1, Chapter 241, Statutes of 2003). Added provisional language requiring a report on SB 1 implementation by January 10, 2006.

2180 DEPARTMENT OF CORPORATIONS

- Augmented \$932,000, special funds, and established 10.0 new positions to implement the Financial Information Privacy Act (SB 1, Chapter 241, Statutes of 2003). Added provisional language requiring a report on SB 1 implementation by January 10, 2006.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Transferred \$7.3 million School Facilities Fund balance to the GF.
- Augmented the Governor's Budget by \$1.3 million GF for the Emergency Housing and Assistance Program. The Governor vetoed this augmentation.

Trailer Bill Language

1. Adopts language to allow the use of \$1.4 million in bond funds to pay for repair, rehabilitation, and replacement of equipment at various state-owned migrant centers.
2. Adopts language authorizing a fee not to exceed \$10 to reimburse the state for the cost of administering the Enterprise Zone Program. Fee authority sunsets on July 1, 2006.
3. Adopts language that clarifies and narrows the housing element mandate on local government, to reduce GF cost for the mandate.
4. Adopts language to limit future rent increases for residents of Office of Migrant Services facilities.

2320 DEPARTMENT OF REAL ESTATE

- Augmented \$775,000, special funds, and added 13 new positions to issue licenses and reduce wait times.

2780 STEPHEN P. TEALE DATA CENTER

- Added 10 positions that will be funded within existing resources.

8260 CALIFORNIA ARTS COUNCIL

- Augmented Governor's Budget by \$1 million, General Fund. The Governor vetoed this augmentation.

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Moved the sunset date for the Rural Health Care Program from January 1, 2005, to January 1, 2008, and augmented by \$11.3 million to provide full-year funding in 2004-05.
- Approved Finance Letter to eliminate five positions for GF savings of \$259,000.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Amended a \$809,000 GF reduction to the Fair Political Practices Commission's (FPPC) nonstatutory funding in the Governor's January 10 budget by adding back \$309,000 GF for legal council, political reform consultants, public outreach, local law enforcement activities, and other administrative activities.
- Rejected a proposed unallocated three percent reduction to the FPPC's budget.

8860 DEPARTMENT OF FINANCE*Trailer Bill Language*

1. Adopts language that requires the Department of Finance to provide additional budget information related to loans, including a summary of General Fund obligations to special funds and accounts and the date those obligations become due.

8910 OFFICE OF ADMINISTRATIVE LAW

- Rejected a proposed \$427,000 GF and five-position increase for a two-year limited-term assignment to address increased Determinations and Regulations Compliance Program workload.

9100 TAX RELIEF*Trailer Bill Language*

1. Repeals longstanding suspended mandates related to deferring senior citizens' mobile home property taxes and property tax family transfers.

9210 LOCAL GOVERNMENT FINANCING

- Maintained funding for the Citizens' Option for Public Safety (\$100 million GF) and Juvenile Justice Crime Prevention Act (\$100 million GF) grant programs.

Trailer Bill Language

1. Shifts in 2004-05 and in 2005-06 \$1.3 billion GF of property taxes from local governments to schools and community college districts to reduce state education costs. Of the \$1.3 billion, \$350 million is shifted from special districts, \$350 million from cities, \$350 million from counties, and \$250 million from redevelopment agencies.
2. Implements an ongoing tax shift of property taxes from schools and community colleges to cities and counties as a replacement for state VLF backfill revenues. In 2006-07 this will amount to \$4.2 billion.
3. Enacts significant mandate protections, including a statutory payback schedule for mandate deferrals. All mandates would be either suspended or paid.
4. Repeals longstanding suspended mandates related to involuntary lien notices and certain properties where the county recorder must make notices (lis pendens).
5. Beginning in 2005-06, deletes the continuous appropriation to cities for their costs associated with booking individuals into county jails. Also starting that year, the amount that county sheriffs may charge for booking fees is reduced by one-half.
6. Reinstates the rural and small county law enforcement grants. The language appropriates and allocates \$500,000 to specified small and rural county sheriffs' departments to enhance law enforcement. A total of \$18.5 million will be allocated for this program in 2004-05.

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Achieved \$60.5 million in GF savings by adopting a \$1.6 million reduction in dental premiums and a \$58.9 million reduction in health premiums.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Assumed \$63.0 million GF in savings from renegotiation of the CCPOA contract.
- Adopted \$23.3 million GF in savings based on changes in health benefits for employees.

9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIES*Budget Bill Language*

1. Amends the process for augmenting insufficient appropriations by making procedural changes and specifying a \$50 million GF appropriation for deficiencies in the 9840 budget item. In the event that funding in that item is exhausted, departments may seek funding through the bill process.

9916 REFORM OF REAL PROPERTY ASSET MANAGEMENT*Trailer Bill Language*

1. Adds language to expediting the sale of property deemed surplus and authorized by the Legislature for sale. The budget assumes \$50 million in additional General Fund revenue from this action.

CONTROL SECTIONS**3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS**

- Adopted revised rates for the six retirement classes, pursuant to a PERS Board meeting on May 18, 2004.

Trailer Bill Language

1. Authorizes the issuance of pension obligation bonds to pay \$929 million in 2004-05 state retirement costs. Bonds are financed through the savings generated by requiring new employees to work for 24 months before they may join PERS. In 2004-05, this action

reduces the state's retirement costs by \$32 million. The language also allows the Director of Finance, on behalf of the Committee, to make payments in the amount of \$120,000 for a legal settlement involving pension obligation bonds.

4.10 EMPLOYEE COMPENSATION SAVINGS

- Authorized the Department of Finance to reduce General Fund appropriations by \$150 million, under specified restrictions and exclusions. After the \$150 million reduction to General Fund appropriations has been achieved, the Department of Finance is authorized to carry out a second General Fund reduction of an equal amount, pursuant to any reversions or savings identified in a general reorganization plan. The Director of Finance must report to Joint Legislative Budget Committee and the Appropriations Committees not later than 30 days after making the reductions permitted by this section.

Budget Bill Language

1. Authorizes the Administration to make \$150 million in unallocated GF reductions during the fiscal year. State operations appropriations may be reduced by as much as 20 percent, and local assistance appropriations may be reduced by as much as 5 percent.

