



Final Action Report

A Summary of the 2010 Budget Act

Chapter 712, Statutes of 2010

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

October 21, 2010

FINAL ACTIONS

October 21, 2010

Senate Bill 870
2010-11 Budget Bill

Senate Committee on
Budget and Fiscal Review

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California State Senate

COMMITTEE
ON
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL
SACRAMENTO, CA 95814

SENATOR
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CHAIR

STAFF DIRECTOR
KEELY MARTIN BOSLER
DEPUTY STAFF DIRECTOR
BRIAN ANNIS

CONSULTANTS
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KRIS KUZMICH
JENNIFER TROIA
DIANE VAN MAREN
SEIJA VIRTANEN

COMMITTEE ASSISTANTS
GLENDA HIGGINS
MARY TEABO

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

October 21, 2010

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2010-11 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 Committee website:

Please follow the links:

- 1 – www.sen.ca.gov
- 2 – Committees
- 3 – Standing
- 4 – Budget and Fiscal Review
- 5 – Information
- 6 – Final Action Report 2010

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, Senate Budget and Fiscal Review

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Governor’s Vetoes and Signing Messages

Final Department of Finance Solutions List

INTRODUCTION

On October 8, 2010, the Legislature passed the 2010 Budget Act (Chapter 712, Statutes of 2010). In enacting this measure, the Legislature met its constitutional obligation to pass a balanced budget.

Enclosed is the Senate Budget and Fiscal Review Committee's Final Action Report on the 2010 Budget Act. The report provides a detailed summary of the contents of the 2010 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee, the Budget Conference Committee, and includes final negotiations between leadership of the Legislature and the Administration, along with gubernatorial vetoes.

In total, the final 2010-11 Budget assumes \$86.5 billion in General Fund (GF) expenditures, including vetoes. The overall Budget (GF, special, and select bond funds) is \$125.3 billion.

As California begins to emerge from the global recession, the 2010-11 Budget Act provides a way forward to protect the public structures of education, public safety, infrastructure, and vital services. The budget does not increase any tax rates and implements significant ongoing reform in the areas of budget and public pensions.

General Budget Framework

The budget package passed by the Legislature included a combination of significant expenditure reductions, federal relief, additional revenues, and fund shifts. In addition to addressing the 2010-11 budget, the package includes many ongoing solutions and permanent reforms.

The negotiated budget package passed by the Legislature included approximately \$18.3 billion in General Fund "solutions" to close the gap, and provided a final reserve of approximately \$360 million. The budget package passed by the Legislature included solutions that fall into the following categories (dollars in billions):

Starting Problem	-\$17.9
• Expenditure Reductions	7.4
• Federal Funds	5.4
• Additional Revenues.....	2.4
• Fund Shifts, Other Revenues	2.9
• Alternative Funding	0.5
• Baseline Workload Adjustments	-0.3
Total Solutions	\$18.3
Pre-veto Reserve	\$0.4

The Governor vetoed an additional \$963 million from the budget passed by the Legislature. These vetoes add to the \$7.4 billion in expenditure reductions that were already a part of the budget

package passed by the Legislature. The Governor reports that the veto has increased his reserve to \$1.3 billion.

However, over one-quarter of the funds vetoed by the Governor (\$256 million) was the veto of the Stage 3 child care program, which is budgeted as a Proposition 98 expenditure. The Legislature suspended the Proposition 98 guarantee for the 2010-11 fiscal year. However, this suspension is governed by SB 851 (Chapter 715, Statutes of 2010), which suspended to a Proposition 98 level of \$49.6 billion. Therefore, the veto of the child care expenditures reduces Proposition 98 expenditures below the constitutional level, thereby creating a new settle-up obligation that is owed to schools of approximately \$256 million.

The budget framework outlined above is in addition to \$1.4 billion in GF budget solutions adopted by the Legislature and signed by the Governor in the Eighth Extraordinary Session. This Proposition 58 special session to address the state's fiscal emergency, was called by the Governor on January 8, 2010, and related legislation was approved in February and March. Included in this special session package, was the "fuel tax swap", which provides \$1.1 billion in GF solutions over the two fiscal years. Details on the outcomes of the Eighth Extraordinary Session are included in Quick Summary documents dated March 25, 2010, and March 5, 2010, on the Committee's website.

2010-11 Budget Major Highlights

The body of this report contains significant detail about the contents of the 2010 Final Budget Act. However, below is a brief summary of the major expenditure highlights, as well as the budget reform and pension reform that were included as part of the final budget package.

K-14 Education. Maintains a modest increase in education funding on a per-pupil programmatic basis for 2010-11, and begins paying "settle-up" payments for the 2009-10 fiscal year with a \$300 million payment in 2010-11. This budget provides ongoing Proposition 98 funding of \$49.6 billion and through a new deferral of \$1.9 billion, and one-time funds, brings total state funding for schools and community colleges to \$52.5 billion.

- **Increases K-12 Per Pupil Funding.** Provides over \$300 per-pupil more than the Governor's May Revision proposal on a programmatic basis. Programmatic spending under the budget plan is proposed to be just under \$8,000 per pupil.
- **Preserves Integrity of Proposition 98.** Rejects the Governor's legally-suspect proposal to manipulate the Proposition 98 guarantee and rather proposes a direct suspension of the guarantee for one year at a specific funding level. As the LAO has noted, suspension of the Proposition 98 guarantee reduces legal or Constitutional ambiguity over the maintenance factor created as part of last year's budget agreement. Thus, the suspension keeps last year's budget promises and enables funding for schools to grow as the economy rebounds.
- **Implements mandate reform.** Begins reforms of some K-14 mandate requirements by suspending some less-important mandates and clarifying law to permanently eliminate or reduce other mandate costs. Funds the anticipated cost of remaining mandates for 2010-11. However, the Governor vetoed all of the funding for the 3632 mandate that provides funding to counties for the provision of mental health-related services to special education pupils who need the services

to benefit from their education program. The Governor declared in his veto message that this mandate is suspended. The Governor does not have the authority to suspend a mandate unilaterally, therefore, it is uncertain what will happen to this program and these services given this veto.

- **Child Care.** The budget package passed by the Legislature rejected the elimination of child care funding, as proposed in the Governor's May Revision. However, the Governor then vetoed funding (\$256 million) for the Stage 3 childcare program, effectively eliminating this program as of November 1, 2010. This veto left only \$129 million in federal funds available to fund the program through the end of October.
- **Community Colleges.** Provides \$126 million for enrollment growth for 26,000 new students. Also provides an additional \$35 million to restore categorical programs and \$25 million for an Economic and Workforce Development program to develop programs to meet emerging workforce needs. Includes a new deferral of \$189 million to be paid in 2011-12.

Higher Education. Provides \$5.5 billion from the General Fund for support of the University of California and California State University systems. Funding is above the 2009-10 level and includes full funding for enrollment growth and an augmentation of approximately \$199 million for each segment to backfill previous cuts to the systems.

Health and Human Services. The budget makes a number of reductions in health and human services programs, but rejects the Governor's proposals to eliminate CalWORKs, community mental health programs, Adult Day Health care, and the significant reductions proposed to the In-Home Supportive Services program.

The negotiated budget passed by the Legislature restored or partially restored several programs that were vetoed by the Governor in 2009-10. However, the Governor vetoed nearly every restoration made by the Legislature. The most significant vetoes include a veto of \$80 million to child welfare services programs and about \$60 million for the Office of AIDS local assistance programs. This will result in a real reduction to programs that support and protect abused and neglected children and will eliminate all state support for AIDS prevention, education, and care programs.

Public Safety. The negotiated budget included corrections savings of over \$1.1 billion, primarily from reduced inmate medical care costs. The final budget did not include a "realignment" of state inmates to the counties.

State Employee Compensation. The budget package reduced spending for state employee compensation costs by about \$1.5 billion consistent with collective bargaining agreements that have already been reached or are in negotiation. This is \$500 million less than what the Governor had proposed.

Federal Funds. The budget package assumes new or extended federal funds to provide \$5.3 billion in budget solutions. This amount is less than the \$6.9 billion assumed in the Governor's January Budget.

Revenues. The negotiated budget includes \$2.5 billion in revenue solutions. More than half of this, \$1.4 billion, is from the Legislative Analyst's revenue forecast, which was \$1.4 billion higher than the

Governor's May Revision – three months into the fiscal year, this additional revenue has already been realized. The remainder of the revenue change is from the following:

- **Extend the Net Operating Loss (NOL) suspension:** The budget continues the suspension of the NOL corporate tax benefit for an additional two years, which results in increased tax revenue of about \$1.2 billion in 2010-11. Over 90 percent of all corporations are exempted from this suspension.
- **Corporate underpayment penalties and "Cost of Performance" rule change.** The budget proposal revises recent corporate tax law changes related to penalties assessed when a corporation underpays their tax liability by more than \$1 million. The budget proposal also restores the old "cost of performance" rules for the sourcing of intangibles and services related to calculation of multi-state apportionment. These changes will reduce tax revenue by about \$132 million in 2010-11.

Budget Reform. Makes three major changes to create a stronger "rainy day fund" for California.

1. Makes the existing Proposition 58 rainy day fund larger and makes it harder to suspend an annual contribution.
 - Increases the maximum size of the state rainy day fund from five percent to ten percent of General Fund revenue.
 - Requires the State to always make the three percent payments into the rainy day fund, except in years when the State has a deficit big enough to start using the rainy day funding.
 - Allows half of the annual payment into the rainy day fund to be used for one-time infrastructure and debt service.
2. Restricts the use of the funds in the rainy day fund to rainy days.
 - Funds can be used to cover a budget shortfall—up to the previous year's expenditures adjusted for inflation and population growth.
 - Includes a "50-25-25 regulator" provision that prevents using all of the rainy day funds in one year.
 - If the rainy day fund exceeds ten percent of General Fund Revenue, annual payments to the fund stop and any excess funding can be used for one time purposes as specified.
3. Captures "unanticipated revenue" for additional rainy day fund contributions.
 - The Department of Finance creates a projection of expected revenue based on the state's last twenty years of revenue performance.
 - Any revenue that is received above that trend line is "unanticipated" and must be put in the rainy day fund.
 - Any new revenue that is needed to meet our Proposition 98 obligation is excluded, so Proposition 98 is fully funded without encroaching on funding for other programs.

