



# **Final Action Report**

## **A Summary of the 2007 Budget Act**

**(Chapter 171, Statutes of 2007)**

Including:

- *Overview of the General Fund Condition*
- *Trailer Bill List*
- *Budget Detail by Subcommittee*
- *Compendium of Governor's Vetoes*

**Senator Denise Moreno Ducheny, Chair**  
Senate Committee on Budget and Fiscal Review

September 11, 2007

# FINAL ACTIONS

September 11, 2007

Senate Bill 77 (Chapter 171)  
2007-08 Budget Bill

Senate Committee on  
Budget and Fiscal Review

*Denise Moreno Ducheny, Chair*

Dennis Hollingsworth, V. Chair  
Elaine Alquist  
David Cogdill  
Robert Dutton  
Christine Kehoe  
Alan Lowenthal  
Mike Machado

Bob Margett  
Alex Padilla  
Jack Scott  
Joe Simitian  
Darrell Steinberg  
Mark Wyland

DENNIS HOLLINGSWORTH  
Vice Chair

ELAINE ALQUIST  
DAVID COGDILL  
ROBERT DUTTON  
CHRISTINE KEHOE  
ALAN LOWENTHAL  
MIKE MACHDO  
BOB MARGETT  
ALEX PADILLA  
JACK SCOTT  
JOE SIMITIAN  
DARRELL STEINBERG  
MARK WYLAND



## *California State Senate*

COMMITTEE  
ON  
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL  
SACRAMENTO, CA 95814

**SENATOR**  
**DENISE MORENO DUCHENY**  
**CHAIR**

STAFF DIRECTOR  
DANIEL ALVAREZ

CONSULTANTS  
BRIAN ANNIS  
KEELY MARTIN BOSLER  
KIM CONNOR  
EILEEN CUBANSKI  
BRYAN EHLERS  
AMY SUPINGER  
DIANE VAN MAREN  
SEIJA VIRTANEN

COMMITTEE ASSISTANTS  
GLENDA HIGGINS  
ROSE MORRIS

(916) 651-4103  
FAX (916) 323-8386

September 11, 2007

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2007-08 budget actions taken by the Budget Conference Committee along with the Governor's vetoes. This report is available on the Senate Budget and Fiscal Review website:

Please follow the links:

- 1 - [www.sen.ca.gov](http://www.sen.ca.gov)
- 2 - Committees
- 3 - Standing
- 4 - Budget and Fiscal Review
- 5 - Information
- 6 - Final Action Report 2007

We hope you will find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee should you have any questions.

Sincerely,

DENISE MORENO DUCHENY  
Chair

# CONTENTS

## **Overview of the Budget Act**

Introduction.....	Page 1
Highlights by Subject Matter .....	3
Trailer Bill List .....	11

## **Budget Detail by Subcommittee**

Index, Departments by Subcommittee and Item Number.....	12
<i>Subcommittee No. 1: Education</i> .....	1-1
<i>Subcommittee No. 2: Natural Resources, Environmental Protection, Energy &amp; Utilities, and Food &amp; Agriculture</i> .....	2-1
<i>Subcommittee No. 3: Health, Human Services, Labor and Veterans Affairs</i> .....	3-1
<i>Subcommittee No. 4: Transportation, State Administration, General Government, Judiciary, Public Safety and Criminal Justice</i> .....	4-1

## **Governor's Vetoes and Signing Messages**

## INTRODUCTION

On August 21, the Legislature passed SB 77, the 2007 Budget Act (Chapter 171, Statutes of 2007) and its companion measure, SB 78 (Chapter 172, Statutes of 2007), that modifies various items to the main Budget. In enacting these bills, the Legislature met its constitutional obligation to pass a balanced budget.

Enclosed is the Senate Final Action Report. The report provides a detailed summary of the 2007 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee (via the subcommittee process), the Budget Conference Committee, and final negotiations between leadership of the Legislature and the Administration, along with gubernatorial vetoes (exercised under Article IV, Section 10(e) of the State Constitution).

In total, the budget crafted is based on \$105.6 billion in available General Fund resources and contains \$102.3 billion in expenditures. The final General Fund reserve is approximately \$4.1 billion (including \$703 million in GF vetoes) – the reserve includes a \$1.5 billion set-aside for the Budget Stabilization Account (BSA). In terms of all funds (General Fund, special funds, and select bond funds), the Budget is approximately \$146.5 billion.

The Budget, as passed by the Legislature, reflected funding prioritization that: (1) protected the most vulnerable populations in the state; (2) invested in prevention programs with the view of reducing future costs; (3) made solid commitments to programs serving children and schools; (4) reduced debt; (5) provided for critical local law enforcement programs; and (6) made appropriate use of nearly all new bonds.

As passed by the Legislature, some of the key considerations of the budget were as follows:

- **Difficult Legislative Choices.** The budget reflects difficult legislative decisions in order to craft a final solution including being *unable* to provide funding for: (1) CalWORKs cost-of-living adjustments; (2) General Fund backfill for student fee increases at UC and CSU; and (3) current-year Prop 98 “settle-up” funding (thereby taking a prudent fiscal approach to Proposition 98 in the out years).

Further difficult choices included: permanently delaying, from January to June, the state portion of the SSI/SSP cost-of-living adjustment; reducing funding for Proposition 36; and shifting approximately \$1.3 billion from public transit to benefit the overall condition of the General Fund.

- **Largest General Fund Reserve.** The 2007 Budget, as passed by the Legislature, was premised on a \$3.4 billion GF reserve; however, when including the approximate \$703 million in GF vetoes, the final Budget has a total available GF reserve of approximately \$4.1 billion. This revised GF reserve level is \$1.9 billion, or 85 percent more than the Governor's May Revision proposed reserve level. This is the largest projected reserve in state history.
- **Economic Recovery Bond Repayments.** The Budget includes \$2.5 billion in repayment of Economic Recovery Bonds.
- **No New Taxes.** Does not include any general tax increases and does not raise fees, in excess of administrative proposals, particularly for higher education.

This report builds on the Major Action Report (issued May 30, 2007) which detailed the Senate version of the proposed 2007-08 budget. Final actions are recorded by department or agency; subdivided by budget subcommittee. The table of contents will direct you to departments or agencies of interest.

A list of budget implementation trailer bills enacted 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, at 651-4103, with any questions.

## **HIGHLIGHTS BY SUBJECT MATTER**

Some of the highlights of the budget as passed by the Legislature include, but are not limited to, the following (by subject matter area):

### K-12 EDUCATION

- Provided full funding for growth and COLA (\$2.1 billion, or 4.53 percent); does not create new programs. In addition, reduced budget year Proposition 98 funding by \$427 million without impacting education programs by shifting a portion of Home-to-School Transportation to the Public Transportation Account (PTA) and Proposition 98 reversion account funds, and shifting a portion of deferred maintenance to reversion account funds.
- Maintained funding for K-12 equalization consistent with last year's final budget act.
- Provided \$25 million for the school meals program in order to increase the state reimbursement rate from 16 cents to 21 cents per meal, thus improving the quality of school breakfasts and lunches. There has not been an overall state rate increase in 15 years.
- Appropriated \$50 million to fund the continuation of the Community Based English Tutoring program which provides English language instruction to adults.

### HUMAN SERVICES

- Created no new social services programs.
- Invested in prevention programs that provide future cost savings: (a) \$10 million for a 5 percent rate increase for foster family homes and an increase in group home rates beginning January 1; (b) \$20 million for transitional housing for foster youth; and (c) \$2 million to increase the private adoption agency reimbursement rate. Investments in these three programs have shown to reduce out-year Medi-Cal, welfare, unemployment, and foster care costs (in the case of adopted children).
- Rejected the administration's proposal to eliminate the 2008 COLA for SSI/SSP recipients and instead delayed the implementation of the state COLA until June 1

of each year. This delay generates \$123 million in General Fund savings without any permanent impact to grant levels.

- Reduced the TANF reserve by \$84 million, but adopted statutory language to transfer funds from the GF if needed for unanticipated CalWORKs costs.
- Rejected \$314 million in administration CalWORKs proposals that penalize children and families seeking to become self-sufficient.
- Provided \$12 million for adult protective services. *The Governor vetoed this augmentation.*
- Provided \$100 million for Proposition 36 (the Substance Abuse and Crime Prevention Act). In addition, provides \$20 million for the Substance Abuse Offender Treatment Program.

#### HIGHER EDUCATION

- Insured access to higher education by restoring \$26 million in academic preparation programs at UC and CSU.
- Provided a general support increase of approximately 4 percent (\$225.5 million) at both UC and CSU; and \$117.3 million for an enrollment growth equivalent to 2.5 percent (at both institutions).
- Provided community colleges a 4.53 percent COLA for apportionments and select categorical programs.
- Provided \$70 million in lease-revenue bonds to construct a new Helios Energy Biosciences Institute at UC Berkeley.

#### CHILD DEVELOPMENT

- Provided full funding of Stage 2 and Stage 3 CalWORKs child care.
- Provided \$6.8 million to “unfreeze” the State Median Income levels and allow families to work toward self-sufficiency, earn slightly more, and still retain critical child care services.
- Approved the continuation of \$50 million for current-year preschool expansion.

## TRANSPORTATION

- Included approximately \$1.6 billion to fully fund Proposition 42, including \$83 million in required repayments.
- Provided approximately \$4.2 billion in Proposition 1B bonds, as follows: (a) \$3.6 billion for transportation projects; (b) \$40 million for port security; (c) \$100 million for Mass Transit Security; and (d) over \$440 million for air quality improvement.
- Increased the Governor's proposed funding for local transit operators by \$100 million. The Legislature approved an increase of \$200 million; ***however, the Governor vetoed \$100 million of this amount.***
- Shifted engineering workload related to new capital outlay projects from being performed solely by outside contractors, as requested by the administration, to being performed based on the historical split of 90 percent state staff to 10 percent contractors.
- Provided \$15.5 million in Proposition 116 bond funds for the High Speed Rail Authority.

## HEALTH

- Included a \$214 million (\$107 million GF) rate increase to health care plans participating in the Medi-Cal Managed Care program. ***The Governor vetoed \$53 million GF.***
- Restored \$55 million for the Integrated Services to the Homeless Mentally Ill program; thereby rejecting the administration's proposal. ***The Governor vetoed this restoration.***
- Provided, consistent with the administration, a savings of \$77.4 million to pharmacy reimbursements under the Medi-Cal program and makes a one-time adjustment to the dispensing fees to address the change in average manufacturer price.
- Adjusted the Early Periodic Screening Diagnosis and Treatment program (EPSDT) funding stream to insure budget-year funding and make payments over a three-year period for past claims.

- Approved funding to accelerate, by one year, implementation of the state's bio-monitoring program. This program will measure chemical contamination in various segments of the general public.

### JUDICIAL / PUBLIC SAFETY

- Approved a Juvenile Justice Reform package that provides block grants and competitive grants to local governments to realign certain low-level wards (wards committed for non-707b offenses) to the counties. These reforms are designed to improve the outcomes and treatments of youthful offenders and provide resources to counties while reducing long-term costs to the state.
- Contained \$9.5 million for local anti-gang programs that focus on gang prevention, intervention, re-entry education, job training and skill development, and family and community services. Of this amount, \$6.5 million is for three-year competitive grants available to cities and community-based organizations. The budget further provides \$7 million to the California Highway Patrol (CHP) to assist local law enforcement in addressing gang problems. *The Governor vetoed budget bill language which (1) prohibited the use of funds for suppression activities and (2) specified the duties and responsibilities of a State Anti-Gang Coordinator .*
- Approved \$28 million to begin funding 50 new judgeships. *The Governor vetoed \$3 million GF of this funding.*
- Provided \$30 million for the Mentally Ill Offender Crime Reduction (MIOCR) program.
- Appropriated \$238 million GF for the Citizen's Option for Public Safety (COPS) and the Juvenile Justice Crime Prevention Act (JJCPA) grant programs; and \$18.5 million GF for grants to rural and small county sheriffs for law enforcement activities.

### NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

- Provided \$3 million in additional support for state game wardens at the Department of Fish and Game. *The Governor vetoed \$1.5 million of the augmentation.*

- Provided significant funding from General Obligation bond appropriations for various clean air and environmental protection efforts, including flood and levee evaluations and repairs, regional water management and local groundwater assistance, water pollution control, and school bus replacement.
- Included an additional \$2.2 million for both expanded private vehicle inspections at border stations and high-risk pest exclusion programs administered by county agricultural commissioners.
- Approved \$1 million to pursue climate change litigation; restricts the funding to defending current law requiring greenhouse gas reductions in automobiles.

#### GENERAL GOVERNMENT / STATE ADMINISTRATION

- Contained no new general taxes.
- Provided \$2.5 billion for repayment of the Economic Recovery Bonds.
- Denied the administration's proposal to eliminate the Williamson Act subvention to local governments.
- Included a total unallocated reduction to state government of \$100 million.
- Provided an additional \$8 million for the Unclaimed Property Program in order to provide improved notification to potential owners of unclaimed property. The Controller will now notify all property owners before unclaimed property transfers to the state.
- Appropriated Proposition 1C (The Housing and Emergency Shelter Trust Fund Act of 2006) bond funding of approximately \$778 million.
- Restored \$27.1 million to the Job Services Program. The Administration had proposed reducing expenditures from the Employment Development Department Contingency Fund so that resources could instead be transferred to the General Fund. ***The Governor vetoed approximately \$12.1 million of this restoration.***

## GENERAL FUND SUMMARY

The following table is a summary of the General Fund for both the 2006-07 and 2007-08 fiscal years.

### General Fund Summary Current Year and Budget Year (in millions)

	Adjusted 2006-07 Budget	2007 Budget Act (SB 77 / SB 78)
<b>Prior-year balance</b>	\$10,454	\$4,339
Revenues and Transfers	\$95,541	\$101,239
<b>Total Resources Available</b>	<b>\$105,995</b>	<b>\$105,578</b>
<b>Total Expenditures</b>	<b>\$101,656</b>	<b>\$102,258</b>
<b>Fund Balance</b>	<b>\$4,339</b>	<b>\$3,320</b>
<b>Budget Reserve:</b>		
Reserve for Liquidation of Encumbrances	(\$745)	(\$745)
Special Fund for Economic Uncertainties (SFEU)	\$3,594	\$1,872
SFEU – Governor vetoes	--	\$703
Budget Stabilization Account	\$472	\$1,494
<b>TOTAL AVAILABLE RESERVE</b>	<b>\$4,066</b>	<b>\$4,069</b>

**2007-08**  
**General Fund Summary Comparison**  
**(in millions)**

	<b>Updated May Revision</b>	<b>Legislative (July 20<sup>th</sup>) Version</b>	<b>2007 Budget Act (SB 77 / SB 78)</b>
<b>Prior-year balance</b>	\$3,896	\$4,339	\$4,339
Revenues and Transfers	\$101,327	\$101,239	\$101,239
<b>Total Resources Available</b>	<b>\$105,223</b>	<b>\$105,578</b>	<b>\$105,578</b>
<b>Total Expenditures</b>	<b>\$103,906</b>	<b>\$102,961</b>	<b>\$102,258</b>
<b>Fund Balance</b>	<b>\$1,317</b>	<b>\$2,616</b>	<b>\$3,320</b>
<b>Budget Reserve:</b>			
Reserve for Liquidation of Encumbrances	(\$745)	(\$745)	(\$745)
Special Fund for Economic Uncertainties (SFEU)	\$572	\$1,871	\$1,872
SFEU – Governor vetoes	--	--	\$703
Budget Stabilization Account	\$1,494	\$1,494	\$1,494
<b>TOTAL AVAILABLE RESERVE</b>	<b>\$2,066</b>	<b>\$3,365</b>	<b>\$4,069</b>

**Key Governor Vetoes**  
**Dollars in millions**

<b>ISSUE</b>	<b>AMOUNT</b>
<b><i>Health and Human Services</i></b>	
Discount Drug Program	\$6.3
Health coverage for eligible children	\$15.3
Medi-Cal Managed Care	\$53.1
Medi-Cal estimate adjustment	\$331.9
Children's outreach initiative	\$15.0
Expanded Access to Primary Care	\$10.0
Local emergency preparation	\$8.5
Integrated Services for Homeless Mentally Ill	\$54.9
Naturalization Services	\$2.0
Food Bank Funding	\$2.9
County Technology Refresh	\$9.4
Adult Protective Services	\$12.0
Foster Youth Identity Theft	\$1.6
<b><i>Education</i></b>	
State Library Direct and Interlibrary Loan Service	\$7.0
Public Library Foundation	\$8.0
UC Agriculture and Oceanographic Research	\$3.0
Community College Part-time Faculty Health Insurance	\$4.0
Community College construction college pilot	\$1.5
<b><i>Resources and Environmental Protection</i></b>	
Fish and Game Warden	\$1.5
Local conservation corps grants (bond funds)	(\$12.0)
State Parks Maintenance (subsequently shifted to deferred maintenance)	\$15.0
State Parks Acquisitions (bond funds)	(\$15.0)
Flood Protection Corridors (bond funds)	(\$40.0)
Clean construction equipment (special funds)	(\$40.0)
<b><i>Public Safety and Law Enforcement</i></b>	
Conservatorship and Guardian Reform Act of 2006	\$17.3
Climate change litigation	\$1.0
Juvenile Justice Planning and Competitive Grants	\$14.9
<b><i>General Government</i></b>	
County Assessors	\$3.5
Employee Compensation Unallocated Reduction	\$72.0
<b><i>Transportation</i></b>	
Local Public Transit Agencies Support (special funds)	(\$100.0)
<b><i>All other GF Vetoes</i></b>	
	\$31.9
<b>TOTAL GENERAL FUND VETOES</b>	<b>\$703.5</b>

---

**BUDGET and TRAILER BILLS**

<b>Bill Number</b>	<b>Chapter Number</b>	<b>Topic</b>	<b>Senate Vote</b>	<b>Assembly Vote</b>
SB 77	Ch 171	Budget Act of 2007 (adoption of Conference Report)	27-12	56-23
SB 78	Ch 172	Budget Act of 2007 (modifications to SB 77)	30-9	59-20
SB 79	Ch 173	Transportation (trailer bill)	27-12	63-15
SB 80	Ch 174	Education (trailer bill)	28-11	72-6
SB 81	Ch 175	Corrections (trailer bill)	36-3	73-4
SB 82	Ch 176	Administration of Justice (trailer bill)	35-4	71-7
SB 84	Ch 177	Human Services (trailer bill)	27-11	65-11
SB 85	Ch 178	Environment (trailer bill)	27-12	61-17
SB 86	Ch 179	State government (trailer bill)	27-12	55-22
SB 87	Ch 180	Taxation: fractionally owned aircraft: teacher retention credit (trailer bill)	27-12	54-21
SB 88	Ch 181	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006: implementation (trailer bill)	28-11	74-3
SB 89	Ch 182	State Financial aid: state student loan guarantee program: assets and liabilities: sale (trailer bill)	28-5	74-3
SB 90	Ch 183	State government: information technology (trailer bill)	25-13	66-11
SB 91	Ch 184	Student financial aid (trailer bill)	23-13	74-3
SB 97	Ch 185	CEQA: greenhouse gas emissions (trailer bill)	31-6	60-13
AB 199	Ch 186	State Government (trailer bill)	34-3	63-8
AB 201	Ch 187	Transportation bonds: implementation (trailer bill)	37-0	77-0
AB 203	Ch 188	Health (trailer bill)	28-9	54-24
<b>Technical Corrections Trailer Bills</b>				
AB 191		Juvenile justice (technical corrections)	37-0	76-1
AB 192		State government (technical corrections)	37-2	74-1
AB 193		Transportation revenues (technical corrections)	39-0	76-1
AB 194		Budget Act of 2007 (technical corrections)	29-7	71-3
AB 195		Health care: Expanded Access to Primary Care Program (technical corrections)	29-7	71-3
AB 196		Transportation bond funds: cities and counties (technical corrections)	37-2	75-0

---

# BUDGET DETAIL, BY SUBCOMMITTEE

**Subcommittee No. 1 – Education**

6110 Department of Education  
6120 California State Library  
6440 University of California  
6610 California State University

6870 California Community Colleges  
7980 Student Aid Commission

**Subcommittee No. 2 – Natural Resources, Environmental  
Protection, Energy & Utilities, and Food & Agriculture**

0540	Secretary for Resources	3830	San Joaquin Conservancy
0555	Secretary for Environmental Protection	3835	Baldwin Hills Conservancy
3110	Special Resources Programs	3840	Delta Protection Commission
3125	California Tahoe Conservancy	3845	San Diego River Conservancy
3340	California Conservation Corps	3850	Coachella Valley Mountains Conservancy
3360	California Energy Commission	3855	Sierra Nevada Conservancy
3460	Colorado River Board	3860	Department of Water Resources
3480	Department of Conservation	3900	State Air Resources Board
3540	Department of Forestry and Fire Protection	3910	California Integrated Waste Management Board
3560	State Lands Commission	3930	Department of Pesticide Regulation
3600	Department of Fish and Game	3940	State Water Resources Control Board
3640	Wildlife Conservation Board	3960	Department of Toxic Substances Control
3680	Department of Boating and Waterways	3980	Office of Environmental Health Hazard Assessment
3720	California Coastal Commission	7300	Agricultural Labor Relations Board
3760	State Coastal Conservancy	8570	Department of Food and Agriculture
3780	Native American Heritage Commission	8660	Public Utilities Commission
3790	Department of Parks and Recreation	8665	California Consumer Power and Conservation Financing Authority
3810	Santa Monica Mountains Conservancy	8770	Electricity Oversight Board
3820	San Francisco Bay Conservation and Development Commission		
3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy		

**Subcommittee No. 3 – Health, Human Services,  
Labor and Veterans Affairs**

0530	Secretary of Health and Human Services	4300	Department of Developmental Services
0559	Labor and Workforce Development Agency	4440	Department of Mental Health
4120	Emergency Medical Services Authority	4700	Department of Community Services and Development
4140	Office of Statewide Health Planning and Development	5160	Department of Rehabilitation
4170	Department of Aging	5170	State Independent Living Council
4180	Commission on Aging	5175	Department of Child Support Services
4185	California Senior Legislature	5180	Department of Social Services
4200	Department of Alcohol and Drug Programs	7100	Employment Development Department
4260	Department of Health Care Services	7350	Department of Industrial Relations
4265	Department of Public Health	8955-	Department of Veterans Affairs and
4270	California Medical Assistance Commission	8966	Veterans Homes of California
4280	Managed Risk Medical Insurance Board		

## Subcommittee No. 4 – Transportation, State Administration, General Government, Judiciary, Public Safety and Criminal Justice

0250	Judicial Branch	8120	Commission on Peace Officer Standards and Training (POST)
0280	Commission on Judicial Performance	8140	State Public Defender
0390	Contributions to Judges’ Retirement Fund	8180	Payments to Counties for the Costs of Homicide Trials
0502	Office of the Chief Information Officer	8260	California Arts Council
0510	Secretary for State and Consumer Services	8320	Public Employee Relations Board
0520	Secretary for Business, Transportation, and Housing	8380	Department of Personnel Administration
0552	Office of the Inspector General	8550	California Horse Racing Board
0650	Office of Planning and Research	8620	Fair Political Practices Commission
0690	Office of Emergency Services	8690	Alfred E. Alquist Seismic Safety Commission
0820	Department of Justice	8860	Department of Finance
0840	State Controller	8885	Commission on State Mandates
0845	Department of Insurance	8910	Office of Administrative Law
0850	State Lottery Commission	8940	Military Department
0855	Gambling Control Commission	9100	Tax Relief
0860	Board of Equalization	9210	Local Government Financing
0890	Secretary of State	9350	Shared Revenues
0950	State Treasurer’s Office	9618	Economic Recovery Financing Committee
1100	California Science Center	9650	Support for Health and Dental Benefits for Annuitants
1110-	Department of Consumer Affairs	9800	Augmentation for Employee Compensation
1111		9840	Augmentation for Contingencies and Emergencies
1700	Department of Fair Employment & Housing		<b>Control Sections:</b>
1730	Franchise Tax Board	3.60	Contributions to Public Employee Retirement Benefits
1760	Department of General Services	4.04	“Price” Reduction
1870	Victim Compensation & Government Claims Board	4.05	Unallocated Reductions
1880	State Personnel Board	4.26	Elimination of Boards and Commissions
1900	Public Employees’ Retirement System	4.85	Disposition of Bonds Proceeds
1920	State Teachers’ Retirement System	8.50	Federal Fund Receipts
1955	Department of Technology Services	11.00	EDP/Information Technology Reporting Requirement
2100	Department of Alcoholic Beverage Control	11.10	Reporting of Statewide Software License Agreements
2150	Department of Financial Institutions	15.25	Appropriation Adjustments to Reflect Technology Service Rate Changes
2180	Department of Corporations	24.80	GF Expenditures for Debt Service
2240	Department of Housing and Community Development	28.00	Program Change Notification
2260	California Housing Financing Agency	29.50	Legislative Intent Regarding 2008-09 Budget Preparation
2320	Department of Real Estate	35.60	Budget Stabilization Account Transfer to GF
2400	Department of Managed Health Care		
2600	California Transportation Commission		
2640	Special Transportation Programs		
2660	Department of Transportation		
2665	High Speed Rail Authority		
2720	California Highway Patrol		
2740	Department of Motor Vehicles		
5225	Department of Corrections & Rehabilitation		

# SUBCOMMITTEE 1

# FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

Jack Scott, Chair  
Bob Margett  
Joe Simitian

*Consultants*

Kim Connor  
Amy Supinger

# SUBCOMMITTEE No. 1

## EDUCATION

### **K-12**

Department of Education..... 1-1

### **Child Development**

California Department of Education—Child Development..... 1-7

### **Higher Education**

California State Library..... 1-7  
University of California..... 1-7  
California State University..... 1-9  
California Community Colleges..... 1-9  
Student Aid Commission..... 1-10

## K-12 EDUCATION

### 6110 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

- Appropriated \$57.1 billion in ongoing Proposition 98 funding for K-12 education and community colleges in 2007-08, which provides \$2.1 billion (3.8 percent) in ongoing funds above the revised 2006-07 budget.
- Appropriated \$50.8 billion in ongoing Proposition 98 funding for K-12 education in 2007-08. In addition, the budget provides \$566.6 million in one-time funds for ongoing K-12 education programs in 2007-08 in order to meet a shortage of ongoing Proposition 98 funds. These one-time funds include:
  - \$250 million in Proposition 98 Reversion Account funds<sup>1</sup> for the Home-to-School Transportation program;
  - \$99.1 million from the Public Transportation Account for Home-to-School Transportation program;
  - \$115.5 million in Proposition 98 Reversion Account funds to backfill a reduction of ongoing deferred maintenance funds needed to fund a shortage of ongoing funds in 2007-08;
  - \$102 million in Proposition 98 Funds reappropriated for the High Priority Schools programs.
- Appropriated an additional \$133.2 million in one-time Proposition 98 Reversion Account funds for the following programs on a one-time basis:
  - \$100 million for the Emergency Repair Program for schools in the lowest three deciles of the Academic Performance Index. No new funding is provided for needs assessments;
  - \$18 million for Charter Schools Facility Grants to offset rental/lease costs for charter schools serving economically disadvantaged students.<sup>2</sup>

---

<sup>1</sup> The \$250 million in Proposition 98 Reversion Account funds were transferred back from the School Facilities Emergency Repair Account. Budget control language requires return of Proposition 98 Reversion Account funds to the Emergency Repair Account if determined by the Director of Finance to be necessary to cover approved grants. If funds are returned, Proposition 98 Reversion Account funds would be decreased and Public Transportation Account funds would be increased for the Home-to-School Transportation (HTS) program by the same amount of the return in order to maintain funding for the HTS program at the level appropriated in the 2007-08 Budget Act.

<sup>2</sup> These one-time funds are appropriated in SB 20 (Torlakson), which also contains language clarifying and strengthening the process for authorizing statewide benefit charter schools by the State Board of Education. **SB 20 (Torlakson) -- Enrolled.**

- \$8.8 million to provide full funding for the Beginning Teacher Support and Assessment (BTSA) program;
- \$4.1 million to address deficiencies in the Community Day School program in 2006-07;
- \$1.9 million to implement an equipment refresh plan for the K-12 High Speed Network;
- \$385,000 for the Fiscal Crisis Management Team (FCMAT) to prepare required annual status reports for three school districts with state emergency loans.
- Provided \$2.1 billion in total cost-of-living adjustments (COLAs) for K-12 education programs, which provides a 4.53 percent COLA increase in 2007-08. This amount reflects an increase of \$221.6 million from the Governor's January Budget, which estimated a COLA of 4.04 percent.
- Decreased funding for K-12 enrollment growth from 2006-07 revised levels by a net of \$11 million in 2007-08, which reflects negative attendance growth of -0.48 percent. This net amount reflects reductions for revenue limits and most categorical programs, zero growth for selected categorical programs and positive growth for other categorical programs with special statutory growth rates. When combined with other baseline reductions, the LAO estimates a net reduction of \$61 million in baseline/growth adjustments for revenue limit and categorical programs in 2007-08 compared to the 2006-07 revised budget.
- Redirected \$364.1 million in funds the Governor proposed for new ongoing programs in 2007-08 to cover a budget shortfall in the Governor's May Revise budget for revenue limit apportionments.
- Approved the following ongoing increases for Child Care and Development programs in 2007-08: \$269 million for CalWORKS Stage 2 child care; \$7.7 million for CalWORKS Stage 2 and 3 adjustments; and \$6.8 million for the State Median Income Adjustment. In addition, the budget provides \$25.7 million in reappropriated funds for Child Care Stage 2 programs. (See following section on Child Care.)
- Appropriated \$50 million in ongoing funds to fully fund continuation of the Community Based English Tutoring program, pursuant to legislation. This program provides English language instruction to adults.
- Increased ongoing state funding for school meals by \$24.9 million -- to provide 21 cents per free and reduced-priced meal -- in order to improve the quality of school breakfasts and lunches, pursuant to legislation contained in the budget trailer bill. (See *Trailer Bill* section below.) Budget bill language requires that new funds be tied to improvements in the quality of the meals served; ensures that Child Nutrition Program expenditures do not exceed amounts appropriated in the budget, and requires CDE to notify the Department of Finance in writing 30 days prior to paying prior-year reimbursement claims for nutrition programs.

- Increased the Early Mental Health Initiative program by \$5 million to restore ongoing funding to a total of \$15 million. This program is administered by the Department of Mental Health.
- Continued \$2.1 million in funding for the second grade Standardized Testing and Reporting (STAR) program assessment and extended the sunset for the second grade assessment to July 1, 2011, consistent with the sunset for the STAR program overall. The second grade STAR test was previously scheduled to sunset on July 1, 2007.
- Approved \$34.9 million in one-time federal Reading First carryover funds for a three-year pilot project to encourage the development of professional development in reading for special education teachers. Of this amount, \$500,000 is provided to CDE for a contract with an external entity to evaluate the pilot project.
- Approved an increase of \$28.1 million in federal Title I School Improvement Set-Aside carryover funds for school and district improvement under the federal accountability system. Of this amount, \$23.9 million is set aside, pursuant to legislation, for schools and districts requiring program improvement in 2008-09. ***The Governor vetoed \$7.1 million appropriated for District Intervention and Intervention Teams to assist local educational agencies facing federal sanctions.***
- Approved \$350,000 in federal Title I funds for 4.0 new positions at CDE to assist school districts facing corrective actions pursuant to the No Child Left Behind Act. ***The Governor vetoed these funds.***
- Approved an additional \$1.1 million in federal Title II Teacher Quality funds for the Compliance, Monitoring, Interventions and Sanctions system. These funds will provide 8.0 positions and other expenses to work toward compliance with the Highly Qualified Teacher provisions of the federal No Child Left Behind Act. ***The Governor reduced funding to \$929,000 for 2.0 new positions and 4.0 unfunded existing positions.***
- Approved \$133,000 and 1.0 position within CDE to coordinate education services for incarcerated youth in California. The department will be required to prepare an annual report on youth served in correctional settings. ***The Governor vetoed these funds and positions.***
- Restored \$1.5 million in funding for the State Board of Education, including 9.2 positions, within a separate budget item for CDE.
- Provided \$1.1 million in federal special education carryover funds and \$1.6 million in federal Title III funds for English learners to CDE in order to provide monitoring and technical assistance for youth in alternative schools, county court schools, and Division of Juvenile Justice schools. ***The Governor vetoed all of these federal carryover funds for improving CDE monitoring and technical assistance to schools serving special populations of incarcerated youth in California.***
- Appropriated \$1.45 million in one-time federal Special Education carryover funds for the following purposes:

- \$450,000 as a COLA adjustment for the special education due process program. ***The Governor eliminated language tying these funds to the COLA;***
- \$450,000 for the CDE's state operations base program;
- \$400,000 for a research and best-practice dissemination project for improving outcomes for students with specific learning disabilities statewide. ***The Governor vetoed these funds;***
- \$150,000 in federal special education carryover funds for an independent evaluation of the due process contract to assess program access and outcomes and guide annual budget increases. ***The Governor vetoed these funds.***
- Approved \$1.35 million in one-time federal Title III funds for the following purposes:
  - \$1 million to fund an evaluation of English learner best practices pilot project pursuant to Chapter 561, Statutes of 2006. ***The Governor reduced this funding to \$500,000;***
  - \$300,000 for the evaluation of instructional materials pilot project for English learners, pursuant to legislation. ***The Governor vetoed these funds;***
  - \$50,000 for a pilot program to promote the use of interpreters for non-English speaking parents. ***The Governor vetoed these funds.***
- Provided \$1.4 million in one-time Title III funds for the development of reading and writing assessments for English learners in Kindergarten and first grade as a part of the California English Language Development Test (CELDT), pursuant to legislation. (See *Trailer Bill* section below.) These pre-literacy assessments are necessary to comply with requirements of the federal No Child Left Behind Act.
- Provided \$150,000 in one-time federal Title I School Improvement Set-Aside funds for a study to identify options for improving socio-economic indicators for students in order to improve school funding allocations for economically disadvantaged students. ***The Governor vetoed this funding.***
- Provided \$150,000 in one-time federal Title VI Student Assessment funds to develop measures of student assessment growth for purposes of making accurate year-to-year comparisons of student assessment outcomes.
- Provided an additional \$1.2 million in federal Statewide Longitudinal Data System Grant funds in order to cover a cost increase for development of the California Longitudinal Pupil Achievement Data System (CALPADS) in 2007-08. This brings total federal funding for CALPADS to approximately \$2.0 million in 2007-08.
- Appropriated an additional \$2.01 million in one-time funds from the Educational Telecommunication Fund to the Fiscal Crisis and Management Assistance Team for the purpose of administrating the California School Information Services (CSIS) program. These funds are needed to support and maintain statewide student data that is being collected in preparation for development of CALPADS. Funds will be used by CSIS to (1)

replace outdated server capacity; (2) purchase automated testing tools to assure software and system stability; and (3) provide technical assistance to meet workload.

- Adopted budget bill language to require CDE to report on the timeliness, activity levels, and outcomes of civil rights complaints filed with the department through the uniform complaints procedure.
- Adopted budget control language that establishes standards and reporting requirements for both K-12 education and the public higher education segments for the High Speed Internet Network. This language implements recommendations from a 2006 report by the Bureau of State Audits. ***The Governor vetoed this budget control section.***
- Continued deferral of annual mandate payments for K-12 education in 2007-08, estimated to cost \$160 million annually.
- Continued to defer payments of approximately \$1.1 billion in Proposition 98 apportionment programs from one fiscal year to the next. This practice commenced with the 2002-03 budget as a method of meeting the state's budget shortfall without reducing school programs and services.

### ***Trailer Bills.***

***1. SB 80 (Committee on Budget and Fiscal Review). Omnibus Education Budget Trailer Bill. Makes numerous statutory changes needed to implement provisions of the 2007-08 budget package, including but not limited to, provisions that:***

*(a) condition school meal funding for LEAs and charter schools on compliance with higher nutritional guidelines for free- and reduced-price school meals and prohibits schools from selling or serving fried foods, foods containing artificial trans-fats and other specified oils and fats that negatively impact cardiovascular health;*

*(b) change the basis for calculating the maximum state meal reimbursement rate from the average statewide meal cost to the median statewide cost;*

*(c) extend the sunset of the inter-district transfer program by two years – from July 1, 2007 to July 1, 2009 and prohibits new school districts from identifying as districts of choice and participating in the program;*

*(d) require CDE to prepare an evaluation of the inter-district program by November 1, 2008;*

*(e) require CDE and a consortium of county offices of education to conduct an evaluation of the pilot project involving District Assistance and Intervention Teams, due April 1, 2010;*

*(f) extend the authority for CDE to operate the American Indian Early Childhood Education Program through January 1, 2009;*

*(g) continue authorization of the special disability adjustment calculation through 2007-08 as a part of the special education formula;*

*(h) continue the second grade test as a part of the STAR program for K-12 schools, making it consistent with the sunset for the overall STAR program in July 1, 2011;*

(i) conform California law to federal law by requiring that students in Kindergarten and first grade be assessed in early English literacy skills, as well as English listening and speaking skills as a part of the CELDT assessment program;

(j) suspend the “Sexual Harassment Training in the Law Enforcement Workplace” mandate for K-12 LEAs to conform to suspensions already enacted for other agencies;

(k) require that school districts and charter schools who received 2006-07 funding to enable them to develop plans for meeting their long-term fiscal obligations relative to post-employment non-pension benefits must submit those plans to their county superintendents on or before June 30, 2009;

(l) specify that \$500 million in one-time block grant funds appropriated in 2006-07 may be used for professional development in physical “education”, as well as, physical “fitness”;

(m) require CDE to report on its guidelines regarding access to longitudinal data that will be available from CALPADS, including options for providing access to longitudinal data while assuring compliance with the federal Family Educational Rights and Privacy Act (FERPA);

(n) continue deferral of \$388.3 million in various K-12 apportionment payments by one month – from June 2008 to July 2008 – in order to continue budget savings implemented in recent years by scoring expenditures in the following fiscal year;

(o) continue to defer \$200 million of community college expenditures from the 2007-08 fiscal year to the 2008-09 fiscal year; and

(p) state legislative intent that in 2008-09 additional funding for revenue limit equalization be given priority within the Proposition 98 minimum guarantee, after funding cost-of-living adjustments and enrollment growth for K-12 education programs operated in 2007-08. **Chapter 174; Statutes of 2007.**

**2. SB 78 (Ducheny). Supplemental Budget Bill.** Amends numerous items to the 2007 Budget Act, including many items that relate to K-12 education programs. These amendments to the Budget Conference Report reflect final budget agreements between the Legislature and the Administration for a number of K-12 budget items, including: Home-to-School Transportation; Public Transportation Account Funds; Deferred Maintenance; School Facilities Emergency Repair Funds; Proposition 98 Reversion Account Funds; STAR testing; and the State Board of Education. **Chapter 172; Statutes of 2007.**

**3. AB 194 (Committee on Budget). Omnibus Budget Clean-Up Bill.** Makes various technical changes and restorations to the 2007 Budget Act, including two provisions affecting K-12 education. These education provisions appropriate \$2.01 million from the Educational Telecommunication Fund for the CSIS program and appropriate \$5.0 million in Proposition 98 funds for wrap-around child care services. (See following section on Child Care.) **AB 194 (Committee on Budget) – Enrolled.**

## CHILD DEVELOPMENT

### 6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Fully funded Stage 2 and Stage 3 CalWORKs Child Care predominately using Proposition 98 funds.
- Utilized savings from the current-year Preschool program expansion to fund Stage 2 and Stage 3 CalWORKs Child Care.
- Provided \$6.8 million to "unfreeze" the State Median Income (SMI) levels and allow families to earn slightly more and still retain their subsidized child care services.
- Approved the continuation of \$50 million for the current-year expansion of the state preschool program (pursuant to Chapter 211, Statutes of 2006). *Of this amount, \$5 million was approved by the Legislature for the use of wrap-around care by all state preschool participants; however, these funds were vetoed by the Governor. These vetoed funds were later restored in Assembly Bill 194 after the Legislature agreed to change the focus of the appropriation and provide "priority" specifically to the Governor's Prekindergarten and Family Literacy Programs.* The Legislature denied the Governor's proposal to further expand the state preschool program in 2007-08.