4.20 CONTRIBUTION TO PUBLIC EMPLOYEES CONTINGENCY RESERVE FUND

- Amended the contribution that departments and contracting agencies must make to PERS' contingency reserve fund to pay for administrative costs by reducing the rate to .425 percent of total health insurance premiums.

4.35 LOANED POSITIONS

Budget Bill Language

1. Authorizes the Administration to identify all Governor's Office employees who are funded by other departments and adjust departmental budgets accordingly to reflect the employees' actual assignment.

4.45 E-BUDGET

Budget Bill Language

1. Authorizes the Administration to transfer up to \$750,000 from the Department of General Services to the Department of Finance, to

provide funding for producing the Governor's Budget through electronic and other means.

5.50 CONTRACT SAVINGS

- Reversed projected ongoing savings of \$100 million, per the May Revise, that were built into the current-year budget. Savings were unachievable largely due to double counting by departments.

6.60 WORKERS' COMPENSATION SAVINGS

- Approved the use of state government workers' compensation savings, up to \$40 million, to augment funding for Employment Training Panel grants.

8.52 FEDERAL REIMBURSEMENTS

Budget Bill Language

1. Adopts control section language clarifying that unanticipated federal funds will be used for purposes consistent with the GF moneys they will replace. In a related action, a control section dealing with the same issue (Control Section 7.50) was deleted.

12.00 STATE APPROPRIATIONS LIMIT

- Established a state appropriations limit of \$64,588,000,000, in accordance with Article XIII B of the Constitution.

14.00 SPECIAL FUND LOANS: DEPARTMENT OF CONSUMER AFFAIRS

- Approved special fund loan authority for loans between Boards and Commissions in the Department of Consumer Affairs.

15.00 DATA CENTER CONSOLIDATION

- Approved authority for budget realignment related to consolidation of the state's data centers. The control section additionally provides for a \$3.5 million transfer from the Stephen P. Teale Data Center Revolving Fund to the GF.

16.00 TRIBAL GAMING REVENUE / REPAYMENT OF TRANSPORTATION LOANS

- Deleted this proposed Control Section because similar provisions were incorporated into the transportation budget trailer bill.

27.00 DEFICIENCY REPORTING REQUIREMENTS

- Deleted Control Section 27.00, which stipulates the procedures and requirements related to deficiency funding requests. Provisions for augmenting insufficient appropriations and other related procedural reforms are moved to the 9840 budget item.

32.00 PROHIBITS EXCESS EXPENDITURES

- Amended this control section to clarify the liability of officers of departments, boards, and commissions as it relates to the expenditure of continuous appropriations.

33.50 STRATEGIC SOURCING*Budget Bill Language*

1. Adopts savings to be achieved through refined procurement practices. The expected savings from this “buy in bulk” proposal is \$96 million GF.

34.50 PUBLIC BENEFIT TRUST FUND*Budget Bill Language*

1. Adopts legislative intent language to recognize revenues to be generated by the state taking 75 percent of the award in trials where punitive damages are assessed. Approximately \$450 million GF in ongoing revenues is assumed by establishing this transfer.

Trailer Bill Language

1. Adopts language specifying the allocation of awards between plaintiffs, attorneys, and the state and that the funds in the Public Benefit Trust Fund will be appropriated for purposes consistent with the nature of the award. The language also exempts the attorney’s share of the punitive award from taxation by the state, withhold information from the jury the knowledge that punitive damages will

be awarded to a government fund, and make provisions related to the state's public role in the assignment of punitive damage awards. These provisions will cease to be operative as of June 30, 2006.

35.00 GENERAL FUND DEFICIT RECOVERY PAYMENTS

Budget Bill Language

1. Adopts a control section to permit the Director of Finance to reimburse 2003-04 and 2004-05 expenditures with the amounts available from the Deficit Recovery Fund. That fund includes the proceeds of the Economic Recovery Bond.

35.50 ESTIMATED GENERAL FUND REVENUE

Budget Bill Language

1. Adopts a figure of \$80,390,500,000 as state resources available in 2004-05, pursuant to the California Balanced Budget Act (Proposition 58) enacted in March 2004.

JUDICIARY

0250 JUDICIARY

- Approved the May Revise proposal to increase funding by \$4.3 million GF due to increases in judges' salaries and benefits, employee salaries, and increased costs of contract security services, and to reduce the unallocated reduction from \$9.8 million to \$8.5 million, \$3 million of which is ongoing.
- Approved May Revise proposal to increase expenditures from the Trial Court Facilities Construction Fund by \$23.3 million and 65 positions to begin the transition of court facilities from counties to the state.

0280 COMMISSION ON JUDICIAL PERFORMANCE

- Approved as budgeted -- \$3.9 million.

0390 CONTRIBUTIONS TO JUDGES' RETIREMENT SYSTEM

- Approved expenditures of \$116.2 million GF, leaving a one-month reserve for the fund.

0450 STATE TRIAL COURT FUNDING

- Approved the May Revise proposal to increase funding to the Trial Court Trust Fund by \$95.1 million GF for existing costs that trial courts are experiencing. The proposal includes increases: for court staff retirement, court security, judges' retirement system, non-salary-driven benefit increases, salary and benefit contract costs, judges' salary and benefits, and county charges. The proposal also increases the unallocated reduction by \$11 million (from \$59 million to \$70 million), and makes \$20 million of the unallocated reduction ongoing.
- Rejected May Revise proposal to achieve \$6.4 million in GF savings through the implementation of electronic court recording. Adopted trailer bill language that prohibits courts from expending funds for electronic reporting technology to make a record not authorized in current law, and requires the Judicial Council to report on all purchases and leases of electronic reporting equipment.
- Rejected the May Revise proposal to achieve \$312,000 in GF savings through the elimination of the governmental exemption from civil court filing fees.