Pension Reform. Makes the following changes to state pensions for new state employees hired on or after January 15, 2011. These changes would impact state employees in bargaining units that do not

currently have a Memorandum of Understanding (MOU) with the state, as well as employees of the California State University, the judicial branch of government, and the Legislature.

- **Rolls Back SB 400 Pension Benefits.** New state employees' retirement benefits would be returned to the pension benefit levels that existed prior to the adoption of SB 400 (Chapter 555, Statutes of 1999) as detailed in the chart below:

Retirement Category	Current Retirement Formulas	Proposed Formulas
Miscellaneous	2% at Age 55 (up to 2.5% at 63)	2% at Age 60 (up to 2.418% at 63)
Industrial	2% at Age 55 (up to 2.5% at age 63)	2% at Age 60 (up to 2.418% at age 63)
State Safety	2.5% at Age 55	2% at Age 55
Peace Officer and Firefighters, with the State, CSU, Legislature and Judicial branch	3% at Age 50	2.5% at Age 55

- **Ends Pension "Spiking."** Requires three-year final compensation method of calculating benefit levels for new state employees who are not already under this calculation method.
- **Transparency.** Requires additional analysis and oversight of CalPERS' actuarial assumptions.

**Final Budget Package
General Fund Budget Summary
With Vetoes
(Dollars in Millions)**

	<u>2009-10</u>	<u>2010-11</u>
Prior Year Balance	-\$5,375	-\$4,804
Revenues and Transfers	\$86,920	\$94,230
Total Resources Available	\$81,545	\$89,426
Non-Proposition 98 Expenditures	\$50,572	\$50,585
Proposition 98 Expenditures	\$35,777	\$35,967
Total Expenditures	\$86,349	\$86,552
Fund Balance	-\$4,804	\$2,874
Budget Reserves:		
Reserve for Liquidation of Encumbrances	\$1,537	\$1,537
Special Fund for Economic Uncertainties	-\$6,341	\$1,337

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
SB 870	Ch 712	2010-11 Budget	27-9	57-13
AB 1610	Ch 724	Education finance (trailer bill)	28-6	56-14
AB 1612	Ch 725	Human services (trailer bill)	27-8	54-17
AB 1619	Ch 732	Elections (trailer bill)	28-4	67-7
AB 1620	Ch 726	Public works projects (trailer bill)	33-3	56-8
AB 1621	Ch 727	Financial Information System for California (FI\$Cal) (trailer bill)	32-3	57-18
AB 1624	Ch 713	Cash Management. (trailer bill)	34-1	64-11
AB 1628	Ch 729	Public Safety (trailer bill)	32-3	71-3
AB 1629	Ch 730	Department of Developmental Services – Bay Area Housing Financing (trailer bill)	34-2	73-0
AB 1632	Ch 731	Economic development (trailer bill)	36-0	68-5
SB 849	Ch 628	Budget Act of 2009: augmentation (Ducheny) (deficiency bill)	31-0	71-0
SB 851	Ch 715	Education finance: Proposition 98: suspension (trailer bill)	27-8	54-19
SB 853	Ch 717	Health (trailer bill)	27-7	58-15
SB 855	Ch 718	Resources (trailer bill)	27-4	54-12
SB 856	Ch 719	General government (trailer bill)	31-2	61-8
SB 857	Ch 720	Judicial (trailer bill)	27-9	56-18
SB 858	Ch 721	Revenues (trailer bill)	27-7	60-13
<u>Other Related Bills</u>				
AB 342	Ch 723	Medi-Cal: demonstration project waivers. (Perez)	29-1	66-3
AB 1625	Ch 728	Public employment: collective bargaining (Perez)	36-0	66-5
ABX6 10	Ch 1 (6 th Ex)	Service and volunteering. (Blumenfield)	23-10	43-25
SB 208	Ch 714	Medi-Cal. (Steinberg)	35-0	71-0
SB 524	Ch 716	Transportation funds. (Cogdill)	28-2	65-4
SB 847	Ch 162	Education finance: federal funds (Steinberg)	28-3	77-1
SB 863	Ch 722	Local government: Redevelopment and Williamson Act	28-5	58-8
SB 866	<i>VETOED</i>	<i>Local government mandate securitization</i>	29-4	57-18
SB 867	Ch 733	CalPERS Transparency (Hollingsworth)	35-0	67-5
SBX6 22	Ch 3 (6 th Ex)	Pension Reform. (Hollingsworth)	22-10	47-10
ACA 4	Res Ch 174	Budget Reform. (Gatto)	29-7	65-8

8th EXTRAORDINARY SESSION BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
AB 1	Ch 2 (8 TH Ex)	Amendments to the 2009 Budget Act	38-0	49-6
AB 2	<i>VETOED</i>	<i>Amendments to the 2010 Budget Act</i>	23-15	44-20
AB 3	Ch 3 (8 TH Ex)	Criminal Justice	24-14	45-17
SB 4	Ch 4 (8 TH Ex)	Developmental Services/Foster Care	29-2	54-13
AB 5	Ch 1 (8 TH Ex)	Cash	37-2	55-15
AB 6	Ch 11 (8 TH Ex)	Transportation/Gas Tax Swap (tax side)	22-10	41-32
AB 7	Ch 5 (8 TH Ex)	Resources	31-6	69-0
AB 9	Ch 12 (8 TH Ex)	Transportation/Gas Tax Swap (expenditure side)	21-10	44-30
AB 10	Ch 6 (8 TH Ex)	General Government	32-6	48-12
AB 11	Ch 7 (8 TH Ex)	Transportation Proposition 116	39-0	49-1
AB 12	Ch 8 (8 TH Ex)	Prop 1B Port Security	39-0	49-1
AB 14	Ch 10 (8 TH Ex)	Cash Clean Up	31-0	63-7
<u>Regular Session Bills Sent to Governor in March 2010</u>				
SB 70	Ch 9	Diesel Fix for Fuel Swap	22-14	70-2

Subcommittee No. 1 – Education

6110 Department of Education
6120 California State Library
6420 California Postsecondary
Education Commission
6440 University of California

6600 Hastings College of the Law
6610 California State University
6870 California Community Colleges
7980 Student Aid Commission

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

0540	Secretary for Resources	3820	San Francisco Bay Conservation and Development Commission
0555	Secretary for Environmental Protection		
2600	California Transportation Commission	3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy
2640	State Transit Assistance		
2660	Department of Transportation	3830	San Joaquin River Conservancy
2665	High Speed Rail Authority	3835	Baldwin Hills Conservancy
2670	Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun	3840	Delta Protection Commission
		3845	San Diego River Conservancy
2700	Office of Traffic Safety	3850	Coachella Valley Mountains Conservancy
2720	California Highway Patrol	3855	Sierra Nevada Conservancy
2740	Department of Motor Vehicles	3860	Department of Water Resources
3110	Special Resources Programs	3875	Sacramento-San Joaquin Delta Conservancy
3125	California Tahoe Conservancy	3885	Delta Stewardship Council
3340	California Conservation Corps	3900	State Air Resources Board
3360	California Energy Commission	3910	Integrated Waste Management Board
3460	Colorado River Board	3930	Department of Pesticide Regulation
3480	Department of Conservation	3940	State Water Resources Control Board
3500	Department of Resources Recycling and Recovery	3960	Department of Toxic Substances Control
		3980	Office of Environmental Health Hazard Assessment
3540	Department of Forestry and Fire Protection		
3560	State Lands Commission	7300	Agricultural Labor Relations Board
3600	Department of Fish and Game	8570	Department of Food and Agriculture
3640	Wildlife Conservation Board	8660	Public Utilities Commission
3680	Department of Boating and Waterways	8665	California Consumer Power and Conservation Financing Authority
3720	California Coastal Commission		
3760	State Coastal Conservancy	8770	Electricity Oversight Board
3780	Native American Heritage Commission	9350	Shared Revenues
3790	Department of Parks and Recreation		
3810	Santa Monica Mountains Conservancy		

Subcommittee No. 3 – Health and Human Services

0530	Office of Systems Integration	4300	Department of Developmental Services
4120	Emergency Medical Services Authority	4440	Department of Mental Health
4140	Office of Statewide Health Planning and Development	4700	Department of Community Services and Development
4170	Department of Aging	5160	Department of Rehabilitation
4200	Department of Alcohol and Drug Programs	5175	Department of Child Support Services
4260	Department of Health Care Services	5180	Department of Social Services
4265	Department of Public Health		
4270	California Medical Assistance Commission		
4280	Managed Risk Medical Insurance Board		

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

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 System	8260	California Arts Council
0502	Office of the Chief Information Officer	8320	Public Employee Relations Board
0509	Governor’s Office of Economic Dvlpmnt	8380	Department of Personnel Administration
0510	Secretary for State and Consumer Services	8385	Citizens Compensation Commission
0520	Secretary for Business, Trans, & Housing	8500	Board of Chiropractic Examiners
0552	Office of the Inspector General	8550	California Horse Racing Board
0595	American Recovery and Reinvestment Act Inspector General	8620	Fair Political Practices Commission
0596	California Agency on Service and Volunteering	8640	Political Reform Act of 1974
0650	Governor’s Office of Planning and Research	8780	Milton Marks “Little Hoover” Commission
0690	California Emergency Management Agency	8790	California Commission on Disability Access
0820	Department of Justice	8820	Commission on the Status of Women
0840	State Controller	8850	State Public Works Board
0845	Department of Insurance	8855	Bureau of State Audits
0850	State Lottery Commission	8860	Department of Finance
0855	Gambling Control Commission	8880	Financial Information System for California (FI\$Cal)
0890	Secretary of State	8885	Commission on State Mandates
0911	Citizens Redistricting Initiative	8910	Office of Administrative Law
0950	State Treasurer’s Office	8940	Military Department
1100	California Science Center	8955	Department of Veterans Affairs
1110/1111	Department of Consumer Affairs	9100	Tax Relief
1690	Alfred E. Alquist Seismic Safety Commission	9210	Local Government Financing
1700	Department of Fair Employment & Housing	9350	Shared Revenues
1705	Fair Employment and Housing Commission		Control Sections:
1760	Department of General Services	4.75	Statewide Surcharge
1870	Victim Compensation & Gvrnmt Claims Bd	12.45	Payroll Delay Technical Adjustments
1880	State Personnel Board	15.30	Information Technology Savings
1900	Public Employees’ Retirement System	31.00	Budget Act Administrative Procedures for Salaries and Wages
1920	State Teachers’ Retirement System		
2100	Department of Alcoholic Beverage Control		
2150	Department of Financial Institutions		
2180	Department of Corporations		
2240	Dept of Housing and Community Dvlpmnt		
2310	Office of Real Estate Appraisers		
2320	Department of Real Estate		
2400	Department of Managed Health Care		
5225	Department of Corrections & Rehabilitation		
7120	California Workforce Investment Board		