## HIGHER EDUCATION

### 6120 CALIFORNIA STATE LIBRARY

- Augmented by \$1 million the amount available for the Public Library Foundation; however, the *Governor vetoed the \$1 million augmentation as well as an additional \$7 million from the base budget of the program.*
- *The Governor vetoed \$7 million from the base budget of the Direct and Interlibrary Loan Program, which reimburses local libraries for costs incurred from lending books to other libraries.*
- Provided an additional \$52,000 for the Library System Replacement Project, thus denying the Administration's proposal to redirect those funds from the Public Library Foundation.

### 6440 UNIVERSITY OF CALIFORNIA

- Approved the Governor's Compact with the University of California (UC) by providing a general support funding increase of four percent (\$116.7 million); increasing funding for enrollment growth equivalent to 2.5 percent; and approving a student fee increase of seven

percent (whereby one-third of the revenue will be returned to financial aid programs for students).

- Approved support for the UC Merced campus, as budgeted, at \$24 million.
- Restored funding for UC's Student Academic Preparation and Outreach programs by providing an additional \$19.3 million. State funds will be matched with \$12 million of university funds. The Governor's January proposal called for state funding to be eliminated from these programs.
- Augmented by \$500,000 the amount of funding available for the California State Summer School for Math and Science (COSMOS).
- Restored funding for Labor research and education programs by providing \$6 million.
- Augmented the amount of funding available for statewide agriculture research by \$1.5 million and provided an additional \$1.5 million for oceanographic research at UC's Scripps Research Institute. *These augmentations were vetoed by the Governor.*
- Deleted the \$15 million augmentation proposed by the Governor for the Institutes for Science and Innovation.
- Deleted the \$5 million augmentation for the University's Petascale Supercomputing Facility proposal.
- *The Governor vetoed \$500,000 in funding used by the UC to support its UC-Mexico academic and research facility.*
- Provided \$70 million in Lease-Revenue Bonds to construct a new Energy Biosciences Institute at UC Berkeley (in conjunction with the receipt of a grant from the BP – formerly British Petroleum – corporation). Adopted budget bill language specifying that the funds only be released after the UC has provided a copy of its contract with BP to the Legislature.
- Appropriated \$130.6 million for Telemedicine-related projects, this amount represents the portion of the \$200 million set aside in Proposition 1D that the five University campuses with medical centers are able to expend in 2007-08.
- Appropriated \$10 million in General Obligation Bond Funds to construct a joint UC-Drew University nursing education program facility on the Charles R. Drew University of Medicine and Science campus. Funding is contingent upon the development of a joint nursing degree program between the two universities.
- Adopted Supplemental Reporting Language requiring the UC to (1) submit copies of campus Long Range Development Plans (LRDPs) and accompanying Environmental Impact Reports (EIRs) to the Legislature; (2) report on current and future off-campus mitigation measures associated with campus growth; and (3) report on the use of summer session courses.
- Adopted specific Supplemental Reporting Language related to growth on the UC Santa Cruz campus and the Legislature's intent that meaningful mitigation of off-campus impacts be achieved.

## 6610 CALIFORNIA STATE UNIVERSITY

- Approved the Governor's Compact with the California State University (CSU) by providing a general support funding increase of four percent (\$108.7 million); increased funding for enrollment growth equivalent to 2.5 percent; and approving a student fee increase of ten percent (whereby one-third of the revenue will be returned to financial aid programs for students).
- Restored funding for CSU's student academic preparation programs by providing an additional \$7 million. These funds are matched with \$45 million from the CSU's budget and provide early assessment services to students in K-12 schools.
- Approved a \$3.6 million augmentation for CSU to enroll an additional 340 full-time equivalent students in baccalaureate degree programs in nursing.
- Adopted Supplemental Reporting Language requiring the CSU to: (1) submit copies of campus Long Range Development Plans (LRDPs) and accompanying Environmental Impact Reports (EIRs) to the Legislature; (2) report on current and future off-campus mitigation measures associated with campus growth; and (3) report on the use of summer session courses.
- Approved all state-funded Capital Outlay projects, as budgeted.

## 6870 CALIFORNIA COMMUNITY COLLEGES

- Fully-funded a 4.53 percent Cost-of-Living Adjustment for Apportionments and select categorical programs.
- Restored \$33.1 million to the Basic Skills program that the Administration had proposed to be shifted to the Matriculation categorical program as part of the Governor's January Budget proposal. *However, the Governor vetoed the Legislature's action and set aside the entirety of the funds for purposes consistent with the Governor's community college related priorities. These funds were later restored in Assembly Bill 194 after the Community Colleges negotiated an alternative Basic Skills allocation formula with the Administration. This alternative allocation methodology places a particular emphasis on districts serving students transitioning directing from high school.*
- Adopted the Governor's proposal to reduce the community colleges' budget by \$80 million in the current and budget years (thus, rebenching apportionments on a permanent basis) to account for unused enrollment growth funding.
- Shifted the Governor's proposed \$10 million augmentation for the Matriculation categorical program to fund a rate increase for noncredit course offerings; this amount is further augmented by a shift of \$3.8 million redirected from a Governor's initiative to provide additional nursing prerequisite courses, thus bringing the total augmentation for noncredit instruction to \$13.8 million. *These funds were vetoed by the Governor and set aside for other "more compelling" Proposition 98 purposes.*
- Augmented by \$1.9 million (in ongoing funds) to provide textbook grants through the Extended Opportunity Programs and Services (EOPS).

- Approved all state-funded Capital Outlay projects, as budgeted.
- Appropriated \$26.7 million in one-time funds to the community colleges for a variety of high-priority uses including:
  - Scheduled maintenance and special repairs, replacement of instructional equipment and library materials, hazardous substances abatement programs, and architectural barrier removal projects (\$8.1 million);
  - Nursing and Allied Health Program Equipment (\$8.1 million);
  - Nursing program start up costs (\$4 million);
  - Part-Time Faculty Health Insurance (\$4 million) – *this augmentation was vetoed by the Governor.*
  - CalPASS Program (\$1 million);
  - Construction College Pilot Program (\$1.5 million) - *this augmentation was vetoed by the Governor.*

#### **7980 CALIFORNIA STUDENT AID COMMISSION**

- Fully funded the Cal Grant Program and the Assumption Program of Loans for Education.
- Authorized 100 new loan assumption warrants for the SNAPLE (State Nursing) loan assumption program and 100 new loan assumption warrants for the SNAPLE-SF (Nurses in State Facilities) loan assumption program.
- Provided one new position, \$100,000 General Fund, and authority for 100 new loan assumption warrants to implement the Public Attorney Loan Repayment Program (*all of which were vetoed by the Governor.*)
- Authorized the sale of EdFUND, or the effectuation of an alternative financial arrangement for the delivery of student loan services, and assumed \$1 billion in revenues to the State General Fund associated with the sale.
- Shifted funding for the ongoing operations of both the Student Aid Commission and the California Student Opportunity and Access Program (Cal-SOAP) from the Student Loan Operating Fund (which is generated by EdFUND) to the General Fund, in order to backfill the loss of EdFUND ongoing revenues – consistent with the pending sale of EdFUND.

# SUBCOMMITTEE 2

# FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

Alan Lowenthal, Chair  
Darrell Steinberg  
Mark Wyland

*Consultant*

Seija Virtanen

# 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.....	2-2
California Conservation Corps.....	2-2
Colorado River Board .....	2-2
Department of Conservation .....	2-2
Department of Forestry and Fire Protection.....	2-3
State Lands Commission .....	2-4
Department of Fish and Game.....	2-4
Wildlife Conservation Board.....	2-6
Department of Boating and Waterways .....	2-6
California Coastal Commission.....	2-6
State Coastal Conservancy .....	2-7
Native American Heritage Commission.....	2-7
Department of Parks and Recreation.....	2-7
Santa Monica Mountains Conservancy.....	2-8
San Francisco Bay Conservation and Development Commission .....	2-9
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy .....	2-9
San Joaquin Conservancy.....	2-9
Baldwin Hills Conservancy.....	2-9
Delta Protection Commission.....	2-9
San Diego River Conservancy .....	2-9
Coachella Valley Mountains Conservancy .....	2-9
Sierra Nevada Conservancy .....	2-10
Department of Water Resources.....	2-10

### **Environmental Protection**

Secretary for Environmental Protection .....	2-12
Air Resources Board .....	2-12
Integrated Waste Management Board .....	2-14
Department of Pesticide Regulation.....	2-14
State Water Resources Control Board.....	2-15
Department of Toxic Substances Control .....	2-16
Office of Environmental Health Hazard Assessment.....	2-17

# SUBCOMMITTEE No. 2

(CONTINUED)

## **Energy and Utilities**

California Energy Commission .....	2-18
Department of Water Resources (California Energy Resources Scheduling Division) .....	2-19
Public Utilities Commission.....	2-19
California Consumer Power and Conservation Financing Authority .....	2-20
Electricity Oversight Board.....	2-20

## **Food and Agriculture**

Agricultural Labor Relations Board.....	2-21
Department of Food and Agriculture .....	2-21

## NATURAL RESOURCES

### 0540 Secretary for Resources

- Approved \$13.9 million in Proposition 84 bond funds to support implementation of a settlement agreement between the federal government, local water users, and environmental advocates to restore portions of the San Joaquin River, including channel modifications and ecosystem restoration projects that will be implemented by the Department of Water Resources and Department of Fish and Game.
- Approved \$20.5 million in Proposition 50 bond funds for the River Parkways Program.
- Approved \$10.5 million in Proposition 84 and Proposition 50 bond funds for CALFED Science Program research grants.

#### Budget Bill Language

1. Approved budget bill language ensuring that the San Joaquin River restoration funds are spent in accordance with the *N.R.D.C. v. Rogers* settlement.

#### Supplemental Report Language

1. Approved supplemental report language for the carbon footprint of land conservation agencies.

### 3110 Special Resources Program

- Approved \$100,000 GF for a legal position at the Tahoe Regional Planning Agency, with budget bill language specifying that the funds can only be used for enforcement of regulations mitigating adverse environmental effects of development near Lake Tahoe. The Governor vetoed this augmentation.
- Approved \$100,000 GF for a transit position at the Tahoe Regional Planning Agency. The Governor vetoed this augmentation.

#### Budget Bill Language

1. Approved budget bill language limiting the use of the legal funds to mitigating the adverse environmental effects of development near Lake Tahoe. *The Governor vetoed this language.*

### **3125 California Tahoe Conservancy**

- Approved \$39.6 million from bond funds (\$27.3 million from Proposition 84) for the Environmental Improvement Program at Lake Tahoe.

### **3340 California Conservation Corps**

- Approved \$263,000 in Proposition 84 bond funds for administration of the bond.
- Approved \$12 million in Proposition 84 bond funds for local assistance grants. *The Governor vetoed this augmentation.*

#### Trailer Bill Language

1. Approved trailer bill language allowing the Sacramento local conservation corps to sell a building purchased with bond funds and to use the proceeds to purchase another building.

### **3460 Colorado River Board of California**

- Approved as budgeted.

### **3480 Department of Conservation**

- Approved \$3.4 million in special funds to implement AB 3056, which made a number of changes to the beverage container recycling program, including larger payments to distributors and added new types of containers to the quality incentive payments program.
- Approved \$1.9 million in special funds to fund four positions and start-up costs of the Comprehensive Recycling Community (CRC) project. The CRC project intends to increase beverage container recycling by 50 percent in selected communities and to develop strategies, applicable to any community, to maximize the recycling potential. This pilot project will select four cities and work with the local governments to implement strategies.
- Approved \$1.1 million to fund five permanent and five 3-year limited-term positions to combat fraud in the Beverage Container Recycling Program.
- Approved \$2.4 million in special funds to reduce the negative environmental impacts of beverage containers.
- Approved \$585,000 in special funds for five permanent positions to conduct audits of Surface Mining and Reclamation Act lead agency compliance and financial assurances.

- Approved \$1 million in Proposition 50 bond funds for the Watershed Coordinator Grant Program.

### **3540 Department of Forestry and Fire Protection**

- Approved \$8.8 million in bond funds for urban forestry programs.
- Approved \$912,000 in Proposition 50 bond funds for Sierra Nevada fire management planning.
- Approved \$14.7 million from various funds (\$9.7 million General Fund) to cover overtime payments.
- Approved budget bill language for a General Fund loan to allow for payment on contracts.
- Approved \$6.7 million in special funds for a Computer Aided Dispatch system maintenance and support.
- Approved \$1.8 million GF to increase the minimum-wage for Firefighter I.
- Approved \$3.5 million from the Federal Trust Fund for Southern California fuels management.
- Approved \$5.5 million in reimbursement authority for a Half Moon Bay Schedule A agreement.
- Approved \$157 million (\$8.1 million GF) for capital outlay projects. Also approved trailer bill language and provisional language on capital outlay project management.

#### Budget Bill Language

1. Approved budget bill language allowing a General Fund loan to the department up to 35 percent of appropriated reimbursements to be repaid by September 30 of the following fiscal year.
2. Approved budget bill language specifying which capital outlay projects the department can manage.

#### Trailer Bill Language

1. Approved trailer bill language to provide to the Department of Forestry and Fire Protection the authority to plan, design, construct, and administer contracts and professional services for legislatively approved capital outlay projects. The Department of Finance can revoke the authorization at any time.

#### Supplemental Report Language

1. Approved supplemental report language for CalFIRE to report, by January 10, 2008, on its efforts to contract with certified disabled veteran business enterprises during the 2007 fire season.

2. Approved supplemental report language for CalFIRE to report on the resources and time required to provide real-time access to the department's database of statewide rotational hiring of rental equipment to disabled veteran business enterprise contractors.

### **3560 State Lands Commission**

- Approved \$702,000 from special funds for four positions to carry out Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) audits and related work. The MOTEMS audits are a regulatory requirement. These audits contain extensive inspection criteria and require engineering analyses to determine the structural, mooring, and berthing capacity of the oil terminals.
- Approved \$1.2 million GF to fund the state's portion of remediation work at state-owned land in Selby. These funds are for de-acidification remediation of soils work at certain portions of the site.
- Approved \$568,000 for five positions to perform ballast water testing on vessels entering California ports.
- Approved \$2.7 million GF for a new office building in Seal Beach. The current Huntington Beach office site will be sold as surplus land.

### **3600 Department of Fish and Game**

- Approved \$13.3 million in Proposition 84 bond funds for Salton Sea restoration efforts.
- Approved \$47.2 million in bond funds for CalFED Ecosystem Restoration Program implementation.
- Approved \$7.4 million in special funds for environmental mitigation, restoration, and enhancement measures for the Yuba Feather River Flood Control Project.
- Approved \$6.8 million in Proposition 84 bond funds for the acquisition of lands for natural resource protection and public access to natural resources, consistent with the Lower Colorado River Multi-Species Habitat Conservation Plan.
- Approved \$4.5 million in special funds for 34 permanent positions for the California Environmental Quality Act (CEQA) review program.
- Approved \$5.7 million GF for 16 permanent positions, two limited-term positions, and an interagency contract for invasive species management of the Quagga Mussel.
- Approved \$3 million GF for warden overtime pay, improving the hiring process of wardens, and expanding the warden Academy. *The Governor vetoed \$1,505,000 of this amount.*

- Approved \$2.9 million from various funding sources for increased site security, resource management, and public use on lands.
- Approved \$282,000 GF for a one-time augmentation to replace commercial salmon vessel and salmon stamp fees.
- Approved \$2.7 million in special funds for various capital outlay projects and studies.
- Approved \$2.2 million for maintenance of coastal wetland properties. ***The Governor vetoed \$838,000 of this augmentation.***

#### Budget Bill Language

1. Approved budget bill language specifying that \$3 million shall be used for relocating and expanding the warden academy, for improvements in the hiring process for wardens, and for warden overtime pay.
2. Approved budget bill language ensuring that the San Joaquin River restoration funds are spent in accordance with the *N.R.D.C. v. Rogers* settlement.
3. Approved budget bill language ensuring that the Department of Fish and Game would only review environmental documents for the San Francisco PUC.

#### Trailer Bill Language

1. Approved trailer bill language authorizing the Department of Fish and Game to develop standards and regulations for vegetation mapping criteria.
2. Approved trailer bill language authorizing the Coastal Wetlands Fund to be expended according to appropriation by the Legislature for maintenance of coastal wetlands property owned by the state.

#### Supplemental Report Language

1. Approved supplemental report language requiring the Department of Fish and Game to report on the CalTIP augmentation's impact on the special fund's solvency and program successes.
2. Approved supplemental report language requiring the Department of Fish and Game to report by January 1, 2008, on its efforts to fight the Quagga Mussel invasion.
3. Approved supplemental report language requiring the Department of Fish and Game to report by January 10, 2008, on the streamflow

funds the department received in 2006-07 and how those funds were expended.

### **3640 Wildlife Conservation Board**

- Approved \$25 million in Proposition 84 bond funds for the implementation and establishment of the Natural Communities Conservation Planning program.
- Approved \$14.3 million in Proposition 84 bond funds for oak woodlands preservation.
- Approved \$14.3 million in Proposition 84 bond funds for the Rangeland, Grazing Land and Grassland Protection Program land acquisition.
- Approved \$5 million in Proposition 84 bond funds for integrating agricultural activities with ecosystem restoration and wildlife protection.

#### *Supplemental Report Language*

1. Approved supplemental report language for the Wildlife Conservation Board to report on its vegetation mapping efforts, including identified priority sites for mapping.

### **3680 Department of Boating and Waterways**

- Approved \$12.9 million in special funds for launching facility project grants for local governments.
- Approved \$12 million in special funds for public loans to develop marinas and expand and rehabilitate existing marina facilities.
- Approved \$6 million in special funds to assist local governments with 17 minor capital outlay projects for recreational boating.
- Approved \$6 million in special funds for loans to private marinas.
- Approved \$5.2 million in special funds for beach erosion.

### **3720 California Coastal Commission**

- Approved \$380,000 GF for North Coast enforcement. The Governor vetoed this augmentation.
- Approved \$150,000 GF for live web-streaming of Commission meetings.

### **3760 State Coastal Conservancy**

- Approved \$84.4 million in Proposition 84 bond funds for capital outlay and local assistance, including land acquisition, restoration, and enhancement efforts. Of this amount, approximately \$3 million will be allocated for projects selected by the San Diego River Conservancy.
- Approved \$9.5 million in bond funds for coastal conservancy programs, including California Coastal Trail access and Santa Monica Bay restoration.
- Approved \$28 million in Proposition 84 bond funds for the Ocean Protection Council for capital projects and science applications. Of that amount, approximately \$5 million would be for science and the remaining funds for capital outlay.

#### Budget Bill Language

1. Approved budget bill language specifying that of the funds for conservancy programs, \$2,985,000 shall be allocated for projects authorized by the San Diego River Conservancy.
2. Approved budget bill language specifying that the funds for conservancy programs may be used for invasive species eradication programs, but not for on-going invasive species maintenance.

#### Supplemental Report Language

1. Approved supplemental report language for the State Coastal Conservancy to report on the use of the funds allocated towards the implementation of the Marine Life Protection Act and Marine Life Management Act.

### **3780 Native American Heritage Commission**

- Approved \$200,000 GF to implement legislative mandates. *The Governor vetoed this augmentation.*

### **3790 Department of Parks and Recreation**

- Approved \$5.2 million in Proposition 84 bond funds to develop and administer the Proposition 84 programs.
- Approved \$22 million in bond funds for capital outlay projects.
- Approved \$30 million in bond funds for land acquisition. The Governor vetoed \$15 million of this augmentation, leaving \$15 million for new in-holding and opportunity acquisitions.

- Approved approximately \$17 million in special funds for capital outlay projects (mostly off-highway vehicle recreation).
- Approved \$39.2 million in various special funds for local assistance programs, including recreational trails and off-highway vehicle recreational areas.
- Approved \$4.1 million GF for contamination remediation measures at the Empire Mine State Historic Park.
- Approved \$5 million GF for the Museum of Tolerance.
- Approved 41 administratively created maintenance positions at the Department of Parks and Recreation for deferred maintenance tasks. The total cost of the positions will be approximately \$13 million out of the \$90 million GF for deferred maintenance.
- Approved \$67 million GF baseline for maintenance and one-time \$90 million GF for deferred maintenance. ***The Governor vetoed \$15 million in maintenance funds. The Legislature restored the maintenance funds and instead removed \$15 million from the one-time deferred maintenance funds.***

#### Budget Bill Language

1. Approved budget bill language requiring that the department use its existing resources to have a celebration at the Allensworth State Park on the 100th anniversary of the foundation of the town of Allensworth.

#### Trailer Bill Language

1. Approved trailer bill language authorizing the Department of Parks and Recreation to sell a state park, known as Lighthouse Field State Beach, to the County of Santa Cruz.

#### Supplemental Report Language

1. Approved supplemental report language requiring the Department of Parks and Recreation to report by January 1, 2008 on the use of the funds transferred to the department from the Motor Vehicle Fuel Account.

### **3810 Santa Monica Mountains Conservancy**

- Approved \$17 million in Proposition 84 bond funds for protection and restoration of rivers, lakes and streams, watersheds and associated lands, and other natural resources.

**3820 San Francisco Bay Conservation and Development Commission**

- Approved as budgeted

**3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy**

- Approved \$25 million in Proposition 84 bond funds for various capital outlay projects.

**3830 San Joaquin River Conservancy**

- Approved \$8.5 million in Proposition 84 bond funds to the San Joaquin Conservancy which will be used by the Wildlife Conservation Board to acquire lands in the conservancy's area.
- Approved \$3.5 million for public access, recreation, and environmental restoration projects.

**3835 Baldwin Hills Conservancy**

- Approved \$4.1 million in Proposition 84 bond funds and reimbursements for protecting and enhancing the two-square mile portion of the Kenneth Hahn State Recreation Area of the Ballona Creek Watershed.

*Trailer Bill Language*

1. Approved trailer bill language extending the Conservancy's sunset date by ten years.

**3840 Delta Protection Commission**

- Approved as budgeted.

**3845 San Diego River Conservancy**

- Approved language allowing the Conservancy to select \$2.9 million in projects funded through the State Coastal Conservancy.

**3850 Coachella Valley Mountains Conservancy**

- Approved \$11.5 million in Proposition 84 bond funds for land acquisition.

### 3855 Sierra Nevada Conservancy

- Approved \$17 million in Proposition 84 bond funds for land acquisition.

### 3860 Department of Water Resources

- Approved \$342.8 million for evaluating and improving the State's flood control system. Of this amount, \$318.9 million is for local assistance. The funds will support 48 new positions and various flood and levee programs.
- Approved \$67 million in bond funds for flood corridor projects. *The Governor vetoed \$40 million of this augmentation.*
- Approved \$165 million in Proposition 1E bond funds for system-wide levee evaluations and repairs. Of this amount, \$70 million is for levee evaluations and \$95 million is for levee repairs.
- Approved \$20 million for state-federal flood control system evaluation.
- Approved \$11.9 million (\$8 million GF) for a flood management comprehensive strategic plan.
- Approved \$71 million in Proposition 1E bond funds for various flood control capital outlay projects, including \$29 million for the Folsom Dam Raise Project.
- Approved \$55 million from the continuously appropriated Proposition 84 bond funds for local flood control and emergency preparedness projects.
- \$113.1 million in Proposition 50 bond funds for local assistance and state operations for regional water management and local groundwater assistance.
- Approved \$9.1 million in bond funds for the urban streams grant program.
- Approved \$4.2 million in bond funds for watershed planning activities. *The Governor vetoed this augmentation.*
- Approved \$8.5 million in bond funds for local assistance and state operations for the Sacramento Valley Water Management and Habitat Protection Measures Program.
- Approved \$82 million (\$47 million GF) for the lining of the All-American and Coachella Canals.
- Approved \$1.2 million in Proposition 50 bond funds for the CALFED fish passages program.
- Approved \$11.8 million in reimbursement authority for Salton Sea restoration efforts.
- Department of Water Resources' California Energy Resources Scheduling (CERS) division was approved as budgeted.

#### Budget Bill Language

1. Approved budget bill language ensuring that the San Joaquin River

restoration funds are spent in accordance with the *N.R.D.C. v. Rogers* settlement.

2. Approved budget bill language allowing the department to undertake federal flood control projects with state advances for the federal financial contributions.

#### Trailer Bill Language

1. Approved trailer bill language setting spending parameters on flood control funds. These parameters include a quarterly report; a requirement that the Department of Water Resources evaluate non-project levees and project levees alike when those levees protect either an urban area or a critical water conveyance system; a requirement that the Department of Water Resources adopt emergency regulations to implement local match standards; and a requirement that the Department of Water Resources attempt to collect all feasible federal funds for projects.

#### Supplemental Report Language

1. Approved supplemental report language requiring the Department of Water Resources to report, by November 1, 2007, on its plan for implementing the recommendations in the California Bay-Delta Authority Water Measurement Proposal of February 2004.
2. Approved supplemental report language requiring the Department of Water Resources to report semiannually on its energy use and purchasing.
3. Approved supplemental report language requiring the Department of Water Resources to report, by January 10, 2008, on its annual carbon footprint.
4. Approved supplemental report language requiring the Department of Water Resources to report, by January 10, 2008, on the State Water Project Budget for the last three years by program.
5. Approved supplemental report language requiring the Department of Water Resources to report annually, starting January 10, 2008, a supplemental “in-lieu” budget for the State Water Project.
6. Approved supplemental report language requiring the Department of Water Resources to report quarterly on the flood control projects it has undertaken and plans to undertake with the funds appropriated to the department.

## ENVIRONMENTAL PROTECTION

### 0555 Secretary for Environmental Protection

- Approved \$586,000 in special funds for the coordination and management of the Global Warming Solutions Act implementation effort.

#### Budget Bill Language

1. Approved budget bill language specifying that \$586,000 appropriated from the Air Pollution Control Fund shall be used only toward four positions to work on Climate Action Team related tasks.

#### Trailer Bill Language

1. Approved trailer bill language requiring an annual state agency Greenhouse Gas Report Card on the greenhouse gas emissions of individual state agencies.

#### Supplemental Report Language

1. Approved supplemental report language requiring the Secretary for Environmental Protection to submit a report on long-term funding options for the Global Warming Act of 2006 implementation for the 2008-09 budget year.

### 3900 Air Resources Board

- Approved \$193 million in Proposition 1B bond funds for the replacement of all pre-1977 school buses, the replacement of some pre-1987 school buses, and retrofits post-1987 diesel school buses.
- Approved \$250 million in Proposition 1B bond funds for addressing air quality along California's trade corridors.
- Approved \$19.3 million in special funds for 123 positions to work on implementation of AB 32.
- Approved \$6 million in special funds for the Hydrogen Highway.
- Approved an additional \$20 million for the Carl Moyer program to assist in retrofitting mobile construction equipment with particle-pollution capturing traps. *The Governor vetoed this augmentation.*
- Approved \$1 million in special funds to cover litigation expenses related to the State's defense of AB 1493.

- Approved \$658,000 in special funds for increased diesel health risk management. ***The Governor vetoed this augmentation.***
- Approved \$1.2 million in special funds to implement new regulations for in-use emissions for light-duty vehicles that go into effect in 2007.
- Approved \$466,000 in special funds for increasing the use of alternative fuel in the transportation sector. ***The Governor vetoed these funds.***
- Approved \$500,000 in special funds for contracts to study energy sector climate change impacts. ***The Governor vetoed these funds.***

#### Budget Bill Language

1. Approved budget bill language requiring that \$1 million from the Air Pollution Control Fund be spent only on litigation expenses for Chapter 200 of the Statutes of 2002 (Pavley).
2. Approved budget bill language requiring that two positions be used to staff the environmental committees established in AB 32, and that those committees be subject to state public notice and open meeting laws.
3. Approved budget bill language specifying that the school bus replacement and retrofit funds are available for encumbrance until June 30, 2009.

#### Trailer Bill Language

1. Approved trailer bill language on lowering emissions from school buses. The trailer bill language requires the State Air Resources Board to replace all pre-1977 school buses and divide the rest of the Proposition 1B school bus funds between bus replacement and bus retrofits as the department sees fit.
2. Approved trailer bill language creating a Trade Corridor Emission Reductions Program, which sets standards for the program and divides the Proposition 1B clean air quality funds between trucks, locomotives, port electrification, and harbor craft equipment.

#### Supplemental Report Language

1. Approved supplemental report language requiring the Air Resources Board to submit a report with the 2008-09 Governor's Budget on a long-term funding strategy for the Global Warming Act of 2006 implementation.
2. Approved supplemental report language requiring the Air Resources Board to report on its program to enforce proper maintenance and reporting of school bus emissions.

### **3910 Integrated Waste Management Board**

- Approved \$118,000 for AB 32 implementation and trailer bill language for the development and implementation of a state minimum standard and best management practices for landfill operations that controls methane emissions from those facilities by July 1, 2008.
- Approved \$695,000 in special funds for 5.5 permanent positions to continue the coordination, development, and promotion of environmental education for all elementary and secondary school students.
- Approved \$435,000 in special funds for five permanent positions to implement the Electronic Waste Recycling Act of 2003. The funds are to implement fraud prevention and compliance assistance, as well as implement and enhance the recovery and recycling payment system.
- Approved \$129,000 in special funds for implementation of SB 1305, the Medical Waste Management Act (Figueroa). The California Integrated Waste Management Board will implement this Act through public education campaigns, mail-back programs, and monitoring and reporting on the state's progress.
- Approved \$552,000 in special funds for two new positions to implement AB 2296 (Montanez). Specifically, AB 2296 requires a study to determine what conditions could potentially have long-term effects on solid waste landfills and to examine the financial assurance mechanisms to protect the state from long-term post-closure maintenance and corrective action costs at these facilities.
- Approved \$518,000 in special funds for five positions to conduct financial, performance, and other service audits of oil recycling, tire recycling, and electronic waste recycling.

#### Trailer Bill Language

1. Approved trailer bill language requiring the California Integrated Waste Management Board to develop and implement a state minimum standard and best management practices for landfill operations that control methane emissions by July 1, 2008.

#### Supplemental Report Language

1. Approved supplemental report language requiring the Integrated Waste Management Board to report on its waste tire recycling program.

### **3930 Department of Pesticide Regulation**

- Approved \$780,000 in special funds for two limited-term positions to implement a limited-term Pesticide Pollution Prevention Grant Program. This grant program will focus on the

implementation of integrated pest management practices that reduce or eliminate pollution and pesticide exposure in agricultural and urban environments.

- Approved \$149,000 in special funds for one position to expand implementation of the Healthy Schools Act to private day care facilities as required by Chapter 865, Statutes of 2006 (AB 2865, Torrico). The funds would be used for providing outreach materials and presentations.
- Approved \$634,000 in special funds for five positions to develop and implement pesticide mitigation measures through the adoption of statewide rules, improved occupational outreach programs, and action on pesticide product registrations.
- Approved \$667,000 in special funds for six new positions to provide additional state oversight of field enforcement activities carried out by county agricultural commissioners (CAC) and to establish a training program for conducting CAC hearings.

#### Trailer Bill Language

1. Approved trailer bill language to eliminate the Food Safety Account.

#### Supplemental Report Language

1. Approved supplemental report language requiring the Department of Pesticide Regulation to report by January 10, 2008 on its volatile organic compounds regulations.

### **3940 State Water Resources Control Board**

- Approved \$132.5 million in various bond funds for local assistance in water recycling, agricultural drainage loans, wastewater construction, and other water quality related uses.
- Approved \$105 million in Proposition 84 bond funds for water pollution control, agricultural water quality, urban storm-water runoff reduction, and clean beaches programs.
- Approved \$12.9 million in one-time special funds for underground storage tank cleanup costs. Of this amount, \$2.9 million would be used for the Orphan Site Cleanup Program.
- Approved \$7.5 million in one-time special funds for above ground storage tank inspection costs.
- Approved \$3,122,000 in special funds for 25 positions to increase oversight of brownfield sites including underutilized properties and converting backlogged sites to cost recovery. These new positions are expected to address 400 to 600 site cleanups.
- Approved \$3.5 million (\$582,000 GF) for cleanup of the Leviathan Mine.
- Approved \$4 million in fees to administer the National Pollutant Discharge Elimination System to issue wastewater permits.

- Approved \$1.6 million GF to support the agricultural waiver program.
- Approved \$1.1 million in special funds to handle water discharge permitting of confined animal facilities.
- Approved \$1.3 million in special funds for North Coast Water Board Total Maximum Daily Load standards development. *The Governor vetoed \$242,000 of this augmentation.*
- Approved \$693,000 GF for water rights application and change petition processing.

#### Budget Bill Language

1. Approved budget bill language stating that no funds can be used by the board for new information technology modules related to the California Integrated Water Quality System (CIWQS) until the board's Agency Information Management Strategy is updated to reflect the board's current information technology strategy and submitted to the Joint Legislative Budget Committee.

#### Supplemental Report Language

1. Approved supplemental report language requiring the State Water Resources Control Board to report, by January 10, 2008, on the board's information technology projects.

### **3960 Department of Toxic Substances Control**

- Approved \$3.7 million (\$2.2 million GF) for the operation and maintenance of the Stringfellow Hazardous Waste Site, as well as continuation of the site's removal and remediation activities.
- Approved \$1.6 million GF for the biomonitoring program.
- Approved \$219,000 in special funds and reimbursements for urban environmental clean-ups.
- Approved \$451,000 in special funds to implement pollution prevention concepts, best management practices, training, and outreach to proactively reduce the use of chemicals of concern. Specifically, these positions would work on reducing metals in packaging and lead in children's jewelry.
- Approved a redirection of \$431,000 in special funds to evaluate and collect data on treated wood waste. These funds will also be used toward the establishment of an inspection and enforcement program to ensure proper management of hazardous treated wood waste, as well as outreach and guidance to businesses and households.

*Trailer Bill Language*

1. Approved trailer bill language authorizing a change in the Board of Equalization fee collection and a shift in the fund source from which the fees are paid.
2. Approved trailer bill language to sunset the Stringfellow Account on 2013, and at that time creating a subaccount into which the settlement funds and liabilities for the Stringfellow Hazardous Waste Site would be transferred.

**3980 Office of Environmental Health Hazard Assessment**

- Approved \$380,000 GF for the biomonitoring program.
- Approved \$125,000 in special funds to complete and update toxic endpoint analysis of regulated hazardous chemicals, provide technical expertise for the periodic revision of the list of regulated chemicals and threshold quantities, and to assist Cal-EPA in hazardous substance management standards.
- Approved \$203,000 in special funds to augment the department's Proposition 65 program.

## ENERGY AND UTILITIES

### **3360 California Energy Commission**

- Approved \$1.1 million in special funds for AB 32 implementation by developing emissions reduction strategies in the energy sector.
- Approved \$486,000 in special funds for implementation of the Million Solar Roofs Initiative.
- Approved \$148,000 in special funds to administer the New Solar Homes Partnership.
- Approved \$534,000 in special funds for two permanent positions and contracts to implement a time-of-sale energy rating program for existing homes in California.
- Approved \$1.1 million in special funds for Building Energy Efficiency Standards compliance and enforcement.
- Approved \$118,000 in special funds for one permanent position for appliance efficiency standards enforcement.
- Approved \$953,000 in special funds to conduct petroleum industry reporting and to develop fuel-efficiency standards for tires so that vehicles use less fuel.
- Approved \$399,000 in special funds to support the state's responsibilities for load serving entity forecast analysis and short-term forecasts of electricity demand for assessing electric supply resource adequacy.
- Approved \$500,000 in one-time special funds for contract funds to conduct an evaluation of the PUC's Self Generation Incentive Program.
- Approved \$471,000 in special funds for four permanent positions to conduct natural gas research related to transportation, climate change, and air quality.
- Approved \$418,000 in special funds for three positions to work on climate change, renewables, and electricity distribution research for the PIER electricity program.
- Approved \$244,000 in special funds to develop and adopt a greenhouse gas emissions performance standard and implementing regulations for all baseload generation of publicly-owned electric utilities.
- Approved \$336,000 in special funds for three permanent positions to implement expanded mandates of the California Renewable Portfolio Standard.
- Approved \$800,000 one-time special funds to compile and assess existing scientific studies to determine the potential vulnerability of existing large baseload generation facilities – 1,700 megawatts or greater – to major disruption due to plant aging or an earthquake.

- Approved \$536,000 for designating transmission corridor zones.

#### *Supplemental Report Language*

1. Approved supplemental report language requiring the Energy Commission to submit a report on the Public Interest Energy Research (PIER) program results by September 1, 2007.

### **3860 Department of Water Resources (California Energy Resources Scheduling Division)**

- Approved as budgeted.

### **8660 Public Utilities Commission**

- Approved \$705,000 in special funds for seven permanent positions to conduct safety inspections of railroad equipment and facilities. The Governor vetoed \$172,000 of this augmentation.
- Approved \$2.5 million for implementation of the California Solar Initiative.
- Approved \$2 million for 31 positions to work on the Universal Lifeline Telephone Service Eligibility appeals.
- Approved \$108,000 for accelerating the existing Renewables Portfolio Standard by requiring retail sellers of electricity to procure at least twenty percent of their retail sales from renewable power sources by 2010.
- Approved \$211,000 in special funds for Advanced Metering implementation.
- Approved \$950,000 in special funds for 10.5 positions to regulate video services.
- Approved \$596,719 in special funds to consider, develop, and implement performance reliability standards for fiber optic cable telephone emergency services.
- Approved \$486,000 in special funds for five positions to conduct regulations enforcement of charter passenger carrier companies, such as limousine services, that provide service to airports.
- Approved \$98,000 in special funds to implement a new Community Choice Aggregation Program to allow cities and counties to aggregate the electric load of customers in their respective geographical service areas.
- Approved \$300,000 in special funds for three auditors for the Division of Ratepayer Advocates. **The Governor vetoed this augmentation.**

Budget Bill Language

1. Approved budget bill language specifying that the Public Utilities Commission cannot implement market based mechanisms for Global Warming Act of 2006 implementation until the Air Resources Board has evaluated all of those market based mechanisms.
2. Approved budget bill language authorizing the Department of Finance to augment the California Teleconnect Fund Administrative Committee Fund appropriation to pay claims made to the California Teleconnect Fund Administrative Committee Fund Program after sending a 30 day notification letter to the Joint Legislative Budget Committee.