- Rejected the May Revise proposal to achieve \$372,000 in GF savings through reduction of the number of preemptory challenges in all cases.
- Rejected the May Revise proposal to achieve \$241,000 in GF savings through implementation of smaller jury panel sizes statewide.
- Rejected the May Revise proposal to achieve \$173,000 in GF savings by decreasing the jury size from 12 to 8 in limited civil cases.
- Approved the May Revise proposal to achieve \$2.3 million in GF savings through elimination of juror pay for governmental employees.
- Rejected May Revise trailer bill language requiring the Judicial Council to establish a working group to review trial court collective bargaining issues. Adopted trailer bill language specifying that violations of certain labor acts or rules and regulations shall be processed as an unfair practice charge by the Public Employment Relations Board (PERB).
- Approved a loan of \$30 million from the State Court Facilities Construction Fund to the GF.
- Adopted trailer bill language to provide that the base funding adjustment for the operating costs of trial courts will be computed based on the change in the state appropriations limit (SAL). Starting with the 2005-06 fiscal year, increases for the base operating costs of the courts will be based on increases in the SAL.
- Adopted trailer bill language to extend the filing fee surcharge on certain civil cases until June 30, 2005 to help make up for an estimated filing fee shortfall.

GOVERNOR'S VETOES

State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 1113.

Item 0555-001-0028—For support of Secretary for Environmental Protection. I reduce this item from \$1,444,000 to \$982,000.

I am deleting the \$462,000 legislative augmentation to assist the metal plating industry in complying with existing state regulations regarding the disposal of hazardous waste containing hexavalent chromium. This reduction is necessary to limit program expansions and provide for a prudent fund reserve in light of the declining balance in the Unified Program Account.

Item 0555-001-0044—For support of Secretary for Environmental Protection. I revise this item by reducing:

- (1) 30-Support from \$10,113,000 to \$8,151,000;
- (5) Amount payable from the Unified Program Account (Item 0555-001-0028) from -\$1,444,000 to -\$982,000;

and by deleting:

- (11.5) Amount payable from the Hazardous Waste Reduction Loan Account (Item 0555-001-0828) (-1,500,000).

I am revising this item to conform to the actions I have taken in Items 0555-001-0028 and 0555-001-0828.

Item 0555-001-0828—For support of Secretary for Environmental Protection. I delete this item and Provision 1.

I am deleting the \$1,500,000 legislative augmentation to assist the metal plating industry in complying with existing state regulations regarding the disposal of hazardous waste containing hexavalent chromium. While certified unified program agencies are intended to assist businesses, it is not appropriate to single out a particular industry for special assistance for failure to comply with environmental rules.

Item 0690-102-0001—For local assistance, Office of Emergency Services.

I am sustaining the \$2,000,000 legislative augmentation related to funding 10 domestic violence programs. This augmentation will ensure services for domestic violence victims are protected in all communities. However, I am directing the Office of Emergency Service (OES) to incorporate these funds into the existing funding for domestic violence shelters and allow the 10 shelters to obtain funding through the grant process currently administered by OES. Providing a separate appropriation for these 10 particular shelters would create an inequitable process, and would allocate more funding per shelter compared to the other 75 shelters that receive funding.

Item 1111-003-0001—For support of Consumer Affairs. I reduce this item from \$450,000 to \$365,000 by reducing:

- (1) 40-Office of Privacy Protection from \$485,000 to \$400,000.

I am deleting the \$85,000 legislative augmentation which would provide funding for the Office of Privacy Protection. Given the fiscal condition of the State, this reduction is necessary to help build a prudent reserve and bring ongoing expenditures in line with existing resources over the longer term.

Item 1760-492—Reappropriation, Department of General Services. I revise this item by deleting Schedule (2.5).

I am eliminating the availability of funding provided to the City of Oakland for the seismic retrofit of the Police Administration Building. Funds have been available since 1994 and the city is still unable to provide the required matching funds to receive the resources. If the city is able to commit the funds in the future, I will reconsider this request.

Item 1880-001-0001—For support of State Personnel Board. I reduce this item from \$3,888,000 to \$3,753,000 by reducing:

- (3) 50.01-Administrative Services from \$2,798,000 to \$2,663,000.

In recognition of potential workload increases associated with the end of the hiring freeze, I am sustaining \$465,000 of this \$600,000 legislative augmentation to provide funding for staff in the Bilingual Services Unit, the Appeals Division, the Examination Services Unit, and for information technology services. I am deleting the \$135,000 for temporary help and related costs. In addition, I am directing the State Personnel Board to develop performance-based measures to evaluate its effectiveness.

Item 2240-105-0001—For transfer to the Emergency Housing and Assistance Fund. I reduce this item from \$5,300,000 to \$4,000,000.

I am reducing the \$1,300,000 legislative augmentation for transfer from the General Fund to the Emergency Housing and Assistance Fund to help build a prudent reserve and bring ongoing expenditures in line with existing resources over the longer term. With these reductions, \$4,000,000 still remains to support the Emergency Housing and Assistance Program (EHAP), which grants funding to local agencies that provide homeless shelter beds and related services.

Item 2240-490—Reappropriation, Department of Housing and Community Development. I delete this item.

I am deleting the reappropriation of \$400,000 in grant funds originally made available in 2001 but never spent by the City of Orange Cove. The 2004-05-budget plan assumes that these funds as well as others that reverted to the General Fund on July 1, 2004, would be available as a resource for the 2004-05 budget.

Item 2600-001-0042—For support of California Transportation Commission. I reduce this item from \$651,000 to \$613,000.

I am reducing this item by \$38,000 to conform to the action I have taken in Item 2660-001-0046.

Item 2600-001-0046—For support of California Transportation Commission. I reduce this item from \$1,000,000 to \$932,000 by reducing:

- (1) 10-Administration of California Transportation Commission from \$1,651,000 to \$1,545,000, and
- (2) Amount payable from the State Highway Account, State Transportation Fund (Item 2600-001-0042) from -\$651,000 to -\$613,000.

I am deleting the \$106,000 legislative augmentation to increase staffing at the Commission to restore a Legislative Deputy position that was eliminated in 2003-04 subsequent to being vacant for one year. Given the fiscal condition of the State, this reduction is necessary to bring ongoing expenditures in line with existing resources over the longer term.

Item 2665-001-0046—For support of High Speed Rail Authority. I reduce this item from \$1,819,000 to \$1,099,000 and by deleting Provision 1.