Subcommittee No. 5 – Revenues, the Economy, and Labor

0559 Labor and Workforce Development Agency
0860 Board of Equalization
1730 Franchise Tax Board
7100 Employment Development Department
7350 Department of Industrial Relations
9600 Debt Service for General Obligation Bonds
9620 Cash Management and Budgetary Loans
9800 Augmentation for Employee Compensation

Control Sections:

3.60 Contributions to Public Employee
 Retirement Benefits
3.90 Reduction for Employee Compensation
3.91 Reduction for Employee Compensation
 (Potential Contracts)
8.26 Federal Funds Trigger

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Carol Liu, Chair
Bob Huff
Roderick Wright

Consultant

Kim Connor
Seija Virtanen

SUBCOMMITTEE No. 1

EDUCATION

K-12

Department of Education.....	1-1
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Higher Education

California Sate Library	1-7
California Postsecondary Education Commission	1-7
University of California.....	1-7
California State University	1-8
Hastings College of the Law	1-8
California Community Colleges.....	1-8
Student Aid Commission	1-9

K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

K-14 -- Proposition 98 Overall

- Provided **\$49.5 billion** in total Proposition 98 funding (all ongoing funds). According to the Legislative Analyst's Office (LAO), this level of funding is approximately \$1.8 billion less than the Proposition 98 minimum funding guarantee, thereby creating a "settle-up" obligation to be paid in future years.
- Provided **\$49.9 billion** in total Proposition 98 funding (\$49.568 billion ongoing; \$242 million one-time) in 2010-11.
- Provided a total of **\$52.5 billion** for K-14 education from all state funds in 2010-11, including ongoing Proposition 98 funds, one-time General Funds for Proposition 98 "settle-up", one-time funds from prior year Proposition 98 savings, payment deferrals, and state General Funds for the Quality Education Improvement Education Act (QEIA).
- Suspends the Proposition 98 minimum funding guarantee in 2010-11 to the level of **\$49.658 billion** and clarifies maintenance factor obligations. Without suspension, the LAO estimates the minimum funding guarantee would be \$53.8 billion, which is \$4.1 billion higher than the \$49.658 billion appropriated in 2010-11.
- Provides **\$300 million** in Proposition 98 "settle-up" funds in 2010-11, which are attributable to revised minimum funding obligations for 2009-10. Of this amount, **\$210 million** is provided on a per pupil basis to K-12 schools (based upon average daily attendance) and community colleges (based upon full-time equivalent students). These funds will count as payment against prior-year mandates claims. The remaining **\$90 million** is appropriated to K-12 and community colleges for annual mandate claims in 2010-11 (see following item).
- Adopted K-14 mandate reforms, as an alternative to the Governor's across the board, one-year suspension of K-14 mandates. These reforms include:
 - suspending six full mandates and two partial mandates for three years (through 2012-13) consistent with the timeframe for categorical flexibility;
 - modifying four mandates to preserve the underlying statute while reducing or eliminating mandate costs, including two of the most expensive mandates - Behavior Intervention Plans and High School Science Graduation Requirement;
 - updating statutes for one mandate program that is no longer fully operational;
 - requesting redetermination of one K-14 education mandate;
 - funding remaining K-14 mandates in 2010-11 with **\$90 million** in Proposition 98 settle-up funds; and

- creating a working group led by the LAO to examine K-14 mandates and make recommendations to the Legislature for future fiscal and policy action.
- Authorized the State Controller's Office to delay specified K-12 and community college payments by several days in October 2010 in order to better meet the state's short-term cash needs.

K-12 Education

Major 2009-10 Actions:

- Captured **\$340 million** in budgeted savings for the K-3 Class Size Reduction.
- Reduced categorical appropriation by **\$386 million** for various categorical programs to reflect natural savings.
- Captured **\$176 million** in savings from various technical adjustments to other programs, primarily revenue limit savings tied to a decline in student attendance.

Major 2010-11 Actions: Restored approximately \$3.0 billion in reductions proposed by the Governor, including:

- Restored approximately **\$1.5 billion** in revenue limit (general purpose) funding for school district and county office revenue limits proposed by the Governor.
- Restored **\$210 million** to reject the Governor's proposal to reduce school district and county offices of education revenue limit and categorical programs for a negative cost-of-living adjustment for K-12 education of -0.39 percent.
- Restored funding for the Child Care Program by adding back **\$1.3 billion** in funding proposed for elimination by the Governor (\$201 million of the restoration was one-time funds). ***The Governor vetoed \$256 million to eliminate CalWORKS Stage 3 child care. (See Child Development section for details.)***
- Deferred a total of **\$1.7 billion** in revenue limit appropriations from April, May and June of 2010-11 to July of 2011-12. The delay in payments achieves state budget solution, while allowing K-12 schools to retain general purpose funding for programs.
- Assumes total savings of **\$550 million** for the K -3 Class Size Reduction (CSR) program and authorizes an unspecified, statutory appropriation for the program in 2010-11. This action reflects the Governor's estimates of program savings in 2010-11.
- Continued approximately **\$70 million** in funding for the Special Disability Adjustment in 2009-10 and 2010-11, and repeals the Special Disability Adjustment formula on July 1, 2011.

- Provided approximately **\$21 million** in funding for the Charter Schools Facility Grant program in 2010-11 to begin conversion of the program from a reimbursement-based program to grant-based program.
- Provided **\$9.0 million** in one-time funds to allow new charter schools to access categorical funds included in the categorical flexibility program.
- Provided approximately **\$3 million** in Economic Impact Aid funding to county court schools beginning in 2010-11 and approved statutory changes to assure that court school students receive required instructional time.
- Approved **\$2.25 million** annually in one-time funds to restore program funding for the Fiscal Crisis and Management Assistance Team (FCMAT) program from 2010-11 through 2012-13 in response to significant workload increases.

Federal Funds Adjustments:

- Appropriated **\$1.2 billion** in new, one-time federal funds for K-12 schools authorized through the Education Jobs and Medicaid Assistance Act. Pursuant to federal rules, these funds will be distributed proportionally to all local educational agencies (LEAs) – school districts, county offices of education, and charter schools – based upon their total revenue limit calculation. Funds must be used to retain, rehire, or hire new school level staff providing educational services. Any LEA that receives an allocation and that has funds remaining after 2010-11 may use those remaining funds through September 30, 2012.
- Appropriated **\$272 million** in additional, one-time federal School Fiscal Stabilization Funds (SFSF) for K-12 schools in California. These remaining one-time funds are provided as Phase II SFSF funds, as authorized under the American Recovery and Reinvestment Act (ARRA). These final SFSF funds will be used to mitigate ongoing revenue limit reductions to school districts and related reductions to basic aid districts.
- Approved **\$416 million** in federal program improvement funds available over three years to support school improvement grants to K-12 LEAs. The funds will be provided to LEA school improvement grants based upon school size as approved by the State Board of Education on August 24, 2010. These federal program improvement funds include one-time ARRA School Improvement Fund grants and other federal program improvement funds.
- Rejected Governor’s proposal to shift the mandate for special education mental health related services (per AB 3632) from county mental health agencies back to K-12 schools. Appropriated an additional **\$7.0 million** in one-time federal IDEA funds available to county mental health agencies, thereby increasing federal funding for AB 3632 services to **\$76 million** in 2010-11. Approved **\$500,000** in one-time federal special education funds to the California Department of Education (CDE) to contract for study of AB 3632 services to evaluate student outcomes and service costs and to identify best practices in the delivery of mental health related services for students with disabilities. ***The Governor vetoed the \$76 million in federal funding available specifically to county mental health agencies. This action conforms to his veto of \$133***

million of funding for the state AB 3632 mandate on counties. In so doing, the Governor has declared intent to suspend the state AB 3632 mandate. The Administration has indicated intent to provide the \$76 million in IDEA funds to K-12 schools for the provision of federally mandated mental health related services.

- Approved **\$34 million** in formula grants and **\$37.6 million** in competitive grants from one-time funds for the Enhancing Education Through Technology (EETT) program, as authorized by the American Recovery and Reinvestment Act (ARRA). Competitive grants will extend funding to all school districts serving students in grades 7-12 to use data to improve college and career readiness and high school graduation. An additional **\$10.6 million** ongoing federal funds was also approved for the existing EETT program.
- Continues **\$775,000** for the Alternative Schools Accountability Model (ASAM) proposed for elimination by the Governor. *The Governor vetoed \$775,000 in order to eliminate the ASAM stating that the “Department of Education and State Board of Education have begun phasing out the external contractor in favor of the Department of Education staff compiling data from existing sources making these funds unnecessary.”*
- Approved **\$5.6 million** in federal funds to the California Department of Education (CDE) for the implementation costs associated with the California Longitudinal Pupil Achievement Data System (CALPADS) in 2010-11. *The Governor vetoed \$2.7 million, leaving \$2.9 million in federal funds for CALPADS through December 6, 2010. In addition, the Governor vetoed \$3.6 million in one-time Proposition 98 funds for California School Information Services (CSIS) administrative support activities for the CALPADS project to conform to this action, leaving \$1.3 million for these CSIS activities. The Governor stated intent that “reduced funding be set aside for future legislation that appropriates funds for an appropriate entity to complete the project and provide a data system that will successfully supply student-level achievement data to assist teachers, district administrators, and policy makers with reliable information.”*
- Approved nearly **\$4.0 million** in federal funds to CDE, and **\$84,000** in Teacher Credentialing Funds to the Commission on Teacher Credentialing, for development of the California Teacher Information Data System (CALTIDES). *The Governor vetoed \$3.3 million in ongoing federal funds and \$200,000 in one-time federal funds, leaving \$563,000 in federal funds for CALTIDES through December 6, 2010. The Governor stated intent that “reduced funding be set aside for future legislation that appropriates funds for an appropriate entity to complete the project and provide a data system that will successfully supply student-level achievement data to assist teachers, district administrators, and policy makers with reliable information.”*

Local Funding Flexibility:

- Moved the English Language Acquisition Program (ELAP) into the Economic Impact Aid program. This change will allow ELAP funds to be used more flexibly to meet the needs of English Learners.