Supplemental Report Language

1. Approved supplemental report language requiring the Public Utilities Commission to report, by January 10, 2008, on the activities performed by the new rail inspection staff approved in the *2007-08 Budget Act*.
2. Approved supplemental report language requiring the Public Utilities Commission to report quarterly its efforts to produce a review of the High-Cost Fund B program and its efforts to comply with the statutorily mandated sunset of the program.
3. Approved supplemental report language requiring the Public Utilities Commission to report, by January 10, 2009, on the on-going staffing needs for appeals related to the Universal Lifeline Telephone Programs and its efforts to resolve eligibility issues and increase the ability of clients served to access this program.

**8665 California Consumer Power and Conservation Financing Authority**

- Rejected trailer bill language to eliminate the California Consumer Power and Conservation Financing Authority.

**8770 Electricity Oversight Board**

- Approved as budgeted. *The Governor vetoed \$1,032,000 in special funds from the EOB's budget for the purpose of phasing out the EOB by April 1, 2008.*
- Rejected trailer bill language to eliminate the Electricity Oversight Board.

## FOOD AND AGRICULTURE

### **7300 Agricultural Labor Relations Board**

- Approved as budgeted.

### **8570 Department of Food and Agriculture**

- Approved \$331,000 from Department of Food and Agriculture Fund for the development of a methane capture program in response to AB 32.
- Added \$1.5 million GF for County Agricultural Commissioners high-risk pest exclusion.
- Added \$677,000 GF to expand private vehicle inspections at border stations.
- Approved \$407,000 GF to support five 1-year limited-term positions to continue a pilot project at Needles to determine the pest introduction risk presented by private vehicles entering the state. The program was piloted in 2006-07 with five 1-year limited-term positions.
- Approved \$4.2 million GF for eradication of the Diaprepes Root Weevil in Southern California.
- Approved \$2 million GF for eradication of the Light Brown Apple Moth.
- Approved \$1.3 million in federal reimbursements for the Specialty Crop Grants to enhance the competitiveness of specialty crop producers.
- Approved a new program, the General Agricultural Activities Program, within California Department of Food and Agriculture. This program provides the fiscal and policy oversight of federal agricultural grants to California. In addition, this new program coordinates departmental resources and provides centralized communications to the agricultural industry.

#### Budget Bill Language

1. Approved budget bill language to ensure funds for implementing Global Warming Solutions Act of 2006 are only used for the development of improved methane capture methods.
2. Approved budget bill language specifying that the funding for the Global Warming Solutions Act of 2006 implementation shall not result in a reduction of funding for county agricultural commissioners.

#### Trailer Bill Language

1. Approved trailer bill language to eliminate the Pest Control Account.

# SUBCOMMITTEE 3

# FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

Elaine Alquist, Chair  
Dave Cogdill  
Alex Padilla

*Consultants*

Brian Annis  
Eileen Cubanski  
Bryan Ehlers  
Diane Van Maren

# SUBCOMMITTEE No. 3

## HEALTH, HUMAN SERVICES, LABOR, and VETERANS AFFAIRS

### **Health**

Secretary of Health & Human Services .....	3-1
Emergency Medical Services Authority.....	3-1
Department of Health Care Services .....	3-2
Department of Public Health.....	3-6
California Medical Assistance Commission .....	3-10
Managed Risk Medical Insurance Board .....	3-10
Department of Developmental Services.....	3-11
Department of Mental Health.....	3-12

### **Human Services**

Office of Statewide Health Planning and Development .....	3-14
Department of Aging.....	3-14
Commission on Aging.....	3-15
California Senior Legislature .....	3-15
Department of Alcohol and Drug Programs.....	3-15
Department of Community Services and Development.....	3-15
Department of Rehabilitation .....	3-16
State Independent Living Council.....	3-16
Department of Child Support Services.....	3-16
Department of Social Services .....	3-17

### **Labor**

Labor and Workforce Development Agency .....	3-21
Employment Development Department.....	3-21
Department of Industrial Relations .....	3-22

### **Veterans Affairs**

Department of Veterans Affairs and Veterans Homes of California .....	3-23
-----------------------------------------------------------------------	------

# HEALTH

## 0530 Secretary of Health & Human Services

- Approved \$5.3 million (\$2.6 million GF) in new funding for the Child Welfare Services/Case Management System (CWS/CMS). This amount includes \$5 million (\$2.4 million for maintenance and operation of the current system) and \$343,000 (\$171,000 GF) for updated planning costs for the new system to replace CWS/CMS.
- Approved \$25 million (\$11.6 million GF) for procurement of the new automation system for the In-Home Supportive Services program, known as the Case Management Information and Payrolling System (CMIPS) II.
- Approved \$2 million (\$800,000 GF) for ongoing planning activities for replacement of the existing Statewide Automated Welfare System (SAWS) LEADER system, the eligibility, automated determination, evaluation, and reporting system used by Los Angeles.
- Approved an additional \$36.6 million (\$16 million GF) to complete the Interim Statewide Automated Welfare System (ISAWS) Migration planning and begin implementation activities.
- Approved the reduction of \$40.5 million (\$15.3 million GF) to the SAWS CalWORKs Information Network/Welfare Client Data (CalWIN) System to reflect a change from implementation to the maintenance and operation phase of the project.
- *The Governor vetoed \$9.4 million GF for replacement of outdated and failing workstations and help desk support that counties use to administer state-mandated human services programs. This amount included \$2.5 million GF for CWS/CMS, \$6.2 million GF for the SAWS CalWIN and LEADER systems, and \$700,000 GF for CalWIN help desk support.*
- Approved \$156,000 (\$131,000 GF) and two positions to support the work of the Child Welfare Council, established by AB 2212 (Chapter 384, Statutes of 2006) as an advisory body responsible for improving the collaboration and processes of the multiple agencies and courts that serve children and youth in the child welfare and foster care systems.

## 4120 Emergency Medical Services Authority

- Approved as proposed with minor May Revision technical adjustments.

## 4260 Department of Health Care Services

### ***Highlights for the Medi-Cal Program***

- ***The Governor vetoed \$331.9 million General Fund from the Medi-Cal Program.*** This reduction is based on historical data which show that on average, the Medi-Cal Program's expenditures have fallen short of the estimate by about \$400 million General Fund. It should be noted that this veto is a bottom-line adjustment and that no specific program area was decreased.
- The Legislature increased by \$214.3 million (\$107.1 million General Fund) the rates paid to health care plans participating in the Medi-Cal Managed Care Program as proposed in the May Revision. ***The Governor vetoed \$106.3 million (\$53.1 million General Fund) from this increased amount.*** AB 203, the Omnibus Health Trailer, codified the new rate methodology and transferred responsibility for Medi-Cal Managed Care rate development to the Department of Health Care Services for County Organized Healthcare Systems which had previously been negotiated by the California Medical Assistance Commission.
- Restored the growth capitation level for freestanding nursing homes and subacute facilities to the full 5.5 percent level for both 2007-08 and 2008-09 for increased expenditures of \$32.6 million (\$16.3 million General Fund) over the May Revision. Also approved trailer bill language to extend the sunset for the rate methodology for one year (June 30, 2009) and to defer the evaluation report for one year.
- Adopted the Administration's reduction of \$77.4 million (total funds), to reflect three changes proposed for pharmacy reimbursement under the Medi-Cal Program. These included: (1) changing the existing payment structure from Average Wholesale Price to an Average Manufacturer Price (AMP); (2) implementing a revised Federal Upper Payment Limit; and (3) recognizing an upcoming settlement agreement between the federal government and First Data Bank (the source of Medi-Cal's pricing structure). Also adopted trailer bill legislation which, among other things, authorizes the Administration to proceed with implementation of the AMP and to recalculate the pharmacy dispensing fee to help offset the reduction in drug ingredient costs.
- Appropriated \$119.9 million (\$60 million General Fund) for rate increases to long-term care facilities *not* governed by the rate methodology contained in AB 1629, Statutes of 2004. Specifically, this rate adjustment applies to "Level A" Nursing Facilities, Intermediate Care Facilities for the Developmentally Disabled (ICF-DD), Distinct-Part Nursing Facilities, Subacute facilities and Rural Swing Beds. Each facility type receives a different percentage increase, based upon their peer grouping and cost reports.
- Redirected a total of \$775,000 (federal Title V Maternal and Child Health) to fund three positions and provide for contract services to proceed with implementation of recommendations regarding performance measures and quality assurance measures for aged, blind and disabled

individuals enrolled in the Medi-Cal Managed Care Program. Adopted Budget Bill Language to have the department develop an action plan, using their May 7th draft report as a guide.

- Reflected the Administration's May Revision to provide an increase of \$18.9 million (General Fund) for the Medi-Cal Minor Consent Program to exempt the program from the federal Deficit Reduction Act of 2005 requirements. This policy decision will be ongoing.
- Adopted the Administration's May Revision to utilize a Medi-Cal presumptive eligibility approach to replace the existing Healthy Families to Medi-Cal Program Bridge since the federal Centers for Medicare and Medicaid (CMS) would not approve an extension of California's waiver for the continuation of the existing Bridge.
- Approved the Administration's May Revision to increase by \$25.2 million (\$12.6 million General Fund) for County Social Services Departments to implement the federal Deficit Reduction Act that requires evidence of citizenship and identity as a condition of Medicaid eligibility for certain individuals who are applying for or currently receiving Medi-Cal benefits.
- Adopted trailer bill language as contained in AB 203, Statutes of 2007, regarding enteral nutrition products and medical supplies to facilitate Medi-Cal contract negotiations and to ensure access to diverse products for enrollees in the Medi-Cal Program. This language saves \$4 million (\$2 million General Fund) as contained in the budget.
- Adopted trailer bill language to extend the sunset date for the Quality Improvement Fee on Medi-Cal Managed Care plans from January 1, 2009 to October 1, 2009, and reduced the fee from 6 percent to 5.5 percent as required by recent federal law changes.
- Adopted trailer bill language to provide clarity regarding the state's court-approved Conlan Plan and necessary reimbursement to eligible Medi-Cal recipients.
- Approved trailer bill language regarding the Medi-Cal Program's ability to recover medical expenses provided through the Medi-Cal Program to individuals who have been awarded third-party payment.
- Adopted trailer bill language to establish a two-county pilot project regarding a personalized Medi-Cal Managed Care provider directory. The two pilot counties will be Los Angeles and Sacramento.
- Increased by \$4.4 million (\$2.2 million General Fund) to reflect a rate increase, as directed by the Budget Act of 2006, for the Program for All-Inclusive Care for the Elderly (PACE).
- Provided \$200,000 (\$100,000 General Fund) to support two staff to process PACE applications to expand the program.
- Adopted trailer bill language to clarify the Adult Day Health Care moratorium.
- The Legislature provided full funding as contained in the Administration's May Revision to support enrollment changes as contained in Senate Bill 437 (Escutia), Statutes of 2006.

***However, the Governor vetoed this appropriation which will delay implementation of the self certification program and all other aspects of this legislation by one year.***

- The Legislature provided all funding, as proposed by the Administration in the May Revision, to continue several strategies to improve the enrollment of uninsured, eligible children into the Medi-Cal and Healthy Families Program. The following key adjustments are for the Medi-Cal Program:
  - ✓ A total of \$34.1 million (\$14.8 million General Fund) for the DHS was provided by the Legislature to allocate to selected counties to partner with public and private community organizations for outreach, streamlined enrollment, and related measures. ***However, the Governor vetoed the county grants portion of this initiative.***
  - ✓ A total of \$81.7 million (\$40.8 million General Fund) to fund Medi-Cal caseload increases and county administrative processing for enrollment which are attributable to the simplified redetermination form implemented in 2006.
- Increased by \$2.5 million (General Fund) to fund certain services that have historically been part of the state's Family PACT Waiver Program which were recently denied federal funding approval by the Center on Medicare and Medi-Cal (CMS). Specifically, these services include mammography, Hepatitis B vaccines, five medical procedures related to complications of particular contraceptive methods, and diagnostic testing regarding cancer. These medically necessary services will now be fully General Fund supported.
- Provided a total of \$11.1 million (\$5.6 million General Fund) to fund the delivery of the Human Papillomavirus vaccine to applicable women enrolled in the Medi-Cal Program.
- Decreased by \$6.4 million (\$3.2 million General Fund) to account for changes enacted in SB 1755 (Chesbro), Statutes of 2006, regarding a tightening of the medical necessity criteria used for enrollment into an ADHC facility. This reduction assumes a January 1, 2008 implementation date. Also increased by \$2.6 million (\$1.2 million General Fund) to provide 36 positions to phase in program reforms and develop a new rate methodology for these facilities.
- Adopted Budget Act Language to require the DHCS to provide specific data regarding Medi-Cal reimbursement as it pertains to nonemergency medical transportation.
- Augmented by \$2.7 million (\$1.4 million General Fund) for the DHCS to enter into one or more contracts to implement a coordinated care management demonstration project for medically involved Medi-Cal enrollees, including seniors and persons with disabilities who have chronic conditions or who may be near the end of life. The Budget Act of 2006 provided funding for the DHCS to establish and commence with these projects.
- Increased by \$127.5 million (federal funds) to reflect the inclusion of freestanding outpatient clinics and state-operated Veteran's Homes to the current Medi-Cal outpatient supplemental program.

- Increased by \$1.1 million (\$561,000 General Fund) to support 11 positions to provide increased assistance in managing the ongoing administration of the Medi-Cal Hospital Financing Waiver.
- Increased by \$2.3 million (\$565,000 General Fund) to support 19 positions to continue various activities to implement federal HIPPA requirements within the Medi-Cal Program.
- Augmented by \$571,000 (\$285,000 General Fund) to support 5 positions regarding the implementation of federal Deficit Reduction Act requirements affecting the Medi-Cal Program as requested by the Administration.
- Adopted the Administration's request to increase by \$195,000 (\$97,000 General Fund) to support two positions to conduct monitoring activities associated with county administration of Medi-Cal eligibility processing and county performance standards regarding this processing.
- The Legislature rejected the Administration's proposal to close the Fresno field office. ***However, the Governor vetoed the Budget Bill Language regarding this issue.***
- Adopted trailer bill language that directs the DHCS to enter into nonexclusive contracts for purchasing hearing aid appliances, on a bid or negotiated basis, by no later than June 30, 2008.
- Provided additional funding to continue the HIV/AIDS Pharmacy pilot project within the Medi-Cal Program through June 30, 2008.

## 4260 DEPARTMENT OF HEALTH CARE SERVICES

### ***Highlights for Children's Medical Services & Primary Care and Rural Health***

- ***The Governor vetoed \$10 million General Fund from the vital Expanded Access to Primary Care (EAPC) Clinics Program.*** His veto message states intent for legislation to be enacted in the current session to provide \$10 million in Proposition 99 Funds to backfill for this General Fund support. It should be noted that any backfill using Proposition 99 Funds will result in a reduction in funding from other health care programs which are funded using these special fund moneys. In response to this veto, the Legislature passed AB 195 to provide \$10 million in Proposition 99 Funds to restore funding for the EAPC Program and reduced the Major Risk Medical Insurance Program by a corresponding amount.
- Provided \$24.8 million (Proposition 99 Funds) for emergency physicians who provide uncompensated care in hospital emergency rooms. Adopted trailer bill language, as contained in AB 203, Statutes of 2007, which designates how these funds will be appropriated and expended.
- Provided a total of \$234.7 million (\$96.4 million General Fund) for the California Children Services (CCS) Program as contained in the May Revision. Also adopted budget bill language which requires the DHCS to better ensure that children enrolled in the CCS Program will

appropriately receive access to needed durable medical equipment. ***However, the Governor vetoed this budget bill language.***

- Augmented by \$1.9 million (\$1.5 million General Fund) to expand the Newborn Hearing Screening Program to all infants in California by requiring all hospitals with licensed perinatal services to offer hearing screening services and by making available hearing screening services to newborns who are not delivered in hospitals.
- The Legislature increased by \$8.8 million (General Fund) to fund 16 positions to commence implementation of the California Discount Prescription Drug Program. The Governor vetoed this entire amount which delays implementation of the program by at least one year.
- Provided a total of \$49.5 million (total funds) for the Genetically Handicapped Persons Program (GHPP).
- Provided a total of \$2.8 million (\$2.7 million General Fund) for the Child Health Disability Prevention (CHDP) Program to provide vaccinations and health screenings for children not otherwise eligible for the Medi-Cal or Healthy Families programs.
- Adopted trailer bill language to not provide a \$20.2 million (General Fund) appropriation for the County Medical Services Program (CMSP) for 2007-08, as has been done the past several years since the CMSP has not needed this General Fund support.

#### **4265 Department of Public Health**

- ***The Governor vetoed \$8.5 million General Fund (on a one-time only basis) in the subvention grant provided by the state to local county health jurisdictions for emergency preparedness functions, including pandemic influenza preparedness and bioterrorism preparedness.*** This veto leaves \$10 million in General Fund support available to the counties for this purpose.
- Reflected a series of adjustments to establish a new Department of Public Health (DPH) as required by SB 162 (Ortiz), Statutes of 2006. The core functions of the new DPH will include: (1) Emergency Preparedness; (2) Communicable Disease Control; (3) Chronic Disease and Injury Prevention; (4) Laboratory Sciences; (5) Family Health Programs; (6) Environmental and Occupational Health; (6) Drinking Water and Environmental Management; (7) Food, Drug and Radiation Safety; (8) Health Statistics; (9) Health Facility Licensure and Certification; (10) Office of Multicultural Health; and (11) Office of Binational Border Health.
- The Legislature provided special funds to support inclusion of 11 unfunded positions for the new Department of Public Health. ***The Governor vetoed this additional special fund support.***
- ***The Governor vetoed \$1.3 million General Fund to support nine new positions to implement SB 739 (Speier), Statutes of 2006, regarding health care associated infections.*** This will delay for one year this program's implementation.

- Adopted trailer bill language, as contained in AB 203, Statutes of 2007, to require the Department of Finance to display more detailed fiscal information in the Governor's published budget regarding the programs within the new Department of Public Health.
- Adopted trailer bill language to require the new Department of Public Health to annually provide expenditure information for actual past year, estimated current year, and proposed budget year for specified programs.
- Fully funded the AIDS Drug Assistance Program as contained in the May Revision.
- Adopted trailer bill language to enable the AIDS Drug Assistance Program to more readily modify its formulary to keep abreast of new drug therapies.
- Utilized \$9.8 million (General Fund), obtained from savings within the AIDS Drug Assistance Program, to increase funding for several programs including \$4 million for the Therapeutic Monitoring Program, \$1.8 million for six eligible metropolitan areas, and \$1.5 million for the AIDS Regional Information and Evaluation System (ARIES).
- Augmented by \$5.6 million (General Fund) HIV/AIDS education and prevention efforts in order to maintain existing funding for these purposes.
- Utilized \$10.7 million (federal Ryan White CARE Act Part B funds), obtained from savings within the AIDS Drug Assistance Program, to increase funding to several HIV/AIDS programs providing case management and early intervention services as contained within the May Revision.
- Augmented by \$2 million (General Fund) to provide an accelerated HIV reporting effort in the 62 local health jurisdictions as directed by SB 699 (Soto), Statutes of 2006.
- Enacted a series of adjustments to reduce the Licensing and Certification (L&C) Fee increases proposed by the Administration and to be paid by various health care facilities. The adjustments included the following:
  - ✓ Directed that \$7 million (L&C Fund) from unspent current-year funds be used on a one-time only basis to offset L&C Fee increases in the budget year.
  - ✓ Adopted a technical adjustment to reduce by \$400,000 (L&C Funds) on a one-time only basis the budget year appropriation to reflect natural salary savings that will occur as part of the phased-in hiring process.
  - ✓ Increased by \$2.6 million (General Fund) to reduce the L&C Fees of certain health care facilities, including primary care clinics.
  - ✓ Increased by \$182,000 (General Fund) to partially offset the L&C Fees for District Hospitals with less than 100 beds.
  - ✓ Adopted trailer bill language regarding the use of General Fund support.

- ✓ Recalculated the L&C Fees by individual clinic facility types, versus the bundled approach the Administration had used.
  - ✓ Adopted trailer bill language to capture certain revenues obtained by the L&C Division to fund expenditures of the program but are not recognized (i.e., offset) in the L&C Fee amounts.
  - ✓ Adopted trailer bill language which enables the Department of Public Health to temporarily revise rate structures (i.e., for 2007-08 only) for individual facility types in 2007-08, provided revisions are revenue neutral and do not shift costs between provider groups.
  - ✓ Adopted Budget Bill Language to have the Office of State Audits and Evaluations review, document, and, where appropriate, evaluate the various aspects of the methodologies used by the L&C Division in the development of the calculation of fees for payment.
- Increased by \$2.5 million (L&C Fund) to support 16 positions to implement SB 1312 (Alquist), Statutes of 2006, which requires surveys and inspections for compliance with state standards to the extent that state standards exceed federal law, and provide greater protection to residents of long-term care facilities.
  - Increased by \$7.2 million (L&C Fund) to support 43 positions to implement SB 1301 (Alquist), Statutes of 2006, related to the reporting of and follow-up on adverse events in hospitals (27 specific types of events). This increase also includes \$569,000 to modify the L&C website in order to display the outcome of inspections, investigations, compliance histories and related items in health care facilities.
  - Increased by \$1.8 million (\$1.4 million General Fund and \$400,000 L&C Fund) to support 12 positions and various contracts to implement SB 739 (Speier), Statutes of 2006, which requires the establishment of a Healthcare Associated Infection Program.
  - Appropriated \$47.3 million (Proposition 84 Bond Funds) for several components of the Safe Drinking Water and Water Quality Project Act as follows: (1) \$9.1 million for emergency grants; (2) \$27.2 million for small community water drinking systems; and (3) \$9.1 million for prevention and mitigation of ground water contamination.
  - Approved a total of \$3.5 million (General Fund) to expedite the planning process by providing expert scientific staff and equipment that will develop the comprehensive Biomonitoring Program as contained in SB 1379 (Perata), Statutes of 2006. This level of funding provides \$2 million (General Fund) more than proposed by the Governor.
  - Adopted trailer bill language to extend the sunset regarding the use of federal bioterrorism funds at the state and local level for three years, and added language for all cost compliance reports and audit exceptions to be provided to the Legislature upon request.
  - Increased by \$700,000 (General Fund) five new positions to investigate foodborne illnesses and outbreaks, and enhance the state's capability to test food and environmental samples for

investigation purposes. This action deleted the \$500,000 in research funding identified for University of California, Davis, and deleted four positions as requested by the Administration.

- Augmented by \$389,000 (General Fund) to support three positions to implement SB 611 (Speier), Statutes of 2006, regarding the inspection of meat processing.
- Approved an increase of \$326,000 (Cannery Inspection Fund) to support three positions to inspect low acid canned food canneries to ensure that these products are produced without botulism toxin contamination.
- Provided total funding of \$118.3 million (Genetic Disease Testing Fund) to fund the Genetic Disease Testing Program.
- Augmented by \$885,000 (Drug and Device Safety Fund) to support eight Senior Food and Drug Investigator positions to perform licensing inspections for new drug and medical device manufacturers, home medical device facilities, and home medical device retailer exemptees.
- Redirected \$426,000 (federal funds) from operating expenses to fund five new positions within the Women, Infant and Children (WIC) Program to expand the breastfeeding peer counseling program from a pilot project to all 82 WIC agencies statewide.
- Continued \$3.5 million (General Fund) for the treatment of prostate cancer (through the Improving Access, Counseling and Treatment for Californians with Prostate Cancer—IMPACT) pursuant to Chapter 442 (Ortiz), Statutes of 2005.
- Established five positions within existing resources to conduct compliance checks of tobacco retailers to reduce illegal tobacco product sales to minors in the City of Los Angeles. Federal law requires that California must decrease the ability for minors to purchase tobacco products and maintain a statewide sales rate to minors of less than 20 percent in order to maintain the receipt of federal Substance Abuse and Prevention Treatment Block Grant funds.

**4270 California Medical Assistance Commission (CMAC)**

- Approved budget as proposed.
- Adopted trailer bill language to transfer Medi-Cal Managed Care rate reimbursement negotiations for County Organized Healthcare Systems from CMAC to the Department of Health Care Services (DHCS). The CMAC will continue to conduct rate reimbursement negotiations for plans participating in the Geographic Managed Care (GMC) Model of the Medi-Cal Managed Care Program.
- Adopted trailer bill language, as contained in AB 203, Statutes of 2007, to require the CMAC and the DHCS to report at budget hearings regarding the implementation of 2007-08 rate reimbursement changes for GMC Model plans.

**4280 Managed Risk Medical Insurance Board**

- Appropriated \$1.114 billion (\$400.4 million General Fund) for the Healthy Families Program (HFP).
- Approved, as contained in the May Revision, all funding adjustments for the Certified Application Assistance (CAA) Program to provide reimbursement to application assistors for each person successfully enrolled in the HFP or Medi-Cal, and for each annual eligibility re-determination enrollment.
- The Legislature approved all adjustments as proposed in the May Revision for the Healthy Families Program to implement Senate Bill 437 (Escutia), Statutes of 2006. These adjustments included: (1) \$426,000 (\$149,000 General Fund) to fund four positions to implement a self-certification process, a presumptive eligibility process, and a gateway from the WIC Supplemental Food (WIC) Program to the HFP; (2) funding for caseload adjustments associated with the various gateways; and (3) \$600,000 (\$210,000 General Fund) for systems changes required of the Administrative Vendor to implement the new electronic processes. ***The Governor vetoed this funding which will delay implementation of SB 437 implementation efforts by one year.***
- Adopted proposed trailer bill language, as contained in AB 203, Statutes of 2007, to implement a presumptive eligibility process for children moving from the Healthy Families Program to the Medi-Cal Managed Care Program in lieu of the existing Bridge program since the federal CMS will not renew our existing Bridge Program.
- Continued funding for the Rural Demonstration Projects as contained in the budget.

**4300 Department of Developmental Services (DDS)**

- Appropriated \$3.6 billion (\$2.2 billion General Fund), for an increase of \$300 million (total funds) over the revised 2006-07 budget, as contained in the May Revision. A total of 219,230 consumers are estimated for 2007-08, an increase of 8,050 consumers over the revised current-year. This action includes adoption of all cost containment provisions, including the Administration's trailer bill language.
- Adopted the Governor's proposed use of \$128.8 million in Public Transportation Account support to fund certain transportation services provided through the Regional Centers.
- Approved the May Revision to increase federal funds through an amendment to California's Medi-Cal Program to include payment for Day Programs and non-medical transportation services for Regional Center consumers residing in Intermediate Care Facilities for the Developmentally Disabled (ICF-DD facilities). A savings of \$36.6 million General Fund is assumed for this action. Also adopted Budget Bill Language to ensure that the integrity of the Individual Program Plan (IPP) is maintained when this is implemented.
- Adopted all May Revision adjustments for both the Regional Center *and* Developmental Center systems that affect the planned closure of Agnews Developmental Center by June 2008. This consists of an overall net increase of \$24.5 million as compared to the revised 2006-07 budget, and is consistent with the department's May 2007, updated Agnews Closure Plan.
- Directed the Department of Developmental Services (DDS) to purchase, lease, or rent two mobile clinics, using existing Wellness Funds, to be specifically outfitted to provide a range of health and medical services as determined by the DDS in working with constituency groups. Adopted Budget Bill Language to enable the DDS to use a competitive process for this purpose but it is exempted from public contract code requirements due to the need to ensure the protection of public health and welfare.
- Adopted trailer bill language, as contained in AB 203, Statutes of 2007, to codify the Medi-Cal Program's verbal commitment regarding Medi-Cal reimbursement to the local health plans for Medi-Cal services provided for people transitioned from Agnews Developmental Center to the community.
- Increased by \$503,000 (\$126,000 General Fund) to support four new positions at the three Bay Area Regional Centers to provide assistance with health care planning for residents transitioning from Agnews Developmental Center.
- Adopted trailer bill language to ensure the continuity of consumer's health care and accountability within the Administration, as well as at the community level between the Regional Centers and the health plans.
- Adopted trailer bill language, as contained in AB 203, Statutes of 2007, for the DDS to continue operation of the Agnews Outpatient Clinic until DDS no longer has possession of the property.

- Enacted budget bill language requiring the DDS to provide additional information regarding the Agnews Developmental Center closure to the Legislature.
- Appropriated a total of \$720.3 million (\$391.5 million General Fund) to serve 2,610 people who reside in the Developmental Centers. This action includes all funding adjustments as proposed by the Administration at the May Revision for employee salary increases related to *Coleman* and *Perez*, as well as other employee compensation adjustments.
- Increased by \$1.1 million (General Fund) to fund 5 new positions and equipment expenditures to begin activation of a 96-bed intensive behavioral treatment residence at Porterville as of January 1, 2008.
- Provided \$2 million (General Fund) on a one-time only basis for water diversion structures at Sonoma Developmental Center.

#### **4440 Department of Mental Health**

- The Legislature restored \$54.9 million (General Fund) for the Integrated Services for the Homeless Mentally Ill Program by rejecting the Governor's proposed elimination of the program. *However, the Governor vetoed this restoration from the Budget Act.*
- Appropriated a total of \$254 million (General Fund) for the Early, Periodic Screening, Diagnosis and Treatment (EPSDT) Program to fund the current year and budget year, and to provide \$86.7 million for past year claims. This action assumes that the past year claims of \$260.2 million (General Fund) will be paid over a three-year period beginning in 2007-08.
- Adopted trailer bill language, as contained in AB 203, Statutes of 2007, to require the Department of Mental Health (DMH) to provide the Legislature with specified work products as noted regarding the EPSDT Program in order to make program improvements. It also requires the DMH to provide cost containment options to the Legislature. In addition, the DMH is to work with the Legislature on crafting an administrative framework for the program which is to be codified in statute.
- Adopted all fiscal adjustments for the San Mateo Pharmacy and Laboratory Project. In addition, adopted trailer bill language to provide the Legislature with an action plan to implement fiscal reforms regarding this project.
- Increased by \$5 million (General Fund-Proposition 98) to expand the Early Mental Health Initiative to more classrooms.
- Provided \$52 million (General Fund) for mental health services provided to children enrolled in special education as directed by AB 3632, Statutes of 1984, and as required by the federal Individuals with Disabilities Education Act (IDEA).
- Augmented by \$929,000 (General Fund) for the Forensic Conditional Release Program (CONREP) to support at least 30 additional patients for 2007-08.

- Adopted the May Revision adjustments for the Sexually Violent Predator evaluations and court testimony to reflect revised data which shows less of an increase in these costs than originally projected by the Administration in the January budget.
- Appropriated a total of \$1.117 billion (\$1.039 billion General Fund) to operate the five State Hospitals which serve a total population of 6,095 patients, including patients located at Vacaville and Salinas Valley. About 92 percent of the patients are admitted under a penal code-related commitment.
- Adopted all May Revision salary adjustments for State Hospital employees as they pertain to *Coleman* and *Perez* court cases.
- Increased by \$696,000 (General Fund) for the DMH to support an 18-bed unit at Salinas Valley Psychiatric Program for incompetent to stand trial patients who are too dangerous to reside within the State Hospital setting.
- Augmented by \$4.3 million (General Fund) as contained in the May Revision to fund a pilot treatment option through contracts with providers for treatment of services for those incompetent to stand trial individuals (IST) not currently residing in the State Hospitals thereby reducing the State Hospital through natural attrition and creating additional bed capacity for other forensically committed individuals.
- Approved an augmentation of \$1.7 million (General Fund) and 30 positions to implement the second phase of the expansion of the Patton State Hospital police department to address issues regarding safety and security associated with the penal code population.

## HUMAN SERVICES

### **4140 Office of Statewide Health Planning and Development**

- Approved \$2.4 million from the Hospital Building Fund and one position to procure a replacement automation system for the Office of Statewide Health Planning and Development's (OSHPD's) Logbook Database System. This system is used by OSHPD's Facilities Development Division to track health facility construction projects through plan review and construction.
- Approved \$1.4 million from the Hospital Building Fund (\$1.2 million one-time) and three positions to implement Chapter 679, Statutes of 2006 (SB 1661), which provides general acute care hospitals that meet specified criteria the opportunity to obtain an additional two-year extension of the deadline where they have to comply with statutory structural and nonstructural seismic safety requirements.
- Approved \$688,000 from the California Health Planning and Data Fund (\$459,000 one-time) to develop an on-line system to implement Chapter 775, Statutes of 2006 (AB 774). AB 774 requires OSHPD to collect from each hospital a copy of its charity care policy, discount payment policy, eligibility procedures, review process, and application form for financial assistance and make that information available to the public.

### **4170 California Department of Aging**

- Provided \$250,000 GF for the Senior Legal Hotline to ensure that it can continue to provide legal services to California seniors.
- Approved \$93,000 in Mental Health Services Act (MHSA) funds and one position for the California Department of Aging (CDA) to coordinate and monitor efforts to improve access to mental health services for older persons and adults with disabilities.
- Approved \$293,000 GF for CDA to contract with the California Department of Social Services and the 33 Area Agencies on Aging to process criminal record clearances and conduct fingerprinting locally for Long-Term Care Ombudsmen staff and volunteers as mandated by Chapter 902, Statutes of 2006 (SB 1759).
- Approved \$194,000 (\$94,000 GF) and one position for CDA to provide legal analysis and consultation on complex issues arising in implementation of Adult Day Health Care (ADHC) program reforms.
- Provided \$547,000 in federal fund authority for a three-year federal grant to implement evidence-based health promotion community-based programs designed to encourage older adults with chronic health problems to learn skills to better manage their health conditions.

- Enacted trailer bill language to modify program data reporting requirements pending completion of the California Aging Reporting System.

#### **4180 Commission on Aging**

- Approved as budgeted.

#### **4185 California Senior Legislature**

- Approved as budgeted.

#### **4200 Department of Alcohol and Drug Programs**

- Restored \$40 million GF to Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000, or SACPA), bringing the total funding for SACPA to \$100 million GF.
- Reduced funding for the Substance Abuse Offender Treatment Program (OTP) by \$40 million GF from the Governor's Budget. The 2007-08 total is now \$20 million. Approved statutory changes to the OTP to modify the drug court requirement, remove the county allocation cap, and eliminate the sunset date to enable more counties to participate in the OTP.
- Approved \$1.2 million and 12.5 positions (4.5 limited-term) to conduct biennial compliance visits of licensed and/or certified programs, and federally required monitoring reviews and complaint investigations of Drug Medi-Cal providers. Authorized the collection of fees from all providers to fund these activities subject to the development of a permanent fee schedule developed in conjunction with stakeholders and approved by the Legislature.
- Approved \$519,000 GF and six positions (two limited-term) to license and certify additional drug treatment providers as a result of enactment of Chapter 875, Statutes of 2006 (SB 1453), which requires non-violent prison inmates who participated in drug treatment in prison to enter a 150-day residential aftercare drug treatment program upon their release from prison.
- Redirected \$341,000 GF from the existing Comprehensive Drug Court Implementation local assistance appropriation to establish four permanent positions to administer the expanded funding provided in 2006-07 for adult felon drug courts and dependency drug courts.
- Redirected \$197,000 GF from existing funding provided for the California Methamphetamine Initiative (CMI) to provide two limited-term positions to support implementation of the CMI.

#### **4700 Department of Community Services and Development**

- *The Governor vetoed the \$2 million GF augmentation provided by the Legislature for the Naturalization Services Program.* Total funding for the program remains at \$3 million GF.

**5160 Department of Rehabilitation**

- Authorized \$3.3 million in federal fund authority for the Department of Rehabilitation (DOR) to continue to implement the California HIV/Auto-Immune Disorder Demonstration Project. The funding is from a federal Social Services Administration (SSA) grant available to states to study various interventions to assist Supplemental Security Income Program beneficiaries in returning to work. The SSA awarded DOR \$12 million over five years for implementation of this project.
- Approved \$203,000 in Mental Health Services Act (MHSA) funds and two limited-term positions for DOR to assist in the implementation of provisions of the MHSA that relate to assisting persons with severe psychiatric disabilities to obtain employment and independent living skills.
- Authorized \$466,000 of increased federal fund authority to begin the initial development and procurement process for a new Electronic Records System to replace the existing field computer system.
- Adopted trailer bill language to clarify the DOR estimate process and to require reporting of caseload and funding data for the Supportive Employment Program and Work Activity Program in 2007-08.

**5170 State Independent Living Council**

- Approved as budgeted.

**5175 Department of Child Support Services**

- Eliminated funding for the federal penalty for child support automation. The final \$215 million GF payment of the federal child support automation penalty was made in the current year. The State had been required to pay an increasing penalty each year since 1997 due to the State's failure to implement a single statewide child support automation system.
- Approved the following budget adjustments to reflect implementation of the federal Deficit Reduction Act (DRA):
  - > \$67.6 million (\$23 million GF) to backfill for lost federal financial participation (FFP) resulting from the elimination of states' ability to use federal performance incentive funds as a match for FFP (which avoids a funding reduction for local child support agencies).
  - > \$1.8 million GF to cover the \$25 annual application fee required by the DRA for families who have at least \$500 in annual collections and have never received Temporary Assistance for Needy Families.
  - > \$27.8 million in reduced collection revenues to reflect the increased payments to custodial parents of the first \$50 of the current month's child support payment collected from the non-custodial parent.

- Reduced funding for the California Child Support Automation System (CCSAS) project by \$107.2 million (\$11.2 million GF) to reflect cost changes identified in various approved special project reports and budget Control Section 11.0 notification letters to the Legislature.
- Reappropriated \$39.8 million in unspent 2004-05 funds to accelerate payments to the CCSAS vendor for services related to federal certification of the system and to pay costs associated with a project delay.
- Approved the redirection of \$3.7 million (\$1.3 million GF) in unspent 2004-05 and 2005-06 funds to provide the following additional position authority to the Department to handle new workload resulting from the implementation of CCSAS:
  - > \$1.161 million (\$394,000 GF), nine permanent positions, and 2 one-year limited-term positions to address workload associated with implementation of the CCSAS.
  - > \$872,000 (\$296,000 GF), seven permanent positions, and 3 one-year limited-term positions for the research, analysis, and processing of Non-Sufficient Funds returned items.
  - > \$288,000 (\$98,000 GF), two permanent positions, and 1 one-year limited-term position to perform increased accounting activities for analyzing and processing bank exceptions.
  - > \$677,000 (\$230,000 GF), six permanent positions to expand the Information Security Program.
  - > \$250,000 (\$85,000 GF) and 3 two-year limited-term positions to manage, maintain, and resolve suspended collections to financial data.
  - > \$249,000 (\$93,000 GF) and 6.5 permanent positions to manage and support a centralized, statewide employer data file.
  - > \$154,000 (\$64,000 GF) and two permanent positions to establish an Internal Audit Unit to conduct audits and evaluations of the Department, including internal control reviews, compliance reviews, special investigations, and efficiency reviews.
- Approved trailer bill language to continue the suspension of the Health Insurance Incentives Program and the Improved Performance Incentives Program.