I am deleting the \$720,000 legislative augmentation for the completion of the final draft of the High Speed Rail Environmental Impact Report (EIR). The Authority has been fully funded to complete the EIR but reports that it redirected a portion of these funds to the draft EIR when required to perform additional work on that document by federal agencies. Given the fiscal condition of the State, this reduction is necessary to bring ongoing expenditures in line with existing resources over the longer term.

I am also revising this item by deleting Provision 1. This provision would have restricted the use of \$300,000 of this item to the legal defense of the environmental documents. By deleting this language I am providing the Authority with the budgetary flexibility it will need to meet its priorities.

Item 3340-001-0001—For support of California Conservation Corps. I reduce this item from \$25,373,000 to \$23,773,000 by reducing:

- (1) 10-Training and Work Program from \$57,256,000 to \$55,656,000.

I am reducing this item by \$1,600,000 and 14 positions for the operation of the Ukiah residential facility. The California Conservation Corps is a valuable program that helps protect the environment and promote leadership skills for young men and women. However, in light of the State's current fiscal condition, the Ukiah residential facility was selected for conversion to a non-residential facility after a thorough review of all facilities because there are two other Corps residential facilities, Leggett and Shasta Pacific, nearby that also provide services to the Ukiah area. After the conversion, 15 corps members and one Corps employee will remain at the facility.

Item 3790-494—Reappropriation, Department of Parks and Recreation. I delete this item.

I am deleting this legislative reappropriation for three local parks projects. I am deleting the General Fund reappropriation for the renovation and repair of the La Palma Community Center. Given the fiscal condition of the State, this reduction is necessary to help build a prudent reserve and bring ongoing expenditures in line with existing resources over the longer term. I am also deleting the reappropriation of Proposition 12 bond funds for the Paxton-Arleta Softball/Soccer Field. This use of Proposition 12 bond funds is inconsistent with the purpose for which the funds were originally appropriated and therefore not eligible for reappropriation. Finally, I am deleting the reappropriation for the Community Build Youth Center. These bond funds were appropriated in the Budget Act of 2000 and more than adequate time has passed for the funds to be expended for this purpose.

Item 3940-001-0001—For support of State Water Resources Control Board. I revise this item by reducing:

- (1) 10-Water Quality from \$387,080,000 to \$386,878,000, and
- (7) Amount payable from the Waste Discharge Permit Fund (Item 3940-001-0193) from -\$55,913,000 to -\$55,711,000.

I am revising this item to conform to the action I have taken in Item 3940-001-0193.

Item 3940-001-0193—For support of State Water Resources Control Board. I reduce this item from \$55,913,000 to \$55,711,000.

I am deleting the \$202,000 legislative augmentation for activities related to the development of statewide septic tank system standards. The State Water Resources Control Board will continue its efforts to develop the standards with the remaining \$287,000 during 2004-05, and will not need the additional resources provided by this augmentation.

Item 4260-001-0001—For support of Department of Health Services. I delete Provision 3 of this item to make a technical correction to the Budget Bill.

Provision 3 in Item 4260-001-0001 refers to provisional language in Item 4260-111-0001 that was removed from the Budget Bill, and is therefore no longer necessary.

Item 4260-001-0890—For support of Department of Health Services. I delete Provision 5.

I am deleting Provision 5, which would require the Department of Health Services (DHS) to include in its application for funding from the federal Centers for Disease Control and Prevention's (CDC) Public Health Preparedness and Responses to Bioterrorism Program a request for the establishment of reporting procedures for low-level radioactive waste. Notwithstanding the merits of reporting low-level radioactive waste, this request is outside the scope of the State's Cooperative Agreement with the CDC. Including this provision in the application will likely delay the availability of federal funds.

Item 4260-101-0001—For local assistance, Department of Health Services. I reduce this item from \$11,728,217,000 to \$11,727,467,000 by reducing:

- (3) 20.10.030-Benefits (Medical Care and Services) from \$28,531,016,000 to \$28,529,516,000;
- (6) Amount payable from the Federal Trust Fund (Item 4260-101-0890) from -\$185,577,411,000 to -\$18,576,661,000;

and by deleting Provision 15.

While I recognize the important services that these pharmacies provide to Californians living with HIV/AIDS, I am reducing this item by \$750,000 and deleting this provision because providing additional Medi-Cal pharmacy compensation to HIV/AIDS clinics would create unacceptable program inequities that will lead to unnecessary litigation against the State. The budget will ensure that those suffering with HIV/AIDS will continue to have access to critically important drugs.

The concept of a reimbursement model that incorporates the features identified in this proposal should be considered as part of an overall analysis of Medi-Cal provider reimbursement.

I am also deleting a \$750,000 augmentation from the Federal Trust Fund in Item 4260-101-0890 to conform to this action.

In order to correct a technical error in the Budget Bill, I am also reducing the amount payable from the Federal Trust Fund (Item 4260-101-0890) by \$167,000,000,000.

Item 4260-101-0890—For local assistance, Department of Health Services. I reduce this item from \$18,577,411,000 to \$18,576,661,000 and delete Provision 2.

I am reducing this item by \$750,000 to conform to my action in Item 4260-101-0001.

I am deleting Provision 2 because it is not possible to obtain federal matching funds without first spending General Fund resources, which have not been appropriated for this purpose. Provision 2 would require the Department of Health Services to expand the scope of the federally required LA County Health Department audit to include an unrelated audit.

Item 4440-101-0001—For local assistance, Department of Mental Health. I reduce this item from \$79,676,000 to \$59,718,000 by reducing:

- (1) 10.25—Community Services—Other Treatment from \$1,439,054,000 to \$1,438,746,000; and
- (1.5) 10.47—Community Services— Children’s Mental Health Services from \$20,000,000 to \$350,000.

I am reducing this item by \$308,000 to eliminate supplemental funding to thirteen counties that is used to match federal rehabilitation funds. This action prioritizes the limited funding available for other mental health programs that reach all or most counties, and is necessary to help build a prudent reserve and bring ongoing expenditures in line with existing resources over the long term.

I am reducing by \$19,650,000 the \$20,000,000 legislative augmentation to restore funding for the Children's System of Care program. This action is necessary to help build a prudent reserve and bring ongoing expenditures in line with existing resources over the long term. \$350,000 remains in this item for support of the Cathie Wright Technical Assistance Center, which provides training and technical assistance to counties to implement integrated health and human services programs.