Child Development

- Rejected the Governor’s proposal to eliminate CalWORKs child care and other child care services, thus protecting child care for about 155,000 more children than the Governor’s proposal. In total, the Legislature provided child care funding for about 232,000 children. ***The Governor vetoed funding for CalWORKs Stage 3 child care, thus eliminating child care for 55,000 children.***
- Rejected lowering the reimbursement rate ceilings for licensed child care providers and kept them at the current levels of 85th percentile of the Regional Market Rate (RMR).
- Approved lowering the reimbursement rate for license-exempt providers from 90 percent to 80 percent of the 85th percentile of RMR starting October 1, 2010, for a savings of \$31.1 million.
- Approved lowering the administrative and services allowance from 19 percent to 17.5 percent of the contract amount starting October 1, 2010, for a savings of \$17.1 million.
- Approved using child care center reserves to fund the child care services, for a savings of \$83.1 million.
- Approved funding CalWORKs child care programs with \$201 million in unspent prior year Proposition 98 General Fund.
- Rejected the Governor’s \$5.9 million negative Cost-of-Living Adjustment (COLA).
- Approved technical caseload adjustments to CalWORKs Stage 2 and Stage 3, unrelated to the Governor’s elimination of child care or changes to policy.
- Approved \$2.6 million in new federal funds for State Advisory Council on Early Childhood Education and Care (ELAC) for educational quality planning and activities.
- Approved budget bill language to:
 - State Legislative intent that ELAC study the feasibility of implementing a data system that tracks the learning progress of children age five or younger. ***The Governor vetoed this budget bill language.***
 - Require a report on administrative overpayments with more detail than in the past to distinguish between administrative errors and fraud.
 - Allow for the use of the local child care center reserves to pay for child care slots.
- Rejected trailer bill language on administrative overpayments in state subsidized child care programs (also called “improper payments” language).
- Approved trailer bill language to:
 - Limit local child care center reserves to five percent of contract amounts. Previously there had been no limit on the size of the reserve for certain types of centers.

- Reduce the administrative and service allowance from 19 percent to 17.5 percent of the contract amount.
- Reduce the license-exempt child care provider reimbursement rate from 90 percent to 80 percent of the 85th percentile of the RMR.

CDE State Operations

- Reduces state operations funding for CDE by **\$2.6 million** in General Funds (non-98) to reflect workload savings associated with funding flexibility for 40 plus categorical programs. This action eliminates 22 vacant positions.
- Restored **\$144,000** in General Funds (non-98) for the Curriculum Commission in 2010-11 in order to complete curriculum frameworks in progress for History/Social Science and Science. This amount reflects a partial restoration of \$705,000 in General Funds (non-98) vetoed by the Governor in 2009-10. ***The Governor vetoed \$1,000 in General Funds and eliminated budget language authorizing funding for completion of the History/Social Science and Science frameworks. The Governor expressed intent that the remaining \$143,000 be used for “higher priority activities related to the Common Core Standards, as directed by the State Board of Education.”***

Education Budget Trailer Bills & Other Budget Related Bills.

1. Education Budget Trailer. AB 1610 (Chapter 724; Statutes of 2010.)
2. Proposition 98 Suspension. SB 851 (Chapter 715; Statutes of 2010.)
3. Federal Education Jobs Funds. SB 847 (Chapter 220/Statutes of 2010.)
4. ARRA State Fiscal Stabilization Funds. AB 185 (Chapter 221 /Statutes of 2010)
5. Short-Term Cash Management. AB 1624 (Chapter 713; Statutes of 2010.)
6. 2009-10 Cash Advance. AB 191 (Chapter 29; Statutes of 2010.)
7. Special Disabilities Adjustment Appropriation and Repeal. AB 184 (Chapter 403; Statutes of 2010.)

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Approved \$2.7 million from Proposition 40 bond funds for the California Cultural and Historical Endowment.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

- Approved as budgeted.

6440 UNIVERSITY OF CALIFORNIA

- Approved an overall General Fund support level of \$2.912 billion, which is \$316 million above the 2009-10 General Fund support level.
- Approved a \$199 million augmentation to the University of California (UC), which is intended to backfill for previous cuts to the system. In addition, UC will also receive \$106 million in new federal funds, for a total of \$305 million.
- Approved \$51.3 million for enrollment growth. This amount represents a 2.5 percent enrollment growth funding increase and would allow the UC to enroll approximately 5,121 Full Time Equivalent Students (FTES).
- Adopted Budget Bill language to:
 - Reinstate academic preparation and research "earmarks" to ensure funding for legislative priorities;
 - Redirect \$10 million from existing funds for the UC Riverside Medical School; and
 - Redirect \$240,000 from existing General Fund funds for the Statewide Database & Election Administration Research Center at the University of California Berkeley. Also, redirected \$360,000 from other UC funding sources for the Center.
 - Request a 30-year plan from UC Regents on the University of California Retirement Plan (UCRP) funding. The budget bill language also stated that the report should not be construed as agreement to the State's potential liability for UCRP. ***The Governor vetoed this budget bill language.***
- Approved five new capital outlay projects at the UC Los Angeles, UC Berkeley, UC Santa Barbara, UC Merced, and UC San Diego campuses. Rejected a new lease-revenue funded capital outlay project at UC Irvine.

- Approved Governor's trailer bill language erasing statute that specified that the UC cannot use new General Fund augmentations for the UCRP. Concurrent with the approval of the trailer bill language, the Legislature approved budget bill language on UCRP, which was vetoed.

6610 CALIFORNIA STATE UNIVERSITY

- Approved an overall General Fund support level of \$2.617 billion, which is \$267 million above the 2009-10 General Fund support level.
- Approved a \$199 million augmentation to the California State University, which is intended to backfill for previous cuts to the system. In addition, CSU will also receive \$106 million in new federal funds, for a total of \$305 million.
- Approved \$60.6 million for enrollment growth. This amount represents a 2.5 percent enrollment growth funding increase and would allow the CSU to enroll approximately 8,290 Full Time Equivalent Students (FTES).
- Adopted budget bill language to reinstate academic preparation and student financial aid "earmarks" to ensure funding for legislative priorities.
- Approved six new capital outlay projects at the CSU Stanislaus, CSU San Jose, CSU San Diego, CSU Chico, CSU Channel Islands, and CSU Fresno campuses.

6600 HASTINGS COLLEGE OF THE LAW

- Approved as budgeted.

6870 CALIFORNIA COMMUNITY COLLEGES

- Approved a total funding level of \$6.44 billion, of which \$4.069 billion is state General Fund, \$1.913 billion is local property taxes, \$365 million is student fee revenue, and \$153 million is from the lottery.
- Approved \$126 million for enrollment growth, which will allow the California Community Colleges (CCC) to serve approximately 26,000 existing unfunded Full Time Equivalent Students (FTES).
- Approved \$189 million in new deferrals for CCC, including \$129 million from apportionments.
- Approved \$35 million restoration of CCC categoricals to replace one-time American Recovery and Reinvestment Act (ARRA) funding. These funds were deferred until July 2011. *The Governor vetoed these funds.*
- Approved \$25 million for the Economic and Workforce Development program to be used in critical needs skilled trades, such as nursing and renewable energy. Included budget bill

language providing direction on the use of the funds. These funds were deferred until July 2011. *The Governor vetoed these funds.*

- Approved reform of the community college mandates:
 - Suspension of five mandates until 2013: Law Enforcement College Jurisdiction Agreements; Integrated Waste Management; Health Benefits for Survivors of Peace Officers and Firefighters; Law Enforcement Sexual Harassment Training; and Grand Jury Proceedings.
 - Action to request the Commission on State Mandates to reconsider the Collective Bargaining Mandate.
 - Funded all other CCC mandates.
 - Also requested the LAO to establish a three-agency working group with the Department of Finance and the CCC to review suspended mandates and develop recommendations for modifying mandates to eliminate or minimize costs in 2011-12, so that continuation of mandates could be considered in 2011-12.
- Approved shifting \$30 million in Quality Education Improvement Act (QEIA) funds from 2010-11 to 2009-10 in order to meet federal ARRA Maintenance of Effort (MOE).
- Approved increasing the Chancellor's Office budget by \$113,000 for one new position.
- Rejected the Governor's negative Cost-of-Living Adjustment (COLA) for Apportionments and categorical programs.
- Rejected moving the Basic Skills Initiative, the Extended Opportunity Programs and Services (EOPS), and Fund for Student Success into the categorical flexibility item.
- Approved moving the Career Technical Education (CTE) Pathways Initiative out of the categorical flexibility item.
- Approved \$48 million in QEIA funds for the CTE Pathways Initiative. Also approved \$20 million in Proposition 98 funding for the CTE Pathways Initiative.
- Rejected Governor's trailer bill language to allow community college districts to contract out for some personal services.
- Rejected Governor's trailer bill language that would have made changes to the 75/25 rule.