## **5180 Department of Social Services**

### ***CalWORKs and Food Programs***

- Rejected the Administration's proposals to impose full-family sanctions, restrict safety-net grants, and eliminate grants for children of CalWORKs-ineligible parents.
- Adopted trailer bill language to require the Department of Social Services (DSS) to review the county plans for promising practices in the areas of upfront engagement and re-engagement of sanctioned families, gather information on implementation and results of these proposals, and disseminate that information; and require DSS, in conjunction with the California Welfare Directors Association, to review the county plans and work with the counties to determine what activities and strategies counties are using to encourage participation among time-limited

families, gather information about the characteristics of the time-limited population, and report that information by September 1, 2008, with an interim written update due March 1, 2008.

- Adopted trailer bill language requiring DSS to provide the Legislature and the Administration options for consideration by October 1, 2007, to increase the State's welfare-to-work participation.
- Adopted trailer bill language to delay implementation of the Temporary Assistance Program from the current date of October 1, 2007, to April 1, 2009.
- Rejected the Administration's proposal to implement a semi-annual reporting (SAR) requirement for the CalWORKs, federal Food Stamp, and CFAP programs beginning in 2008-09. The existing quarterly reporting requirement remains in place. Rejected \$17.2 million (\$3.7 million GF) to fund one-time automation costs necessary to implement the SAR system.
- Approved \$6.5 million (\$1.1 million GF) to reflect an increase in CalWORKs and California Food Assistance Program (CFAP) benefits related to last winter's freezing conditions.
- Approved \$1.5 million GF to fund local food banks and Foodlink, a private organization that stores and delivers food during emergencies, to provide relief to Californians from the effects of last winter's freeze. ***The Governor vetoed an additional \$2.9 million GF originally provided for this purpose, but which is no longer needed.*** Added trailer bill language that would permit any unused funds to be used for other emergency purposes.
- Approved an increase of \$36.5 million federal funds for CalWORKs Stage 1 child care provider costs resulting from the revised regional market rate ceilings implemented in 2006-07.
- Reduced the TANF reserve by \$84.0 million to \$55.5 million and adopted trailer bill language requiring the Department of Finance to transfer funds from the GF, if needed, for unanticipated CalWORKs costs.
- Approved the Administration's proposal to suspend the CalWORKs cost-of-living adjustment (COLA) for 2007-08 for a savings of \$123.6 million GF.

#### ***Supplemental Security Income/State Supplementary Program (SSI/SSP)***

- Provided \$24.3 million GF to fund the 2008 State Supplementary Program (SSP) Cost-of-Living Adjustment (COLA) of 3.7 percent. Adopted trailer bill language to permanently shift the annual SSP COLA to June 1 through May 31 of the following year. Provided \$73 million federal funds to fully fund the 2008 Supplemental Security Income (SSI) COLA of 1.97 percent.
- Adopted trailer bill language to enable Cash Assistance Program for Immigrants (CAPI) recipients who naturalize to continue receiving CAPI benefits until their SSI benefits are

received to ensure no gap in coverage for these individuals. The State will be reimbursed by the federal Social Security Administration for CAPI benefits paid from the time of eligibility for SSI benefits to the time SSI benefit payments begin.

### ***In-Home Supportive Services (IHSS) Program***

- Rejected the Administration's proposal to limit the state's participation in the cost of IHSS provider wages and benefits to those in effect as of January 10, 2007. The projected growth in statewide revenues in 2007-08 will result in the state's participation in IHSS wages and benefits increasing from \$11.10 per hour to \$12.10 per hour, resulting in a cost of approximately \$14.1 million GF.
- Approved \$149.2 million (\$48.5 million GF) to reflect a lower level of Quality Assurance (QA) savings due to a revised estimate based on actual implementation data. Adopted budget bill language to require DSS to report at budget hearings on the impact of the IHSS QA regulations. Adopted Supplemental Report Language to require DSS to report to the Legislature quarterly on IHSS utilization data by county, task, and client level.
- Adopted trailer bill language to require that the direct deposit for IHSS workers' wages be completed no later than June 30, 2008, with additional interim reporting by the Department of Social Services and the State Controller's Office.

### ***Children and Family Services Programs***

- Provided \$9.7 million GF to provide a five percent rate increase beginning, January 1, 2008, to foster family homes and group homes to address cost increases associated with caregiver recruitment and retention, minimum wage changes, payroll tax increases, higher benefit costs, and specialized care requirements.
- Provided a \$20.2 million GF augmentation to the Transitional Housing Program (THP)-Plus to fully fund the 44 counties with approved THP-Plus plans, pursuant to the 2006-07 budget negotiations. Of the total, up to \$10.5 million is to be used for eligible costs incurred in 2006-07.
- ***The Governor vetoed a \$12 million GF augmentation provided by the Legislature to the Adult Protective Services Program.***
- Approved \$93.7 million (\$71.2 million GF) in increased costs to reflect the transfer of additional cases to the Enhanced Kin-GAP Program. Provided \$750,000 GF and adopted trailer bill language to clarify the 100 percent state share to fund the supplemental clothing allowance for the Enhanced Kin-GAP Program and to include three counties previously excluded from the clothing allowance.

- Augmented the Private Adoption Agency Reimbursement Program (PAARP) by \$2.0 million GF to increase, beginning February 1, 2008, the PAARP reimbursement rate from \$5,000 to \$10,000 paid to private adoption agencies for expenditures associated with the adoption of special needs children.
- ***The Governor vetoed \$274,000 (\$187,000 GF) and 3.0 positions provided in the Governor's Budget and approved by the Legislature for DSS to assist in sibling searches within the adoptions program.*** The Governor is delaying implementation of these services for one year.
- Approved \$1.7 million (\$641,000 GF) and 15 positions to ensure that the state's CWS system is prepared to meet new federal Child and Family Services Review (CFSR) requirements. These staff would provide state leadership and oversight, monitoring compliance, data quality and integrity improvements, and technical assistance to counties for the federal CFSRs. The next CFSR is scheduled for spring or summer of 2008.
- Approved \$180,000 (\$90,000 GF) and 1.5 limited-term positions for DSS to support implementation of the Title IV-E Child Welfare Waiver Capped Allocation Project (CAP). ***The Governor vetoed budget bill language added by the Legislature to require DSS to collaborate with stakeholders on the Title IV-E waiver evaluation timeline, components, and execution.***
- Adopted trailer bill language clarifying the responsibilities of the states and the counties in repaying the federal government overpayments to providers of federal child care funds.
- Adopted the Administration's proposal to clarify the rate structure for children who are regional center consumers and in receipt of either Aid to Families with Dependent Children-Foster Care (AFDC-FC) or Adoption Assistance Payments (AAP) benefits (also called "dual agency" children). Added trailer bill language to strengthen the grandfather provisions of the proposal and to require DSS and the Department of Developmental Services to collect information on the number of adoptions and regional center services provided to ensure that the proposal is not negatively impacting adoptions of or services to dual agency children.

### ***Community Care Licensing***

- Approved \$2.5 million (\$2.4 million GF) and 34.5 positions to increase facility inspections from 20 percent to 30 percent of facilities each year and to increase follow-up visits to remedy enforcement deficiencies in DSS.
- Approved \$1.7 million (\$1.5 million GF) and ten positions for DSS to begin a project to upgrade its information technology systems supporting the licensing program. ***The Governor vetoed \$1.6 million GF provided by the Legislature to update the Community Care Licensing (CCL) public website pages to display information about legal actions filed by DSS against a provider's license.***

# LABOR

## 0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Augmented the Agency's budget by \$196,000, special fund, to reflect the higher revenue received by the Agency to carry out the purposes of AB 276 (Chapter 329, Statutes of 2003) and SB 1809 (Chapter 221, Statutes of 2004). Both of these bills direct specified revenue to employer and employee labor-law education.

## 7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved Finance Letter adjustments to state operations and benefit payments, to reflect the May 2007 forecast of claims for the Unemployment Insurance Program, the Disability Insurance Program, and the School Employees Fund Program.
- Rejected proposed reduction of \$27.1 million and 271 positions to the Job Services Program. *The Governor vetoed the funding by \$12.1 million.* The January Governor's Budget had proposed this cut to Employment Development Department Contingency Fund expenditures so the funds could instead be transferred to the GF. The Legislature deleted provisional language that left the amount of the transfer to the discretion of the Director of Finance, so the veto will result in special fund savings, but no 2007-08 GF benefit. Added provisional language requiring a report on services provided to CalWORKS recipients and parolees at One-Stop Career Centers – *the Governor vetoed this report language.*
- Rejected "Tax Sharing Ratio" proposal to shift the various funds used to support tax collection administrative costs. The rejection of this proposal saves \$13.5 million GF.
- Approved Finance Letter request to adjust the budget for reduced federal funds for the Workforce Investment Program. This included approval of \$2.8 million, federal funds, to create a new "At Risk/Youthful Offenders Gang Prevention" program.
- Approved funding of \$59.2 million for the Employment Training Panel (ETP). The enacted budget included a \$10 million cut to the ETP (to \$49.2 million) to shift an additional \$10 million to the Department of Social Services CalWORKS program to backfill for GF. However, it was later realized that the special fund balance was sufficient to maintain ETP funding at \$59.2 million and still shift \$10 million to CalWORKS – cleanup legislation restored ETP funding to the full \$59.2 million.

**7350 DEPARTMENT OF INDUSTRIAL RELATIONS**

- Approved budget request to permanently extend 31 limited-term positions, using special funds, in the Division of Workers' Compensation.
- Approved budget request to add 3 positions to the Division of Apprenticeship Standards, but added one additional position so the department has sufficient staff to meet statutory audit requirements. The new positions are supported by special funds.
- Augmented the budget for Apprenticeship Grants from \$1.2 million to \$3.0 million, special funds, in the Division of Apprenticeship Standards.
- Deleted funding for the Industrial Welfare Commission.
- Approved an Administration Budget Change Proposal to add 5.0 positions and \$385,000 GF to address workload in the Licensing and Registration Unit of the Division of Labor Standards Enforcement. *The Governor vetoed this augmentation.*
- Approved a special fund loan, not to exceed \$13 million, from the Workers' Compensation Administration Revolving Fund to the Targeted Inspection and Consultation Fund. Added budget bill language requiring a report on how the Administration proposes to fix the deficit in the Targeted Inspection and Consultation Fund. *The Governor deleted this reporting requirement, but indicated the information will still be provided as though the request had been included in Supplemental Report Language.*

Trailer Bill Language

1. Approved language to allow the department to charge fees to all entities for which the department inspects elevators, rides, and tramway conveyances, including the establishment of fees for local governments.

## VETERANS AFFAIRS

### 8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved budget bill language directing the department in 2007-08 to: (1) undertake the steps necessary to consolidate the separate budget items of the headquarters and veterans' homes into one item; (2) provide quarterly progress reports on its consolidation efforts; and (3) provide a transition plan for final implementation of the consolidation.
- Approved \$10.3 million GF and 22 positions to procure and implement a new Veterans Home Information System (VHIS) intended to conform to federal regulations on data reliability and transferability, resolve contract issues with the current information system provider, Meditech, and will address the IT needs of as yet unbuilt homes.
- Amended the Governor's proposal to provide \$6.5 million GF and one two-year limited term position to upgrade the department's key information technology (IT) hardware and software infrastructure, and instead deferred \$860,000 in technology expenditures until 2008-09.
- Approved \$5.1 million GF, \$1.1 million (Federal Trust Fund), and \$580,000 (reimbursement authority) for pay increases to the following classifications essential to the care of veterans' home residents: psychiatrists, psychologists, social workers, therapists, dentists, dental hygienists, dental assistants, certified nurse's assistants, licensed vocational nurses, supervising registered nurses, physical and occupational therapists, speech pathologists, and respiratory care staff. The pay increases will provide greater parity between these positions and their counterparts in the Department of Corrections and Rehabilitation and the private sector, and better enable the department to recruit and retain medical and health care personnel.
- Accepted a Finance Letter reducing the Governor's proposed \$3.2 million GF increase for ongoing maintenance and equipment replacement and \$1.5 million GF baseline increase for operating expenses and equipment. The Finance Letter corrected errors in the original requests. The net effect of the Committee's actions was to approve: (1) \$2 million GF for ongoing maintenance and equipment replacement at the homes and headquarters; and (2) a \$825,000 GF baseline increase for operating expense and equipment increases associated with increased costs of pharmaceuticals, outside medical services, central supply items, supplemental medical insurance, natural gas, and petroleum purchases.
- Approved \$2.8 million GF and 25 positions to reflect the realignment over time of positions originally assigned to the Farm and Home Program (a non-GF supported program) to GF-supported programs.

- Approved the Governor’s request for 19 new positions and \$2.3 million (\$2.1 million GF) to reopen 20 of 40 beds at the skilled nursing facility at the California Veterans’ Home—Barstow (CVH-B) in 2007-08. The 20 remaining beds will reopen in the 2008-09 budget year and ongoing costs to operate the 40 bed facility will be \$4.5 million (including \$2.9 million General Fund) and 54 positions. Additionally, adopted supplemental report language requiring the department to identify lessons learned from the previous closing of the beds and policies instituted to avoid future problems.
- Approved the Governor’s proposal to reduce Federal Fund and General Fund reimbursements by \$2 million, increase GF by \$940,000, and eliminate eight positions to reflect an unsuccessful effort to convert the Chula Vista Residential Care for the Elderly Facility to an Intermediate Care Facility (ICF). The Department sought and received approval to upgrade their care facility; however, during the conversion process it realized that the project was not financially or physically feasible due to fire and building code regulations, the need for revised architectural drawings, and unforeseen project costs.
- Approved \$1.9 million one-time GF and 8.0 one-year, limited-term positions to address deferred maintenance required to maintain health and safety at the veterans’ homes.
- Amended the Governor’s proposal for Greater Los Angeles/Ventura County (GLAVC) Veterans Home start-up costs and approved 5.5 positions and \$621,000 GF for the construction and pre-activation phases of the GLAVC veterans’ homes. The positions will oversee construction and business operations and ensure the veterans’ homes are compliant with federal, state, and local laws and regulations.
- Approved a Finance Letter to provide \$325,000 and five positions to the Veterans’ Home of California-Yountville to support implementation of “restraint free” care practices. Additionally, the Legislature adopted budget bill language requiring the department to report on progress in implementing “restraint free” care at all veterans’ homes. ***The Governor vetoed the budget bill language, but recognized the Legislature’s intent and committed to providing the requested information as though it were included in supplemental report language.***
- Approved \$180,000 GF and converted two expiring limited-term positions to permanent positions for veterans’ claims representation at district offices aimed at increasing applications for benefits and reach out to underserved populations.
- Approved a Finance Letter proposal to appropriate \$110,000 from the Veterans Quality of Life Fund (a depository for voluntary tax check-offs). The funds may be used for discretionary purposes as determined by the veterans’ home residents.

# SUBCOMMITTEE 4

# FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

*Members*

Michael Machado, Chair  
Bob Dutton  
Christine Kehoe

*Consultants*

Daniel Alvarez  
Brian Annis  
Keely Martin Bosler  
Bryan Ehlers

# SUBCOMMITTEE No. 4

## LEGISLATIVE, EXECUTIVE, JUDICIARY, TRANSPORTATION, and GENERAL GOVERNMENT

### **Transportation**

California Transportation Commission .....	4-1
Special Transportation Programs .....	4-1
Department of Transportation .....	4-1
High Speed Rail Authority .....	4-4
California Highway Patrol.....	4-4
Department of Motor Vehicles.....	4-4
Shared Revenues .....	4-5

### **State Administration**

Office of the Chief Information Officer .....	4-6
Secretary for State and Consumer Services .....	4-6
Secretary for Business, Transportation, and Housing .....	4-6
Office of Planning and Research.....	4-6
Office of Emergency Services.....	4-7
State Controller.....	4-8
Department of Insurance .....	4-9
State Lottery Commission .....	4-9
Board of Equalization.....	4-9
Secretary of State.....	4-11
State Treasurer's Office.....	4-11
California Science Center.....	4-12
Consumer Affairs .....	4-12
Fair Employment and Housing.....	4-12
Franchise Tax Board .....	4-12
Department of General Services.....	4-13
State Personnel Board .....	4-14
Public Employees' Retirement System .....	4-14
State Teachers' Retirement System.....	4-15
Department of Technology Services .....	4-15
Alcoholic Beverage Control.....	4-15
Department of Financial Institutions.....	4-15
Department of Corporations .....	4-15
Department of Housing and Community Development.....	4-15
California Housing Financing Agency.....	4-16
Department of Real Estate.....	4-16
Department of Managed Health Care.....	4-16
California Arts Council .....	4-16
Public Employee Relations Board.....	4-16
Department of Personnel Administration.....	4-17
Fair Political Practices Commission.....	4-17

# SUBCOMMITTEE No. 4

**State Administration (continued)**

Department of Finance ..... 4-17  
Commission on State Mandates ..... 4-18  
Office of Administrative Law ..... 4-18  
Military Department ..... 4-18  
Tax Relief ..... 4-19  
Local Government Financing ..... 4-19  
Economic Recovery Financing Committee ..... 4-19  
Support for Health and Dental Benefits for Annuitants ..... 4-19  
Augmentation for Employee Compensation ..... 4-19  
Augmentation for Contingencies and Emergencies ..... 4-20

*Control Sections:*

Contributions to Public Employee Retirement Benefits ..... 4-20  
“Price” Reduction ..... 4-20  
Unallocated Reductions ..... 4-20  
Elimination of Boards and Commissions ..... 4-20  
Disposition of Bonds Proceeds ..... 4-20  
Federal Fund Receipts ..... 4-20  
EDP/Information Technology Reporting Requirement ..... 4-21  
Reporting of Statewide Software License Agreements ..... 4-21  
Appropriation Adjustments to Reflect Technology Service Rate Changes .... 4-21  
GF Expenditures for Debt Service ..... 4-21  
Program Change Notification ..... 4-21  
Legislative Intent Regarding 2008-09 Budget Preparation ..... 4-21  
Budget Stabilization Account Transfer to the General Fund ..... 4-21

**Corrections and Rehabilitation**

Department of Corrections and Rehabilitation ..... 4-22  
Office of the Inspector General ..... 4-32

**Judiciary**

Judicial Branch ..... 4-33  
Commission on Judicial Performance ..... 4-35  
Contributions to Judges’ Retirement System ..... 4-35

**Public Safety and Criminal Justice**

Department of Justice ..... 4-36  
Gambling Control Commission ..... 4-37  
Alfred E. Alquist Seismic Safety Commission ..... 4-37  
Victim Compensation and Government Claims Board ..... 4-37  
Commission on Peace Officer Standards and Training ..... 4-38  
State Public Defender ..... 4-38  
Payments to Counties for the Costs of Homicide Trials ..... 4-38  
California Horse Racing Board ..... 4-38

# TRANSPORTATION

## 2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved \$873,000 and 7.0 positions for Proposition 1B (the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006).

## 2640 SPECIAL TRANSPORTATION PROGRAMS

- Augmented proposed Special Transportation Programs (also known as State Transit Assistance) funding by \$200 million to provide a total of \$416 million. Shifted other “spillover” revenues to provide General Fund relief – see Caltrans issue below for more detail on transit funding shifts. *The Governor vetoed the \$200 million augmentation down to \$100 million, indicating that the money would be better spent in the State Transportation Improvement Program (STIP) and to maintain a prudent reserve.*
- Approved Proposition 1B transit capital funding of \$600 million.

### Trailer Bill Language

1. For 2007-08, approved language setting funding from “spillover” revenues at \$200 million (the Governor vetoed this to \$100 million), and specifying a correction to the 2007-08 non-spillover allocation to correct for an over-allocation of approximately \$95 million in 2006-07.
2. For 2008-09 and ongoing, shifts one-half of spillover revenues to the newly-created Mass Transportation Fund, and retains the remaining half for the Public Transportation Account (PTA). Of the spillover revenue that flows to the PTA, increases the share for Special Transportation Programs from one half to two thirds.

## 2660 DEPARTMENT OF TRANSPORTATION

- Approved total Proposition 1B (Prop 1B) bond funding of \$4.2 billion. The Prop 1B categories directly budgeted in the California Department of Transportation (Caltrans) are as follows:
  - \$608 million for the Corridor Mobility Improvement Account (CMIA)
  - \$727 million for the State Transportation Improvement Program (STIP)
  - \$403 million for the State Highway Protection and Preservation Program (SHOPP)
  - \$123 million for Grade Separation
  - \$14 million for State Route 99
  - \$14 million for Local Bridge Seismic Retrofit
  - \$188 million for Intercity Rail

The Prop 1B categories budgeted in other departments are as follows:

- \$600 million for Public Transportation (Special Transportation Programs budget)
- \$193 million for Schoolbus Retrofit (Air Resources Board budget)
- \$250 million for Trade Corridor Air Quality (Air Resources Board budget)
- \$101 million for Transit Security (Office of Emergency Services budget)
- \$41 million for Port Security (Office of Emergency Services budget)
- \$950 million for Local Streets and Roads (Shared Revenue budget)

#### Budget Bill Language(Proposition 1B)

1. Rejected language to “pre-appropriate” Prop 1B funding for allocations in 2008-09 and 2009-10, because appropriations for those years can be provided in future budgets and legislative oversight will be retained.
2. Rejected Prop 1B language to allow the Administration to shift appropriation authority among bond programs.
3. Added Prop 1B language to allow the Director of Finance to augment the appropriations for specified bond programs if the programs are ready for construction on an accelerated timetable.

#### Trailer Bill Language (Proposition 1B)

1. Approved language to implement Prop 1B, which includes reporting and oversight requirements, as well as allocation criteria for specified bond categories.
- Modified the Governor’s proposal to shift \$1.3 billion in Public Transportation Account (PTA) funds to provide General Fund relief. The final budget action provided \$1.259 billion in General Fund relief and included the following:
    - Retained \$200 million in “spillover” revenue to augment the Special Transportation Program (also known as State Transit Assistance).
    - Shifted \$622 million in spillover revenue to provide General Fund relief by funding \$539 million in budget year and past year transportation-related general obligation bond debt, and \$83 million for Proposition 42 loan payments.
    - Shifted \$637 million in PTA revenues to provide General Fund relief by funding \$409 million in past year transportation-related general obligation bond debt (in addition to that in the above bullet), \$129 million for Department of Developmental Services regional center transportation, and \$99 million for home-to-school transportation.
    - Rejected the Governor’s proposal to shift \$65 million in “non-Article XIX” revenues from the PTA to the State Highway Account.

***The Governor vetoed the \$200 million transfer in the first bullet and the \$83 million transfer in the second bullet indicating technical cleanup was needed to implement the Legislature’s***

*intent. Technical cleanup language was adopted in subsequent legislation to achieve this \$283 million in GF relief.*

Trailer Bill Language (PTA “Spillover” Revenues)

1. Approved language to implement the above “spillover” revenue shifts for 2007-08. Approved language to provide ongoing relief from spillover funds by shifting one-half of spillover revenues in 2008-09, and thereafter, to the newly-created Mass Transportation Fund, which will fund transportation expenditures that would otherwise be obligations of the GF.
- Shifted new Prop 1B Capital Outlay Support (COS) engineering workload from the proposed 100 percent contractors, to 90 percent state staff / 10 percent contractors, to conform to the long-run average workload allocation and produce a savings of \$48 million. Directed that the savings be applied to the State Highway Account (SHA), to the extent possible, so that the SHA would have additional resources for maintenance and the State Highway Protection and Preservation Program (SHOPP). The Governor sustained the Legislature’s funding level but indicated the Administration would not be constrained by the Legislature’s staffing/contract plan, and would anticipate shifting additional dollars from state staff to contractors.
  - Approved full Proposition 42 funding of \$1.481 billion in 2007-08.
  - Approved an augmentation for highway pavement maintenance of \$85 million, and amended budget bill language to specify that the funding is only available for pavement maintenance.
  - Reduced funding for special transportation facilities, such as maintenance stations, from \$120 million to \$83 million to conform to revised project estimates.
  - Approved the Caltrans public safety radio budget request for \$19.6 million over five years to expand the high-band radio system into Caltrans District 10 to improve radio operability within Caltrans and to improve inter-operability with public safety entities such as the California Highway Patrol.
  - Restored funding of \$10 million for the Environmental Enhancement and Mitigation Program.

Budget Bill Language

1. Added language to specify that the first \$100 million in State Highway Protection and Preservation Program (SHOPP) allocations are attributable to the \$100 million in tribal gaming revenues received by the state pursuant to compacts ratified in 2004.

Trailer Bill Language

1. Approved language to conform statute to the Proposition 42 loan

repayment requirements of Proposition 1A, approved by voters in November 2006.

2. Approved language to maintain annual transfers from the Highway Users Tax Account to the Bicycle Account at \$7.2 million, instead of allowing the transfers to fall to \$5.0 million as specified in current statute.

### **2665 HIGH SPEED RAIL AUTHORITY**

- Augmented the budget by \$15.6 million, Proposition 116 bond funds, to continue work on the high speed rail project. Additionally, the High Speed Rail Authority's budget includes \$1.2 million in Public Transportation Account funds and \$3.5 million from the Orange County Transportation Authority.

### **2720 CALIFORNIA HIGHWAY PATROL**

- Approved an increase of \$16.4 million, special fund, to augment staffing by 91 positions (50 Officers and 41 non-uniformed support staff). Included in this approval is authority to add an additional 70 Officers in 2008-09 and related funding. The California Highway Patrol (CHP) indicates that this increase would help address the continual increase in workload associated with population growth throughout the state.
- Approved funding adjustments for the five-year \$494 million public safety radio system approved with the 2006 Budget Act. Reverted \$16 million in current year funding, and decreased funding for 2007-08 by \$9.7 million.
- Reduced funding for tactical alerts from \$24.8 million to \$10 million because the number of tactical alerts has fallen relative to the years immediately following September 11, 2001. Tactical alerts involve placing Officers on 12-hour shifts to enhance CHP presence in times of emergency or high security risk. Added budget bill language that requires legislative reporting and reversion of unexpended funds.
- Augmented overtime funding by \$7 million to allow the CHP to aid local law enforcement agencies with anti-gang activities.

#### Trailer Bill Language

1. Approved language adjusting fees for the Motor Carrier Safety Program, which involves the CHP inspection of trucks at terminals. This fee adjustment is consistent with existing statutory intent that this be a self-supporting program.

### **2740 DEPARTMENT OF MOTOR VEHICLES**

- Approved year two and ongoing funding for the Department of Motor Vehicles (DMV) \$242 million Information Technology Modernization project. First-year funding was approved

with the 2006 Budget Act along with an annual reporting requirement to keep the Legislature informed about the project.

- Approved the request for \$85 million to complete the reconstruction of the Sacramento DMV headquarters, which includes asbestos removal and seismic work.
- Approved the request for \$9.4 million for vendor costs related to SB 1500 (Chapter 920, Statutes of 2004). This legislation requires each insurer that issues private passenger automobile liability policies, to electronically report to the DMV all issued policies, changes, and terminations; and requires DMV to suspend vehicle registrations if insurance is not in force. The number of uninsured drivers has been higher than anticipated and led to increased vendor costs.
- Took *no* budget action to implement the federal Real ID Act, which requires people without a passport to have a compliant driver's license or identification card by May of 2008 in order to enter a federal building or cross an airport checkpoint. Draft federal regulations allow states to postpone implementation, under specified conditions, and to date, the federal government has not provided any significant funding resources to implement the Real ID Act.

### **9350 SHARED REVENUES**

- Increased the 2007-08 Proposition 1B (Prop 1B) bond appropriation for the Local Streets and Roads category from \$600 million to \$950 million.

## STATE ADMINISTRATION

### **0502 OFFICE OF THE CHIEF INFORMATION OFFICER**

- Amended the Governor's proposal and approved 34 positions, including 13 new positions, and \$4.6 million (Department of Technology Services Revolving Fund) to staff an Office of the Chief Information Officer (OCIO), to establish a centralized information technology (IT) management department and ensure that project specific activities are coordinated with other departments and reflect the state's policies and direction for IT development. Adopted budget bill language requiring the OCIO to deliver to the Legislature by March 1, 2008, a five-year project plan for improving the state's IT effectiveness.
- Amended the proposed shift of project oversight and review functions from the Department of Finance's (DOF) Office of Technology Review, Oversight, and Security (OTROS) to the OCIO by transferring, effective January 1, 2008, only 21 existing positions from OTROS to the OCIO, while maintaining 5 positions at DOF for fiscal oversight and budgetary review of IT projects.

### **0510 SECRETARY FOR STATE AND CONSUMER SERVICES**

- Approved a government reorganization proposal to create an Office of Information Security and Privacy Protection within the Office of the Secretary for State and Consumer Services. The new office would consolidate certain information security staff currently at the Department of Finance and the Office of Privacy Protection in the Department of Consumer Affairs.

### **0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING**

- Approved funding totaling \$957,000 from new GF to the Small Business Expansion Fund for two budget requests associated with the Small Business Loan Guarantee Program. The first request was \$832,000 for the State match for federal funding for the Sudden and Severe Economic Dislocation Program and the second request was \$125,000 to perform audits of Financial Development Corporations.
- Rejected funding of \$441,000 GF and 3 new positions for international trade activities. Senate Bill 1513 (Chapter 663, Statutes of 2006) directed the Agency to report to the Legislature by February 1, 2008, with a strategic international trade and investment plan. The Legislature felt it was premature to add new positions in advance of this report.

### **0650 OFFICE OF PLANNING AND RESEARCH**

- Approved \$195,000 GF to continue training and outreach to tribal governments and to update the state's General Plan Guidelines, utilized by communities throughout California when updating their general plans.

- Approved \$234,000 GF and two positions for the Office of the California Small Business Advocate to develop an emergency preparedness handbook and address workload generated by 2006 legislation.
- Approved \$3 million in federal fund reimbursements from the State Homeland Security Grant Program in order to enhance local communities' emergency response through training, outreach, and other volunteer service opportunities.

## **0690 OFFICE OF EMERGENCY SERVICES**

- Approved \$1.2 million (\$608,000 General Fund) and 14 positions to eliminate a significant backlog of disaster assistance claims and provide improved service to local governments and disaster victims.
- Approved \$573,000 and 9.0 positions to implement final recommendations from the Bureau of State Audits and Little Hoover Commission reports, as well as comply with the California Prompt Payment Act. This request will limit future General Fund exposure to significant penalties due to delayed administrative processes.
- Approved \$200,000 federal funds to provide 3 positions to ensure the proper oversight of victim services administered sub-grants. These positions will increase the ability of OES to meet federal guidelines concerning timeliness of grant awards, reducing the threat of de-obligation of federal grants.
- Approved an increase of \$1.2 million federal funds pursuant to the Forensic Science Improvement Act. These funds would be used exclusively for local assistance grants.
- Reduced \$1.1 million GF for various external consulting contracts not justified on a workload basis.
- Approved an increase of \$5.6 million federal funds pursuant to the Victims of Crime Act.
- Approved \$9.5 million Restitution Fund for three new gang prevention grant programs. The grant programs target specific cities with heavy gang concentrations, provide competitive grants to cities as a whole, and support community-based organizations that provide services designed to reduce gang activity.
- Approved \$4.8 million federal funds, these grant funds are part of a federal anti-gang initiative established by the U.S. Attorney General and have identified specific areas of the state that will receive these funds.
- Provided \$300,00 SF to increase domestic violence counseling and education to under-represented communities.
- Approved \$40 million in Proposition 1B funds for the Office of Homeland Security to provide grants to assist ports in preparing for, responding to, and protecting against acts of terrorism.
- Approved \$100 million in Proposition 1B funds for the Office of Homeland Security to provide grants to assist transit operators, as specified, for security and disaster response, and in

preparing for, responding to, and protecting against acts of terrorism.

- Provided \$1 million Restitution Fund to support four existing Internet Crimes Against Children taskforces in San Diego, Sacramento, San Jose and Los Angeles.

#### **0840 STATE CONTROLLER**

- Approved \$8 million GF and 87 positions for the Unclaimed Property Program to provide improved notification to potential owners of unclaimed property. Adopted trailer bill language to provide state notices to all property owners before unclaimed property transfers to the state, and provide additional notices to property owners when the Controller can determine new contact information after the transfers have occurred. Additionally, adopted technical budget bill language and supplemental report language to provide enhanced oversight of the program and its effectiveness.
- Approved \$402,000 one-time GF and 3.2 one-year limited-term positions for the Unclaimed Property System Replacement Project. Additionally, reappropriated \$831,000 anticipated to go unexpended in 2006-07 due to project delays.
- Approved \$38 million (including \$34.3 million GF) and 80.6 one-year limited-term positions to complete the system development phase of the Human Resources Management System (HRMS)/21<sup>st</sup> Century Project. The HRMS is entering the fourth year of funding in what is expected to be a six-year, \$140 million project.
- Approved a \$536,000 HRMS funding shift from reimbursements to GF, added \$300,000 one-time GF for training room build-out costs, and provided \$93,000 GF for an HRMS Project Communications Manager. Denied retention pay for HRMS project staff, and directed the Administration to fully utilize the collective bargaining and Item 9800 processes.
- Denied a five percent salary increase valued at \$224,000 (\$106,000 General Fund) for Staff Management Auditors. Directed the Administration to fully utilize the collective bargaining and Item 9800 processes.
- Approved \$1 million (Leaking Underground Storage Tank Cost Recovery Fund) for clean-up of contaminated property in Stockton. The state faces possible litigation if the site is not quickly mitigated. Adopted trailer bill language to authorize the use of the Leaking Underground Storage Tank Cost Recovery Fund for the necessary corrective action.
- Approved \$999,000 to make 11 expiring limited-term Mandate Auditor positions permanent. The auditors analyze older mandate cost claims that are approaching the end of the statute of limitations for initiating claims audits and have historically identified approximately \$17 in over-claimed costs for every \$1 spent on such efforts.
- Approved \$799,000 (collected from various special funds) and five positions to support ongoing maintenance and operation of the Apportionments Payment System (APS) so that apportionments to local agencies are distributed in a timely fashion.
- Approved \$517,000 (reimbursements and five positions) to implement a statewide rollout of the

California Automated Travel Reimbursement System, an automated travel expense processing system that is expected to result in significant process and cost efficiencies.

- Approved request to cancel the Bank Reconciliation System Replacement Project. Consequently, deferred \$710,000 (\$308,000 GF) in 2006-07 and reduced 2007-08 by \$248,000 (\$107,000 GF). The department anticipated returning with a retooled project proposal in one to two years.
- Approved \$848,000 GF and 7.0 positions for audits of collection, distribution, and reporting practices related to local property tax revenue for K-14 district's property.

#### **0845 DEPARTMENT OF INSURANCE**

- Approved, on a two-year limited-term basis, \$5 million (Insurance Fund) and six positions to: (1) increase investigations, audits, and prosecution of workers' compensation fraud; and (2) expand a research study on measuring and addressing insurance fraud. Of the approved funds, \$3.7 million would support the efforts of local district attorneys. The aforementioned study was funded in 2006-07, will be completed in two years, and should inform future decisions to provide permanent program funding (hence the two-year limit on funding).
- Approved \$1.6 million (Insurance Fund) to distribute assessments collected from insurers to district attorneys to investigate and prosecute fraudulent automobile insurance claims.
- Approved \$1.2 million (Insurance Fund), with only \$598,000 ongoing, and four positions to increase investigations and prosecution of disability and healthcare fraud. Of the approved funds, \$411,000 would support the efforts of local district attorneys.
- Approved \$780,000 (Insurance Fund) for one year for increased expenses associated with contracted "intervenor," who act on behalf of consumers to resolve compensation-claims conflicts with insurers. Additionally, approved budget bill language requiring the department to report annually on the identity of and the fees collected by intervenors.
- Approved redirection of two positions and associated funding from the Regulation of Insurance Companies and Producers Program to the Administration Program to assist in the implementation of the Enterprise Information Portal.

#### **0850 STATE LOTTERY COMMISSION**

- Approved as budgeted—\$120.1 million for operating costs.

#### **0860 STATE BOARD OF EQUALIZATION (BOE)**

- Adopted trailer bill language to: (1) enable local assessors to effectively and efficiently collect property tax on fractionally-owned aircraft and scored a net General Fund savings of \$10 million; and (2) explicitly authorize the BOE to include information about use tax requirements

on the annual business property statement that assessors distribute to businesses. Additionally, the Legislature approved \$400,000 (GF) for the BOE to conduct a pilot project with up to three counties to better enforce use-tax compliance amongst businesses – *the Governor vetoed this funding.*

- Approved \$1.5 million (including \$949,000 GF) and two positions to expand electronic filing (e-filing) of tax returns to include the most complex and detailed returns (which constitute approximately 175,000 accounts and 89 percent sales and use tax revenues). Additionally, adopted budget bill language requiring the BOE to report on participation in the e-filing program, as well as savings achieved.
- Approved \$1.1 million (\$696,000 GF), 15.5 limited-term positions, and one permanent position to develop and investigate tax leads turned over by the U.S. Customs service. U.S. Customs electronic records tell the State Board of Equalization (BOE) where out-of-state imports were shipped in-state, information that can be compared to use tax payments. The BOE anticipates revenues of \$15.2 million to be generated, a 13:1 benefit-cost ratio.
- Approved \$244,000 GF and two permanent positions to restore resources for conducting field audits, collections, tax return processing, refunding and other tasks associated with administering the alcohol beverage tax. The BOE anticipates these resources will generate \$1.3 million, a 5.7:1 benefit-cost ratio.
- Approved \$1.2 million (\$181,000 GF) and 8.1 positions to implement Chapter 501, Statutes of 2006 (AB 1749, Horton), which expanded the licensing and reporting requirements for tobacco manufacturers and importers. The BOE expects additional revenue of approximately \$4.2 million annually, a 6:1 benefit-cost ratio.
- Approved \$106,000 (\$69,000 GF) and a two-year limited-term position to make public on a quarterly basis a list of the 250 largest delinquent taxpayers, as required by Chapter 716, Statutes of 2006 (AB 1418, Horton).
- Approved a reduction of \$1.3 million (E-Waste Recovery and Recycling Account) and 20.7 positions to reflect a revised Electronic Waste Recycling Program workload estimate. Additionally, approved \$230,000 and extension of six expiring limited-term positions for an additional two years, to align staffing with the new workload estimate.
- Approved 11 new positions, including 8 permanent and 3 three-year limited-term, funded by redirecting existing funding of \$1 million from the Motor Vehicle Fuel Account (MVFA), to better enable the BOE to meet national International Fuel Tax Agreement membership requirements. These resources will protect an estimated \$3 billion in matching federal funds, and the BOE anticipates the new positions will generate an additional \$2.7 million annually for the MVFA.
- Approved \$715,000 (MVFA) and 5 audit positions to take advantage of new data generated by an automated reporting system and ensure tax compliance within the BOE's transportation tax programs; the motor vehicle fuel tax, diesel fuel tax, and jet fuel tax. The BOE anticipates revenues of \$14 million associated with these positions, a 21:1 benefit-cost ratio.