During favorable economic conditions, the State has been able to fund a higher level of services to address the mental health needs of children. With current limited resources, however, priority must be placed on the provision of direct and essential services to these children, which will continue to be provided by the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program and local county realignment funding. With current limited state resources, however, priority must be placed on the provision of direct and essential services to these children. By maintaining the Cathie Wright Technical Assistance Center, it is my hope that the enhanced coordination of services within counties can be maintained until the economic situation improves.

Item 5175-101-0001—For local assistance, Department of Child Support Services. I reduce this item from \$252,159,000 to \$250,799,000 by reducing:

- (1) 10-Child Support Services from \$978,519,000 to \$974,519,000;
 - (a) 10.01-Child Support Administration from \$875,095,000 to \$871,095,000;
- (3) Amount payable from the Federal Trust Fund (Item 5175-001-0890) from -\$447,175,000 to -\$444,535,000;

and by deleting Provision 9.

I am deleting the \$1,360,000 legislative augmentation for the Los Angeles County local child support agency. On the basis of equity and given the current condition of the General Fund, I cannot support this expenditure. With this reduction, \$871,095,000 remains for administrative support of local child support agencies.

I am also deleting a \$2,640,000 legislative augmentation from the Federal Trust Fund in Item 5175-101-0890 to conform to this action.

Item 5175-101-0890—For local assistance, Department of Child Support Services. I reduce this item from \$447,175,000 to \$444,535,000 by reducing:

I am reducing this item by \$2,640,000 to conform to the action I have taken in Item 5175-101-0001.

Item 5180-101-0001—For local assistance, Department of Social Services. I reduce this item from \$2,881,929,000 to \$2,881,900,000 by reducing:

- (1) 16.30-CalWORKs from \$5,231,280,000 to \$5,191,280,000;
- (2) 16.65-Other Assistance Payments from \$1,522,917,000 to \$1,522,888,000; and
- (6) Amount payable from the Federal Trust Fund (Item 5180-101-0890) from -\$3,677,127,000 to -\$3,637,127,000.

I am deleting the \$29,000 legislative augmentation for increased costs resulting from providing California Food Assistance Program benefits to convicted drug felons. This technical correction conforms to removal of the language from the associated Budget Trailer Bill.

I am also revising this item to conform to the action I have taken in Item 5180-101-0890.

Item 5180-101-0890—For local assistance, Department of Social Services. I reduce this item from \$3,677,127,000 to \$3,637,127,000.

I am reducing \$40,000,000 in federal Temporary Assistance for Needy Families Block Grant funds for CalWORKs employment services to nullify the effect of language included in the Budget Trailer Bill to provide unspent 2003-04 CalWORKs single allocation funds to counties in 2004-05. This language increases current spending and reduces the ability to maintain funding for the CalWORKs program within available federal and state resources.

While the budget ensures resources necessary to maintain existing benefits and services, this veto will improve the State's ability to continue these essential benefits and services in the future.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from \$405,478,000 to \$405,454,000 by reducing:

- (1) 16.75-County Administration and Automation Projects from \$1,024,616,000 to \$1,024,557,000; and
- (3) Amount payable from the Federal Trust Fund (Item 5180-141-0890) from -\$580,825,000 to -\$580,790,000.

I am deleting the \$59,000 (\$24,000 General Fund and \$35,000 Federal Trust Fund) legislative augmentation for increased administration costs resulting from providing Food Stamp benefits to convicted drug felons. This technical correction conforms to removal of the language from the associated Budget Trailer Bill.

Item 5180-141-0890—For local assistance, Department of Social Services. I reduce this item from \$580,825,000 to \$580,790,000.

I am revising this item to conform to the action I have taken in Item 5180-141-0001.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from \$768,509,000 to \$751,364,000 by reducing:

- (1) 25.30—Children and Adult Services and Licensing from \$2,049,695,000 to \$2,032,550,000;

and by deleting Provisions 11 and 12.

I am reducing the \$17,145,000 legislative augmentation for the Child Welfare Services Augmentation. During better economic times the State was able to pay the counties' share-of-cost to provide additional social workers for Child Welfare Services. However, due to limited state resources in the General Fund, the State is unable to continue to waive the 30 percent nonfederal county share-of-cost for the Child Welfare Services Augmentation in this Budget. Assuming that counties backfill this reduction with their own resources, \$91,440,000 in total funds remains available to counties to support this important program. I am deleting Provision 12 to conform to this action.

The Legislature adopted language that would require the Department of Social Services, with input from the Continuing Care Advisory Committee, to establish a panel to develop governance standards for applicants and operators of Continuing Care Retirement Communities, on or by July 1, 2005. I am deleting Provision 11, as it is inconsistent with efforts to streamline government and consolidate or eliminate boards and commissions to achieve operational efficiencies.

Item 5240-001-0001—For support of the Department of Corrections. I reduce this item from \$5,311,082,000 to \$5,309,719,000 by reducing:

- (2) 22-Health Care Services Program from \$942,126,000 to \$940,763,000.

I am deleting the \$1,363,000 legislative augmentation associated with the denial of the department's plan to reclassify 23.5 vacant staff psychiatrist positions to nurse practitioners. The department will reclassify these positions thereby eliminating the need for the augmentation. The reclassification represents a reasonable effort to address the department's increasing medical and mental health costs through improved efficiencies that do not compromise or lessen the provision of inmate care. The reclassification is consistent with policies adopted by the Department of Mental Health. The hiring of Nurse Practitioners will also assist in maintaining continuity of mental health care due to the reduced need of temporary contract staff.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$36,443,000 to \$36,193,000 by reducing:

- (2) 20-Instructional Support from \$53,393,000 to \$53,143,000.

I am reducing a portion of this state operations budget by \$250,000 to provide for a prudent General Fund reserve in light of the State's current fiscal condition. Over the last several years, other constitutional offices have had to absorb significant General Fund reductions without the benefit of the substantial federal funds provided to the State Department of Education. I would note that the Department has received \$2.1 million in federal fund augmentations in this budget, an increase that far exceeds this reduction.