7980 CALIFORNIA STUDENT AID COMMISSION

- Approved full funding for the Competitive Cal Grant program.
- Approved \$1.7 million in General Fund (\$280,000 one-time) for the California Student Aid Commission (CSAC) and EdFund detangling. As EdFund is transferred to the management of another entity on October 31, 2010, certain functions currently performed by EdFund for CSAC

will need to be moved in-house for CSAC. *The Governor vetoed \$475,000 of this appropriation.*

- Approved \$514,000 in special funds and six positions for oversight of EdFund. *The Governor vetoed \$257,000 and three positions due to the U.S. Department of Education's termination of the CSAC guaranty agency agreement.*
- Transferred \$100 million from the Student Loan Operating Fund to the General Fund. This is \$25 million more than the Governor proposed.
- Offset \$7.2 million in General Fund with federal funds for the financial aid programs.
- Rejected the Governor's CalGrant pilot project trailer bill, which would have made amendments to AB 187.

SUBCOMMITTEE 2

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

S. Joseph Simitian, Chair
David Cogdill
Alan Lowenthal

Consultants

Brian Annis - Transportation
Vacant - Resources

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NATURAL RESOURCES

0540 Secretary for Natural Resources

- Approved the following Strategic Growth Council funding: (1) an augmentation of \$286,000 (Proposition 84) and three positions to begin the first year of full implementation of the Urban Greening Program; and (2) \$21.1 million (Proposition 84) in grant funds. *[See also Department of Conservation and Department of Forestry and Fire Protection for Strategic Growth Council-related items.]*
- Denied the Governor's proposal to appropriate \$57.9 million from the as-yet-to-be-approved 2010 Water Bond for the Red Bluff Diversion Dam.
- Approved extension, until 2013, of the period of availability for the Proposition 40 California River Parkways reappropriation item (for funds originally appropriated in 2005).
- Approved reappropriation of the unencumbered balance of \$56.2 million in Proposition 40 funds originally appropriated for the California River Parkways Program in 2002.

3110 Special Resources Program

- Approved as budgeted.

3125 California Tahoe Conservancy

- Approved \$6.5 million (various funds), including \$5 million federal funds, for ongoing implementation of the Lake Tahoe Environmental Improvement Program (EIP). Additionally, approved extension of the liquidation period for various bond funds (Proposition 84 and 12) previously appropriated for implementation of the EIP.
- Approved \$49,000 in Proposition 50 (Prop 50) funding to replace exhausted Proposition 12 program delivery funds that historically supported conservancy baseline activities.

3340 California Conservation Corps

- Approved various reappropriations and extensions of liquidation periods for Proposition 84 funding both for the California Conservation Corps and the local conservation corps. Additionally, reverted \$3 million over-appropriated in Item 3340-001-6051 of the Budget Act of 2009.
- Approved a one-time \$2.9 million augmentation to the Collins-Dugan Reimbursement Account in 2010-11 and \$1.4 million in 2011-12 to fund replacement of 54 crew carrying vehicles and 20 vans.
- Approved the final \$659,000 available to the California Conservation Corps and Local Conservation Corps from Proposition 12 for support of Fresno County Economic Opportunities Commission/Fresno Local Conservation Corps (FCEOC/FLCC) capital outlay and resources conservation projects.

- Approved approximately \$2 million from the Collins–Dugan Account for various projects and an additional \$2.2 million augmentation to Operating Expenses and Equipment.
- Approved reappropriation of working drawings and construction phase funding for the Delta Service District Center.

3460 Colorado River Board of California

- Approved as budgeted.

3480 Department of Conservation

- Approved \$3.2 million (special fund) and 17 permanent positions to augment the Underground Injection Control (UIC) and Enhanced Oil Recovery (EOR) Program. Additionally, adopted: (1) budget bill language requiring the department to return in the 2011-12 Governor’s Budget with a “zero-based” budget for this program; and (2) trailer bill language requiring the department to report annually on permitting levels and enforcement actions.
- Approved a total of \$70 million over six years from Proposition 84 to administer the new Sustainable Communities Planning Grant and Incentives Program (on behalf of the Strategic Growth Council [SGC]) and to support planning projects and incentives awarded by the SGC. For the 2010-11 Fiscal Year (FY), the Administration is requesting \$575,000 for program support; \$859,000 for outreach (via a new Outreach and Education Program); \$830,000 to develop and provide data and information to applicants; and \$40 million for projects. As proposed, the request would support six existing positions.
- Approved a four-year limited-term appropriation of \$1 million per year for remediation of 54 orphan oil facilities identified in a 2007 statewide inventory. Additionally, adopted trailer bill language limiting the duration of the necessary fee increase to the four-year period of the augmentation.
- Approved \$1.1 million in federal funds for each of three years and two, three-year limited-term positions to implement activities specified in a \$4 million award received from the United States Bureau of Land Management (BLM) to remediate hazardous abandoned mines and inventory abandoned mine sites on BLM lands in California.
- Approved \$356,000 (Oil, Gas, and Geothermal Administrative Fund) and two permanent positions and associated equipment (e.g., vehicles) to address increased regulatory workload associated with the safe operation of geothermal facilities.
- Approved a one-time local assistance appropriation of \$7.9 million for the California Farmland Conservation Program and Budget Bill Language to make these funds, which were originally appropriated in 2006 but were unable to be encumbered, available for three years.
- Approved a one-time appropriation of \$132,000 from various special funds for maintenance of the department’s information technology (IT) infrastructure.
- Approved a two-year appropriation of \$122,000 (Oil, Gas, and Geothermal Account) for support of IT project planning for the Division of Oil, Gas, and Geothermal Resources.

3500 Department of Resources Recycling and Recovery

- Approved, for transfer to the Department of Resources Recycling and Recovery, 282.9 positions and \$49.6 million (various funds) from the Department of Conservation, Division of Recycling, and 482.9 positions and \$212.1 million (various funds) from the California Integrated Waste Board.
- Provided no further hearing, following the Eighth Extraordinary Session, of the Governor's proposed language to overhaul the Beverage Container Recycling Program, and, instead, suggested the Administration pursue programmatic reform via the policy process. Approved trailer bill language clarifying existing law regarding reporting on the condition of the Beverage Container Recycling Fund.
- Approved various Governor's proposals to reduce Integrated Waste Management Account (IWMA) expenditures by \$5.8 million (including \$1.3 million in support of positions). Additionally, approved a \$1.5 million loan from the Electronic Waste Recycling and Recovery Account (E-Waste Fund) to the IWMA.
- Approved a fund shift of "base" AB 32 funding (\$501,000) from the IWMA to the AB 32 Cost of Implementation Fund.
- Approved a \$80 million loan from the Electronic Waste Recovery and Recycling Account, Integrated Waste Management Fund to the GF. Additionally, approved a one-year extension of a \$10 million loan from the California Tire Recycling Management Fund to the GF.
- Heard, but did not approve, the Governor's proposal to officially change the name of the department to "CalRecycle."

3540 Department of Forestry and Fire Protection

- Denied the Governor's Emergency Response Initiative, originally proposed back-fill of \$200 million GF.
- Approved the shift of Emergency Fund (E-Fund) dollars to the department's base budget in order to: (1) re-align historic expenditures for annual/ongoing, non-emergency activities with the intended use of the E-Fund; (2) re-align reimbursements approved in the Budget Act of 2009; and (3) shift \$1.7 million from early-season hire of firefighters to the hire of Fire Prevention Specialists for the purpose of carrying out increased defensible space inspections. Approved budget bill language to clarify allowable uses of E-Fund. Additionally, adopted trailer bill language to: (1) improve oversight of the E-Fund; (2) improve the availability and quality of data provided to the Legislature on fire prevention efforts; and (3) increase legislative oversight of "Schedule A" agreements.
- Denied all the Governor's proposals to provide \$40 million in Proposition 1E (Prop 1E) funds over seven years for watershed fuels management.
- Approved reappropriation of approximately \$7.7 million in Proposition 40 funding (\$1.8 million for urban forestry; and \$5.9 million for fuels management) that was originally appropriated in FY 2008-09.
- Denied \$1.3 million (AB 32 Cost of Implementation Fund) to assist in implementing Forest Sector greenhouse gas reduction measures.
- Approved fourth-year funding of \$3.2 million (Proposition 84) for urban forestry local assistance grants. Additionally, approved a reversion of \$6.3 million originally appropriated in 2008, consistent with the subsequent creation of the Strategic Growth Council (SGC) and the reallocation of the urban forestry

dollars to the SGC. Based on the revised spending plan, FY 2011-12 will be the last year for Prop 84 grants under this program (approximately \$3.2 million).

- Approved conversion of 14 limited-term positions to permanent status and carryover of the associated operating budget (\$2.1 million GF) in order to continue implementation of the Statewide Fire Suppression Cost-Recovery Program, including recovery of approximately \$12 million - \$14 million GF annually.
- Approved one position and \$139,000 (Building Standards Administration Special Revolving Fund) to develop building standards, with emphasis on development, adoption, publication, updating, and educational efforts associated with green building standards and efforts to reduce home loss due to wildland fires. Additionally, adopted uncodified trailer bill language requiring the Office of the State Fire Marshal to report on steps taken to improve fire and public safety with respect to green building standards.
- Approved two temporary help positions and associated special funds for the State Fire Training program to develop a Feasibility Study Report for a student records database.
- Approved \$1.4 million in American Recovery and Reinvestment Act funding (including \$524,000 in FY 2010-11 and 3.5 positions) for the forest fuel reduction program in the San Bernardino National Forest.
- Approved \$33.6 million in lease-revenue bonds to replace or rebuild fire stations.

3560 State Lands Commission

- Approved \$160,000 in reimbursement authority (to be supported by School Lands Revenue) to fund increased workload related to geothermal resource development on lands held by the Commission pursuant to the School Lands Bank Act.
- Approved reappropriation of \$261,000 GF to support ongoing hazardous waste remediation at Selby, California, per a federal order.