- Approved \$485,000 (California Tire Recycling Management Fund) and made permanent 5.8 currently limited-term positions in order to strengthen the ability to collect the Tire Recycling Fee. Collection efforts from the current positions have yielded a more than 60:1 benefit-cost ratio.
- Approved five positions and \$483,000 (fee reimbursements) to recover costs associated with implementing and administering Chapter 77, Statutes of 2006 (AB 1803, Committee on Budget). AB 1803 expanded the types of businesses subject to the environmental fee to include limited liability companies, limited partnerships, limited liability partnerships, general partnerships, and sole proprietorships.
- Approved \$313,000 (\$203,000 GF) and made permanent six limited-term positions to ensure collection of consumer use tax in the compliance program for vehicles, vessels, and aircraft. Additionally, accepted trailer bill language to make permanent a statute that requires payment of the use tax on vehicles, vessels, and aircraft purchased outside the state, but brought into California within 12 months.

#### **0890 SECRETARY OF STATE**

- Approved \$2.4 million General Fund to repay the Federal Trust Fund for illegal federal Help American Vote Act (HAVA) expenditures identified by the U.S. Elections Assistance Commission. A previous repayment of \$536,000 was approved for the current year, bringing the total repayment to \$2.9 million.
- The Legislature approved \$335,000 (GF) and four positions for voter outreach and education. *The Governor vetoed the funding.*
- Reduced the HAVA budget by \$303,000 GF to acknowledge the most current HAVA Spending Plan (September 2006), which reflects zero administrative expenditures in fiscal year 2008-09 and the need to ramp-down activities beginning in 2007-08.
- Approved 6.5 positions and \$6.9 million in federal fund authority to begin the process of replacing the existing CalVoter statewide voter database with a more centralized and technologically advanced VoteCal database.

#### **0950 STATE TREASURER'S OFFICE**

- Approved four positions and \$421,000 in reimbursement authority to address increased workload associated with issuance and refunding of general obligation (GO) bonds. Annual bond sales are anticipated to nearly double beginning in 2007-08.
- Approved \$429,000 (bond funds) and two positions for the Charter School Financing Authority to meet its additional Charter School Facilities Program obligations under The Kindergarten-University Public Education Facilities Bond Act of 2006 (Proposition 1D), which contained \$500 million for charter schools.

- Approved a reduction for the California Industrial Financing Advisory Commission (CIDFAC) of one position and \$151,000 (Industrial Development Fund) to reflect a decrease in workload.

### **1100 CALIFORNIA SCIENCE CENTER**

- Approved \$2.3 million GF for the California African American Museum (CAAM) renovation and expansion project. Total GF costs for the project are anticipated to be \$43.6 million, with an additional \$21.8 million coming from the CAAM Friends Foundation.
- Approved \$1.9 million GF and 4 positions to begin ramping up staff and operations for the late 2009 opening of the Phase II Science Center facility.

### **1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS**

- Approved funding of \$7.9 million, special fund, for the Bureau of Private Postsecondary and Vocational Education (or a successor entity) to be (re)established January 1, 2008, pursuant to legislation to be separately enacted in 2007.
- Approved new funding of \$12.3 million, special fund, for the Smog Check Program in the Bureau of Automotive Repair. The augmentation is consistent with program changes implemented by AB 1870 (Chapter 761, Statutes of 2006).

### **1700 FAIR EMPLOYMENT AND HOUSING**

- Approved as budgeted, which includes an increase of \$2.4 million GF and 17.0 positions to improve enforcement and related administration.

### **1730 FRANCHISE TAX BOARD**

- Approved a budget reduction of \$99.2 million (\$33.7 million GF) to reflect reduced project costs for the implementation of the California Child Support Automation System (CCSAS) project. Additionally, approved (1) \$724,489 in reimbursement authority increase to continue implementation of CCSAS; and (2) a \$30 million shift from 2008-09 to 2007-08 to reflect a revised rollout schedule for the Child Support Enforcement portion of CCSAS.
- Approved \$19.6 million GF and 230 positions to support Tax Gap activities. Recognized \$77.5 million in additional revenue in 2007-08.
- Approved \$1.5 million (GF) and one position to replace the current Internet infrastructure at the Butterfield Way campus in Sacramento and provide redundancy to accommodate growth in the FTB's e-commerce programs.
- Approved \$1.3 million (GF) and 10 positions to address Abusive Tax Shelter workload.
- Recognized \$1.3 million GF savings and eliminated 18 positions to reflect the implementation of Chapter 773, Statutes of 2006 (AB 2341, Villines).
- Reallocated \$865,000 from Underground Economy Criminal Investigations (Tax Gap) activities

to provide additional resources for: (1) the Corporate Nonfiler program (\$615,000)—where an additional \$2 million in revenue was recognized; and (2) a contractor (\$250,000) to identify opportunities for increased data sharing between the tax agencies—the Franchise Tax Board, the Board of Equalization, and the Employment Development Department.

- Recognized \$500,000 GF savings generated by increased use of electronic return processing, electronic remittance processing, and reduced paper printing and mailing.
- Approved a one-year limited-term position and \$144,000 GF to implement Chapter 716, Statutes of 2006 (AB 1418, Horton).

## **1760 DEPARTMENT OF GENERAL SERVICES**

- Approved the Governor’s proposal for five positions and \$428,000 (Service Revolving Fund) for Bureau of Property Management efforts to reduce energy purchases for state-owned buildings and to design, build, and operate “green” buildings. Additionally, approved \$3 million (Service Revolving Fund) on a three-year, limited-term basis, for private consultants to pursue Leadership in Energy and Environmental Design (LEED) goals for eleven state office buildings. Adopted report language requiring the DGS to inform the Legislature, among other things, of progress toward developing LEED expertise among state staff.
- Adopted the Governor’s proposal to provide \$1.2 million GF and 4.5 positions for repair projects in the State Capitol and maintenance needs of the barrier system in Capitol Park. Approved an additional \$2.9 million GF for State Capitol maintenance and repairs.
- Approved \$1.1 million (\$331,000 GF) ongoing to make permanent 13 expiring positions in the Office of Public School Construction (OPSC).
- Approved an additional \$82 million (Public Buildings Construction Fund) and reappropriation of existing funding to continue renovation of the Central Heating and Cooling Plant, Sacramento. Additionally approved \$380,000 (Service Revolving Fund) for private consultant services related to water quality monitoring and regulatory compliance consultation in order to address potential penalties and fees of approximately \$25,000 per day.
- Approved a \$63.1 million (Service Revolving Fund) permanent increase to the department’s baseline natural gas budget due to the state’s expanded use of natural gas energy, growth in the number of state agency natural gas consumers, and the price of natural gas.
- Approved \$9.2 million (Service Revolving Fund) and made permanent 73 limited-term Office of Administrative Hearings attorney and support positions in the Special Education Dispute Resolution Program.
- Approved \$4.8 million (various funds) to commence a design phase for the relocation of two critical public safety communications from the top floor of the Resources Building in Sacramento. The facility is to be relocated from the downtown area to a more seismically sound structure, at an eventual cost of \$29.5 million GF.
- Approved \$2.1 million (Earthquake Safety Bond Fund) to develop working drawings for five of

seven seismic safety projects that received preliminary plan funding in 2006-07. The two remaining projects were deferred.

- Conformed to action taken in the California Highway Patrol (CHP) budget and approved 14 positions and \$4.9 million (Service Revolving Fund) in 2007-08 and \$9.4 million (Service Revolving Fund) in 2008-09 to facilitate the implementation of a new public safety radio communications system for the CHP.
- Conformed to actions taken in the Department of Transportation (Caltrans) and Department of Corrections and Rehabilitation (CDCR) budgets and: (1) approved \$1.9 million (Service Revolving Fund) and 7.6 positions for implementation of new public safety radio communications for Caltrans; and (2) denied \$2 million (Service Revolving Fund) and 23.7 positions for implementation of new public safety radio communications for CDCR.
- Approved \$1.6 million (Property Acquisition Law Money Account) one-time for external consultant services to enhance the valuation of three current surplus properties (Lanterman Developmental Center in Pomona, Fairview Developmental Center in Costa Mesa, and Los Angeles Civic Center).
- Approved \$1.1 million (Service Revolving Fund) to fund increased costs contained in the Master Security Services Agreement for 15 state buildings. Additionally, adopted supplemental report language to require the department to update the Legislature on progress toward adopting standardized security assessments for all state-owned buildings.
- Approved \$750,000 (Service Revolving Fund) for State Capitol security.
- Approved the Governor's proposal to eliminate two positions and \$651,000 in expenditure authority for the Earthquake Safety Public Buildings Rehabilitation Bond Fund.
- Approved two positions and \$614,000 in 2007-08 (Service Revolving Fund) and four positions and \$1.3 million (Service Revolving Fund) in 2008-09 to continue development of a Fleet Analysis and Reporting System to improve tracking state vehicles. Additionally, the Legislature adopted budget bill language to require future reporting on progress toward meeting system goals, including expected savings in excess of \$2 million from surplus vehicle sales. *The Governor vetoed the budget bill language, but recognized the Legislature's intent and committed to providing the requested information as though it were included in supplemental report language.*
- Reappropriated \$1.8 million for work on the City of Richmond Hall of Justice and City Hall.
- Approved budget bill language to spend sinking funds, without submission of a budget change proposal, for tenant improvements or utilization of vacant state-owned office space.

#### **1880 STATE PERSONNEL BOARD**

- Approved \$571,000 GF and 4.0 positions to administer the selection phase for the new information technology classifications.

**1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

- Approved budget bill language to require a report from PERS on how actual healthcare costs compare to estimates used for the most recent actuarial study of unfunded retiree-healthcare obligations.

**1920 STATE TEACHERS' RETIREMENT SYSTEM**

- Rejected proposal to revise the purchasing-power-projection benefit for retired teachers and added back funding of \$75 million GF associated with the proposal.

**1955 DEPARTMENT OF TECHNOLOGY SERVICES**

- Approved the Governor's proposal to decrease expenditures by \$9.3 million in the budget year and \$6.4 million in 2008-09 to align appropriations with the ongoing costs of related projects.
- Approved \$5.3 million (DTS Revolving Fund) to purchase and upgrade existing enterprise data storage capacity and safeguard customer data in order to meet the anticipated growth needs of more than 450 customers.
- Approved \$3.9 million (DTS Revolving Fund) to replace phased-out hardware and accommodate network growth.
- Approved the Governor's request for \$284,000 (DTS Revolving Fund) and three positions to provide IT support to the Governor's Office.

**2100 ALCOHOLIC BEVERAGE CONTROL**

- Approved as budgeted, including an April request, to reappropriate funds for the Licensing and Compliance System Information Technology Project.

**2150 DEPARTMENT OF FINANCIAL INSTITUTIONS**

- Approved request for \$1.2 million, special funds, and 10 new positions to improve the oversight of financial institutions in the areas of electronic-banking and disaster preparedness.
- Reduced a request for new information technology positions from 3 positions to 2 positions.

**2180 DEPARTMENT OF CORPORATIONS**

- Approved request to add \$2.3 million (special fund) and 18.0 new Examiner positions. Augmented the request by \$648,000 and 5.0 additional Examiner positions to be placed in the California Deferred Deposit Transaction unit so the unit will have sufficient staff to meet statutory audit requirements for the payday lending industry.
- Approved request to add \$973,000 (special fund) and 7 new enforcement positions. Added supplemental report language requiring bi-annual reporting to the Legislature on the status of the enforcement program.

**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

- Approved Proposition 1C (Housing and Emergency Shelter Trust Fund Act of 2006) bond funding totaling \$778 million for the following bond categories that are budgeted directly in the Department of Housing and Community Development's budget (excluding support costs):
  - \$55 million for the CalHome Program.
  - \$40 million for the California Homeownership Program (BEGIN).
  - \$3 million for the Self-Help Housing Program.
  - \$140 million for the Multifamily Rental Housing Program.
  - \$80 million for Supportive Housing.
  - \$15 million for Homeless Youths.
  - \$40 million for Serna Farmworker Loans/Grants.
  - \$10 million for Emergency Housing Assistance.
  - \$300 million for Infill Incentive Grants.
  - \$95 million for Transit Oriented Development.

The funding levels indicated above include three legislative adjustments: funding for the Infill Incentive Grant Program was increased from \$100 million to \$300 million; \$30 million for the Housing Urban-Suburban and Rural Parks Program was deleted; and \$15 million for the Affordable Housing Innovation Program was deleted. An additional \$30 million is budgeted for the California Housing Finance Agency (CalHFA) in that department's budget. Adopted trailer bill language to implement the Infill Incentive Grant Program.

- Approved 4 new positions for administration of the Enterprise Zone program and related economic development zone programs. The Department identified GF savings of \$647,000 in another program to fund the new positions.

**2260 CALIFORNIA HOUSING FINANCE AGENCY**

- Approved Proposition 1C bond funding for the following bond categories that are budgeted directly in the California Housing Finance Agency's budget.
  - \$15 million for the Down-Payment Assistance Program.
  - \$15 million for the Residential Development Loan Program.
- Both of these are existing programs and the relevant accounts are continuously appropriated, so the California Housing Finance Agency may expend in excess of these levels if demand for the programs is high.

**2320 DEPARTMENT OF REAL ESTATE**

- Approved as budgeted.

**2400 DEPARTMENT OF MANAGED HEALTH CARE**

- Approved as budgeted.

**8260 CALIFORNIA ARTS COUNCIL**

- Approved as budgeted.

**8320 PUBLIC EMPLOYEE RELATIONS BOARD**

- Approved as budgeted, which includes 3 new legal positions to investigate unfair labor practice charges.

**8380 DEPARTMENT OF PERSONNEL ADMINISTRATION**

- Approved funding of \$2.8 million GF and 5 new positions for the Human Resources Modernization Project, which is a multiyear project to reform state classifications and improve recruitment and retention. Adopted Supplemental Report Language requiring annual reports on the project.
- Reduced funding from \$1 million to \$350,000 for medical classification recruitment contracts. Adopted budget bill language stating legislative intent that the contracts be performance-based and allowing the Director of Finance to augment funding by up to \$1.5 million if specified conditions are met.
- Adopted Supplemental Report Language requiring the Department of Personnel Administration to report on how State departments are complying with their responsibilities under the terms of the workers' compensation "Master Agreement" with the State Compensation Insurance Fund.

**8620 FAIR POLITICAL PRACTICES COMMISSION**

- Approved \$604,000 (GF) and five positions to support administrative workload growth at the Fair Political Practices Commission.

**8860 DEPARTMENT OF FINANCE**

- Approved \$1.5 million (\$1.2 million GF) to fund a 15 percent increase in compensation for staff in Budgets and a 10 percent increase in compensation for staff in the Office of State Audits and Evaluations and the Fiscal Systems Consulting Unit.
- Approved \$4.3 million GF to support a revised special project report for a comprehensive statewide financial system named the Financial Information System for California (FI\$Cal). The DOF must report by April 1, 2008 on implementation and alternative financing options. Based on initial information, the projected total cost of this project is \$1.3 billion (of which \$788 million GF).
- Approved \$132,000 GF and one position to provide oversight to the Department of Corrections and Rehabilitation and coordination within the Administration on Corrections litigation issues.
- Approved \$696,000 (non-GF) and five additional positions for the Fiscal Systems and Consulting Unit FSCU). In addition, the funding for FSCU will be realigned to reflect the

statewide service it provides. The proposal results in a General Fund savings of \$249,000.

- Approved \$654,000 GF to support the Public Employee Post-Employment Benefits Commission.
- Provided \$3 million GF for census preparation.

### **8885 COMMISSION ON STATE MANDATES**

- Amended the Governor's request to reappropriate \$41 million (GF) to pay additional claims for costs incurred in 2004-05, 2005-06, and 2006-07 and to pay for statewide cost estimates for two newly determined mandates. Instead, limited the reappropriation to one year and excluded Peace Officer Procedural Bill of Rights claims from eligibility.
- Adopted technical trailer bill language to conform statute to current mandate billing and payment cycle, including the following revisions: (1) shift by one month (January 15 to February 15) local governments' due date for submitting mandate reimbursement claims; (2) maintain the existing 10 percent penalty for reimbursement claims submitted after their deadlines, but increase the cap from \$1,000 to \$10,000; (3) direct the State Controller's Office (SCO) to report annually to the Legislature and administration by April 30 on the cost to pay reimbursement claims submitted by local governments before April 1; and (4) shift by five months (from March 15 to August 15) the final due date for state payment of mandate bills. After this date, the state is charged interest (at the Pooled Money Investment Account Rate) on any claims reported by the SCO.
- Denied the Governor's proposed trailer bill language to reform the mandate process. A policy bill, AB 1576 (Silva), contains an alternative reform proposal.

### **8910 OFFICE OF ADMINISTRATIVE LAW**

- Approved \$224,000 GF to make permanent two expiring Staff Counsel positions that support efforts to enforce laws prohibiting the use of underground regulations. Additionally, Legislature adopted budget bill language requiring reporting on any redirection of the approved positions to other nondiscretionary functions. *The Governor vetoed the budget bill language, but recognized the Legislature's intent and committed to providing the requested information as though it were included in supplemental report language.*

### **8940 MILITARY DEPARTMENT**

- Approved a \$3.5 million (\$2 million GF, \$1.5 million Federal Trust Fund) baseline increase for maintenance and repairs to address a workload backlog at state armories. The funds will be used for cyclic maintenance and remedial repairs as required.
- Approved \$1.8 million GF and 23 positions to meet the increased demand for military funeral honors.

- Denied \$1.7 million GF in 2007-08 and \$3.3 million GF in 2008-09 and ongoing for a California National Guard Tuition Assistance Program because the program was not fully conceived.
- Approved a \$774,000 \$442,000 GF baseline increase and four positions to provide custodial services to four new armories brought online in 2006. Approved \$292,000 (\$166,000 GF) and two stationary engineer positions to assist in the preventive maintenance, perform repairs, and evaluate contractor work at California National Guard facilities.
- Approved \$165,000 GF and one psychologist to establish a full-time mental health care capability for the 20,000 members of the California National Guard (CNG) and to coordinate the activities of the 38 mental health professionals provided to the CNG by the Department of Defense under the Tri-West pilot program. Additionally, adopted supplemental report language to require reporting on the mental health services needs of the CNG.
- Approved a \$100,000 GF augmentation for additional costs associated with site acquisition for the Military Department's new Headquarters Complex.
- Approved \$5.7 million ongoing (reimbursements) and 12 five-year limited-term positions to expend funds received from the Office of Homeland Security for staffing support and operational expenses associated with the statewide antiterrorism program and other training.
- Approved Governor's proposal to expend \$3.5 million (Federal funds) and establish 47 three-year limited-term positions to provide security for CNG installations and Army airfields that are considered "mission critical."

#### **9100 TAX RELIEF**

- Approved as budgeted.
- Denied the Governor's proposal to eliminate Williamson Act subventions.

#### **9210 LOCAL GOVERNMENT FINANCING**

- Approved \$3.5 million for grants to county assessors contingent upon anticipated property tax revenues collected on fractionally-owned aircraft. Additionally, approved technical amendments to budget bill language. *The Governor vetoed the grants to county assessors and the accompanying budget bill language.*

#### **9618 ECONOMIC RECOVERY FINANCING COMMITTEE**

- Denied the Governor's proposal to pre-pay \$595 million in Economic Recovery Bonds.

#### **9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS**

- Approved funding of \$1.1 billion for the 2007-08 cost of health and dental benefits provided to

annuitants.

- Approved funding of \$62.8 million in federal subsidies from the prescription-drug, Medicare Part-D benefit, to offset state costs for retiree healthcare. Adopted related trailer bill language.

#### **9800 AUGMENTATION FOR EMPLOYEE COMPENSATION**

- Approved funding of \$1.0 billion (\$525 million GF) for compensation and benefit cost increases for state workers that correspond to union contracts and court decisions. *The Governor reduced the GF appropriation by \$72.0 million, to \$453 million GF, to reduce spending and increase the budget reserve. The veto message indicates the Administration intends to reduce the 9800 GF allocation by an amount equal to 8.576 percent of each department's GF expenditures for personal services in April 2007.*
- Rejected funding of \$32 million, GF and special funds, for a new “contingency” expenditure.

#### **9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIES**

- Approved as budgeted.

### **CONTROL SECTIONS**

#### **3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS**

- Adopted revised rates for the six retirement classes, pursuant to the California Public Employees' Retirement Board adoption of new rates on May 15, 2007. The final estimates for the State's retirement contributions in 2007-08 are \$2.8 billion, including GF costs of \$1.5 billion.

#### **4.04 “PRICE” REDUCTION**

- Amended a Finance Letter proposal to reduce departmental appropriations by half of the annual price increase, and instead eliminated the price increase (valued at \$86 million) for all state entities except the Legislature, Constitutional Officers, and the Judicial Branch.

#### **4.05 UNALLOCATED REDUCTIONS**

- Approved the Governor's proposed \$100 million unallocated reduction.

#### **4.26 ELIMINATION OF BOARDS AND COMMISSIONS**

- Deleted this control section because several of the boards and commissions proposed for elimination are still active and necessary.

**4.85 DISPOSITION OF BONDS PROCEEDS**

- Accepted Finance Letter to transfer remaining 1993 Series A and 1998 Series B Public Works Board Energy Bond proceeds to the General Fund.

**8.50 FEDERAL FUNDS RECEIPTS**

- Deleted the control section.

**11.00 EDP/INFORMATION TECHNOLOGY REPORTING REQUIREMENT**

- Revised the control section to conform to action to keep the Office of Technology Review, Oversight, and Security at the Department of Finance (adopted 2006-07 language).

**11.10 REPORTING OF STATEWIDE SOFTWARE LICENSE AGREEMENTS**

- Revised the control section to conform to action to keep the Office of Technology Review, Oversight, and Security at the Department of Finance (adopted 2006-07 language).

**15.25 APPROPRIATION ADJUSTMENTS TO REFLECT TECHNOLOGY SERVICE RATE CHANGES**

- Accepted Finance Letter to authorize the Director of Finance to adjust appropriation items to reflect cost changes resulting from new Department of Technology rate adjustment packages.

**24.80 GF EXPENDITURES FOR DEBT SERVICE**

- Adopted language directing the DOF to reimburse \$409 million in GF expenditures for the purposes of off-setting the cost of debt service payments made in prior fiscal years for public transportation related General Obligation bond expenditures in the 2007-08 fiscal year from the Public Transportation Account, as specified.

**28.00 PROGRAM CHANGE NOTIFICATION**

- Revised the proposed language to: (1) further clarify legislative intent; (2) require a department to provide notification to the Director of Finance within 45 days of receiving official notice of the availability of additional federal funds, or a written explanation to the Director if such notification is infeasible or impractical; and (3) require the Department of Finance to provide the Legislature with the official notice of availability of additional federal funds and a department's 45-day letter, as applicable, when submitting Section 28.00 requests.

**29.50 LEGISLATIVE INTENT REGARDING 2008-09 BUDGET PREPARATION**

- Added legislative intent language that the Department of Finance not include any proposed funding for discretionary price adjustments for the 2008-09 fiscal year, or budget beyond \$50

million General Fund in capital outlay for emergencies and contingencies. *The Governor vetoed the control section.*

**35.60 BUDGET STABILIZATION ACCOUNT (BSA) TRANSFER TO GENERAL FUND**

- Approved as budgeted.

# CORRECTIONS AND REHABILITATION

## 5225 Department of Corrections and Rehabilitation

### **General**

#### Trailer Bill Language

1. Approved trailer bill language to require annual reporting to the Legislature of various performance metrics on how the state's prison and juvenile justice systems are being managed.
2. ***Clean up legislation (AB 191, Budget) created in statute a second undersecretary position for program support in the Department of Corrections and Rehabilitation.***

#### Budget Bill Language

1. Approved budget bill language to direct CDCR to re-establish the Program Support Unit under the Chief Deputy Secretary for Adult Operations to review custody staffing proposals.
2. Approved budget bill language to restrict the appropriation of various budget appropriations to limit the redirection of funds for other budgetary purposes. This budget bill language is commonly referred to as Provision 22 language. ***The Governor modified this language to reflect various vetoes.***
3. Approved budget bill language to direct CDCR to work with the Department of Finance and the Legislature to improve the transparency and organization of the department's population estimate.

### **Adult Population Highlights**

- Approved a \$22 million GF funding reduction to support workload related to the adult inmate and parolee population for 2007-08. The inmate population is estimated to be 179,600 at the end of the budget year. The parolee population is estimated to be 123,400 at the end of the budget year.

- Added \$25 million GF to reflect the withdrawal of the majority of the parole reforms proposed in the Governor's budget. The administration will discharge parolees after 12 months of "clean time" and savings (\$31.2 million) related to that change in policy are reflected in the proposal adopted by the Subcommittee. This item was handled as a technical adjustment in the May Revision and the savings are contained in the population estimate.
- Approved \$21.3 million GF to cover additional costs associated with transferring up to 5,000 inmates to prison facilities outside of California. The total estimated cost of this program is \$81.3 million, which is offset by population savings related to not housing these prisoners in California prisons. This item is contained in the population estimate.
- Approved \$7.7 million GF to fund staffing for a 50-bed Mental Health Crisis Bed Unit at the California Medical Facility. This item is contained in the population estimate.
- Approved \$3.8 million GF to implement a 35-bed community facility for female offenders and to continue to support efforts to develop up to 4,500 additional beds in community facilities for female offenders. This item is contained in the population estimate.
- Approved \$10.9 million GF for the Drug Treatment Furlough program. This funding was needed to maintain the program at its current level since the department had been using aftercare funding to support this program. Aftercare funding is now needed to implement 2006 legislation (SB 1453, Speier) that requires mandatory aftercare for some offenders.

### ***Juvenile Justice Highlights***

- Approved a net increase of \$13.2 million GF to implement a juvenile justice reform policy that requires that certain low-level wards be treated at the county level. The reform includes a new block grant to counties of \$23.8 million to support the population that will remain at the county level. This grant will grow to approximately \$90 million over the next two years as over 750 youthful offenders remain at the county level for treatment instead of being sent to the state. The reform also includes \$14.9 million in one-time grants and \$100 million in lease revenue bonds for counties to help with implementing this new policy, including building new facilities, developing additional services, and building more regional collaborative efforts to serve this youthful offender population. The increase in local subventions in the budget year is offset by \$25.5 million in savings to the state Department of Juvenile Justice (DJJ) facilities due to the reduction in population. The state savings are expected to grow to over \$160 million over the next two years. ***The Governor reduced this item by \$14.9 million in his vetoes, eliminating the one-time grants to counties to develop juvenile programs locally.***

### ***Trailer Bill Language***

1. Approved trailer bill language to implement the juvenile justice reform to stop intake of youthful offenders adjudicated for non-violent, non-serious offenses (non-707b offenses) to the state DJJ on September 1, 2007. The trailer bill language also creates a new block grant program and authorizes \$100 million in lease-revenue

bonds for the construction of new local facilities for youthful offenders. ***The Governor signed this legislation, but called for clean-up to clarify the role of the Corrections Standards Authority in implementing the juvenile justice reforms contained in the legislation. Clean up legislation (AB 191, Budget) addressed this issue and made further changes to clarify how certain youthful offenders would be treated under the reforms.***

#### Budget Bill Language

1. Approved budget bill language to implement two one-time grant programs to aid in implementing the juvenile justice reform to stop intake of youthful offenders adjudicated for non-violent, non-serious offenses to the state DJJ. These grants will be allocated to every county to aid in planning for the transition (\$5 million) and for the development of additional programs and services at the county level for this youthful offender population (\$10 million). ***The budget bill language was vetoed by the Governor to conform to the vetoes made to the budget.***
- Approved \$600,000 GF to support the development of a Juvenile Justice Operational Master Plan by the State Commission on Juvenile Justice.

#### Trailer Bill Language

1. Approved trailer bill language to modify the membership of the State Commission on Juvenile Justice and directs the Commission to develop an Operational Master Plan for the state's juvenile justice system.

#### Budget Bill Language

1. Approved budget bill language to direct funding to support the development of a Juvenile Justice Operational Master Plan by the State Commission on Juvenile Justice. ***The Governor sustained this language but directed the department to delay the due date for the juvenile facilities master plan from October 2007 to February 2008.***
- Approved \$4.8 million GF to support the projected growth in the juvenile ward and parolee population for 2007-08. The ward population is estimated to be 2,500 at the end of the budget

year. The parolee population is estimated to be 2,400 at the end of the budget year. This total funding level assumes savings of \$1.7 million GF due to the closure of DeWitt Nelson Youth Correctional Facility in the budget year.

- Approved \$1.5 million Proposition 98 GF to support education at the Division of Juvenile Justice (DJJ) facilities in the budget year. This item is contained in the population estimate.
- Approved \$18.9 million GF to continue implementation of the Safety and Welfare and Mental Health Remedial plans as directed under the *Farrell* lawsuit.

### ***Rehabilitation Program Highlights***

- Approved \$74 million GF of the \$94 million GF proposed in the Governor's budget for the reducing recidivism plan. Approved an additional \$22.6 million to fund the following priorities for reducing recidivism that were not included in the Governor's plan:
  - Expanded 3<sup>rd</sup> day visiting to 10 additional prisons: \$4 million.
  - Reduced, by 25 percent, the telephone surcharges on inmate phone calls: \$6.5 million.
  - Reinstated funding for the post-parole component of the Offender Employment Continuum program: \$800,000.
  - Approved funding to enable the department to expand life skills programming efforts: \$175,000.
  - Added a Community Partnership Manager to every prison: \$3.6 million.
  - Approved funding for residential and case management services for mentally ill parolees: \$4 million.
  - Approved funding to expand the Parolee Employment Program to contract with non-profit providers to provide job placements to parolees: \$3.6 million.

### ***Trailer Bill Language***

1. Approved trailer bill language to direct a four year phase out of the concession on inmate phone calls.
- Approved \$13.9 million GF to provide pay parity for teachers in the adult institutions with teachers in the juvenile institutions and provide adequate funding to restore half of the teacher positions that are currently vacant.
  - Approved \$8.6 million GF for services to implement aftercare as a mandatory condition of parole. The base budget already contained \$10.9 million for this purpose. The \$8.6 million is included in the Governor's reducing recidivism plan.

### Trailer Bill Language

1. Approved trailer bill language to direct the allocation of the \$50 million for rehabilitation programs appropriated in Chapter 7, Statutes of 2007 (AB 900, Solorio).

### **Health Care Highlights**

- Approved \$326 million GF to improve medical care at CDCR as directed by the federal court-appointed Receiver. This amount includes an unallocated \$125 million to fund medical care activities at CDCR directed by the court-appointed Receiver in the *Plata* lawsuit. It also includes \$128 million requested by the Receiver in his May Revision letter to the Legislature. The additional funding also reflects the full-year costs (\$73.2 million) of reforms implemented by the Receiver in the current year.

### Budget Bill Language

1. Approved budget bill language to allow the Receiver to expend up to \$25 million of unallocated funds on joint efforts to help comply with the *Coleman* and *Perez* lawsuits.
  2. Approved budget bill language to schedule separately dental, mental health, and medical expenditures in CDCR's health care item.
  3. Approved budget bill language to require that funds provided to the Receiver as unallocated revert to the General Fund if they are not expended by the end of the budget year.
  4. Approved budget bill language to require the Inspector General to conduct an audit of CDCR's medical guarding and transport resources. This language is contained in the Inspector General's budget item.
- Approved \$117 million GF to improve mental health care at CDCR as directed by the *Coleman* court. This amount includes \$50.6 million to fund increased salaries for mental health clinicians, \$17.5 million for modifications of administrative segregation unit cells to prevent suicide, and \$5.1 million to implement Enhanced Outpatient Programs at the reception centers. The funding also included \$40.2 million to fund the ongoing costs related to the positions established in Chapter 511, Statutes of 2006 (SB 1134).
  - Approved \$80.3 million GF to improve dental care at CDCR as directed by the *Perez* court. This amount includes \$56.8 million to fund increased salaries for dental clinicians, \$20.9 million to implement a lower inmate-to-dentist ratio and to fund additional management staff to oversee the implementation of the remedial plan related to the *Perez* lawsuit.

- Approved \$1.5 million GF to support positions to develop a hiring plan and expedite the hiring of various dental and mental health care classifications. ***This funding was vetoed by the Governor.***

### ***Other Highlights***

- Approved \$105.8 million GF to implement the Sex Offender Management Plan and High Risk Sex Offender Task Force recommendations. The Sex Offender Management Plan implements Jessica's Law (Proposition 83) and other legislation by funding mandatory GPS tracking for some sex offenders.

#### Trailer Bill Language

1. Approved trailer bill language to require a research component for any sex offender treatment contract funded by CDCR.
- Approved \$118.5 million GF for the Consolidated Information Technology Project to provide basic network infrastructure to enable the department to implement new information technology solutions. Also approved GS \$MART financing for this project so budget expenditures will be reduced to \$36.1 million GF. ***The Governor vetoed \$4.4 million for the second phase of implementation of the Consolidated Information Technology Project.***

#### Budget Bill Language

1. Approved budget bill language to direct CDCR to provide first priority data implementation to business services and rehabilitative programming, when possible.
  2. Approved budget bill language to restrict the appropriation of \$4.4 million GF for the Consolidated Information Technology Project until after CDCR reports to the Joint Legislative Budget Committee on the completion of design and engineering work for 12 of the institutions including a revised cost estimate. ***This budget bill language was vetoed by the Governor to conform to the veto of these funds from the budget.***
- Approved \$3.6 million GF to complete the Request for Proposal for the Strategic Offender Management System (SOMS) new information technology system that will update CDCR's current systems.

#### Budget Bill Language

1. Approved budget bill language to require CDCR to consider options for including educational information into CDCR's SOMS Request

for Proposal.

2. Approved budget bill language to ensure that CDCR consider options for coordinating with the Receiver's information technology systems to ensure future integration of the Receiver's system with the SOMS system.
- Approved \$3 million to continue the department's efforts to migrate from the old Apple Macintosh computer platform to a Windows platform. ***This funding was vetoed by the Governor.***
  - Approved \$46 million GF to augment the department's baseline budget for maintenance and special repairs. ***The Governor reduced this augmentation by \$10 million in his vetoes.***

#### Trailer Bill Language

1. Approved trailer bill language to require each management review audit of a warden or superintendent in CDCR conducted by the Inspector General include an assessment of the maintenance of the facility managed by the warden or superintendent. ***The Governor signed this legislation, but directed the Office of the Inspector General to implement only quadrennial audits of facility maintenance.***
- Approved \$4.3 million GF for various equipment upgrades at CDCR. ***This funding was vetoed by the Governor.***
  - Approved \$1.6 million GF to support 12 positions in the Correctional Standards Authority to administer the local jail bed construction fund authorized in Chapter 7, Statutes of 2007 (AB 900, Solorio).
  - Approved \$3.9 million GF to support 49 positions to improve the department's ability to recruit correctional officer candidates.

#### Budget Bill Language

1. Approved budget bill language to allow CDCR to submit an alternate staffing plan for the new positions approved to improve the recruitment of correctional officer candidates. ***The Governor vetoed this provision.***
- Approved \$2.4 million GF and \$9.5 million in reimbursements to establish 111 new positions for additional support positions for the Office of Facilities Management.

### Budget Bill Language

1. Approved budget bill language to direct CDCR to bill appropriate staff work by the department related to AB 900 to the lease-revenue bonds to save General Fund.
  2. Approved budget bill language to require the Office of Facilities Management to report to the Legislature, by January 10, 2008, with a revised plan for staffing the Office of Facilities Management and any organizational changes made to the Office. ***The Governor vetoed this provision.***
- Approved \$7.9 million GF to approve recent court orders in the *Armstrong* case that requires the department to increase oversight of its compliance efforts with the Americans with Disabilities Act.
  - Approved \$6.6 million GF for an information technology system, increased custody staff, and a contract for transcription services to comply with the *Lugo (Rutherford)* lawsuit to improve the lifer hearing process.
  - Approved \$8 million GF to provide additional funding to comply with the *Valdivia* lawsuit to improve the parole revocation hearing process. This includes \$6.4 million that is included in the population estimate for legal representation and records staff and \$1.6 million included in a budget for compliance monitoring teams in the Office of Legal Affairs.
  - Deleted \$640,000 GF to eliminate the Appeals Unit in the Board of Parole Hearings.

### **Infrastructure Highlights**

#### Trailer Bill Language

1. Approved trailer bill language to create new reporting requirements for CDCR to ensure legislative oversight of the new prison beds authorized by Chapter 7, Statutes of 2007 (AB 900, Solorio).
2. Approved trailer bill language to create new reporting requirements for CDCR to ensure legislative oversight of the expenditure of \$300 million appropriated in Chapter 7, Statutes of 2007 (AB 900, Solorio) for infrastructure to support new infill beds. The language also authorizes CDCR to expend these monies to support modifications to utilities owned by local governments that support prison facilities.
3. Approved trailer bill language to direct CDCR to coordinate the allocation of bond funds authorized in Chapter 7, Statutes of 2007 (AB 900, Solorio) for new jail beds with the siting of new re-entry

facilities in local communities.

- Approved \$5.1 million GF to develop preliminary plans for a new Psychiatric Services Unit at the California Institution for Women and upgrades needed to a Locked Observation Unit at California Men's Colony. Also approved the reversion of \$43.5 million in capital outlay projects that are no longer being pursued by the department per a revised Mental Health Bed Plan submitted to the *Coleman* court.

Budget Bill Language

1. Approved budget bill language to authorize CDCR to fund preliminary plans for a 50-bed Mental Health Crisis Bed facility at California Men's Colony from lease revenue bonds authorized in Chapter 7, Statutes of 2007 (AB 900, Solorio).
- Switched \$106 million GF to lease-revenue bonds for the construction and modification of wastewater treatment projects at four state prisons. ***The Governor reduced this item by \$12.4 million for wastewater projects at Corcoran and Centinela in his vetoes. The Governor has directed the department to fund these projects from the \$300 million included in Chapter 7, Statutes of 2007 (AB 900, Solorio).***
  - Denied \$15.1 million GF to start preliminary plans to construct dental clinic space at seven different institutions to comply with the *Perez* lawsuit.

Budget Bill Language

1. Approved budget bill language to request that CDCR coordinate with the Receiver over medical care on the construction of joint medical and dental clinic space.
- Approved \$10 million GF for various projects and additional modular units to implement the *Farrell* reforms.