Item 6110-130-0001—For local assistance, Department of Education. I reduce this item from \$10,300,000 to \$9,035,000.

I am sustaining \$9,035,000 for the Advancement Via Individual Determination program (AVID) to provide training to teachers and school leaders and assistance to schools in implementing this program that helps students prepare for and be successful in college that might otherwise not attend. During better economic times the State was able to fully support a variety of worthy programs. However, due to limited resources in the General Fund, the State is unable to continue to sustain the same level of support.

In making this reduction I encourage districts that currently participate in the AVID program to utilize some of the existing staff development dollars available to them. This budget already includes \$957 million for staff development and teacher training programs.

I am revising Provision 1 to conform to this action.

“1. Of the funds appropriated, \$1,300,000 is available for administration of the Advancement Via Individual Determination (AVID) centers and \$6,000,000 is available for competitive outreach grants to local education agencies for the AVID program. Notwithstanding any other provision of law, the remaining ~~\$3,000,000~~ \$1,735,000 shall be used solely for the provision of advanced placement teacher training or tutoring services.”

Item 6110-161-0890—For local assistance, Department of Education. I reduce this item from \$1,091,674,000 to \$1,090,974,000 by reducing:

(7) 10.60.050.032-IDEA, Family Empowerment Centers from \$3,432,000 to \$2,732,000, and by deleting Provision 11.

I am deleting the legislative augmentation of \$700,000 to establish four additional family empowerment centers. An increase in the number of centers is premature, as funding has been provided to conduct a study to evaluate the effectiveness of the twelve existing family empowerment centers. If the study shows these centers are effective in helping students with special needs, their families and schools, I will consider an augmentation to provide better access.

I am deleting Provision 11 to conform to this action.

Item 6110-164-0001—For local assistance, Department of Education. I delete this item and Provision 1.

I am deleting the \$1,700,000 legislative augmentation to restore funding for the School-to-Career program. While I am very supportive of vocational education, I am interested in a more comprehensive proposal to reform and improve the State's efforts in this area rather than sustaining small programs that help a few schools. The State provides an estimated \$2 billion for vocational education in programs such as Regional Occupational Centers and Programs, secondary school vocational programs, apprentice programs and Community College programs. The multiplicity of programs and organizations involved makes it difficult to ensure accountability and to ensure all of California's students receive the kind of training and education they need to perform well in good jobs. The grants provided by this program were intended to provide short-term resources to assist local partnerships to implement activities and

working relationships that would be sustained after state funds expire. Once a program is established, it is expected that local businesses provide ongoing support to the extent that they benefit from these partnerships.

I am deleting Provision 1 to conform to this action.

Item 6110-485—Reappropriation, Department of Education, Proposition 98. I revise this item from \$320,249,000 to \$319,749,000, by deleting:

(8) \$500,000, on a one-time basis, to the State Department of Education for the establishment of a web-based model that would differentiate and compare the capabilities of electronic assessment resources. These funds would be available contingent upon legislation for this purpose.

I am deleting the legislative augmentation of \$500,000 for the establishment of a web-based model that would allow for comparisons of software packages used to evaluate pupil assessment results. Given that the State currently spends \$112.6 million on student testing and assessment, the establishment of this model may have merit. However, I would like to consider the expenditure of additional state funds for this purpose, in conjunction with the pending legislative measure. Until I can evaluate the final legislative proposal, it is premature to appropriate funds in the Budget Act for this purpose.

Item 6360-001-0407—For support of the Commission on Teacher Credentialing. I reduce this item from \$14,411,000 to \$14,211,000 by reducing:

(1) 10-Standards for Preparation and Licensing of Teachers from \$14,650,000 to \$14,450,000.

I am deleting the \$200,000 legislative augmentation to fund an additional 2.0 positions to address the credential processing backlog. This augmentation is unnecessary because the Commission can reduce the credentialing backlog with the staff provided in the budget. Providing credentialed teachers for all pupils is a goal of this Administration. The Commission should adopt greater efficiencies in conjunction with the review being conducted by the State Auditor, which is expected to be completed in the Fall of 2004, in order to eliminate the credential processing backlog.

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98). I reduce this item from \$2,810,212,000 to \$2,778,803,000 by reducing:

(4) 10.10.040-Partnership for Excellence from \$225,000,000 to \$193,591,000;

and by revising Provision 4.

I am reducing this item by reducing the funding for the Partnership for Excellence program by \$31,409,000 to maintain the May Revision Proposition 98 spending level for community colleges. Instead, funds were provided to support additional student enrollments and to maintain lower fees for Bachelor degree holders. With this reduction, \$193,591,000 will still be available for this program through the general apportionments pursuant to Provision 4(a) of this item. The Legislature reduced the rigor of the accountability structure for this program proposed

in the Governor's Budget. Because this program lacks accountability at the district level, it is appropriate that this funding be reduced. However, given my strong commitment to the Community Colleges and the extraordinary work they do in educating over a million full-time equivalent students seeking transfer, technical and basic skills every year, I am willing to restore this funding in the 2005-06 budget provided that district level goals and performance evaluations are incorporated into the accountability structure as had been proposed.

I revise provision 4(a) as follows to conform to this action:

"4. (a) The amount appropriated in Schedule (4) shall be made available to districts in the same manner as the general apportionment funding in Schedule (1), and shall be made available in the same amount provided to each district for the Partnership for Excellence program in the 2003-04 fiscal year, including the funding deferred for this program pursuant to Section 84321 of the Education Code, and notwithstanding the basic aid status of any district. As a condition of receiving these funds, the districts shall first agree to assure that courses related to student needs for transfer, basic skills, and vocational and workforce training are accorded the highest priority and are provided to the maximum extent possible within the budgeted funds."

Item 8260-101-0001—For local assistance, California Arts Council. I delete this item.

I am deleting the \$1,000,000 legislative augmentation for local arts grants. Given the fiscal condition of the State, this reduction is necessary to help build a prudent reserve and bring ongoing expenditures in line with existing resources over the longer term.

Item 8570-101-0001—For local assistance, Department of Food and Agriculture. I reduce this item from \$6,078,000 to \$5,528,000 by reducing:

- (1) 11—Agricultural Plant and Animal, Pest and Disease Prevention from \$6,078,000 to \$5,528,000.