3600 Department of Fish and Game

- Approved the Governor's proposal to reduce hunting and fishing program expenditures by \$5 million GF, but to backfill those reductions with \$2.4 million in other funds (primarily federal funds).
- Denied \$3 million in Governor-proposed GF reductions to the Marine Life Protection Act (\$1.5 million) and Timber Harvest Plan Review (\$1.5 million), but approved the Governor's proposal to delete \$2 million GF—\$1.5 million in the Fisheries Restoration Grant Program and \$500,000 in the CALFED Ecosystem Restoration Program. The latter two reductions are to be backfilled with Proposition 84 funds. *The Governor vetoed \$1.5 million for the Timber Harvest Plan Review.*
- Approved five positions (including 2.2 temporary help) and \$1 million (Proposition 84) to implement Delta in-stream flow criteria requirements of Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).
- Approved six positions and \$807,000 (Proposition 84, and reimbursements from the Department of Water Resources using Proposition 84 and Proposition 1E) to support the increase in both Delta Levee

Program workload (three positions) and the number of Permitting and Restoration Program projects in the Sacramento-San Joaquin River Delta (three positions).

- Denied the Governor's proposal to appropriate \$72.4 million to the department from the as-yet-to-be-approved 2010 Water Bond.
- Approved \$2 million Non-Dedicated Fish and Game Preservation Fund (FGPF-ND) and seven Game Warden positions to focus on marine issues.
- Approved \$378,000 (FGPF-ND), to provide 350 tasers to game wardens, subject to legislative review of department use and training guidelines (per budget bill language). ***The Governor vetoed provisional language requiring a report to the Legislature on taser activity.***
- Approved \$1 million (FGPF) to retrofit 23 on-road and 58 off-road diesel vehicles and equipment to reduce emissions in compliance with regulations adopted by the California Air Resources Board (ARB). However, adopted budget bill language to authorize reduced funding if subsequent changes to ARB requirements reduce or eliminate the need for the retrofits in FY 2010-11.
- Appropriated, over a three-year period, the balance of Proposition 84 funds available for salmon and steelhead restoration grants to be expended in a manner consistent with section 6217.1 of the Public Resources Code.
- Approved ongoing authority for 10 existing positions and \$8.8 million in one-time funding from Proposition 84 (via reimbursements from the Natural Resources Agency) in order to support year four of the San Joaquin River restoration efforts.
- Approved one 2-year limited-term position and \$340,000 (Proposition 84 funds provided via reimbursement from the Wildlife Conservation Board) in order to produce a spatial data system identifying wildlife corridors and habitat linkages consistent with the intent of Chapter 333, Statutes of 2008 (AB 2785).
- Approved \$17.2 million federal funds (including \$6 million one-time) to: (1) conserve and recover federally listed anadromous fishes, green sturgeon, and marine invertebrates; and (2) recover endangered salmonid species in coastal California.
- Approved three positions and \$580,000 (reimbursement authority) to expand the South Coast and Central Regions' requiring regulatory review and permitting capabilities.
- Approved \$275,000 (reimbursement authority) and 2.5 positions (including one 2-year limited-term) to implement two coastal wetland programs.
- Approved \$1.9 million (reimbursement authority), one permanent position, and six Temporary Help positions to implement Iron Gate Hatchery responsibilities under the Klamath Hydroelectric Settlement Agreement.
- Approved \$1.6 million (various funds) in FY 2010-11 and \$525,000 ongoing to move 130 staff out of the current, overcrowded facility and into one that meets fire, life, and safety requirements.
- Approved \$300,000 special funds one-time to purchase 75 Motorola XTS-2500 P-25 portable radios.
- Approved expenditure increases of \$155,000 and \$515,000 to FGPF accounts dedicated to protecting, preserving, and enhancing duck and pig habitat, respectively.

- Approved \$100,000 (Non-Dedicated FGPF) to enforce Chapter 478, Statutes of 2009 (AB 825; Blakeslee) crab trap restrictions.
- Approved \$59,000 (Non-Dedicated FGPF) and 0.5 positions to implement the Shared Habitat Alliance for Recreational Enhancement program pursuant to Chapter 394, Statutes of 2009 (AB 1423; Berryhill).
- The Governor withdrew a request for \$387,000 (reimbursement authority) and 1.5 two-year limited-term positions to review the qualifications of nonprofit organizations applying to hold mitigation lands, and conduct ongoing oversight of these organizations in their management and stewardship capacities.
- Approved \$1.5 million from the Hatchery and Inland Fisheries Fund in support of Chapter 689, Statutes of 2006 (AB 7; Cogdill) activities at fish hatcheries.
- Approved \$720,000 from Proposition 99, Public Resources Account, for various capital outlay projects.

3640 Wildlife Conservation Board

- Approved \$2.7 million in Proposition 84 funding to administer grants and projects, to develop the San Joaquin River Parkway.
- Approved reappropriation of the unencumbered balance (approximately \$11.6 million) of the San Joaquin River Conservancy's original 2004 Proposition 40 appropriation (which was \$11 million Proposition 40 and \$1 million reimbursement authority) to fund complex land acquisitions and public access and recreation improvement projects.
- Approved reappropriation of the unencumbered balance (approximately \$12.1 million) of the original 2007 Proposition 84 appropriation (\$14.3 million) to fund conservation easements that preserve and protect valuable rangeland, and grasslands that ensure continued wildlife, water quality, watershed, and open space benefits to the people of California.
- Approved reappropriation of the unencumbered balance (approximately \$13 million) of the original 2007 Proposition 84 appropriation (\$14.3 million) to fund long-term private and public stewardship and conservation of oak woodlands.
- Approved reappropriation of the unencumbered balance (approximately \$9.9 million) of the original 2003 Proposition 50 appropriation (\$32.5 million) to fund ongoing efforts in acquiring lands to preserve and protect valuable wildlife resources and working to fulfill the state obligation for regulatory requirements related to California's allocation of water supplies from the Colorado River, including restoration of the Salton Sea and related activities.
- Approved reappropriation of the unencumbered balance (approximately \$2.4 million) of the original 2006 Proposition 12 appropriation (which was \$15.2 million) to fund various activities, including: (1) restoration or acquisition of habitat for threatened and endangered species; (2) restoration, acquisition, or protection of habitat or habitat corridors for threatened, endangered, or fully protected species; and (3) acquisition of certain real property subject to a natural community conservation plan (NCCP).
- Approved reappropriation of the unencumbered balance (approximately \$11.3 million) of the original 2007 Proposition 84 appropriation (which was \$25 million) to fund acquisitions of key habitat lands that would contribute to the successful implementation of regional NCCPs.

- Approved reappropriation of the unencumbered balance (approximately \$3.4 million) of the original 2007 Proposition 84 appropriation (which was \$4.8 million) to provide grants to farmers to assist them in integrating agricultural activities with ecosystem restoration and wildlife protection.
- Approved \$1 million from special funds for the Public Access Program.
- Approved \$21 million Proposition 1E transfer to the Habitat Conservation Fund for support of Wildlife Protection Act activities.
- Approved reversion of \$3 million from the Wildlife Conservation Board's Budget Act of 2009 Proposition 84 appropriation (Item 3640-301-6051). The funds made available in Proposition 84 for Natural Communities Conservation Planning (NCCPs) purposes were inadvertently over-appropriated when Chapter 2, Statutes of 2009, Seventh Extraordinary Session (SBx7 8) appropriated \$24 million for NCCPs in or around the Sacramento-San Joaquin Delta.

3680 Department of Boating and Waterways

- Denied the Governor's proposed \$7 million annual appropriation from the Harbors and Watercraft Revolving Fund (HWRF) for Davis-Dolwig costs (see also Department of Water Resources).
- Approved a total of \$16 million in local assistance from the HWRF—\$6 million for grants and \$10 million for public loans—to renovate existing publicly owned small craft harbor facilities and construct/improve public boat launch facilities.
- Approved \$150,000 transfer from the HWRF to the Abandoned Watercraft Abatement Fund, and authority to expend \$100,000 of those funds to implement a pilot program, pursuant to Chapter 416, Statutes of 2009 (AB 166, Lieu), to provide grants to locals for disposal of dilapidated and unseaworthy vessels surrendered by their owners before they are abandoned.
- Approved \$500,000 (HWRF) to establish a permanent baseline budget for the Abandoned Watercraft Abatement Fund.
- Approved \$5.4 million from special funds for various statewide minor capital outlay projects.

3720 California Coastal Commission

- Approved \$311,000 from special funds for operating expenses and equipment.
- Approved a one-year augmentation of \$127,500 (Environmental License Plate Fund, California Beach and Coastal Enhancement Account) to fund additional coastal education grants to non-profits and government agencies.

3760 State Coastal Conservancy

- Approved \$32.8 million (Proposition 84) for various programs that improve various coastal water bodies and promote public access and enjoyment of these areas, including the following: (1) \$10.2 million to the San Francisco Bay Area Conservancy; (2) \$6.3 million to Monterey Bay watersheds; (3) \$5.7 million to San Diego Bay and watersheds; and (4) \$10.6 million to statewide conservancy programs.

- Approved: (1) \$2.1 million in Proposition 40 funding to acquire, protect, and enhance coastal watershed resources and to grant funds for this purpose to public agencies and nonprofit organizations; and (2) multiple reappropriations of Proposition 40 unencumbered balances (totaling approximately \$1.8 million) and associated anticipated reimbursements (totaling approximately \$5.2 million) for various projects.
- Approved reappropriation of unencumbered balances (approximately \$1.8 million total) of the \$120 million originally allocated to the Coastal Conservancy in Proposition 50 for the purposes of watershed protection and for the acquisition and development of facilities to promote public access to, and participation in, the conservation of land, water, and wildlife resources. Additionally, approved reappropriation of approximately \$5.5 million in Proposition 50 funding that was originally appropriated in 2005, but has not been encumbered due to delays from the bond freeze.
- Approved: (1) \$5.5 million in Proposition 12 funding to implement restoration projects in Santa Monica Bay; and (2) multiple reappropriations of Proposition 12 unencumbered balances for projects up and down the California coast.
- Denied \$120,000 (AB 32 Cost of Implementation Fund) to develop a wetland carbon offset protocol to reduce greenhouse gas emissions.
- Approved \$985,000 from special funds for public access and education programs.
- Approved two permanent positions and shifting of \$166,000 (Environmental License Plate Fund) from operating expenses and equipment to personal services in order to support Ocean Protection Council efforts related to marine debris management, coastal sediment dynamics, sea level rise adaptation, and endangered species protection, among others.