Budget Bill Language

1. Approved budget bill language to require CDCR to report to the Joint Legislative Budget Committee (JLBC) on how it plans to allocate the capital outlay funding provided to comply with the *Farrell* lawsuits.
2. Approved budget bill language to require that CDCR provide the JLBC with an update of the facility master plan for juvenile facilities by October 31, 2007.
3. Approved budget bill language to require that CDCR provide the JLBC with a reconciliation of the facility master plan with the

Operational Master Plan being developed by the State Commission on Juvenile Justice.

4. Approved budget bill language to allow CDCR to continue to use support dollars for the acquisition of modular units constructed by the Prison Industry Authority.
- Approved \$182,000 GF to complete the construction of the Lethal Injection Chamber at San Quentin State Prison.

#### Budget Bill Language

1. Approved budget bill language to require that CDCR work with the federal government to ensure that the construction meets the requirements of the federal court.
- Approved \$2 million GF for minor capital outlay projects at various state prisons facilities.

#### Budget Bill Language

1. Approved budget bill restricting the redirection of minor capital outlay projects unless there are special circumstances or an emergency.

#### **Local Subventions**

- Approved \$16.8 million GF to fund local assistance for a jail rate increase and other local mitigation costs to reimburse county coroners, district attorney costs, and other costs. This item is contained in the population estimate.

#### Trailer Bill Language

1. Approved trailer bill language that would limit local government jurisdictions from filing a reimbursable claim with CDCR or any other state agency more than six months after the close of the month in which the costs were incurred.
- Rejected the Governor's block grant proposal to fund local probation services for 18- to 25-year olds statewide. Approved \$20 million for four probation pilot projects. This funding was then reduced to \$10 million in SB 78 (Budget) the companion bill to the conference report.

Trailer Bill Language

1. Approved trailer bill language to guide the implementation of the two probation pilot projects. ***Clean up legislation (AB 191, Budget) was enacted to ensure that the pilot projects are designed and implemented locally.***
- Approved \$29.7 million GF for the Mentally Ill Offender Crime Reduction (MIOCR) Grants to local law enforcement. This funding is contained in SB 78 (Budget) the companion bill to the conference report.

Budget Bill Language

1. Approved budget bill language to pass through the Cost-of-Living Increase provided to CDCR to the publicly-owned Community Correctional Facilities in California with contracts with CDCR. ***The Governor vetoed this language because the budget no longer contains funding for a price increase.***

**0552 Office of the Inspector General**

- Approved \$1.8 million GF to expand the audit functions of the Office of the Inspector General.
- Approved \$1 million GF to require the Office of the Inspector General to review candidates for appointment as superintendent of a juvenile correctional facility. ***The Governor reduced this item by \$959,000 in his vetoes.***
- Approved approximately \$517,000 GF to support the operations of the California Rehabilitation Oversight Board as created by Chapter 7, Statutes of 2007 (AB 900, Solorio).
- Approved \$191,000 GF for one position to oversee the implementation of the *Armstrong* lawsuit and audit the federal court-appointed Receiver's budget.

Budget Bill Language

1. Approved budget bill language to direct the Office of Inspector General to complete a study of custody resources at CDCR related to medical guarding and transportation. ***The Governor vetoed this language and directed the new Program Support Unit at CDCR to conduct this study.***

# JUDICIARY

## 0250 Judicial Branch

- Approved \$124.7 million GF to fully fund the State Appropriations Limit (SAL) adjustment to the trial courts in the budget year. Approved the Judicial Council's draft allocation of the SAL funding, which includes funding for the following priorities:
  - Retirement adjustment - \$1.1 million reduction
  - Security - \$23 million
  - Inflation and workforce (allocated pro rata) - \$86.7 million
  - Workload (100% for equalization) - \$16.1 million.
- Approved \$27.8 million GF that grows to \$74.3 million GF in 2008-09 to add 50 new judgeships. *The Governor reduced this item by \$3 million in vetoes to reflect one month of salary savings related to the 50 new judgeships established in 2006-07.*
- Rejected Governor's proposal to implement a base-level of security at all trial courts. The Governor's proposal would have cost \$36.6 million in the budget year and would have grown to \$57.8 million in 2008-09.
- Approved \$17.4 million GF to implement the Conservatorship and Guardianship Reform Act of 2006 to increase court oversight over the conservatorship and guardianship system for elderly and dependent adults. *The Governor vetoed this item.*
- Approved \$1.4 million GF to require court-appointed counsel for children in appeals of dependency court orders.
- Approved \$2.5 million GF proposal to create new and expand existing self-help programs.
- Approved \$35.9 million from the Court Facilities Construction Fund to fund acquisition, preliminary plans, and/or working drawings for 11 new courthouse projects in the following counties: Contra Costa, joint facility for Plumas and Sierra, Mono, Madera, San Bernardino, San Joaquin, Riverside, Tulare, San Benito, Calaveras, Lassen, and Los Angeles – Long Beach.

### Budget Bill Language

1. Approved budget bill language to allocate the State Appropriations Limit as described above.
2. Approved budget bill language to direct the Judicial Council to

allocate funds to the Los Angeles Superior Court to provide two months of retroactive pay raises from 2005.

3. Approved budget bill language to direct the Judicial Council to provide \$5 million to trial courts from existing funds to create pay ranges for court interpreter employees. The budget bill language would also direct the Judicial Council to allocate \$250,000 to develop and make available to trial courts interpreter training and recruitment programs. ***The Governor modified this budget bill language to set statewide or regional rates and policies for paying court interpreters, not to exceed the rate paid to certified interpreters in the federal court system.***
4. Approved budget bill language to direct the Judicial Council to provide a \$5 increase to the hourly rate for Court Appointed Counsel from within existing resources. ***The Governor vetoed this budget bill language.***
5. Approved budget bill language to authorize the Judicial Council to enter into a public-private partnership to construct a new Long Beach courthouse. The language requires that the Judicial Council develop benchmarks and performance criteria and submit these criteria to the Legislature 30 days prior to the release of initial solicitation documents.

#### Trailer Bill Language

1. Approved trailer bill language to allow the Judicial Council to enter into public-private partnerships to construct new courthouse projects. The language requires that the Judicial Council develop benchmarks and performance criteria for these projects that must be submitted to the Legislature.
2. Approved trailer bill language to restrict new expenditures from the Court Facilities Construction Fund unless the increased expenditures are offset by increased revenues to the fund.
3. Approved trailer bill language to require that the Judicial Council develop disposition plans for courthouse properties transferred to the state before the construction of new courthouse projects in the same jurisdiction.
4. Approved trailer bill language to make permanent a 20 percent surcharge on base criminal fines. Revenues from this surcharge are deposited in the General Fund.

**0280 Commission on Judicial Performance**

- Approved as budgeted.

**0390 Contributions to the Judges' Retirement System**

- Approved as budgeted.

## PUBLIC SAFETY AND CRIMINAL JUSTICE

### 0820 Department of Justice

- Approved \$3.4 million GF to augment the department's Criminal Law division to support the increased federal habeas corpus workload.
- Approved \$2.2 million GF to augment the department's Civil Law division to handle the increased class action workload related to the California Department of Corrections and Rehabilitation.
- Approved \$4.2 million GF to maintain staffing to continue a class action lawsuit against insurance companies referred to as the *Underwriters* litigation. This litigation is against insurance companies that reneged on insurance coverage held by the state on the Stringfellow hazardous waste dump.
- Approved \$611,000 GF to enhance the Megan's Law website and implement other requirements of legislation (SB 1128, Alquist and AB 1849, Leslie) enacted in 2006 related to sex offenders.
- Approved \$11.2 million GF to fully fund the DNA Program at \$32.2 million in the budget year.
- Approved \$1 million GF to fund new climate change related litigation. ***The Governor vetoed this item.***
- Approved \$541,000 from the Dealers' Record of Sale Special Account to modernize the Automated Firearms System database to allow local law enforcement to trace crime guns. ***The Governor sustained this augmentation, but is requiring that DOJ provide DOF and the Legislature with a long-term analysis of the solvency of this fund.***
- Approved \$3.7 million from the Restitution Fund to increase funding for the California Witness Protection Program, including adding \$3 million in local assistance to reimburse district attorneys for witness protection costs.
- ***The Governor vetoed \$2.2 million from the Hazardous Waste Control Account and the Toxic Substances Control Account to support the Environmental Law Section to reflect half-year funding for this program. The Governor further urged the Legislature to pass legislation that redirects these funds to the California Environmental Protection Agency and the Department of Toxic Substances Control's green chemistry initiative and to return the litigation oversight role in hazardous waste cases to Cal/EPA and DTSC.***

#### Trailer Bill Language

1. Approved trailer bill language to consolidate the Division of Firearms and the Division of Gambling Control within the Division

of Law Enforcement.

2. Approved trailer bill language to require a 25 percent local match for local agencies that apply for reimbursement from the state for witness protection expenditures through the Witness Protection Program.

#### Budget Bill Language

1. Approved budget bill language to require DOJ to have an approved Feasibility Study Report from the Department of Finance before implementing upgrades to the Automated Firearms System.
2. Approved budget bill language to reflect a consolidation of the Division of Gambling Control and the Division of Firearms within the Division of Law Enforcement.
3. Approved budget bill language to restrict the use of the \$1 million provided for climate change litigation from being expended on litigation against local government entities. *This budget bill language was deleted to conform to the veto of the funding.*

### **0855 Gambling Control Commission**

- Rejected \$1.7 million for the commission to oversee minimum internal control standards of tribal gaming operations.
- *The Governor vetoed \$30 million for grants to local government agencies to mitigate the impacts on the local governments by tribal casinos. The Governor also vetoed budget bill language to conform to this action. After the veto, there remains \$283,000 for payment to Del Norte County for local mitigation grant funding that was not received in past years.*

### **1690 Alfred E. Alquist Seismic Safety Commission**

- Approved \$2 million special fund for a new grant program to fund research topics selected from the Commission's Earthquake Research Plan.

### **1870 California Victim Compensation and Government Claims Board**

- Approved as budgeted.

## 8120 Commission on Peace Officer Standards and Training

- Approved \$3.5 million special funds to replace the eight oldest Law Enforcement Driving Simulators.
- Approved \$650,000 special funds to develop a new web-based training portal, including converting current CD-ROM training to web-based.
- Approved \$250,000 in special funds to increase the contract it has with the State Controller's Office to audit local law enforcement to ensure that local agencies are submitting appropriate reimbursement claims.

### Budget Bill Language

1. Approved budget bill to require a report on audit findings. ***The Governor vetoed this budget bill language, but instructed the Commission to comply, to the extent possible, with the reporting requirement.***
2. Approved budget bill language to allow state law enforcement to participate in the *Tools for Tolerance* training program at the Simon Wiesenthal Museum of Tolerance.

## 8140 State Public Defender

- Approved as budgeted.

## 8180 Payments to Counties for Costs of Homicide Trial

- Approved as budgeted.

## 8550 California Horse Racing Board

- Approved as budgeted.

## GOVERNOR'S VETOES

**SB 77**  
**VETOES**

**State of California**  
Governor's Office

I object to the following appropriations contained in Senate Bill 77.

Item 0250-001-0001—For support of Judicial Branch. I revise this item by deleting Provision 5.

I am deleting Provision 5, which would state the Legislature's intent that the Administrative Office of the Courts (AOC) prioritize existing resources to provide a \$5 increase to the hourly rates paid to attorneys in the Court Appointed Counsel Program (Program). A study of the Program's attorney rates is currently underway and is due to be completed by the end of August 2007. To the extent that the study justifies rate increases, the AOC has the ability to provide increases commensurate with the needs as determined by the study.

Item 0250-101-0932—For local assistance, Judicial Branch. I reduce this item from \$3,056,153,000 to \$3,035,796,000 by reducing:

(1) 45.10-Support for Operation of the Trial Courts from \$2,632,142,000 to \$2,611,785,000; and by revising Provision 4.

I am reducing this item by \$20,357,000, which includes a reduction of \$17,377,000 for funding to support the implementation of the Omnibus Conservatorship and Guardianship Reform Act of 2006 (Act) and a reduction of \$2,980,000 for one month of savings related to the 50 new trial court judgeships established in 2006-07. It is my intention for the Judicial Branch to delay implementation of the Act until the 2008-09 fiscal year. Due to the timing of appointments and hiring, one month of the funding for new judgeships will not be necessary in 2007-08. These reductions are necessary in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

I am revising Provision 4, which would require the Judicial Council to allocate not less than \$5,250,000 for court interpreter pay increases and other recruiting and retention incentives. Requiring the Judicial Council to allocate funds for court interpreter recruiting and retention incentives would alter the collective bargaining process by shifting the focus from the actual need for pay increases and other recruiting and retention measures, as negotiated through the normal process, to the minimum level of funding allocated.

Provision 4 is revised as follows:

"The funds appropriated in Schedule (4) shall be for payments for services of contractual court interpreters, and certified and registered court interpreters employed by the courts, and the following court interpreter coordinators: 1.0 each in counties of the 1st through the 15th classes, 0.5 each in counties of the 16th through the 31st classes, and 0.25 each in counties of the 32nd through the 58th classes. For the purposes of this provision, "court interpreter coordinators" may be full- or part-time court employees, or those contracted by the court to perform these services.

The Judicial Council shall set statewide or regional rates and policies for payment of court interpreters, not to exceed the rate paid to certified interpreters in the federal court system. The Legislature finds and declares that there exists a shortage in the availability of certified and registered interpreters in the state courts that reduces the state's ability to provide meaningful access to justice for all court users, including parties, witnesses, and victims. Therefore, every effort must be made to recruit and retain qualified interpreters to work in the state courts.

~~Of the amount appropriated in Schedule (4), not less than five million dollars (\$5,000,000), not including funds provided pursuant to Section 77202 of the Government Code, shall be provided to the trial courts for the purpose of adjusting or creating pay ranges for court interpreter employees that, at the top of the range, do not exceed the top step of the full performance range for staff interpreters in the Federal Courts as of the effective date of this provision. The establishment of pay ranges and their application to specific employee classifications shall be subject to meet and confer in good faith as provided in Chapter 7.5 (commencing with Section 71800) of Title 8 of the Government Code. The Judicial Council shall adjust statewide or regional rates for contract court interpreters in a manner that is equivalent to the average rate of increase provided to court interpreter employees. The Judicial Council shall notify the courts in each region of the availability of these funds for the purposes set forth in this provision, and shall allocate the funds upon notification that ranges and salary adjustments have been established and implemented as provided herein. In no event shall the daily rate set by the Judicial Council for contract interpreters exceed the equivalent median wage of court interpreters employed by the courts in each region.~~

~~Of the amount appropriated in Schedule (4), the Judicial Council shall allocate not less than two hundred fifty thousand dollars (\$250,000) to develop and make available to trial courts, interpreter training and recruitment programs including, but not limited to: 1) training programs designed for working interpreters who are subject to new certification exams in Russian, Western Armenian, Mandarin, Cambodian and Punjabi; 2) certification exam preparation courses for all languages subject to state certification exams; and 3) development of mentoring and internship programs in the trial courts for exam candidates attending educational institutions that train legal interpreters, subject to meet and confer in good faith as provided in Chapter 7.5 (commencing with Section 71800) of Title 8 of the Government Code. The Judicial Council shall adopt appropriate rules and procedures for the administration of these funds. The Judicial Council shall report to the Legislature and Director of Finance annually regarding expenditures from this schedule, which shall also include a report of expenditures for; equivalent work days of, non-certified and non-registered contract interpreters that provide interpretation services in the state trial courts; and number of interpreter vacancies filled."~~

Item 0250-111-0001—For local assistance, Judicial Branch. I reduce this item from \$1,813,729,000 to \$1,793,372,000.

I am reducing this item by \$20,357,000 to conform with the action taken in Item 0250-101-0932.

Item 0530-001-9732—For support of Secretary of Health and Human Services Agency. I reduce this item from \$182,976,000 to \$177,841,000 by reducing:

(1) 30-Office of Systems Integration from \$182,976,000 to \$177,841,000.

This reduction conforms to the action taken in Item 5180-151-0001.

Item 0540-492—Reappropriation, Secretary for Resources. I revise this item by deleting Schedule 1.

“Notwithstanding any other provision of law, the period to liquidate encumbrances of the following citations is extended to June 30, 2008:

0001-General Fund

- (1) ~~Item 0540-101-0001, Budget Act of 1999 (Ch. 50, Stats. 1999), as reappropriated by Item 0540-492, Budget Act of 2002 (Ch. 379, Stats. 2002), Item 0540-490, Budget Acts of 2003 (Ch. 157, Stats. 2003), 2005 (Chs. 38 and 39, Stats. 2005), and 2006 (Chs. 47 and 48, Stats. 2006), and Item 0540-491, Budget Act of 2004 (Ch. 208, Stats. 2004)~~
- (2) Item 0540-101-0001, Budget Act of 2000 (Ch. 52, Stats. 2000), as reappropriated by Item 0540-490, Budget Acts of 2003 (Ch. 157, Stats. 2003), 2005 (Chs. 38 and 39, Stats. 2005), and 2006 (Chs. 47 and 48, Stats. 2006) and Item 0540-491, Budget Act of 2004 (Ch. 208, Stats. 2004)
- (3) Item 0540-101-0001, Budget Act of 2001 (Ch. 106, Stats. 2001), as reappropriated by Item 0540-491, Budget Act of 2004 (Ch. 208, Stats. 2004), and Item 0540-490, Budget Acts of 2005 (Chs. 38 and 39, Stats. 2005) and 2006 (Chs. 47 and 48, Stats. 2006)”

I am eliminating the expenditure availability for two projects funded from the Coastal Resources Grant program. Funds for these projects have been available since 1999 and no funds have been expended on either project as required by the grant agreements. Several obstacles remain, making progress on these projects unlikely in the near future. Consequently, it would not be prudent to continue earmarking General Fund for these projects. This action will result in \$577,500 of General Fund savings.

Item 0552-001-0001—For support of the Office of the Inspector General. I reduce this item from \$19,265,000 to \$18,306,000 by reducing:

- (1) 10-Office of Inspector General from \$19,265,000 to \$18,306,000,

and by deleting Provision 1.

I am deleting the \$959,000 augmentation for the Office of the Inspector General (OIG) to implement their review of all candidates for superintendent in Division of Juvenile Justice facilities. Superintendent review was mandated by Chapter 709, Statutes of 2006 (AB 971). While I believe these activities are important, I am directing the OIG to delay implementation of this measure in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

Provision 1 would require the OIG to complete a study of custody resources within the California Department of Corrections and Rehabilitation’s (CDCR) budget related to the transfer of various medical guarding and transportation positions within the CDCR. I am concerned about the large number of programs being created and expanded within the OIG. The Budget includes additional resources for audits and investigations, auditing the budget of the California Prison Receivership, monitoring compliance with court orders in the Armstrong case, and chairing the California Rehabilitation Oversight Board created by Chapter 7, Statutes of 2007 (AB 900). Because of the increased workload requirements within their programmatic expansions and responsibilities, the OIG will not be able to complete this study. However, I am directing the

CDCR's reactivated Program Support Unit, whose historical responsibilities have included studying and making recommendations on custody staffing levels within the CDCR, to conduct this study.

Item 0690-002-0001—For Support of Office of Emergency Services. I delete Provision 4.

I am deleting Provision 4, which specifies that the duties and responsibilities of the State Anti-Gang Coordinator will be subject to additional definition in legislation. However, I will continue to work with the Legislature to further define the role of the Coordinator to assist state and local agencies in combating gang violence.

Item 0690-102-0214—For local assistance, Office of Emergency Services. I delete Provision 1.

I am deleting Provision 1, which specifies that funds for grants to cities and community-based organizations are for gang prevention, intervention, reentry, education, job training and skills development, and family and community services. In addition, the language in Provision 1 specifies that none of the funds can be used for law enforcement suppression activities or front-line police services.

While prevention and intervention are necessary components of a comprehensive anti-gang strategy, so is suppression. Therefore, I am vetoing Provision 1 and directing the State Anti-Gang Coordinator to draft and provide cities with grant instructions specifying that suppression activities are an allowable use of the funds, along with the other activities listed in Provision 1.

Item 0820-001-0001—For support of Department of Justice. I revise this item from \$404,237,000 to \$403,237,000, by reducing:

- (8) 45-Public Rights from \$92,478,000 to \$89,312,000;
- (15) Amount payable from Hazardous Waste Control Account (Item 0820-001-0014) from -\$1,973,000 to -\$987,000;
- (26) Amount payable from the Toxic Substances Control Account (Item 0820-001-0557) -\$2,361,000 to -\$1,181,000;

and by deleting Provision 12.

I am deleting the \$1,000,000 legislative augmentation that would have provided funding for the Department of Justice (DOJ) to independently pursue climate change litigation as the plaintiff on behalf of the state. In the area of law related to climate change, the Air Resources Board (ARB) is the state agency with the responsibility to oversee litigation in that arena and has the funds to request the DOJ to pursue such litigation.

I am deleting Provision 12 to conform to this action.

I am reducing the Environmental Law Section's appropriations from the Hazardous Waste Control Account and the Toxic Substances Control Account by a total of \$2,166,000 to reflect half-year funding for the program, and I urge the Legislature to pass legislation that redirects these funds to the California Environmental Protection Agency's (Cal/EPA) and the Department

of Toxic Substances Control's (DTSC) green chemistry initiative and returns the litigation oversight role in hazardous waste cases to Cal/EPA and DTSC. DTSC is increasingly turning to our local government partners and district attorneys to enforce California's hazardous waste laws. In addition, Cal/EPA and DTSC are developing a green chemistry initiative that will change the paradigm of toxic and chemical use and enforcement in California. The combination of these activities will improve our environment and human health through greater enforcement of current hazardous waste laws and usher in a new future to the approach of chemical use in California. In addition, when developing the 2008-09 Budget, we will review the litigation needs in this area and budget the necessary funds for legal services within DTSC's budget.

I am sustaining the \$541,000 legislative augmentation for the first year of a multi-year project to update the DOJ Automated Firearms Systems database. However, I am concerned that there has been no review done to ensure the information technology solution addresses the program needs. In addition, I am concerned that competing demands for the Dealers' Record of Sale Special Account funds could necessitate an increase in fees on the sale of firearms. Therefore, in addition to having an approved feasibility study report prior to expending any funds, I am also requesting the DOJ to provide the Department of Finance and the Legislature with a long-term analysis of the fund, including any known pressures on that fund, to ensure that there are sufficient resources to cover the program costs without necessitating a fee increase.

Item 0820-001-0014—For support of Department of Justice. I reduce this item from \$1,973,000 to \$987,000.

I am revising this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0557—For support of Department of Justice. I reduce this item from \$2,361,000 to \$1,181,000.

I am revising this item to conform to the action I have taken in Item 0820-001-0001.

Item 0855-101-0367—For local assistance, California Gambling Control Commission. I reduce this item from \$30,283,000 to \$283,000 and delete Provision 1.

I am deleting the \$30,000,000 for grants to local government agencies to mitigate the impacts on the local governments by tribal casinos. As evidenced in a recent Bureau of State Audits report, there is great concern regarding whether these funds are being used solely for their intended purpose, which is to mitigate the impacts of having tribal casinos in their communities. I will support legislation that includes an appropriation for mitigation funds if the process is reformed.

I am deleting Provision 1 to conform to this action.

With this reduction, there still remains \$283,000 for payment to Del Norte County which reflects local mitigation grant funding not received by Del Norte County from the Indian Gaming Special Distribution Fund in fiscal years 2003-04, 2004-05, and 2005-06.

Item 0860-001-0001—For support of State Board of Equalization. I reduce this item from \$218,835,000 to \$218,435,000 by reducing:

(2) 300000-Operating Expense and Equipment from \$96,269,000 to \$95,869,000,

and by deleting Provision 3.

I am deleting this legislative augmentation of \$400,000 for a county assessor pilot program designed to promote taxpayer awareness of the requirement to pay use tax on non-exempt purchases if sales tax has not been paid. This reduction is necessary to limit program expansions and provide for a prudent General Fund reserve in light of the various uncertainties in revenues and spending that we face this year.

Item 0890-001-0001—For support of Secretary of State. I reduce this item from \$48,157,500 to \$47,822,000 by reducing:

(2) 20-Elections from \$46,933,500 to \$46,598,000.

I am deleting the \$335,500 legislative augmentation for 4.0 positions which would provide staffing to expand voter outreach and education efforts to support the three elections scheduled for 2008. During a time of limited General Fund resources, the counties, political parties, and civic organizations must step up and encourage and promote increased voter participation.

Item 3110-101-0001—For local assistance, Special Resources Program. I delete this item and Provision 1.

I am deleting the \$200,000 legislative augmentation for the Tahoe Regional Planning Agency for regulation enforcement and transit system development. It is premature to provide additional funding until the bi-state commission completes its report. With these reductions, \$3,800,000 still remains to provide California's share of funding for the Tahoe Regional Planning Agency.

I am deleting Provision 1 to conform to this action.

Item 3340-101-6051—For local assistance, California Conservation Corps. I delete this item.

I am deleting the \$12,000,000 legislative augmentation that would provide \$1,000,000 to each of the 12 certified Local Conservation Corps. Notwithstanding the merit of the Local Corps programs, the California Conservation Corps is still in the process of developing grant guidelines for Proposition 84 bond funds. Furthermore, a recent audit of Proposition 12 and 40 bond funds identified a need for the Corps to improve its oversight of bond expenditures. The audit recommended that the Corps develop a corrective action plan prior to receiving additional bond funds. Therefore, it is necessary to delete this funding to ensure that bond proceeds are spent efficiently, effectively, and in a manner consistent with my Executive Order S-02-07 regarding bond accountability. I support funding for the Local Corps grant program when the grant guidelines and a corrective action plan that identifies appropriate oversight measures are in place.

Item 3360-001-0465—For Support, State Energy Resources Conservation and Development Commission. I revise this item by reducing:

(1) 30-Development from \$128,807,000 to \$127,841,000, and

(6) Reimbursements from -\$6,711,000 to -\$5,745,000.

I am eliminating a fund shift of \$966,000 from the Energy Resources Programs Account to reimbursements for the support of two contracts. Funding for these contracts was included in the budget of the Energy Commission (Commission) when I introduced the Governor's Budget last January. However, the Legislature removed the funds from the Commission's budget, placed them in the budget of the Air Resources Board, and indicated that the Commission may seek the funds by contracting with the Air Resources Board. This would have the effect of requiring both the Commission and the Air Board to engage in unnecessary work that would delay these important projects, and as such is unacceptable.

Item 3600-001-0001—For support of Department of Fish and Game. I reduce this item from \$84,503,000 to \$82,998,000 by reducing:

- (3) 30-Management of Department Lands and Facilities from \$54,180,000 to \$53,342,000;
- (4) 40-Enforcement from \$61,705,000 to \$60,200,000; and
- (22) Amount payable from the Coastal Wetlands Account (Item 3600-001-3104) from -\$974,000 to -\$136,000.

I am reducing the \$3,000,000 legislative augmentation for Fish and Game Warden recruitment and retention by \$1,505,000. Last year, for the first time in several years, I increased salaries by 25 percent during the three years of the bargaining agreement. I am sustaining \$1,495,000 to provide overtime funding for wardens and lieutenants, which continues my commitment to address compensation issues. However, this partial veto is necessary in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

I am also revising this item to conform to the actions I have taken in Item 3600-001-3104.

Item 3600-001-3104—For support of Department of Fish and Game. I reduce this item from \$974,000 to \$136,000.

I am deleting the \$838,000 legislative augmentation for the maintenance and management of Department of Fish and Game coastal wetlands properties. Last year, I sustained a \$5,000,000 transfer from the General Fund to the Coastal Wetlands Account to create an endowment to provide ongoing, sustainable funding for coastal wetlands management activities. This augmentation, if sustained for 2007-08 and continued in future years, would spend down the endowment in approximately six years, and place additional cost pressure on the General Fund at that time. With this reduction, \$1,400,000 million and 18.1 positions remain for coastal wetlands management.

Item 3720-001-0001—For support of California Coastal Commission. I reduce this item from \$11,881,000 to \$11,501,000 by reducing:

- (1) 10—Coastal Management Program from \$15,909,000 to \$15,529,000.

I am deleting the \$380,000 legislative augmentation for coastal enforcement. The California Coastal Commission has the authority to adjust its fees, and I am willing to consider augmentations that address the Commission's workload needs once fees have been adjusted to cover associated costs. Currently, however, the proposed augmentation would result in

additional General Fund costs. This reduction is necessary in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. With this reduction \$15,529,000 still remains to support the Commission's coastal management program.

Item 3780-001-0001—For support of Native American Heritage Commission. I reduce this item from \$970,000 to \$770,000 by reducing:

- (1) 10—Native American Heritage Commission from \$975,000 to \$775,000.

I am deleting the \$200,000 legislative augmentation for 2.0 positions to implement legislative mandates. This reduction is necessary in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. With this reduction \$775,000 remains to support the Native American Heritage Commission.

Item 3790-301-6051—For capital outlay, Department of Parks and Recreation. I reduce this item from \$60,878,000 to \$45,878,000 by reducing:

- (3.7) 90.RS.412-Statewide: State Park System Opportunity and Inholding Acquisitions—Acquisition from \$30,000,000 to \$15,000,000.

I am vetoing \$15,000,000 of the \$25,000,000 augmentation to allow the Department sufficient resources for opportunity purchases and inholding acquisitions. The Department expended \$324,000,000 between 2000 and 2006 to acquire nearly 100,000 acres to expand the state park system. Given this recent significant investment, the Department should proceed cautiously to limit future operating costs.

Item 3790-492—Reappropriation, Department of Parks and Recreation. I revise this item by deleting Schedule 1.

"Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended as cited below:

6029--California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund

~~(1) Subdivision (b) of Section 2 of Chapter 1126 of the Statutes of 2002. The liquidation period for the grant of \$3,000,000 to the City of Oroville is extended to December 31, 2009."~~

I am eliminating the expenditure availability for this project funded from the Proposition 40 Historical and Cultural Resources Preservation Opportunity Grant Program. Funds for this project have been available for five years and have not yet been spent.

Item 3860-001-0001—For support of Department of Water Resources. I revise this item by reducing:

- (1) 10-Continuing Formulation of the California Water Plan from \$120,292,000 to \$116,047,000, and
- (29) Amount payable from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Item 3860-001-6051) from -\$12,165,000 to -\$7,920,000.

I am revising this item to conform to the action taken in Item 3860-001-6051.

Item 3860-001-6051—For support of Department of Water Resources. I reduce this item from \$12,165,000 to \$7,920,000.

I am deleting the legislative augmentation of \$4,245,000 for watershed basin planning activities. Although I support this program, I believe that these activities should be funded through Proposition 84 funds available for the development of regional and local land use plans. Statewide water planning activity funds should be reserved for activities such as planning future water storage, adaptations of the state's water systems to climate change, and other activities that address the state's future water supply needs.

Item 3860-101-6051—For local assistance, Department of Water Resources. I reduce this item from \$229,340,000 to \$219,340,000.

I am deleting the legislative augmentation of \$10,000,000 for the Flood Protection Corridor Program. My proposal includes \$24,000,000 Proposition 84 funds for projects to implement Flood Protection Corridor Program. This funding is sufficient to meet the needs of the program for the budget year, and I will propose additional funds to implement Flood Protection Corridor projects in future budgets.

Item 3860-101-6052—For local assistance, Department of Water Resources. I reduce this item from \$197,450,000 to \$167,450,000.

I am deleting the legislative augmentation of \$30,000,000 for the Floodway Corridor Program. This augmentation is unnecessary because criteria have not been developed for this new program created by Proposition 1E. Thus, it is not feasible for grants to be solicited and awarded during the fiscal year. The Department of Water Resources will develop criteria for this program during the fiscal year, and funds to implement Floodway Corridor Program projects will be included in future budgets.

Item 3900-001-0465—For support of State Air Resources Board. I delete this item.

I am eliminating this item by reducing \$966,000 in funding from the Energy Resources Programs Account. This funding was intended to support two contracts that were proposed in the budget of the Energy Commission when I introduced the Governor's Budget last January. However, the Legislature removed the funds from the Commission's budget, placed them in the budget of the Air Resources Board, and indicated that the Commission may seek the funds by contracting with the Air Resources Board. This would have the effect of requiring both the Commission and the Air Board to engage in unnecessary work that would delay these important projects, and as such is unacceptable.

Item 3900-001-6053—For support of State Air Resources Board.

I am sustaining the legislative augmentation of an additional \$96,500,000 provided for school bus replacement and retrofits to reduce the air pollution emissions of older, high-polluting school buses. However, I note a concern with respect to the ability of the State Air Resources Board to allocate almost \$200 million in lower-emission school bus funding within the next two years. It is important that we do not sacrifice accountability in the interests of expediency. Therefore, while

acknowledging the challenge that the State Air Resources Board faces in distributing these funds, I am directing the State Air Resources Board to allocate these funds expeditiously while ensuring consistency with the accountability safeguards identified in my Executive Order S-02-07 for the bonds that were approved by the voters in the November 2006 general election.

Item 3900-001-6054—For support of State Air Resources Board.

I am sustaining the legislative augmentation of an additional \$139,000,000 provided for trade corridor emissions reductions to be expended in the budget year for this new program authorized by the voters in Proposition 1B in the November 2006 general election. Proposition 1B provides \$1 billion to fund projects intended to improve air quality along four of California's major transportation corridors: from the Los Angeles ports to the Inland Empire, State Route 99 in the Central Valley, the San Francisco Bay Area, and the San Diego border region. The State Air Resources Board will be developing program guidelines and will solicit project proposals. The projects to be funded are intended to achieve air quality improvements above and beyond anything required by current law or regulation.

The travelers on our busy trade corridors and the individuals who reside along their routes are demanding relief now—not many years from now. However, I am concerned about taxing the ability of the State Air Resources Board to develop program guidelines and allocate \$250,000,000 in the 2007-08 fiscal year. We must ensure effective expenditure of this bond funding. It is important that we do not sacrifice accountability in the interests of expediency. Therefore, while acknowledging the challenge that the State Air Resources Board faces in distributing these funds, I am directing the State Air Resources Board to ensure that this funding be allocated consistent with the accountability safeguards identified in my Executive Order S-02-07 for all bond funds approved by the voters in the November 2006 general election.

I am requesting the State Air Resources Board to develop program administrative guidelines that make sense, reduce bureaucratic red tape, simplify and expedite project application and award procedures, and ensure projects are completed in record time. The people who voted for Proposition 1B are demanding this action. I know that my colleagues in the Legislature agree with these goals, and that the staff of the State Air Resources Board is up to this challenge.

In addition, because the language adopted by the Legislature relies heavily on local and regional entities to carry out this program, I am calling on those entities to work closely with the State Air Resources Board and ensure they are prepared to submit applications to receive and allocate funding as soon as possible in this fiscal year.

Item 4260-001-0001—For support of Department of Health Care Services. I reduce this item from \$136,412,000 to \$136,218,000 by reducing:

- (1) 20-Health Care Services from \$385,348,000 to \$382,971,000;
- (6) Amount payable from the Childhood Lead Poisoning Prevention Fund (Item 4260-001-0080) from -\$198,000 to -\$142,000;
- (8) Amount payable from the Federal Trust Fund (Item 4260-001-0890) from -\$224,133,000 to -\$224,036,000;

and by deleting:

- (10) Amount payable from the California Discount Prescription Drug Program Fund (Item 4260-001-8040) (-\$2,030,000);

and Provision 4.

I am deleting the \$56,000 legislative augmentation to restore 1.0 special funded position that was redirected from the Department of Health Services (DHS) to the new Department of Health Care Services. This will ensure the split of the DHS into two departments remains budget-neutral, consistent with the intent of Chapter 241, Statutes of 2006 (SB 162). This action is consistent with the deletion of \$744,000 and 11.0 positions in the Department of Public Health.

I am also reducing \$56,000 in Item 4260-001-0080 to conform to this action.

Provision 4 prohibits the Department of Health Care Services from expending any funds to relocate the Fresno Medi-Cal Field Office. I am deleting Provision 4 because it interferes with the Executive Branch's ability to effectively administer programs. Maintaining the Department's ability to consolidate operations is an important component of increasing operational efficiencies.

I am deleting \$195,000 (\$98,000 General Fund and \$97,000 Federal Trust Fund) and 2.0 positions for the implementation of Chapter 328, Statutes of 2006 (SB 437), which included a pilot program for self-certification of income at enrollment for Medi-Cal and development of feasibility study reports to begin implementing changes to several automated eligibility systems. While I remain committed to implementation of these reforms, this reduction is needed to build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. I am directing the Department of Health Care Services to delay implementation for one year.

In order to further build a prudent reserve, I am deleting \$2,030,000 intended to specifically fund implementation costs for the California Discount Prescription Drug Program. I am directing the Department of Health Care Services to identify resources to move forward with implementation.

I am also deleting Item 4260-001-8040 to conform to this action.

I am deleting \$96,000 General Fund intended to fund implementation costs for the California Rx Prescription Drug Website Program and am directing the Department of Health Care Services to delay implementation of the program for one year.

Item 4260-001-0080—For support of Department of Health Care Services. I reduce this item from \$198,000 to \$142,000.

I am reducing this item to conform to the action I have taken in Item 4260-001-0001.

Item 4260-001-0890—For support of Department of Health Care Services. I reduce this item from \$224,133,000 to \$224,036,000.

I am reducing this item by \$97,000 to conform to the action I have taken in Item 4260-001-0001, related to the delayed implementation of Chapter 328, Statutes of 2006 (SB 437).

Item 4260-001-8040—For support of Department of Health Care Services. I delete this item.

I am deleting this item to conform to the action I have taken in Item 4260-001-0001 regarding the California Discount Prescription Drug Program.

Item 4260-006-0001—For transfer by the Controller to the California Discount Prescription Drug Program Fund. I delete this item and Provision 1.

I am deleting the \$6,330,000 in this item to conform to the actions I have taken in Items 4260-001-0001, 4260-001-8040, and 4260-119-8040 regarding the California Discount Prescription Drug Program.

I am also deleting Provision 1 to conform to this action.

Item 4260-101-0001—For local assistance, Department of Health Care Services. I reduce this item from \$14,313,728,000 to \$13,903,340,000 by reducing:

- (1) 20.10.010-Eligibility (County Administration) from \$2,660,676,000 to \$2,633,842,000;
- (3) 20.10.030-Benefits (Medical Care and Services) from \$32,222,681,000 to \$31,447,632,000; and
- (8) Amount payable from the Federal Trust Fund (Item 4260-101-0890) from -\$20,595,964,000 to -\$20,204,469,000.

I am deleting the legislative augmentation of \$4,260,000 (\$2,130,000 General Fund and \$2,130,000 Federal Trust Fund) for workstation replacement to conform to the action taken in Item 5180-141-0001.