I am deleting the \$550,000 legislative augmentation that would provide specified Los Angeles County employees performing pest detection and eradication activities with permanent employee status. This augmentation is associated with pending legislation and I am opposed to the appropriation of funds for legislation that has not yet been approved by the Legislature and the Administration.

Item 8665-001-9326—For support of California Consumer Power and Conservation Financing Authority. I reduce this item from \$1,224,000 to \$424,000 by reducing:

- (1) 15-Energy Acquisition from \$738,000 to \$258,000;
- (2) 20-Planning and Policy Development from \$486,000 to \$166,000;
- (3) 30.01-Administration from \$343,000 to \$119,000; and
- (4) 30.02-Distributed Administration from -\$343,000 to -\$119,000.

I am deleting the \$800,000 legislative augmentation to increase funding for California Power Authority (Authority) activities. I proposed in my January 10 Budget to eliminate the Authority as a first step towards reorganizing California's energy agencies. While further energy

reorganizations may be proposed, the continued existence of the Authority will not contribute to improving California's energy situation and its elimination need not wait for more comprehensive energy reorganization proposals. Other State energy agencies already perform activities similar to those of the Authority. Elimination of the Authority is an appropriate first step to streamline energy programs and I renew my call on the Legislature to send me legislation statutorily eliminating this unnecessary organization.

Item 8830-001-0001—For support of California Law Revision Commission. I reduce this item from \$662,000 to \$512,000 by reducing:

(1) 10-Law Revision Commission from \$677,000 to \$527,000.

I am deleting the \$150,000 legislative augmentation. Given the fiscal condition of the State, this reduction is necessary to help build a prudent reserve and bring ongoing expenditures in line with existing resources over the longer term. With this reduction, \$527,000 remains to support the Commission's programs.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 1113.

/s/ Arnold Schwarzenegger

ARNOLD SCHWARZENEGGER



GOVERNOR ARNOLD SCHWARZENEGGER

To the Members of the California State Senate:

I am signing Senate Bill 1097, which enacts various changes necessary to implement the 2004 Budget Act, including the transfer of funds from the Petroleum Storage Tank Financing Account to the General Fund.

I support efforts to reestablish grant and loan programs for the replacement and repair of underground storage tanks. My signature on this bill should not be interpreted in any other way.

I will continue to work with the authors of proposed legislation to find an acceptable funding solution to their proposed programs.

Sincerely,

Arnold Schwarzenegger



GOVERNOR ARNOLD SCHWARZENEGGER

To the Members of the California State Senate:

I am signing Senate Bill 1107 with the following reductions:

The Sierra Nevada's are a valuable natural asset for all Californians. There is a bipartisan proposal pending in the Legislature to create a Sierra Nevada Conservancy that balances statewide values and local interests. I am deleting \$5 million of the \$9.15 million appropriation for the Sierra Nevada Cascade and sustaining \$4.15 million to assure that there are adequate resources to make the Sierra Nevada Conservancy a success when it is created. The remaining funding level more accurately reflects the actual amount that the Secretary will be able to expend in the 2004-05 fiscal year until the conservancy is fully implemented.

Additionally, I am deleting \$28.35 million of the \$38.35 million appropriations for the purpose of awarding grants related to River Parkways conservation programs. These reductions better reflect the actual amount that the Secretary will be able to expend in the 2004-05 fiscal year because the bill requires new program activities which will take time to implement.

Sincerely,

Arnold Schwarzenegger



GOVERNOR ARNOLD SCHWARZENEGGER

To the Members of the California State Senate:

Senate Bill 1108 contains numerous changes to the law regarding schools consistent with the Budget that I have approved. Foremost among these provisions that I am approving are \$110 million for K-12 school district revenue limit equalization and statutory provisions allocating \$80 million in equalization funding for community colleges. Included in this bill, of great importance to school districts is the \$270 million in funding to reduce cuts made to revenue limits in the 2003-04 Budget, and a new mechanism to ensure that old Proposition 98 debts will be paid off beginning in 2006-07 at a pace the State can afford -- \$150 million per year. Also included in this bill is \$138 million in one-time funds for instructional materials to schools in deciles 1 and 2 of the Academic Performance Index, and \$58.4 million to retire old debts for State mandates on schools.

However, I am eliminating three appropriations in this bill totaling over \$11 million that were not part of the agreements I made with legislative leaders on education spending. With these deletions, I am setting aside the funds to focus on the education priorities agreed to with education leaders to provide more flexible funding so local schools can fund their most important needs.

I am deleting a change to law in Section 10 of the bill that adjusts state funding for revenue limits by the savings schools receive from lower Public Employees Retirement System rates. The change in Education Code Section 42238.23 exempts funds provided to regional occupational centers that are joint powers organizations from these reductions that apply to all other educational agencies. This is not equitable and is unwarranted. By deleting this amendment, existing law will be restored, which under the current interpretation of the Department of Education, will reduce the statutory appropriation for school revenue limits equitably to all educational agencies.



GOVERNOR ARNOLD SCHWARZENEGGER

I am deleting the \$6,000,000 legislative augmentation in subparagraph (A) of paragraph (3) of subdivision (a) of Section 36 to provide Arts Works grants. While I am supportive of arts programs, this small, competitive grant program serves relatively few schools. These funds, which count towards Proposition 98 2003-04 obligations, will be appropriated to schools at a future date. During this time of fiscal difficulties, these funds should be spent for educational priorities agreed to with education leaders to provide more flexible funding so local schools can fund their most important needs.

I am deleting the \$5,000,000 legislative augmentation in subparagraph (D) of paragraph (3) of subdivision (a) of Section 36 to start a new cohort for the Academic Improvement & Achievement Act. This small, competitive grant program helps only 12 districts out of the over 1,000 school districts in the state. The program has sufficient funding to complete the existing cohorts, and is set to sunset on July 1, 2005. These funds, which count towards the Proposition 98 obligation for 2003-04, will be appropriated at a future date. During this time of fiscal difficulties, these funds should be spent for educational priorities agreed to with education leaders to provide more flexible funding so local schools can fund their most important needs.