3780 Native American Heritage Commission

- Approved as budgeted.

3790 Department of Parks and Recreation

- Restored \$133 million GF after the Governor abandoned his proposal to supplant \$140 million in GF support with revenues from a new oil lease at Tranquillon Ridge. The level of funding adopted is consistent with a \$7 million (or 5 percent) reduction relative to FY 2008-09 levels, but is greater than the FY 2010-11 level of \$124 million GF agreed to last year. *[Note: According to the Administration, because the Governor ultimately directed the department to take current year reductions in a “one-time” manner (e.g., deferred maintenance) as opposed to permanent lay-offs and closures, FY 2010-11 savings of \$16 million are virtually unattainable (e.g., because it can take longer than nine months to go through the lay-off process.)]*
- Approved \$4.1 million GF for ongoing evaluation, analysis, and implementation of remedial alternatives at Empire Mine State Park.
- Approved \$14.2 million (Proposition 84) for California Museum Collection Center infrastructure and tenant improvements upon approval of new facilities for the museum.
- Approved \$1.8 million (Proposition 84) for the Natural Heritage Stewardship program.

- Approved \$1.6 million (Proposition 84) for the Interpretive Exhibit program.
- Approved \$1.3 million (Proposition 84) for the Cultural Stewardship Program.
- Approved \$1.4 million (Proposition 84) for the Large Natural Resources Program.
- Approved \$2.4 million (Proposition 99, Public Resources Account) to supplant, on a one-time basis, \$2.4 million in State Parks and Recreation Fund support for the Resources Management Program.
- Approved \$880,000 (federal fund authority) to support eight existing positions (currently funded from other resources) to address increased workload in the Office of Historic Preservation associated with the American Recovery and Reinvestment Act.
- Approved \$232,000 (reimbursement authority) and three positions to augment the Special Events Program in the Orange Coast District. Additionally, approved Supplemental Report Language requiring the Orange Coast District to report on revenues generated in its special events program.
- Approved \$303,000 (Harbors and Watercraft Revolving Fund), and \$750,000 ongoing, to continue the Quagga Mussel Prevention and Inspection Program at Lake Perris and Silverwood Lake.
- Approved \$9 million in Proposition 12 and \$4 million in Proposition 40 funds to comply with Americans with Disabilities Act barrier-removal work mandated by the federal court in *Tucker v. California Department of Parks and Recreation*.
- Approved various Local Assistance grant requests, including: (1) reappropriation of Proposition 40 local assistance funds set to revert in 2010; and (2) a new appropriation for Proposition 12 local assistance that reverts in 2010.
- Approved \$46.6 million in federal funds and special funds for the parks local assistance program.
- Approved \$3.4 million (Proposition 84) to conduct the construction phase of an improvement project at Marshall Gold Discovery State Historic Park.
- Approved approximately \$5 million (Proposition 84) for various park development projects (capital outlay).
- Approved reappropriations and/or liquidation period extensions for entities with delayed projects, including the following: (1) City of Encinitas; (2) Door of Hope Community Center; (3) Hayward Area Regional Park District (Holland Park); (4) YMCA of San Diego County; (5) Richmond Natatorium; (6) Girls Today Women Tomorrow; (7) People Coordinated Services of Southern California, Youth and Family Center; (8) City of San Pablo, Wanlass Park; (9) Children's Museum of Los Angeles; (10) Mid-Valley Multi-Purpose Center; (11) Sepulveda Basin Sports Complex Phase I; (12) East Wilmington Greenbelt Park; (13) Reseda Lake; and (14) Harvard Skate Park.
- Approved \$8.3 million in reimbursement authority for various capital outlay projects (whose funding will be provided by other entities).
- Approved Proposition 84 funding for various statewide minor capital outlay projects, including \$2.5 million for statewide park system projects, \$430,000 for the recreational trails program, and \$586,000 for the volunteer enhancement program.
- Approved \$48 million from special funds for capital outlay projects in the Off-Highway Motor Vehicle Recreation Program.

- Adopted Supplemental Report Language to approve a new concession for Oceano Dunes State Vehicular Recreation Area (SVRA) Off-Highway Vehicle (OHV) Rentals.
- Approved trailer bill language to divide the lands of the “Freeman Property” between the Anza-Borrego Desert State Park and the Ocotillo Wells State Vehicular Recreation Area, should that property be acquired by the state.

3810 Santa Monica Mountains Conservancy

- Approved \$4 million in Proposition 84 funding for acquisition and local assistance grants in the Upper Los Angeles River watershed and Santa Monica Bay and Ventura County coastal watersheds.

3820 San Francisco Bay Conservation and Development Commission

- Approved \$460,000 (reimbursement authority), and made permanent three limited-term positions in order to continue contracting with Metropolitan Transportation Commission and the California Department of Transportation for permit review and planning activities to expedite project delivery.

3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy

- Approved as budgeted.

3830 San Joaquin River Conservancy

- Approved \$676,000 in Proposition 84 funding (the balance of unappropriated authorized funds for this purpose) and \$2 million in reimbursement authority to implement public access, recreation, and environmental restoration projects along the San Joaquin River Parkway.

3835 Baldwin Hills Conservancy

- Approved \$10.8 million in Proposition 84 and Proposition 40 reappropriations for acquisition, restoration, and development.

3840 Delta Protection Commission

- Approved six positions and \$2 million (Environmental License Plate Fund), including three positions and \$400,000 ongoing to carry out requirements of Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).
- Augmented the Governor’s proposed funding for the Delta Protection Commission by \$1.4 million from the Environmental License Plate Fund. Adopted Budget Bill Language specifying the activities on which the additional funds may be expended.

3845 San Diego River Conservancy

- Approved as budgeted.

3850 Coachella Valley Mountains Conservancy

- Approved reappropriation of \$5.5 million in Proposition 84 funding (the balance of unappropriated authorized funds for this purpose) to acquire and protect mountainous and natural community conservation plan lands.

3855 Sierra Nevada Conservancy

- Approved as budgeted.

3860 Department of Water Resources

- Approved creation of a new “Flood Emergency Fund” (E-Fund) and shifted \$1 million from the department’s existing baseline budget into the E-Fund. Additionally, adopted budget bill language to: (1) clarify the conditions under which the E-Fund may be activated; (2) specify that the funds may be expended for up to seven days; (3) require reporting to the Legislature when the fund is used; and (4) require notification to the Joint Legislative Budget Committee of the criteria adopted by the department subject to which the E-Fund may be used.
- Approved 15 positions and \$12.5 million (Proposition 84) over three-years (including \$5 million in FY 2010-11) for implementation of the Water Conservation Act of 2009 (Chapter 4, Statutes of 2009, SBx7 7, Steinberg).
- Approved budget bill language directing the department, when implementing a pilot program for disadvantaged community assistance within the Coachella Irrigation District, to consider methods that provide cost savings for high-priority water-related problems affecting disadvantaged communities, including consolidation of community water systems, wastewater systems, and flood systems, and steps to implement consolidation of those systems, where appropriate and feasible.
- Approved five positions and \$1.3 million (Proposition 50) for one-year only to conduct groundwater monitoring activities consistent with Chapter 1, Statutes of 2009, Seventh Extraordinary Session (Steinberg, SBx7 6).
- Approved six positions on a two-year limited term basis and approved related funding for the California Water Commission.
- Adopted various changes (via trailer bill language) to Chapter 2, Statutes of 2009, Seventh Extraordinary Session (SBx7 8, Steinberg).
- Approved creation of a new “Flood Emergency Fund” and shifted \$1 million from the department’s existing baseline budget into the fund. Additionally, adopted Budget Bill Language to: (1) clarify the conditions under which the fund may be activated; (2) specify that the funds may be expended for up to

four days before the Governor's approval must be obtained for continued spending; and (3) require reporting to the Legislature when the fund is used.

- Appropriated \$10 million (Proposition 1E), including \$5 million already included in the Governor's Budget, to fund agricultural easements in flood corridors consistent with Public Resources Code Section 5096.825. Additionally, adopted Budget Bill Language specifying that the department is to work with the Department of Conservation to identify high quality agricultural easements with flood management values consistent with the requirements of the bond act. ***The Governor vetoed \$5 million for agricultural easements, including \$4.5 million in local assistance and \$500,000 in state operations.***
- Denied, consistent with the Governor's abandonment of the 2010 Water Bond, the Governor's proposal to appropriate \$472 million to the department from the as-yet-to-be-approved 2010 Water Bond. However, provided \$6.5 million from Proposition 13 fund for the Red Bluff Diversion Dam Project (which the Governor has proposed from the Water Bond).
- Approved \$326,000 from the AB 32 Cost of Implementation Fund to ensure bond funds, specifically in the Integrated Regional Water Management grant program, are leveraged to support AB 32 goals related to water use and energy efficiency.
- Approved one-year funding of \$4 million (reimbursement authority) to carry out Salton Sea restoration activities funded by the Department of Fish and Game and the Natural Resources Agency.
- Approved \$33.8 million in reimbursement authority (\$13.8 million in FY 2010-11; and \$20 million in FY 2011-12) in order to receive Proposition 84 funds from the Natural Resources Agency for support of year four of San Joaquin River restoration efforts.
- Denied the Governor's proposal to fund Davis-Dolwig costs in the State Water Project (SWP), and denied proposed trailer bill language to amend the Davis-Dolwig Act. Approved redirection of \$200,000 in consulting funds and adopted budget bill language to direct their use for an independent analysis of the methodology used to calculate the share of recreation/environmental benefits owed to the SWP by the state.
- Adopted trailer bill language to assist in the implementation of the Quantification Settlement Agreement by enabling the Imperial Irrigation District to finalize a loan guarantee agreement with the California Infrastructure and Economic Development Bank.
- Approved \$1 million (Proposition 84) to begin implementation of a new five-year program to provide grants for projects that eliminate discharges of agricultural subsurface drainage water from the west side of the San Joaquin Valley into the San Joaquin River. The total expected cost for this program is expected to be \$38.6 million over a five-year period.
- Approved continued FloodSAFE funding of \$210.8 million (including \$173.8 million Proposition 1E; \$21 million Proposition 84 [continuously appropriated]; and \$16 million Proposition 13) and 37 positions (including 15 new, full-time positions; 13 new limited-term positions; and nine existing positions) to carry out activities across six functional areas.
- Approved approximately \$120 million (Proposition 1E) for new flood control capital outlay projects, and reappropriations and liquidation period extensions for various capital outlay projects.
- Approved \$1 million (Proposition 84) to acquire approximately 100-150 acres of land to create a "land bank" in the Sacramento-San Joaquin River Delta where habitat could be restored to provide mitigation for needed levee repairs in the Delta.