I am deleting \$106,286,000 (\$53,143,000 General Fund and \$53,143,000 Federal Trust Fund) of the funding for rates for managed health care plans in the Medi-Cal Program. This reduction is necessary to provide for a prudent General Fund reserve in light of the various uncertainties in revenues and spending that we face this year. With this reduction, \$108,000,000 (\$54,000,000 General Fund) still remains to fund rate increases for plans to ensure adequate access to care for low-income Californians.

I am reducing the Medi-Cal Program by \$644,893,000 (\$331,893,000 General Fund and \$313,000,000 Federal Trust Fund). This reduction is necessary to provide for a prudent General Fund reserve in light of the various uncertainties in revenues and spending that we face this year. This reduction is based on historical data showing that on average over the last three fiscal years, Medi-Cal expenditures have been more than \$400 million General Fund lower than the estimate.

I am deleting \$26,792,000 (\$13,396,000 General Fund and \$13,396,000 Federal Trust Fund) to delay the implementation of Chapter 328, Statutes of 2006 (SB 437), which included a pilot program for self-certification of income at enrollment for Medi-Cal and development of feasibility study reports to begin implementing changes to several automated eligibility systems. This

action will delay implementation of SB 437 for one year. This reduction is necessary to provide for a prudent General Fund reserve in light of the various uncertainties in revenues and spending that we face this year.

I am reducing the \$19,652,000 (\$9,826,000 General Fund and \$9,826,000 Federal Trust Fund) in funding for the county grants portion of the Children's Outreach Initiative. This appropriation reduction is necessary to provide for a prudent General Fund reserve in light of the various uncertainties in revenues and spending that we face this year. With this reduction, \$147,020,000 (\$64,680,000 General Fund) still remains to fund other components of the Children's Outreach Initiative that streamline enrollment processes, improve retention, and support county-based enrollment efforts for children. The Department of Health Care Services will pay for any valid county claims for the Children's Outreach Initiative for the 2006-07 fiscal year from remaining funds within this item.

Item 4260-101-0890—For local assistance, Department of Health Care Services. I reduce this item from \$20,595,964,000 to \$20,204,469,000.

I am reducing this item by \$391,495,000 to conform to the action I have taken in Item 4260-101-0001.

Item 4260-111-0001—For local assistance, Department of Health Care Services. I reduce this item from \$172,616,000 to \$162,616,000 by reducing:

(3) 20.35-Primary and Rural Health from \$53,289,000 to \$43,289,000,

and by deleting Provision 3.

I am reducing \$10,000,000 General Fund from Expanded Access to Primary Care (EAPC) in order to help build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. I will seek a subsequent bill this session to fund this program with Proposition 99 funding and maintain a constant level of funding in the program.

Provision 3 directs the Department of Health Care Services to work with various constituency groups to resolve issues with the timely discharge of patients enrolled in the California Children's Services Program. This requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language.

Given the Legislature's interest in this area and the importance of this program, I am instructing the director of the Department of Health Care Services to continue the activities of this legislative request to the extent such activities can be achieved using existing resources and without impairing the Department of Health Care Services ability to perform its essential functions.

Item 4260-113-0001—For local assistance, Department of Health Care Services. I reduce this item from \$190,394,000 to \$185,171,000 by reducing:

(1) 20.10.010-Eligibility (County Administration) from \$20,783,000 to \$5,860,000, and

(4) Amount payable from the Federal Trust Fund (Item 4260-113-0890) from -\$330,184,000 to -\$320,484,000.

I am reducing the \$14,923,000 (\$5,223,000 General Fund and \$9,700,000 Federal Trust Fund) in funding for the county grants portion of the Children's Outreach Initiative to conform to the action I have taken in Item 4260-101-0001. The Department of Health Care Services will pay for any valid county claims for the Children's Outreach Initiative for the 2006-07 fiscal year from remaining funds within this item.

Item 4260-113-0890—For local assistance, Department of Health Care Services. I reduce this item from \$330,184,000 to \$320,484,000.

I am reducing this item by \$9,700,000 to conform to the action I have taken in Item 4260-113-0001.

Item 4260-119-8040—For local assistance, Department of Health Care Services. I delete this item.

I am deleting the \$4,300,000 intended specifically to fund local assistance implementation costs for the California Discount Prescription Drug Program. This action is necessary to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

Item 4265-001-0001—For support of Department of Public Health. I reduce this item from \$96,897,000 to \$95,460,000 by reducing:

- (2) 20-Public and Environmental Health from \$504,804,000 to \$502,502,000;
- (3) 30-Licensing and Certification from \$151,366,000 to \$150,935,000;
- (6) Reimbursements from \$-36,726,000 to \$-36,605,000;
- (14) Amount payable from the Radiation Control Fund (Item 4265-001-0075) from -\$22,620,000 to -\$22,402,000;
- (16) Amount payable from the Childhood Lead Poisoning Prevention Fund (Item 4265-001-0080) from -\$9,471,000 to -\$9,368,000;
- (18) Amount payable from the Clinical Laboratory Improvement Fund (Item 4265-001-0098) from -\$5,571,000 to -\$5,517,000;
- (24) Amount payable from the Genetic Disease Testing Fund (Item 4265-001-0203) from -\$113,633,000 to -\$113,577,000;
- (31) Amount payable from the Safe Drinking Water Account (Item 4265-001-0306) from -\$11,383,000 to -\$11,204,000;
- (37) Amount payable from the Federal Trust Fund (Item 4265-001-0890) from -\$212,090,000 to -\$211,956,000;
- (41) Amount payable from the Licensing and Certification Trust Fund (Item 4265-001-3098) from -\$84,033,000 to -\$83,602,000;

and by deleting Provision 6.

I am reducing the \$744,000 legislative augmentation to restore 11.0 special funded positions that were redirected from the Department of Health Services (DHS) to administrative and managerial positions in the new Department of Health Care Services and Department of Public Health. This will ensure the split of the DHS into two departments remains budget-neutral, consistent with the intent of Chapter 241, Statutes of 2006 (SB 162). This action is consistent with the deletion of \$56,000 and 1.0 position in the Department of Health Care Services.

I am also reducing \$218,000 in Item 4265-001-0075, \$103,000 in Item 4265-001-0080, \$54,000 in Item 4265-001-0098, \$56,000 in Item 4265-001-0203, \$179,000 in Item 4265-001-0306, and \$134,000 in Item 4265-001-0890 to conform to this action.

I am also reducing \$1,314,000 and 9.0 positions to reflect a delay in implementation of the Healthcare Associated Infections Program under Chapter 526, Statutes of 2006 (SB 739) for one year. This action is necessary to help build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

I am also reducing \$431,000 and 3.0 positions in Item 4265-001-3098 to conform to this action.

I am reducing \$123,000 General Fund and 2.0 positions for the implementation of Chapter 328, Statutes of 2006 (SB 437), which required development of feasibility study reports to implement changes to several automated eligibility systems. I am taking this action to delay implementation for one year in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

I am also deleting Provision 6 which would require the Department of Public Health to provide an action plan to the Legislature by November 1, 2007, and addresses temporary management appointment issues identified by the Bureau of State Audits. This requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, I am instructing the director of the Department of Public Health to comply with this legislative request to the extent compliance can be achieved using existing resources and without impairing the department's ability to perform its essential functions.

Item 4265-001-0075—For support of Department of Public Health. I reduce this item from \$22,620,000 to \$22,402,000.

I am reducing this item to conform to the action I have taken in Item 4265-001-0001.

Item 4265-001-0080—For support of Department of Public Health. I reduce this item from \$9,471,000 to \$9,368,000.

I am reducing this item to conform to the action I have taken in Item 4265-001-0001.

Item 4265-001-0098—For support of Department of Public Health. I reduce this item from \$5,571,000 to \$5,517,000.

I am reducing this item to conform to the action I have taken in Item 4265-001-0001.

Item 4265-001-0203—For support of Department of Public Health. I reduce this item from \$113,633,000 to \$113,577,000.

I am reducing this item to conform to the action I have taken in Item 4265-001-0001.

Item 4265-001-0306—For support of Department of Public Health. I reduce this item from \$11,383,000 to \$11,204,000.

I am reducing this item to conform to the action I have taken in Item 4265-001-0001.

Item 4265-001-0890—For support of Department of Public Health. I reduce this item from \$212,090,000 to \$211,956,000.

I am reducing this item to conform to the action I have taken in Item 4265-001-0001.

Item 4265-001-3098—For support of Department of Public Health. I reduce this item from \$84,033,000 to \$83,602,000.

I am reducing this item by \$431,000 and 3.0 positions to conform to the action I have taken in Item 4265-001-0001 related to the Healthcare Associated Infections Program.

Item 4265-111-0001—For support of Department of Public Health. I reduce this item from \$273,999,000 to \$265,499,000 by reducing:

- (1) 10.10-Emergency Preparedness from \$198,220,000 to \$189,720,000.

In order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year, I am reducing \$8,500,000 from this item on a one-time basis from the ongoing discretionary funding provided for allocation to local health departments for local pandemic influenza preparedness and response planning. Even with this reduction, \$10,000,000 remains to fund local health departments' emergency preparedness activities. In addition, \$8,500,000 remains to provide storage to protect the state's investment in medical supplies and equipment to address health care surge capacity needs.

Item 4280-001-0001—For support of Managed Risk Medical Insurance Board. I reduce this item from \$2,516,000 to \$2,400,000 by reducing:

- (3) 40-Healthy Families Program from \$9,495,000 to \$9,162,000, and
- (9) Amount payable from Federal Trust Fund (Item 4280-001-0890) from -\$7,000,000 to -\$6,783,000.

I am reducing \$333,000 (\$116,000 General Fund and \$217,000 Federal Trust Fund) and 3.0 positions for the implementation of Chapter 328, Statutes of 2006 (SB 437) which provided for a program to test self-certification of income at the Annual Eligibility Review for the Healthy Families Program. I am directing the Managed Risk Medical Insurance Board to delay implementation for one year to contribute to a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

Item 4280-001-0890—For support of Managed Risk Medical Insurance Board. I reduce this item from \$7,000,000 to \$6,783,000.

I am reducing this item by \$217,000 to conform to my actions in 4280-001-0001, related to the delayed implementation of Chapter 328, Statutes of 2006 (SB 437).

Item 4280-101-0890—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from \$732,337,000 to \$729,841,000.

I am reducing this item by \$2,496,000 to conform to the action I have taken in Item 4280-101-0001, related to the delayed implementation of Chapter 328, Statutes of 2006 (SB 437).

Item 4280-102-0001—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from \$26,520,000 to \$26,240,000 by reducing:

- (1) 40-Healthy Families Program from \$75,190,000 to \$74,396,000, and
- (3) Amount payable from the Federal Trust Fund (Item 4280-102-0890) from -\$41,053,000 to -\$40,539,000.

I am deleting \$794,000 (\$280,000 General Fund and \$514,000 Federal Trust Fund) to conform to the action I have taken in Item 4280-001-0001, related to the delayed implementation of Chapter 328, Statutes of 2006 (SB 437).

Item 4280-102-0890—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from \$41,053,000 to \$40,539,000.

I am reducing this item by \$514,000 to conform to the action I have taken in Item 4280-102-0001, related to the delayed implementation of Chapter 328, Statutes of 2006 (SB 437).

Item 4440-101-0001—For local assistance, Department of Mental Health. I revise this item from \$518,723,000 to \$463,873,000 by reducing:

- (1) 10.25-Community Services—Other Treatment from \$705,124,000 to \$638,274,000, and
- (6) Reimbursements from -\$1,132,671,000 to -\$1,120,671,000.

I am deleting the \$54,850,000 legislative augmentation for the Integrated Services for Homeless Adults with Serious Mental Illness Program. While I support the goals of the program, this reduction is necessary to limit program expansions and to help bring ongoing expenditures in line with existing resources. To the extent counties find this program beneficial and cost-effective, it can be restructured to meet the needs of each county's homeless population using other county funding sources, such as federal funds, realignment funds, or Proposition 63 funds.

I am reducing Schedule (6) to eliminate the \$12,000,000 legislative augmentation for the 5 percent rate restoration for mental health managed care. This technical veto is consistent with the legislative action taken in Item 4440-103-0001.

Item 4700-001-0001—For support of Department of Community Services and Development. I reduce this item from \$250,000 to \$150,000 by reducing:

- (1) 47-Naturalization Services from \$250,000 to \$150,000.

I am deleting the \$100,000 legislative augmentation to expand the Naturalization Services Program. This action is necessary for a prudent reserve for economic uncertainties. With this reduction, \$3,000,000 still remains to support the Naturalization Services Program, and to assist legal immigrants in completing their citizenship application, citizenship testing, and in preparing for the interview. In addition, similar services are provided by the California Department of Education, such as instruction in civics and English.

I am also taking conforming action to reduce Item 4700-101-0001.

Item 4700-101-0001—For local assistance, Department of Community Services and Development. I reduce this item from \$4,750,000 to \$2,850,000 by reducing:

- (1) 47-Naturalization Services from \$4,750,000 to \$2,850,000.

I am reducing this item by \$1,900,000 to conform to my action in Item 4700-001-0001.

Item 5180-001-0001—For support of Department of Social Services. I reduce this item from \$102,904,000 to \$102,717,000 by reducing:

- (2) 25-Social Services and Licensing from \$161,486,000 to \$161,212,000;
- (8) Amount payable from the Federal Trust Fund (Item 5180-001-0890) from -\$347,576,000 to -\$347,489,000;

and by deleting Provision 8.

I am reducing this item by \$274,000 (\$187,000 General Fund and \$87,000 Federal Trust Fund) for 3.0 positions on a one-time basis. This funding would have provided resources for the Department of Social Services to assist in sibling searches within the Adoptions Program, pursuant to legislation enacted during fiscal year 2006-07. While I support efforts to remove barriers to sibling reunification and facilitate the release of information between siblings, I am delaying implementation of this program for one year in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. I am reducing Item 5180-151-0001 by \$1,046,000 and Item 5180-151-0890 by \$794,000 to conform to this action.

Provision 8 requires the Department of Social Services to display legal accusations filed by the Department against a provider's license on the Community Care Licensing public website pages as a condition to spending set-aside funding of \$1,475,000 to implement its Licensing Reform Automation proposal. I am delaying implementation of this project for one year, to provide for a prudent General Fund reserve in light of the various uncertainties in revenues and spending that we face this year. I am also deleting the provisional language related to this project funding.

Item 5180-001-0890—For support of Department of Social Services. I reduce this item from \$347,576,000 to \$347,489,000 and delete Provision 4.

I am reducing this item to conform to the action I have taken in Item 5180-001-0001 related to sibling searches within the Adoptions Program.

I am deleting Provision 4 to conform to the action I have taken in Item 5180-001-0001 related to licensing reform automation costs.

Item 5180-151-0890—For local assistance, Department of Social Services. I reduce this item from \$1,222,557,000 to \$1,218,641,000.

I am reducing this item to conform to the actions I have taken in Item 5180-151-0001 related to workstation replacement, sibling searches within the Adoptions Program, and foster youth identify theft.

Item 5180-153-0001—For local assistance, Department of Social Services. I revise this item by deleting Provision 2.

Provision 2 requires the Department of Social Services to collaborate with stakeholders to develop the timeline, components, and execution of the evaluation of the Title IV-E Waiver. This requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, I am directing the Department to work with stakeholders to facilitate the successful implementation of the Title IV-E Waiver, which allows participating counties flexibility in using federal Title IV-E foster care funds for direct services and supports.

Item 5225-001-0001—For support of the California Department of Corrections and Rehabilitation. I reduce this Item from \$6,980,353,000 to \$6,958,609,000 by reducing:

- (1) 10-Corrections and Rehabilitation Administration from \$376,992,000 to \$369,580,000;
- (4) 20-Juvenile Operations from \$183,097,300 to \$181,168,300;
- (8) 25-Adult Corrections and Rehabilitation Operations from \$4,904,883,000 to \$4,892,480,000;

and by revising Provisions 10 and 16 and deleting Provisions 8, 11, and 19.

I am reducing funds for the second phase of the Consolidated Information Technology Infrastructure Project by \$4,408,000 and eliminating the \$3,004,000 augmentation for the Division of Juvenile Justice Infrastructure Migration Project. In addition, I am reducing the augmentation provided for facility maintenance and special repair projects by \$10,000,000 and eliminating \$4,332,000 for equipment replacement. These reductions are necessary in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. I am revising Provisions 10 and 16 to conform to these actions as follows:

“10. In implementing the Consolidated Information Technology Infrastructure Project (CITIP), the department shall, when possible, give first priority to data drops for business services and rehabilitative programming. ~~Of the funds appropriated in this item, \$4,408,000 may not be expended sooner than 30 days after the department provides a report to the Joint Legislative Budget Committee certifying that CITIP design and engineering work has been completed at~~

~~12 institutions. This report shall also identify the revised cost estimates to implement the CITIP at these 12 institutions as compared to the original estimated costs. The report shall also identify the reasons for any differences between the original and revised estimates."~~

- "16. Of the funds appropriated in this item, ~~\$698,514,000~~ \$679,774,000 is available for expenditure only for the purposes identified below. Any unexpended funds shall revert to the General Fund.
- (a) Facility Maintenance Funding: ~~\$46,000,000~~ \$36,000,000
  - (b) Coleman v. Schwarzenegger, Administrative Segregation Unit Mental Health Cells Modification: \$3,550,000
  - (c) Coleman v. Schwarzenegger, Administrative Segregation Intake Cells: \$13,203,000
  - (d) Coleman v. Schwarzenegger, Salary Enhancements: \$13,108,000
  - (e) Plata v. Schwarzenegger: Salary Enhancements: \$1,521,000
  - (f) Coleman v. Schwarzenegger, CMF Acute Cells Modification: \$1,075,000
  - (g) Coleman v. Schwarzenegger: Reception Center Enhanced Outpatient Program: \$2,916,000
  - (h) Perez v. Tilton, Comprehensive Inmate Dental Services Program: \$8,477,000
  - (i) Farrell v. Tilton, Safety and Welfare Remedial Plan: \$66,747,000
  - (j) Farrell v. Tilton, Mental Health Remedial Plan: \$25,145,000
  - (k) Implementation of Revised Program Guide for Mental Health Services Delivery System (Ch. 511, Stats. 2006): \$8,706,000
  - (l) Sex Offender Management Funding: \$113,327,000
  - (m) Reducing Recidivism Strategies: \$90,136,000
    - (1) The department is authorized to make changes to the Reducing Recidivism Strategies supported by this subdivision not sooner than 15 days after notifying the fiscal committees of both houses of the Legislature of any proposed changes.
  - (n) Basic Correctional Officer Academy: \$61,105,000
  - (o) Records Staffing and Automation: \$7,759,000
  - (p) Garrison Johnson v. California, Racial Integration: \$1,214,000
  - (q) Coleman v. Schwarzenegger, Court Order Compliance: \$2,325,000
  - (r) Comprehensive Health Care Recruitment: \$3,928,000
  - (s) Life Prisoner Parole Hearing Staffing: \$6,646,000
  - (t) Farrell v. Tilton Healthcare Remedial Plan: \$9,064,000
  - (u) Farrell v. Tilton, Consent Decree: \$1,327,000
  - (v) Strategic Offender Management System: \$3,611,000
  - (w) Consolidated Information Technology Infrastructure Project: ~~\$148,466,000~~  
\$114,058,000
  - (x) Teacher Pay Parity: \$13,868,000
  - ~~(y) Equipment Funding: \$4,332,000~~
  - (z) Mandatory Aftercare/Drug Treatment Furlough: \$65,615,000
  - (aa) Valdivia Case Records: \$3,344,000
  - (bb) Perez v. Tilton, Salary Enhancements: \$1,999,000"

I am deleting Provision 8, which would require the Department to pass along a portion of its 2.7-percent price increase to public community correctional facilities under contract with the Department. The Budget no longer contains funding for a price increase for the Department. Therefore, this language is unnecessary.

I am deleting Provision 11, which would allow the Department to submit a staffing plan to conduct background investigations and would preclude the use of sworn staff from being

utilized. The Department's use of sworn staff to conduct background investigations has improved the processing time that it takes to conduct a background investigation as compared to non-sworn staff previously used. Because sworn staff have proved to be more effective than non-sworn classifications, and due to the need to aggressively fill the Department's vacant Correctional Officer positions, this provision would prevent the Department from managing their hiring process in a manner that allows Correctional Officer vacancies to be filled in the most effective way possible.

I am deleting Provision 19, which would require the Department to submit a plan for staffing and organizational changes in the Office of Facilities Management and other departmental units to deliver capital outlay projects, including those authorized by Chapter 7, Statutes of 2007 (AB 900). This reporting requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, it will be addressed as though the request had been included in Supplemental Report Language. Therefore, I am instructing the Secretary of the Department of Corrections and Rehabilitation to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the Department's ability to perform its essential functions.

Item 5225-002-0001—For support of Department of Corrections and Rehabilitation. I reduce this Item from \$2,126,132,000 to \$2,124,612,000 by reducing:

- (4.2) 50.20-Dental Services-Adult from \$103,292,000 to \$103,129,000;
- (4.3) 50.30-Mental Health Services-Adult from \$303,093,000 to \$302,930,000; and
- (4.5) 50.50-Dental and Mental Health Services Administration-Adult from \$59,283,000 to \$58,089,000.

I am deleting the \$1,520,000 legislative augmentation to support positions to improve hiring efforts within the California Department of Corrections and Rehabilitation's (CDCR) Dental and Mental Health programs. While I am supportive of these activities, my budget proposed to fund these limited-term positions using the salary savings available from the vacancies within CDCR's Dental and Mental Health programs.

I expect that the recruitment efforts of the Department of Personnel Administration, the salary increases provided to dental and mental health classifications, and the hiring efforts of the CDCR will greatly improve the CDCR's ability to fill the vacancies within these programs. As such, I recognize that funding these positions through salary savings is only a short-term solution and it may be necessary to provide additional funding to support these efforts in the future.

Item 5225-301-0001—For capital outlay, Department of Corrections and Rehabilitation.

I am sustaining Provision 7, which requires the department to report to the Joint Legislative Budget Committee with an update to the facility master plan for juvenile facilities. This report will identify how the projects funded in the 2007-08 Budget implement the master plan. While the department is committed to completing this valuable plan and has every intention of providing the data, it will be unable to meet the October 31, 2007 deadline provided therein because of the necessary time constraints associated with compiling the level of detail as

required by this report. I am directing the department to prepare and deliver the required report by February 29, 2008.

Item 5225-301-0660—For capital outlay, Department of Corrections and Rehabilitation. I reduce this item from \$119,752,000 to \$107,367,000 by deleting:

- (5.1) 61.23.004-California State Prison, Corcoran: Wastewater Treatment Plant Improvements—Construction (\$5,944,000), and
- (5.2) 61.30.004-Centinela State Prison, Imperial: Wastewater Treatment Plant Upgrades—Construction (\$6,441,000).

I am deleting these two wastewater treatment plant projects from this item because they cannot be funded with lease revenue bond financing, I am directing the Department of Corrections and Rehabilitation to fund both projects from the \$300,000,000 General Fund appropriation contained in Chapter 7, Statutes of 2007 (AB 900) for infrastructure improvements at existing prisons. Should this action result in additional funding needs in order to complete the infrastructure work at the various existing institutions, I expect that the Legislature will be supportive of future funding requests.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$47,380,000 to \$47,127,000 by reducing:

- (1) 10-Instruction from \$62,022,000 to \$60,422,000;
- (2) 20-Instructional Support from \$103,209,000 to \$99,833,000; and
- (9) Amount payable from Federal Trust Fund (Item 6110-001-0890) from -\$163,060,000 to -\$158,337,000.

I am deleting the legislative augmentation of \$133,000 and 1.0 position to coordinate education programs for incarcerated youth and support implementation of alternative school programs. This reduction is necessary to limit program expansion and in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. Further, the Department of Education already has existing positions that support alternative school programs and there is not sufficient workload justification for this additional position.

I am deleting Provision 28 to conform to this action.

I am deleting the \$120,000 legislative augmentation to support implementation of the English language learner component of the Mathematics and Reading Professional Development Program. Chapter 524, Statutes of 2006 (SB 472), appropriated \$120,000 to the Department of Education without regard to fiscal year and authorized the Department to establish one position for this purpose. The Department has not filled the position and, consequently, the \$120,000 remains available for expenditure. Therefore, it is unnecessary to provide additional expenditure authority in the budget year. However, I am sustaining authority for 1.0 limited-term position for one year to enable the Department to fill the position in order to conduct one-time activities associated with this program.

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

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$163,060,000 to \$158,337,000.

I am reducing a legislative augmentation by \$198,000 in federal Title II funds and 6.0 positions to implement the Compliance, Monitoring, Interventions, and Sanctions (CMIS) program related to the highly qualified teacher requirements under the federal No Child Left Behind Act. The Department of Education did not provide sufficient workload justification for these positions. Further, the Legislature rejected the Administration's proposal to shift funding from federal Title V to Title II for 4.0 professional development positions, with a priority on meeting the highly qualified teacher requirements, as Title V will no longer be available to support these positions. Therefore, I am sustaining \$929,000 to support 2.0 new positions and the 4.0 existing but unfunded positions for the purpose of assisting school districts to meet the highly qualified teacher requirements. When combined with the positions that are currently dedicated for this purpose, the Department will have a total of 8.0 positions for the CMIS program.

I am revising Provision 34 to conform to this action as follows:

"34. Of the funds appropriated in this item, ~~\$1,127,000~~ \$929,000 of federal Title II funds is for the Compliance, Monitoring, Intervention, and Sanctions (CMIS) program. This program is designed to help school districts meet the highly qualified teacher requirements specified in the federal No Child Left Behind Act of 2001 (20 U.S.C. Sec. 6301 et seq.). By April 1, 2008, the State Department of Education shall submit a report on the CMIS program to the budget and policy committees. The report shall identify (a) the number of school districts that received CMIS support in the 2007-08 fiscal year, and (b) the major components of the plans that those districts developed to respond to the federal highly qualified teacher requirements. For each participating district, the report also shall provide longitudinal data on the number and percent of teachers who are and are not highly qualified. At a minimum, the 2007-08 report shall include finalized data for the 2004-05, 2005-06, and 2006-07 fiscal years, and initial data for the 2007-08 fiscal year. The report shall provide data separately for high-poverty and low-poverty schools. For comparison, the report shall provide the same longitudinal data for the statewide average of all school districts as well as the average for school districts not receiving CMIS support."

I am reducing this item by \$1,600,000 and 4.0 positions to monitor and provide technical assistance to alternative, county court, and Division of Juvenile Justice schools serving English learners. An increase in staff to monitor these schools has not been justified. Furthermore, monitoring and providing technical assistance for these schools is an ongoing activity and the use of one-time monies would be inappropriate. With this veto, these funds will be available to be distributed to local educational agencies for direct classroom instruction of English learner students.

I am deleting Provision 37 to conform to this action.

I am technically revising Provision 39 to eliminate references stipulating that \$450,000 of one-time funds is made available for special education dispute resolution contract "cost-of-living increases". This program does not receive a cost-of-living adjustment, but rather receives funding on a workload basis. Accordingly, the funds will be used for addressing new workload claims to ensure that the public receives prompt and appropriate due process for consideration of dispute resolution matters, as required by law.

I am revising Provision 39 to conform as follows:

“39. Of the funds appropriated in this item, \$450,000 is made available on a one-time basis for the special education dispute resolution contract ~~for cost-of-living-increases~~. The State Department of Education, in coordination with the Office of Administrative Hearings, shall provide quarterly caseload and expenditure data to the appropriate budget committees of the Legislature, the Department of Finance, and the Legislative Analyst’s Office by March 1, 2008. The information shall also include updated budget detail and payment provisions, as shown in Exhibit B of the interagency agreement.”

I am deleting the \$150,000 legislative augmentation to provide an independent evaluation of the special education dispute resolution services provided by the Office of Administrative Hearings. The proposal essentially is a request for data, some of which is duplicative. Instead, I am directing the Office of Administrative Hearings to provide the remaining data requested using existing resources, including specified workload and mediator use data, and efficiency options for the program.

I am deleting Provision 40 to conform to this action.

I am deleting the \$1,050,000 legislative augmentation to expand special education focused monitoring and technical assistance services in alternative, county court, and Division of Juvenile Justice schools. This program essentially provides auditing for compliance with individualized education plans and follow-up for necessary corrections. I am unable to support this augmentation. Individualized education plan compliance should already be a part of the Special Education program not only for alternative schools but in all educational settings. Students are entitled to receive the quality services required by law and included in their individual education plans. This particular funding should be allocated instead to local grants to fund direct special education instruction.

I am deleting Provision 41 to conform to this action.

I am reducing this item to delete the legislative augmentation of \$125,000 for a study to identify options for improving indicators of student socioeconomic status. Because the study is vague, I am concerned that \$125,000 augmentation may not be adequate to complete the study and may lead to future cost pressures to complete or expand the study. With this veto, these funds will be available to be distributed to local educational agencies for direct classroom instruction to improve the academic performance of schools. In lieu of this funding, I request that the Legislative Analyst's Office partner with the Department of Finance to explore the issue with existing resources and staff.

I am deleting Provision 43 to conform to this action.

I am reducing this item by \$350,000 and 4.0 positions for assistance to local educational agencies (LEAs) that are expected to face federal No Child Left Behind corrective action sanctions. Until more definitive results from a privately funded pilot project are available and a resulting plan for expenditure of the local assistance dollars is fully developed, it is premature to add staff to support these activities. Further, until the final determination is made on how to allocate local assistance funding, it is not clear that it is necessary for the State Department of Education to provide a higher level of assistance or that additional positions are needed.

I am deleting Provision 44 to conform to this action.

I am reducing this item to delete the legislative augmentation of \$300,000 intended to support a pilot project that allows schools to use non-adopted reading language arts materials for English learner students. The proposed new program would allow the use of instructional materials that are not aligned to state standards, which is a concern because all students should have access to standards-aligned materials. In addition, an alternate \$20 million pilot project is already underway, and that project will be assessing what educational practices work best for improving the academic performance of English learners.

I am deleting Provision 46 to conform to this action.

I am deleting the \$400,000 legislative augmentation to create an advisory committee and perform a best practices study that would assist local education agencies in implementing evidence-based practices intended to assist students with specific learning disabilities to improve academically. However, I believe local grants for direct instruction would be a more prudent and timely use of this funding.

I am deleting Provision 47 to conform to this action.

I am reducing this item by \$500,000 for an evaluation of the English Learner Best Practices Pilot Program (Pilot) pursuant to the requirements of Chapter 561, Statutes of 2006 (AB 2117). During last year's development of Assembly Bill 2117, which established the Pilot, the understanding was that the evaluation would be funded by a not-for-profit organization. However, this funding has not materialized. The legislative augmentation of \$1,000,000 for the evaluation appears to be excessive. Instead, I am sustaining \$500,000 of the augmentation which would be consistent with similar evaluations done in the recent past. I believe the evaluation is an important component of ensuring that the \$20 million Proposition 98 General Fund provided in the Budget Act of 2006 for the Pilot would produce conclusions that could lead to improvements in English learner academic performance.

I am revising Provision 48 to conform to this action.

"48. Of the funds appropriated in this item, ~~\$1,000,000~~ \$500,000 of one-time federal Title III funds is available on a one-time basis for five years for an independent evaluation administered by the State Department of Education pursuant to the requirements of Chapter 561 of the Statutes of 2006."

I am reducing this item by \$50,000 for an evaluation to ensure that local educational agencies (LEAs) are employing methods to ensure effective and timely oral communication with non-English-speaking parents. To the extent that this is a problem for LEAs, they already receive federal funds that can be used for these purposes. Specifically, the Budget includes over \$165 million in federal Title III funds that can be used for parent outreach activities such as interpreter services. With this veto, these funds will be available to be distributed to LEAs for direct classroom instruction of English learner students.

I am deleting Provision 49 to conform to this action.

Item 6110-123-0001—For local assistance, Department of Education. I revise Provision 1 of this item.

I am deleting provisional language added by the Legislature that allocates funds to Intervention Underperforming Schools Program (II/USP) schools that are still subject to state sanctions and are working with school assistance and intervention teams (SAITs). The last cohort of II/USP schools qualified for funding in 2002-03 and since that time, some schools, even with the assistance of SAITs, still have not met bare minimum academic benchmarks to improve student achievement and to exit the program. Consequently, I do not believe that the state should continue to fund these activities given the efforts to consolidate state and federal accountability programs. In addition, I am concerned that the Legislature's shift of these II/USP costs from another Budget item to this item may create cost pressures within the II/USP successor program, the High Priority Schools Grant Program. I continue to support focusing efforts on improving low-performing schools and request that the State Board of Education assign the full spectrum of more effective sanction strategies available under current law to these schools to help them improve student achievement.

I am revising Provision 1 as follows to conform to this action.

“1. Funds appropriated in Schedule (1) are provided solely for the purpose of implementing the High Priority Schools Grant Program pursuant to Article 3.5 (commencing with Section 52055.600) of Chapter 6.1 of Part 28 of the Education Code. Of these funds, \$10,000,000 or whatever greater or lesser amount is necessary, shall be available to support schools working with school assistance and intervention teams or schools subject to state sanctions by the Superintendent of Public Instruction as part of the High Priority Schools Grant Program ~~or the Immediate Intervention/Underperforming Schools Program.~~”

Item 6110-134-0890—For local assistance, Department of Education. I reduce this item from \$77,900,000 to \$70,800,000 by deleting:

(7) 10.30.013-District Assistance and Intervention Teams (\$7,100,000),

and by deleting Provision 9.

I am deleting \$7,100,000 and setting these funds aside for appropriation in subsequent legislation. This Legislative augmentation provided funding for District Assistance and Intervention Teams (DAITs) to work with local educational agencies (LEAs) facing sanctions under the federal accountability system. The augmentation is premature because a privately funded pilot project and evaluation of the effectiveness of DAITs is underway. Until the evaluation is completed, or an interim report shows that DAITs are effective, I cannot support funding for these new activities. I recognize the problem of a growing number of LEAs and schools entering federal No Child Left Behind sanctions and note that funding is set aside in this item, pursuant to subsequent legislation, for implementation of an effective plan that supports LEAs and schools and their attempts to improve the academic performance of their students.

Item 6110-196-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from \$1,761,366,000 to \$1,756,366,000 by reducing:

(1) 30.10.010-Special Programs, Child Development, Preschool Education from \$418,644,000 to \$413,644,000,

and by revising Provision 3 to conform.

I am reducing \$5,000,000 from preschool programs and revising Provision 3 by eliminating language that would expand the authorized use of these funds to include wrap-around child care for children participating in any state preschool program. These funds were provided to continue support of the Pre-Kindergarten Family Literacy program (PKFL) that was authorized by Chapter 211, Statutes of 2006 (AB 172) by providing ongoing funding for full-day child care for children participating in the PKFL program (AB 172 utilized one-time funding to provide this service in 2006-07). I believe that making these funds available to all preschool programs would undermine the PKFL program and negatively impact the ability of families to participate in the program. I am therefore setting these funds aside for legislation that would restore the priority for these funds to the PKFL programs.

I am revising Provision 3 to conform to this action as follows:

"3. Of the amount appropriated in Schedule (1), \$50,000,000 is available for pre-Kindergarten and Family Literacy Preschool programs pursuant to Chapter 211 of the Statutes of 2006. ~~Of the amount appropriated in Schedule (1), \$5,000,000 is available for wraparound care in order to provide direct child care for children in the state preschool program for the portion of the day that is not otherwise covered by services provided as part of the state preschool program."~~

Item 6120-211-0001—For local assistance, California State Library. I reduce this item from \$21,342,000 to \$14,342,000 by reducing:

(1) 20.30-Direct Loan and Interlibrary Loan Programs from \$18,616,000 to \$11,616,000.

I am deleting \$7,000,000 for Direct Loan and Interlibrary Loan services. This reduction is necessary in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

Item 6120-221-0001—For local assistance, California State Library, Public Library Foundation Program. I reduce this item from \$22,360,000 to \$14,360,000.

I am deleting the discretionary \$1,000,000 legislative augmentation to the Public Library Foundation. This reduction is necessary to limit program expansions and help bring ongoing General Fund expenditures in line with existing resources. In addition, I am deleting \$7,000,000 in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

Item 6440-001-0001—For support of University of California. I reduce this item from \$3,019,559,000 to \$3,016,059,000 by reducing:

(1) Support from \$2,936,063,000 to \$2,932,563,000,

and by revising Provisions 11,13, and 24 and deleting Provisions 26 and 27.

I am deleting the legislative augmentations for agricultural research (\$1,500,000) and for oceanographic research at the Scripps Institute of Oceanography (\$1,500,000) to limit program

expansions and to help bring ongoing expenditures in line with existing resources. With these reductions, over \$77,000,000 of state and university funds remains to support agricultural research and over \$9,700,000 of state and university funds remains to support research at the Scripps Institute of Oceanography.

I am deleting provisions 26 and 27 to conform to these actions.

I am deleting \$500,000 for UC-Mexico research, which represents the amount of funding for the financing of a facility located in Mexico, in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. The University of California should use other sources for this purpose at its discretion.

I am revising Provision 11 to conform as follows:

~~“11. Notwithstanding Section 3.00, for the term of the financing, the University of California may use funds appropriated in Schedule (1) for debt service and costs associated with the purchase, renovation, and financing of a facility for the UC-Mexico research and academic programs in Mexico City. The amount to be financed shall not exceed \$7,000,000. The university shall report to the Legislature by March 15, 2008, on the (a) amount of funds spent to support the UC-Mexico facility, including the specific use of these funds, (b) amount of funds spent to support UC-Mexico research and academic programs, and (c) different types of research conducted and programs operated at the UC-Mexico facility.”~~

I am sustaining the legislative augmentation of \$19,300,000 for student academic preparation and education programs. However, the reporting requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature’s desire to obtain this information, it will be addressed as though the request had been included in Supplemental Report language. Therefore, I am instructing the President of the University of California to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the University’s ability to perform its essential functions.

I am revising Provision 24 to conform as follows:

~~“24. Of the funds appropriated in Schedule (1), \$19,300,000 is for student academic preparation and education programs (SAPEP) and is to be matched with \$12,000,000 from existing university resources, for a total of \$31,300,000 for these programs. The University of California shall provide a plan to the Department of Finance and the fiscal committees of each house of the Legislature for expenditure of both state and university funds for SAPEP by September 1, 2007. It is the intent of the Legislature that the university report on the use of state and university funds provided for these programs, including detailed information on the outcomes and effectiveness of academic preparation programs consistent with the accountability framework developed by the university in April 2005. The report shall be submitted to the fiscal committees of each house of the Legislature not later than April 1, 2008.”~~

Finally, I am revising Provision 13 to delete language that describes a new methodology for determining the marginal cost of each additional state-supported student in the future. The new formula is not transparent, is too difficult to either replicate or verify allowing for potential manipulation in future years, and does not properly reflect the full mix of new faculty associated with the system-wide growth in students.