I am signing this bill with the following reductions:

I am deleting Section 10.

I am revising Section 36 as follows:

I reduce the total of the appropriations in subdivision (a) of Section 36 of this bill from \$926,527,000 to \$915,441,000 by deleting subparagraph (A) of paragraph (3) of subdivision (a), which contains an appropriation for \$6,000,000, and by deleting subparagraph (D) of paragraph (3) of subdivision (a), which contains an appropriation for \$5,000,000. I am also correcting the total of the appropriation to reflect the sum of the parts.

Sincerely,

Arnold Schwarzenegger

Subcommittee No. 1 – Education

6110	Department of Education	6600	Hastings College of Law
6120	California State Library	6610	California State University
6420	California Postsecondary Education Commission	6870	California Community Colleges
6440	University of California	7980	Student Aid Commission

Subcommittee No. 2 - Resources, Environmental Protection, Judiciary, Transportation, and Energy

0540	Secretary for Resources	3845	San Diego River Conservancy
0550	Secretary for Youth and Adult Correctional Agency	3850	Coachella Valley Mountains Conservancy
0552	Office of the Inspector General	3860	Department of Water Resources
0555	Secretary for Environmental Protection	3870	CALFED Bay-Delta Authority
0690	Office of Emergency Services	3900	State Air Resources Board
0820	Department Of Justice	3910	California Integrated Waste Management Board
3110	Special Resources Programs	3930	Department of Pesticide Regulation
3125	California Tahoe Conservancy	3940	State Water Resources Control Board
3340	California Conservation Corps	3960	Department of Toxic Substances Control
3360	Energy Resources Conservation & Development Commission	3980	Office of Environmental Health Hazard Assessment
3460	Colorado River Board of California	5240	Department of Corrections
3480	Department of Conservation	5430	Board of Corrections
3540	Department of Forestry and Fire Protection	5440	Board of Prison Terms
3560	State Lands Commission	5460	Department of the Youth Authority
3600	Department of Fish and Game	5480	Commission on Correctional Officers Standards and Training (CPOST)
3640	Wildlife Conservation Board		
3680	Department of Boating and Waterways	8120	Commission on Peace Officer Standards And Training (POST)
3720	California Coastal Commission		
3760	State Coastal Conservancy	8550	California Horse Racing Board
3780	Native American Heritage Commission	8570	Department of Food and Agriculture
3790	Department of Parks and Recreation	8660	Public Utilities Commission
3810	Santa Monica Mountains Conservancy	8665	California Power Authority
3820	San Francisco Bay Conservation and Development Commission	8700	Victim Compensation & Government Claims Board, California
3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy	8770	Electricity Oversight Board
3830	San Joaquin Conservancy	8830	California Law Revision Commission
3835	Baldwin Hills Conservancy	24.10	Transfer Surplus of Driver Training Penalty Assessment Fund to the GF
3840	Delta Protection Commission		

Subcommittee No. 3 - Health, Human Services and Veterans Affairs

0530	Health and Human Services Agency	4280	Managed Risk Medical Insurance Board
0553	Inspector General for Veterans Affairs	4300	Department of Developmental Services
0559	Labor and Workforce Development Agency	4440	Department of Mental Health
2400	Department of Managed Health Care	4700	Department of Community Services and Development
4100	State Council on Developmental Disabilities	5160	Department of Rehabilitation
4120	Emergency Medical Services Authority	5170	State Independent Living Council
4130	Health and Human Services Agency Data Center	5175	Department of Child Support Services
4140	Office of Statewide Health Planning and Development	5180	Department of Social Services
4170	Department of Aging	7100	Employment Development Department
4180	Commission on Aging	7350	Department of Industrial Relations
4200	Department of Alcohol and Drug Programs	8955-8966	Department of Veterans Affairs and Veterans Homes of California
4260	Department of Health Services		

Subcommittee No. 4 – Legislative, Executive, Public Safety, and General Government

0250	Judiciary	8260	California Arts Council
0280	Commission on Judicial Performance	8380	Department of Personnel Administration
0390	Contributions to Judges' Retirement Fund	8620	Fair Political Practices Commission
0450	State Trial Court Funding	8860	Department of Finance
0520	Secretary for Business, Transportation, and Housing	8910	Office of Administrative Law
0840	State Controller	9100	Tax Relief
0845	Department of Insurance	9210	Local Government Financing
0860	Board of Equalization	9650	Support for Health and Dental Benefits for Annuitants
0890	Secretary of State	9800	Augmentation for Employee Compensation
0954	Scholarshare Investment Board	9840	Augmentation for Contingencies or Emergencies
0959	California Debt Limit Allocation Committee	9916	Reform of Real Property Asset Management
0968	California Tax Credit Allocation Committee	3.60	Contributions to Public Employee Retirement Benefits
0971	California Alternative Energy and Advanced Transportation Financing Authority	4.10	Employee Compensation Savings
1110	Department of Consumer Affairs	4.20	Contribution To Public Employees Contingency Reserve Fund
1700	Department of Fair Employment & Housing	4.35	Loaned Positions
1730	Franchise Tax Board	4.45	E-Budget
1760	Department of General Services	5.50	Contract Savings
1880	State Personnel Board	6.60	Workers' Compensation Savings
1900	Public Employee Relations Board	8.52	Federal Reimbursements
1920	State Teachers Retirement System	12.00	State Appropriations Limit
2100	Department of Alcohol Beverage Control	14.00	Special Fund Loans: Department of Consumer Affairs
2150	Department of Financial Institutions	15.00	Data Center Consolidation
2180	Department of Corporations	16.00	Tribal Gaming Revenue/Repayment of Transportation Loans
2240	Department of Housing and Community Development	27.00	Deficiency Reporting Requirements
2320	Department of Real Estate	32.00	Prohibits Excess Expenditures
2600	California Transportation Commission	33.50	Strategic Sourcing
2640	Special Transportation Programs	34.50	Public Benefit Trust Fund
2660	Department of Transportation	35.00	General Fund Deficit Recovery Payments
2665	High Speed Rail Authority	35.50	Estimated General Fund Revenue
2720	California Highway Patrol		
2740	Department of Motor Vehicles		
2780	Stephen P. Teale Data Center		