I am revising Provision 13 to conform as follows:

~~“13. Of the funds appropriated in Schedule (1), \$52,930,000 is to fund 5,000 additional state-supported full-time equivalent students (FTES) at the University of California, based on a marginal General Fund cost of \$10,586 per additional student. This funding rate is based on a methodology for determining the marginal cost of each additional state-supported student, as adopted by the Legislature for the 2006-07 fiscal year. This methodology calculates a total marginal cost (including operation and maintenance costs and faculty costs based on the salaries of recently hired professors) and then subtracts from this cost the fee revenue the university anticipates from each additional student (after adjusting for financial aid), in order to determine the amount of General Fund support needed from the state. It is the intent of the Legislature that enrollment growth funding provided to the university in subsequent fiscal years be based on this specific methodology.—The Legislature expects the University of California to enroll a total of 198,455 state-supported FTES during the 2007-08 academic year. This enrollment target does not include nonresident students and students enrolled in non-state-supported summer programs. The University of California shall report to the Legislature by March 15, 2008, on whether it has met the 2007-08 enrollment goal. For purposes of this provision, enrollment totals shall only include state-supported students. If the University of California does not meet its total state-supported enrollment goal by at least 250 FTES, the Director of Finance shall revert to the General Fund by April 1, 2008, the total amount of enrollment funding associated with the total share of the enrollment goal that was not met.”~~

Item 6440-305-6048—For capital outlay, University of California.

I am sustaining the \$10,000,000 provided for the Life Sciences Research and Nursing Education Building in this item.

In my efforts to continue to support programs and projects that will alleviate the nursing shortage California is suffering, I am sustaining this legislative augmentation for the Charles R. Drew University of Medicine and Science to build a Life Sciences Research and Nursing Education Building. However, I note that a number of issues both legal and programmatically need to be resolved before funds may be expended. Specifically, there are legal concerns regarding the use of general obligation bonds for this project and may require the state to acquire and maintain ownership of the facility being built. Additionally, the nursing program that will utilize this facility needs to be fully developed before the scope of this new facility can be generated. Until these concerns are resolved, no funds for this project may be expended.

Item 6610-001-0001—For support of California State University. I revise this item by revising Provision 7.

I am revising Provision 7 to delete language that describes a new methodology for determining the marginal cost of each additional state-supported student in the future. The new formula is not transparent, is too difficult to either replicate or verify allowing for potential manipulation in future years, and does not properly reflect the full mix of new faculty associated with the system-wide growth in students.

I am revising Provision 7 to conform as follows:

"7. Of the amount appropriated in Schedule (1), \$64,417,000 is to fund 8,355 additional state-supported full-time equivalent students (FTES) at the California State University (CSU), based on a marginal General Fund cost of \$7,710 per additional student. ~~This funding rate is based on a methodology for determining the marginal cost of each additional state-supported student, as adopted by the Legislature for the 2006-07 fiscal year. This methodology calculates a total marginal cost (including operation and maintenance costs and faculty costs based on the salaries of recently hired professors) and then subtracts from this cost the fee revenue the university anticipates from each additional student (after adjusting for financial aid), in order to determine the amount of General Fund support needed from the state. It is the intent of the Legislature that enrollment growth funding provided to the university in subsequent fiscal years be based on this specific methodology.~~—The Legislature expects CSU to enroll a total of 342,553 state-supported FTES during the 2007-08 academic year. This enrollment target does not include nonresident students and students enrolled in non-state-supported summer programs. The CSU shall provide a preliminary report to the Legislature by March 15, 2008, and a final report by May 1, 2008, on whether it has met the 2007-08 enrollment goal. For purposes of this provision, enrollment totals shall only include state-supported students. If CSU does not meet its total state-supported enrollment goal by at least 418 FTES, the Director of Finance shall revert to the General Fund by May 15, 2008, the total amount of enrollment funding associated with the total share of the enrollment goal that was not met."

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges, Proposition 98. I reduce this item from \$3,906,649,000 to \$3,859,753,000 by reducing:

- (1) 10.10.010-Apportionments from \$3,093,135,000 to \$3,079,349,000;
- (2) 10.10.020-Basic Skills and Apprenticeship from \$48,339,000 to \$15,229,000;

and by deleting subdivision (c) of Provision 7.

I am reducing Schedule (1) by \$13,786,000 and Schedule (2) by \$33,110,000 to delete the legislative augmentations for a noncredit course rate increase and a basic skills student funding increase, respectively. However, I am setting these funds aside for legislation that appropriates these funds for improving outcomes for at-risk students in a manner more consistent with the priorities of my proposed Student Success Initiative (\$33,110,000) and the remainder for other more compelling Proposition 98 funding needs.

The Legislature's proposed \$13,786,000 augmentation to support a second consecutive noncredit rate increase is premature and inconsistent with the agreement reached in last year's compromise on Chapter 631, Statutes of 2006 (SB 361). As part of that agreement, my Administration indicated that any future noncredit rate increase would be subject to improved student outcomes from last year's initial investment of \$30,000,000. To date, no accountability measures have been developed to evaluate this investment, nor has my Administration received a comprehensive list of courses and programs that have been approved by the Chancellor's Office for funding from the 2006-07 increase. While I cannot sustain this augmentation, the budget does provide a 4.53-percent COLA, which, when combined with the ongoing \$30,000,000 increase from 2006-07, provides for a 23-percent increase in per student funding for selected noncredit courses since the 2005-06 fiscal year.

I am deleting Provision 4.6 to conform to this action.

I cannot support the Legislature's \$33,110,000 redirection of funds proposed for my May Revision's Student Success Initiative because the accompanying control provisions do not contain the appropriate accountability and distribution mechanisms necessary to ensure this investment improves student outcomes, particularly for at-risk students transitioning from high schools. With this reduction, the community colleges still retain \$33,110,000 in unspent current year funds that carryover for expenditure in the budget year to address strategies for improving basic skills instruction. My Administration is prepared to work with the Chancellor's Office to reinstate the ongoing funding pending agreement on revised accountability and distribution provisions that address my priority for improving meaningful outcomes for students transitioning from high school.

I am deleting subdivision (c) of provision 7 to conform to this action.

Item 6870-486—Reappropriation, Proposition 98, Board of Governors of the California Community Colleges. I reduce this item from \$26,668,000 to \$21,168,000 by deleting legislative augmentations for the Part-time Faculty Health Insurance Program in Schedule (4) and the proposed Construction College Pilot Program in Schedule (6).

I am deleting the one-time augmentation of \$4,000,000 from the Proposition 98 Reversion Account for the Part-time Faculty Health Insurance Program because this program was established as an incentive grant program to encourage additional district investments in benefits for part-time faculty. However, these programs were not intended to require additional one-time or ongoing contributions from the state. Given the significant general purpose increases provided in this Budget for community colleges, I believe that districts have sufficient resources to provide additional benefits to part-time faculty at their discretion.

I am also deleting the one-time augmentation of \$1,500,000 for a Construction College pilot program at San Jose City College and another, unspecified site. While this program may have merit from a local perspective, significant investments are already proposed for apprenticeship and pre-apprenticeship programs, as well as traditional K-12 career path programs including construction technology, within my anticipated 2007-08 Career Technical Education Initiative expenditure plan. Additional funding for a construction-specific program would establish an undesirable precedent for singling out a local project for funding without competing for limited resources with other meritorious local projects. It is also premature to fund this program until other construction and related program grants can be evaluated.

Item 7980-001-0001—For support of Student Aid Commission. I reduce this item from \$15,449,000 to \$15,349,000 by reducing:

(1) 15-Financial Aid Grants Program from \$13,886,000 to \$13,786,000,

and by deleting Provision 5.

I am deleting the \$100,000 legislative augmentation for one position for purposes of administering the Public Interest Attorney Loan Repayment Program to conform to my action on Item 7980-101-0001.

I am deleting Provision 5 to conform to this action.

Item 7980-101-0001—For local assistance, Student Aid Commission. I reduce this item from \$859,814,000 to \$857,614,000 by reducing:

- (1) 15-Financial Aid Grants Program from \$889,950,000 to \$887,750,000,

and by revising Provision 5 and deleting Provision 9.

I am reducing the legislative augmentation for the California Student Opportunity and Access Program (CalSOAP) by \$2,200,000. This program provides financial aid awareness as well as student academic preparation and education services to public school students. This reduction is necessary in order to build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. Additionally, I am concerned that this program's various student academic support and preparation activities have not been subjected to a cost-effectiveness analysis in many years. With this reduction, \$6,367,000 still remains for CalSOAP to support financial aid awareness activities. Further, it is my understanding that the California Student Aid Commission recently approved \$2,200,000 from the Student Loan Operating Fund for similar financial aid outreach purposes. Therefore, this augmentation is largely redundant with planned expenditures.

I am revising Provision 5 to conform to this action:

"5. Of the funds appropriated in Schedule (1), ~~\$8,567,000~~ \$6,367,000 is for the California Student Opportunity and Access Program established pursuant to Article 4 (commencing with Section 69560) of Chapter 2 of Part 42 of the Education Code and shall be available to provide financial aid awareness and outreach to students who are preparing to enter, or are currently enrolled in, college."

Additionally, I am deleting the legislative language augmentation included in Provision 9 that authorizes 100 new warrants for the Public Interest Attorney Loan Repayment Program. The authorization of 100 loan assumption warrants would commit the state to out-year costs in excess of \$1,000,000. Furthermore, this program authorizes warrants for attorneys employed by local government. Thus, in effect, this augmentation would serve to subsidize local government employee recruitment and retention with state funds. Therefore, this action is necessary to limit program expansions.

Item 7100-001-0185—For support of Employment Development Department. I reduce this item from \$79,495,000 to \$67,435,000.

I am reducing the \$27,060,000 legislative augmentation for the Job Services Program by \$12,060,000. This program provides employment services in the One-Stop Career Centers, facilitating a match between employers' needs and job seekers' skills, and while I agree with the Legislature that some additional resources would benefit job seekers, I am confident that the \$168,000,000 available will be sufficient in meeting the employment demands of California communities. Finally, I am directing the Employment Development Department to minimize the number of positions to be reduced in job services locations by making reductions in Administration and facility operations.

I am deleting Provision 4 to conform to this action.

Item 7350-001-0001—For support of Department of Industrial Relations. I reduce this item from \$67,768,000 to \$67,383,000 by reducing:

(6) 50-Division of Labor Standards Enforcement from \$49,933,000 to \$49,548,000.

I am deleting \$385,000 and 5.0 positions for the Licensing and Registration Unit provided for recently enacted legislation including the registration of employers in the car washing and polishing industry. This reduction is necessary to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

Item 7350-011-0223—For support of Department of Industrial Relations. I revise this item by deleting Provision 1.

I delete Provision 1, which would require the Department of Industrial Relations to provide a long-term plan and a detailed repayment schedule by January 10, 2008, for the California Occupational Safety and Health Administration, Targeted Inspection and Consultation Fund loan.

This reporting requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, it will be addressed as though the request had been included in Supplemental Report language. Therefore, I am instructing the Director of the Department of Industrial Relations to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the Department of Industrial Relations' ability to perform its essential functions.

Item 8120-011-0268—For support of Commission on Peace Officer Standards and Training. I revise this item by deleting Provision 3.

I am deleting Provision 3, which would require the Commission on Peace Officer Standards and Training to report to the Legislature on the findings of the local law enforcement agency audits conducted by the Controller on behalf of the commission. This reporting requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, it will be addressed as though the request had been included in Supplemental Report language. Therefore, I am instructing the Executive Director of the Commission on Peace Officer Standards and Training to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the Commission on Peace Officer Standards and Training's ability to perform its essential functions.

Item 8660-001-0042—For support of Public Utilities Commission. I reduce this item from \$3,526,000 to \$3,354,000.

I am deleting a legislative augmentation of \$172,000 and 2.0 positions for Public Utilities Commission's (PUC) rail crossing safety staff. In the 2006 Budget Act, I included three positions for the rail safety crossing program, giving the PUC 20.0 base positions for rail crossing safety. To date, all those positions are not filled. It would be premature to authorize additional positions until the positions at the PUC are filled and the impact on workload can be determined. With these reductions, \$3,354,000 still remains to support the rail crossing safety staff.

Item 8660-001-0462—For support of Public Utilities Commission. I revise this item by reducing:

- (1) 10-Regulation of Utilities from \$120,157,000 to \$119,857,000;
- (3) 20-Regulation of Transportation from \$19,911,000 to \$19,739,000;
- (7) Amount payable from the State Highway Account, State Transportation Fund (Item 8660-001-0042) from -\$3,526,000 to -\$3,354,000; and
- (18) Amount payable from the Public Utilities Commission Rate payer Advocate Account (Item 8660-001-3089) from -\$21,632,000 to -\$21,332,000.

I am revising this item to conform to the actions I have taken in Item 8660-001-3089 and Item 8660-001-0042.

Item 8660-001-3089—For support of Public Utilities Commission. I reduce this item from \$21,632,000 to \$21,332,000.

I am deleting a legislative augmentation of \$300,000 and 3 positions for the Division of Ratepayer Advocates' (DRA) water audits division. The Budget Act of 2006 provided additional auditors to the Public Utilities Commission (Commission) that were intended to meet the needs of the DRA as well as the balance of the Commission. With these reductions, \$2,200,000 and 22.0 positions still remain to support the Division of Ratepayer Advocates water auditing staff.

Item 8770-001-0462—For Support of the Electricity Oversight Board. I reduce this item from \$3,579,000 to \$2,684,000 by reducing:

- (1) 30-Administration from \$4,128,000 to \$3,096,000, and
- (2) Amount payable from the Energy Resources Programs Account (Item 8770-001-0465) from -\$549,000 to -\$412,000.

I am reducing Schedule (1) to reflect my expectation that by April 1, 2008, the Electricity Oversight Board (EOB) will have transferred its remaining duties to the Public Utilities Commission. The EOB was established in 1996 as part of the state's attempt to restructure the electricity industry, and was given the responsibility for overseeing the California Independent System Operator, a non-profit entity that operates most of California's electric transmission grid. Since that time, changes in state and federal law have eliminated the need for the EOB; the duties it performs are now also performed either by the California Independent System Operator or the California Public Utilities Commission. When I first took office, the California Performance Review determined that the EOB should be eliminated, with its remaining functions transferred to other entities. It is time to implement this recommendation. With this reduction, sufficient funding will remain in the EOB budget to allow for an orderly staffing reduction plan so staff will have every opportunity to transfer to new duties within California state government. I am requesting the Department of Personnel Administration to fully assist the EOB in this effort.

Item 8770-001-0465—For support of the Electricity Oversight Board. I reduce this item from \$549,000 to \$412,000.

I am revising this item to conform to actions I have taken in Item 8770-001-0462.

Item 8910-001-0001—For support of Office of Administrative Law. I revise this item by deleting Provision 1.

I am deleting Provision 1, which would require the Office of Administrative Law to report to the Legislature on the use of positions assigned to underground regulation review. This reporting requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, it will be addressed as though the request had been included in Supplemental Report language. Therefore, I am instructing the director of the Office of Administrative Law to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the Office of Administrative Law's ability to perform its essential functions.

Item 8955-001-0001—For support of California Department of Veterans Affairs. I revise this item by deleting Provision 5.

I delete Provision 5, which would require the California Department of Veterans Affairs (CDVA) to report on the Department's progress in providing a "restraint-free" environment for residents at the Veterans Homes. This reporting requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, it will be addressed as though the request had been included in Supplemental Report language. Therefore, I am instructing the Secretary of the CDVA to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the CDVA's ability to perform its essential functions.

Item 9210-107-0001—For local assistance, Local Government Financing. I delete this item.

I am deleting the \$3,500,000 legislative augmentation for grants to county assessors, which would be made in proportion to the amount of property tax received by their K-14 schools. This reduction is necessary to limit program expansions and provide for a prudent General Fund reserve in light of the various uncertainties in revenues and spending that we face this year.

Local government is anticipated to receive \$28,000,000 in property tax revenue in 2007-08 pursuant to a new method of collecting fractionally owned aircraft property taxes, facilitated by budget trailer bill legislation. As a result, this \$3,500,000 augmentation is unnecessary.

Item 9800-001-0001—For Augmentation for Employee Compensation. I reduce this item from \$525,262,000 to \$453,262,000.

I am reducing funding by \$72,000,000 for employee compensation and instructing my administration to absorb this reduction in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. To effect this reduction, I am directing the Director of Finance to reduce the amount that would have been allocated to each department from Item 9800-001-0001 by an amount equal to 8.576 percent of that department's General Fund expenditures for personal services in April of 2007. With this reduction, \$453,262,000 still remains to be allocated by the Department of Finance for increases in employee compensation that the Department of Personnel Administration has

already agreed to pay. This reduced amount available for allocation to departments will not affect pay or benefits for employees in any way. Employees will receive full pay, and the funding for pay increases not available from Item 9800 will be funded by a redirection within existing resources by individual departments. So, all previously negotiated employee compensation increases, and all employee compensation increases for medical, mental, and dental health positions arising from the Coleman and Plata court cases will be unaffected by my action to reduce this appropriation.

Item SEC 24.55—California Research and Education Network. I delete this control section.

I am deleting Control Section 24.55 because this language is unnecessary and could increase administrative costs at the expense of either direct network services or potentially higher fees. Chapter 552, Statutes of 2006, already provides appropriate oversight for K-12. Similarly, annual program review through the budget process, the governance structure of the higher education segments, and the current business practices of establishing interagency agreements and essentially using cost-based accounting for each educational segment already provide appropriate accountability for higher education.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 77.

ARNOLD SCHWARZENEGGER

**SB 78**  
**VETOES**

**State of California**  
Governor's Office

I object to the following appropriations contained in Senate Bill 78.

Item 1760-001-0666—For support of Department of General Services. I revise this item by deleting Provision 10.

I delete Provision 10, which would require the Department of General Services to provide an implementation progress report on the Fleet Asset Management System.

This reporting requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, it will be addressed as though the request had been included in Supplemental Report language. Therefore, I am instructing that the Director of the Department of General Services comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the Department of General Services' ability to perform its essential functions.

Item 2660-001-0042—For support of Department of Transportation.

I am sustaining the Legislature's augmentation for capital outlay support. In the May Revision, reflecting the large increase of work to be done to implement Proposition 1B as well as Caltrans' work funded from other sources, I proposed additional funding necessary to use contractual services for engineering, design, environmental studies, and other work needed to ready projects for construction. This was proposed in lieu of expanding state staff in order to speed up delivery of Proposition 1B projects.

The augmentation was based on 90 percent state staff and 10 percent contract staff. Because it will take a year or more to hire and train state staff, I am very concerned that this action will delay projects by a year or more and end up costing more than using contractual services because of salary costs incurred while training new state hires and the impact of inflation on construction costs while projects are delayed. Moreover, because the funding from Proposition 1B is one-time and will be exhausted over the next five years, the hiring of new permanent state staff could lead to the need for future layoffs. An appropriate balance between state staff and contract staff will enable the state to improve its highways, roads, bridges, and railroad crossings immediately. Therefore, I am directing the Director of the Department of Transportation to take all steps necessary to deliver these projects as quickly as possible, including an increased use of contractual services within the funding level the Legislature has provided.

Item 3790-001-0001—For support of Department of Parks and Recreation. I reduce this item from \$145,359,000 to \$130,359,000 by reducing:

- (1) For support of the Department of Parks and Recreation from 383,495,000 to \$368,495,000.

I am vetoing \$15,000,000 General Fund on a one-time basis for maintenance at state parks. The Department of Parks and Recreation's existing maintenance budget is approximately \$67,000,000, and a one-time augmentation of \$90,000,000 was provided in 2006-07 to address deferred maintenance needs. Furthermore, Proposition 84 provides \$400,000,000 for the development and rehabilitation of state parks, including deferred maintenance. For these reasons, and in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year, I believe a one-time reduction can be made without a significant impact on the department's ability to perform its essential functions in 2007-08.

Item 3900-001-0044—For support of State Air Resources Board. I reduce this item from \$94,533,000 to \$93,875,000 by reducing:

- (1) 15-Mobile Source from \$696,312,000 to \$675,188,000;
- (2) 25-Stationary Source from \$53,845,000 to \$53,345,000;
- (7) Amount payable from the Air Pollution Control Fund (Item 3900-001-0115) from -\$174,541,000 to -\$154,541,000;

and by deleting:

- (9.5) Amount payable from the Energy Resources Programs Account (Item 3900-001-0465) (-\$966,000).

I am reducing Schedule 1 to eliminate the legislative augmentation of \$658,000 and 6.7 positions for additional diesel enforcement efforts. In the past three budgets, I have included additional staff for diesel enforcement every year. In 2005-06, I added 15.3 positions, in 2006-07, I added 5.8 positions, and in the 2007-08 Governor's Budget, I included 6.7 more positions. The Legislature concurred in all of these augmentations, but added 6.7 additional positions this year for reasons which have not been explained. While I recognize that diesel enforcement is important, these augmentations are all funded by the Motor Vehicle Account, which is facing significant fiscal pressures for other high-priority expenditures. In light of this, and the lack of workload justification for the 6.7 position legislative augmentation, it is necessary to make this reduction in order to preserve Motor Vehicle Account funds for other critical needs.

I am also revising this item to conform to the actions I have taken in Items 3900-001-0115 and 3900-001-0465.

Item 3900-001-0115—For support of State Air Resources Board. I reduce this item from \$174,541,000 to \$154,541,000.

I am deleting the \$20,000,000 legislative augmentation for construction equipment grants that would be funded by increasing vehicle-related fees charged to the citizens of California. This proposal would carve out one industry, construction, for a state subsidy to comply with proposed air quality regulatory requirements. This focus on a single industry is inconsistent with the Air Board's overall approach to regulating air quality.

I am sustaining the \$1,000,000 fund shift from General Fund to the Air Pollution Control Fund (APCF) for legal defense costs associated with Chapter 200, Statutes of 2002 and

associated provisional language. I note, however, that the resources expected to be available in the APCF are quite limited. Consequently, should the legal defense costs exceed the \$1,000,000 provided in this item, the Air Board will likely request General Fund deficiency funding rather than additional resources from the APCF.

Item 3940-001-0001—For support of State Water Resources Control Board. I reduce this item from \$39,344,000 to \$39,102,000 by reducing:

- (1) 10-Water Quality from \$463,986,400 to \$459,499,400, and
- (5) Reimbursements from -\$14,244,000 to -\$9,999,000.

I am eliminating a legislative augmentation of \$242,000 and 2.0 positions to accelerate the development of Total Maximum Daily Load standards (TMDLs) in the North Coast Regional Water Board. I support the expeditious implementation of TMDLs throughout the state. However, I believe this can be accomplished within existing resources. In addition, this reduction is necessary in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year. With this reduction, \$1,100,000 still remains to support the development of North Coast Regional Water Board TMDLs.

I am also eliminating a legislative augmentation of \$4,245,000 in reimbursement authority for water basin planning. My budget proposed funding water basin planning from Chapter 9 of Proposition 84. The Legislature shifted this funding to reimbursements, to be provided by the Department of Water Resources from funds made available by Chapter 4 of Proposition 84. However, notwithstanding the merits of this program, it is not appropriately funded from Chapter 4 of Proposition 84, which requires the funding to be used for statewide, rather than basin-specific, water planning activities. With this reduction, \$6,600,000 still remains to support water basin planning.

Item 4280-101-0001—For local assistance of the Managed Risk Medical Insurance Board. I reduce this item from \$373,832,000 to \$372,429,000 by reducing:

- (2) 40-Healthy Families Program from \$1,032,841,000 to \$1,028,942,000, and
- (3) Amount payable from the Federal Trust Fund (Item 4280-101-0890) from -\$732,337,000 to -\$729,841,000.

I am deleting \$3,899,000 (\$1,403,000 General Fund and \$2,496,000 Federal Trust Fund) to conform to the action I have taken in Item 4280-001-0001, related to the delayed implementation of SB 437 (Chapter 328, Statutes of 2006).

Item 5180-101-0001—For local assistance, Department of Social Services. I reduce this item from \$2,210,356,000 to \$2,207,412,000 by reducing:

- (2) 16.65-Other Assistance Payments from \$1,324,322,000 to \$1,321,378,000.

I am reducing by \$2,944,000 the augmentation I included in the May Revision to fund local food banks and Foodlink to provide relief to Californians from the effects of last winter's severe weather conditions. This reduction in funding is possible due to a decrease in the number of disaster victims being served and a reduced timeframe that

these victims will require services. This action will in no way affect the services being provided to victims of the freeze disaster.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from \$437,764,000 to \$432,941,000 by reducing:

- (1) 16.75-County Administration and Automation Projects from \$1,085,916,000 to \$1,073,349,000;
- (2) Reimbursements from -\$57,871,000 to -\$54,951,000; and
- (3) Amount payable from the Federal Trust Fund (Item 5180-141-0890) from -\$590,281,000 to -\$585,457,000.

I am deleting the legislative augmentation of \$12,567,000 (\$4,823,000 General Fund, \$2,920,000 Reimbursements, and \$4,824,000 Federal Trust Fund) for workstation replacement and help desk support of the Statewide Automated Welfare System, including the CalWORKs Information Network. Although I understand that workstations need to be replaced on a regular basis, this reduction is needed to build a prudent reserve. In addition, I believe this cost may be paid from funds provided for general county administration.

I am also reducing \$2,130,000 in Item 4260-101-0001 and \$2,130,000 in Item 4260-101-0890 to conform to this action.

Item 5180-141-0890—For local assistance, Department of Social Services. I reduce this item from \$590,281,000 to \$585,457,000 and delete Provision 2.

I am reducing this item to conform to the action I have taken in Item 5180-141-0001 related to workstation replacement and help desk support.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from \$756,589,000 to \$739,528,000 by reducing:

- (1) 25.30-Children and Adult Services and Licensing from \$2,077,314,000 to \$2,056,169,000;
- (3) Reimbursements from -\$115,875,000 to -\$115,707,000; and
- (6) Amount payable from the Federal Trust Fund (Item 5180-151-0890) from -\$1,222,557,000 to -\$1,218,641,000.

In order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year, I am deleting the legislative augmentation of \$12,000,000 General Fund for the Adult Protective Services program. This veto maintains funding for the program at the level proposed in the May Revision.

I am deleting the legislative augmentation of \$5,135,000 (\$2,467,000 General Fund, \$168,000 Reimbursements, and \$2,500,000 Federal Trust Fund) for workstation replacement of the Child Welfare Services/Case Management System. Although I understand that workstations need to be replaced on a regular basis, this reduction is

needed to build a prudent reserve. I am reducing Item 0530-001-9732 by \$5,135,000 to conform to this action.

I am reducing this item by \$4,010,000 (\$2,594,000 General Fund and \$1,416,000 Federal Trust Fund) on a one-time basis. This funding would have provided resources to counties for sibling searches in the Adoptions Program and to help prevent foster youth identity theft, pursuant to legislation enacted in the 2006-07 fiscal year. I am suspending implementation of these programs by one year to further build a prudent reserve and I am directing the Department of Social Services to notify counties that these activities should be suspended during this fiscal year.

Item 5225-101-0001—For local assistance, California Department of Corrections and Rehabilitation. I reduce this item from \$336,791,000 to \$321,891,000 by deleting:

- (8) 60.01-County Juvenile Justice Planning Grants (\$4,900,000);
- (9) 60.02-County Juvenile Justice Competitive Grants (\$10,000,000);

and Provision 10.

I am deleting the \$4,900,000 legislative augmentation, which was intended to provide one-time grants to all counties to plan for changes in state law governing county custody and rehabilitative services for youthful offenders whose offenses are not listed in Welfare and Institutions Code Section 707(b). I am also deleting the \$10,000,000 legislative augmentation, which was intended to provide one-time competitive grants to counties for additional planning and development efforts related to the juvenile offender population that will now be housed locally. These reductions are necessary in order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year.

I am deleting Provision 10 to conform to this action.

Item 7100-001-0870—For support of Employment Development Department. I revise this item by reducing:

- (1) 10-Employment and Employment Related Services from \$180,125,000 to \$168,065,000, and
- (10) Amount payable from the Employment Development Contingent Fund (Item 7100-001-0185) from -\$79,495,000 to -\$67,435,000.

I am revising this item to conform to the action I have taken in Item 7100-001-0185.

Item SEC. 29.50—2008-09 State Operations and Capital Outlay Budget Restrictions. I delete this Control Section.

This Control Section provides legislative intent language to assist me in preparing the 2008-09 Budget that I will propose. The intent language directs the Department of Finance not to include funding in the Budget for various issues that evidently are low priorities for the Legislature. While controlling expenditures is a worthy and laudable goal every year, I do not think it is appropriate to predetermine funding decisions now,

and I will propose a Budget that reflects my spending priorities within available fiscal resources. I believe it is important that the full and deliberative process take place for each and every program.

California taxpayers expect that we all do our job completely each year, and I would miss an opportunity to continue discussions on these important issues with my legislative friends next year; therefore, I am deleting this control section.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 78.

ARNOLD SCHWARZENEGGER

## SB 79 Signing Message

To the Members of the California State Senate:

I am signing Senate Bill 79 with the following objections:

I am eliminating the two hundred million dollar (\$200,000,000) appropriation for transfer from the Transportation Debt Service Fund to the General Fund in paragraph (2) of subdivision (b) of Section 16965 of the Government Code as added by this bill in Section 1. The language making this appropriation is technically deficient and does not conform to what I believe was Legislative intent and may not achieve the intended fiscal result. I am setting aside these funds for appropriation in subsequent legislation to achieve the intended purpose of offsetting General Fund debt service costs for public transportation-related bonds.

I am eliminating the eighty-two million six hundred seventy-eight thousand dollar (\$82,678,000) appropriation for transfer from the Mass Transportation Fund to the General Fund in subdivision (b) of Section 7103 of the Revenue and Taxation Code as added by this bill in Section 5. The language making this appropriation is technically deficient and does not conform to what I believe was Legislative intent and may not achieve the intended fiscal result. I am setting aside these funds for appropriation in subsequent legislation to achieve the intended purpose of offsetting General Fund debt service costs for public transportation-related bonds.

I am also reducing the appropriation in paragraph (1) of subdivision (d) Section 99312 of the Public Utilities Code, as amended in Section 2 of this bill, from two hundred million dollars (\$200,000,000) to one hundred million dollars (\$100,000,000) and modifying the language in the paragraph accordingly as follows:

*"SEC. 2. Section 99312 of the Public Utilities Code is amended to read:*

99312. From the funds transferred to the account pursuant to Section 7102 of the Revenue and Taxation Code, the Legislature shall appropriate funds for the following purposes:

- (a) To the department, 50 percent for purposes of Section 99315.
- (b) To the Controller, 25 percent for allocation to transportation planning agencies, county transportation commissions, and the

San Diego Metropolitan Transit Development Board pursuant to Section 99314.

(c) To the Controller, 25 percent for allocation to transportation agencies, county transportation commissions, and the San Diego Metropolitan Transit Development Board for purposes of Section 99313.

*(d) For the 2007–08 fiscal year, notwithstanding any other provision of this section, or any other provision of law, the allocations made pursuant to this section shall be adjusted as follows:*

*(1) From the funds transferred to the account pursuant to paragraph (1) of subdivision (a) of Section 7102 of the Revenue and Taxation Code, ~~one hundred fifty~~ million dollars (~~\$100,000,000~~) (\$50,000,000) shall be allocated pursuant to subdivision (b); ~~one hundred fifty~~ million dollars (~~\$100,000,000~~) (\$50,000,000) shall be allocated pursuant to subdivision (c); and the remainder of revenue shall remain in the Public Transportation Account to fund other state public transportation priorities. The Controller shall make these allocations in four equal quarterly amounts of ~~twenty-five~~ twelve and one-half million dollars (~~\$25,000,000~~) (\$12,500,000), as achievable by the receipt of the specified revenue.*

*(2) The amount appropriated in Item 2640-101-0046 of the Budget Act of 2006 for state transit assistance pursuant to subdivision (b) and (c) was greater than the amount of revenues received to support state transit assistance pursuant to Section 7102 of the Revenue and Taxation Code. Therefore, notwithstanding any other provision of law, the amount that would have otherwise been available for appropriation to state transit assistance in the 2007–08 fiscal year pursuant to paragraphs (2) and (3) of subdivision (a) of Section 7102 of the Revenue and Taxation Code, shall be reduced by the excess amount that was appropriated to state transit assistance in the Budget Act of 2006, and that excess amount, as determined by the Department of Finance, shall instead remain in the Public Transportation Account to fund other state public transportation priorities. The Controller shall attempt to spread this adjustment equally over four quarterly payments, as achievable by revenue estimates.*

*(e) For the 2008–09 fiscal year and thereafter, notwithstanding any other provision of this section, or any other provision of law, from the funds transferred to the account pursuant to paragraph (1) of subdivision (a) of Section 7102 of the Revenue and Taxation Code, the Legislature shall appropriate funds for the following purposes:*

*(1) To the department, 33.34 percent for purposes of Section 99315.*

*(2) To the Controller, 33.33 percent for allocation to transportation planning agencies, county transportation commissions, and the San Diego Metropolitan Transit Development Board pursuant to Section 99314.*

*(3) To the Controller, 33.33 percent for the allocation to transportation agencies, county transportation commissions, and the San Diego Metropolitan Transit Development Board for purposes of Section 99313."*

I am reducing this appropriation because the total of appropriations made in this account exceeds projected resources and would put the account into a deficit. The revenues funding this appropriation are from the spillover calculation, which has proven to be very unpredictable and volatile in the past. To protect the viability of the other appropriations from the account, in particular those for State Transportation Improvement Program projects, a prudent reserve is necessary. If sufficient revenues become available to provide this level of grants to local transit agencies, I would be willing to consider a supplemental appropriation later in the year. Another provision of this bill provides for substantial increase in these grants in 2008-09.

While I am sustaining the language regarding the out-year funding for the State Transit Assistance program, future year appropriations will be reviewed in light of future budget needs, and therefore may be subject to future redirection.

Sincerely,

Arnold Schwarzenegger

## SB 81 Signing Message

To the Members of the California State Senate:

I am signing Senate Bill 81, an important measure which enacts several public safety provisions of the Budget Act of 2007. However, there are a few flaws that will require the Legislature to work with my Administration to clean up in subsequent legislation.

First, as it relates to juvenile justice reform, this bill requires counties planning to use local facilities for the purposes of housing juvenile offenders between the ages of 19 and 21 to seek approval from the Corrections Standards Authority (CSA), which must act within 30 days of notification by the counties. In addition, this bill requires CSA to approve the counties' Juvenile Justice Development Plans, which must be submitted to CSA no later than January 1, 2008. It is unclear whether CSA should have an approval role in either of these situations, has the resources to meet the requirements, and can act within the specified timeframe. Therefore, CSA's role should be clarified in clean-up legislation.

In addition, I am directing the Office of Inspector General (OIG) to implement only a portion of the provisions (Sections 13 and 14) that would require the OIG to include specified information in audits of wardens and juvenile facility superintendents. The intent of the amendment to these sections was to require the OIG to include an assessment of facility maintenance as part of the warden evaluation process. I agree that facility maintenance in correctional institutions is a significant issue that should be reviewed. However, this measure appears to require the OIG to include specified new information in every audit, which would create an additional workload burden that cannot be managed within existing resources. Additionally, it is my understanding that evaluations of facility maintenance in the quadrennial audits can be performed within existing budgetary resources, which is consistent with the direction from the Legislature in this regard. Therefore, I am directing the OIG to comply with the original intent of these sections, and to address this drafting error by proposing future cleanup legislation.

Sincerely,

Arnold Schwarzenegger

## SB 86 Signing Message

To the Members of the California State Senate:

I am sustaining the entire \$300 million for the Infill Incentives Grant Program established under the Proposition 1C Housing Bond. However, I do have concerns regarding the \$60 million appropriation for California Pollution Control Authority to fund brownfields cleanup under the CALReUSE program.

While Senate Bill 86 provides funds to the CALReUSE program, I request that clean-up legislation be authored to address a more direct linkage in that program to the production of new housing and to ensure that funds not allocated by CALReUSE or used by program recipients for this purpose be reverted to the Proposition 1C Infill Incentives Grant Program at the Department of Housing and Community Development.

Sincerely,

Arnold Schwarzenegger

## SB 88 Signing Message

To the Members of the California State Senate:

I am signing Senate Bill 88 because this bill contains many provisions needed to implement programs authorized in the Proposition 1B transportation bond. This bill is a major step in delivering on the promise made to the voters to improve our infrastructure and increase public safety. However, I would like to see stronger accountability measures and authorizations for the Goods Movement and State-Local Partnership programs, and I encourage the Legislature to continue their work on these programs by passing additional legislation to ensure that Californians get the maximum benefits from these bonds. I also urge the Legislature to authorize more public-private partnerships and grant design-build authority to leverage the bond funds for goods movement.

I am directing my Administration to continue the accountability efforts outlined in Executive Order S-02-07 and in this bill. However, this bill appears to include a drafting error making the general reporting requirements for Local Streets and Roads under Article 1 applicable to the State Controller's Office. Separate and simplified oversight requirements for that program are included under Article 10. I encourage the Legislature to quickly enact corrective legislation.

As I noted in my signing message for the budget bill, I am sustaining the legislative augmentation of an additional \$139,000,000 provided for trade corridor emissions reductions to be expended in the budget year. The people who voted for Proposition 1B are demanding this action. I know that my colleagues in the Legislature agree with these goals, and that the staff of the State Air Resources Board is up to this challenge. Because the language adopted by the Legislature relies heavily on local and regional entities to carry out this program, I am calling on those entities to work closely with the State Air Resources Board and ensure they are prepared to submit applications to receive and allocate funding as soon as possible in this fiscal year.

Sincerely,

Arnold Schwarzenegger

## SB 97 Signing Message

To the Members of the California State Senate:

I am signing Senate Bill 97 because it provides immediate protection to the important infrastructure projects funded by the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006 and the Disaster Preparedness and Flood Prevention Bond Act of 2006.

The projects funded by these voter-approved bonds are vital in our efforts to rebuild California's infrastructure. As we move aggressively to reduce congestion on our roadways and protect Californians from devastating floods, my Administration has also been working tirelessly to reduce greenhouse gas emissions and implement Assembly Bill 32, the Global Warming Solutions Act of 2006.

Current uncertainty as to what type of analysis of greenhouse gas emissions is required under the California Environmental Quality Act (CEQA) has led to legal claims being asserted which would stop these important infrastructure projects. Litigation under CEQA is not the best approach to reduce greenhouse gas emissions and maintain a sound and vibrant economy. To achieve these goals, we need a coordinated policy, not a piecemeal approach dictated by litigation.

This bill advances a coordinated policy for reducing greenhouse gas emissions by directing the Office of Planning and Research and the Resources Agency to develop CEQA guidelines on how state and local agencies should analyze, and when necessary, mitigate greenhouse gas emissions. My Administration will work to expedite the issuance of such regulations to provide predictability to California public agencies and businesses and achieve our goal to reduce greenhouse gas emissions to 1990 levels.

Sincerely,

Arnold Schwarzenegger