- Approved \$30.6 million from Proposition 84 (including new appropriations totaling \$16 million over the next three years; and reappropriation of approximately \$14.6 million originally appropriated in FY 2007-08), and three new positions to fund various multi-benefit water planning and feasibility studies activities.
- Approved reversion of \$6 million (Proposition 50) originally appropriated in FY 2008-09 that has gone unused due to the 2008 bond freeze, and a new appropriation of \$6 million, including \$3 million for the Water Use Efficiency Technical Assistance Program and \$3 million for the Program Science Evaluation.
- Approved: (1) \$794,000 (Proposition 50), to be reverted from funds originally appropriated in FY 2003-04, for water supply reliability projects; and (2) \$9.1 million (Proposition 84) to continue the Urban Streams Restoration Program.
- Approved \$8 million (Proposition 204) to be reverted from funds originally appropriated in FY 2008-09, for the Sacramento Valley Water Management and Habitat Protection Measures Program.
- Approved conversion of one limited-term position to permanent status and \$200,000 (federal funds) for five years to allow receipt and expenditure of Truckee River Operating Agreement grant funds.

3875 Sacramento-San Joaquin Delta Conservancy

- Approved the transfer of seven positions and \$1.3 million (including \$829,000 GF) from former CALFED resources to support the new Sacramento-San Joaquin Delta Conservancy (Delta Conservancy) consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).

3885 Delta Stewardship Council

- Approved the transfer of \$49 million (including \$6.3 million GF) and 48 positions from former CALFED resources to support the new Delta Stewardship Council (Council) consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian). Additionally, adopted trailer bill language requiring: (1) a zero-based budget in FY 2011-12 for all entities receiving former CALFED resources (including the Council and the Delta Conservancy); and (2) independence and oversight of various Council contracts.

ENVIRONMENTAL PROTECTION

0555 Secretary for Environmental Protection

- Approved the transfer (to the California Environmental Protection Agency), and ongoing funding of, the Office of Environmental Education in the aftermath of the California Integrated Waste Management Board elimination (pursuant to Chapter 21, Statutes of 2009 [SB 63; Strickland]). Additionally, adopted: (1) budget bill language permitting the Environmental Education Initiative (EEI) funding to be increased if additional monies become available through non-state contributions to the program; and (2) trailer bill language to authorize the agency to sign a Memorandum of Agreement with an “external fiscal agent,” so that the agency may direct expenditure of any non-state contributions that are deposited with the external fiscal agent for the purpose of supporting the EEI.
- Approved a \$903,000 reduction to various special funds, but denied \$151,000 of the proposed reductions to the Integrated Waste Management Account (IWMA) in order to preserve funding for ongoing California-Mexico border environmental programs. The proposed reductions were to special funds administered by the former Waste Board and now under the control of Department of Resources Recycling and Recovery (in the Natural Resources Agency).
- Approved \$1.5 million in federal fund authority, with approximately \$1 million to go to rural Certified Unified Program Agencies (CUPA) to create a Rural CUPA Underground Storage Tank (UST) Inspection grant program, and approximately \$500,000 annually in federal National Environmental Information Exchange Network (NEIEN) grant funds for the continued development and enhancement of the CalEPA’s electronic reporting systems.

3900 Air Resources Board

- Deleted the final \$189,000 GF remaining in the ARB research budget.
- Approved one position and \$100,000 (special funds) to support the ARB’s new rulemaking responsibilities pursuant to Chapter 384, Statutes of 2009 (AB 1085, Mendoza). Additionally, adopted trailer bill language to clarify the intent of AB 1085.

3910 Integrated Waste Management Board

- Denied various Budget Change Proposals intended to transfer resources from the California Integrated Waste Management Board—CIWMB (which was eliminated pursuant to Chapter 21, Statutes of 2009 [SB 63; Strickland]).

3930 Department of Pesticide Regulation

- Approved transfer of the Structural Pest Control Board (including 34 positions and \$4.6 million special funds) from the Department of Consumer Affairs (DCA) to the Department of Pesticide Regulation (DPR), consistent with the reorganization enacted by Chapter 18, Statutes of 2009, Fourth Extraordinary Session (ABx4 20, Strickland). Additionally, approved placeholder trailer bill language to clarify/ensure that the Structural Pest Control Board retains various enforcement options, such as issuing citations and fines which are authorized for boards and bureaus under the jurisdiction of the DCA, but are not explicitly authorized under the DPR.

3940 State Water Resources Control Board

- Approved \$2.7 million GF to fund the defense of litigation filed by Pacific Lumber Company alleging that the State of California breached the Headwaters Agreement.
- Rejected the Governor's proposed fund shifts (from GF to fee-supported special funds):
 - \$1.4 million in the National Pollutant Discharge Elimination System Wastewater Program from GF to the Waste Discharge Permit Fund (WDPF).
 - \$1.8 million in the Irrigated Land Regulatory Program from GF to the WDPF.
 - \$3.2 million in the Water Rights Program from GF to the Water Right Fund.
- Approved a \$2 million fund shift from the IWMA to the WDPF, and adopted trailer bill language requiring the State Water Resources Control Board to provide an analysis of the water quality monitoring program at active landfills, and to collect the increased WDPF in the second quarter of the fiscal year.
- Rejected the Governor's request to shift all GF support for basin planning activities (\$6.1 million) to the WDPF. Additionally, rejected the Governor's proposal to augment basin planning (8.9 positions and \$746,000).
- Approved one position and \$155,000 (reimbursement authority) for implementation of the Water Conservation Act of 2009 (Chapter 4, Statutes of 2009, Seventh Extraordinary Session [SBx7 7, Steinberg]).
- Approved 4.5 positions and \$673,000 million funded by a loan from the Water Right Fund to fund the Delta Watermaster and Delta flow criteria consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session [SBx7 1, Simitian].
- Approved 2.5 limited-term positions and \$253,000 funded by a loan from the Water Right Fund to improve water diversion and use reporting information consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session [SBx7 8, Steinberg].
- Denied the Governor's proposal to appropriate \$419 million to the State Water Resources Control Board from the as-yet-to-be-approved 2010 Water Bond.
- Approved two positions and \$535,000 (AB 32 Cost of Implementation Fund) to address water recycling and reuse in order to reduce greenhouse gas emissions associated with water conveyance, treatment, and discharge.

- Approved, as a three-year pilot program, \$1 million (Water Right Fund) for the State Water Board to hire environmental consultants directly for California Environmental Quality Act activities and seek cost recovery from applicants/petitioners. Adopted trailer bill language requiring a report on the success of the new approach.
- Approved five positions and \$603,000 (Water Right Fund), supported by a fee increase, to augment the State Water Board's Water Quality Certification Program in order to timely process "401" water quality certifications for Federal Energy Regulatory Commission hydroelectric projects.
- Approved a one-time augmentation of \$158 million to the Underground Storage Tank Clean-up Fund (USTCF) in order to expend additional revenues generated by the temporary fee increase adopted pursuant to Chapter 649, Statutes of 2009 (Ruskin, AB 1188). Adopted Supplemental Report Language requiring a USTCF Action Plan update with the 2011-12 Governor's Budget.
- Approved one position and \$96,000 to assume front-end research duties and establish a collections strategy on debts owed to the WDPF.
- Approved four positions and \$384,000 (State Water Pollution Cleanup and Abatement Account) to timely enforce Mandatory Minimum Penalty violations.
- Approved the remaining balance of \$577,000 from the Environmental Protection Trust Fund so that the fund can be liquidated for Aboveground Petroleum Storage Act (APSA) oversight per the provisions of Chapter 626, Statutes of 2007 [AB 1130].
- Adopted trailer bill language to create the Waste Water Certification Fund as a repository for revenues from fees (authorized under current law) charged to certified operators of wastewater treatment plants, applicants to become certified operators, and contract operators for various services associated with certification. These programs previously operated on a reimbursable basis.
- Approved various reappropriations of Proposition 13 and 50 funds, reversions of various Proposition 50 and Proposition 84 amounts, and various new appropriations, including the following totals for local assistance: Proposition 13 – \$2.3 million; Proposition 40 – \$17.9 million; and Proposition 50 – \$36.5 million. Additionally, approved Budget Bill Language to extend the encumbrance period for the above amounts from one year to three years (i.e., make them available until June 30, 2013).

3960 Department of Toxic Substances Control

- Approved \$403,000 (special funds) for design, development, testing, and implementation of the Toxics Clearinghouse, consistent with Chapter 560, Statutes of 2008 (SB 509, Simitian).
- Approved one position and \$135,000 (Toxic Substances Control Account) to enforce a ban on lead wheel weights consistent with Chapter 614, Statutes of 2009 (SB 757, Pavley).
- Approved one position and \$128,000 (reimbursement authority) to implement Chapter 353, Statutes of 2009 (SB 546, Lowenthal), and ensure that out-of-state recyclers of California used oil meet the same testing, reporting, and permitting standards as in-state recyclers.
- Approved \$360,000 (State Certified Unified Program Agency Account), including \$197,000 ongoing, to fully fund the department's role as the Imperial County Certified Unified Program Agency.

- Approved conversion, from limited-term to permanent, one position and \$103,000 (special funds), to continue working down an ongoing backlog of outstanding accounts receivable, and maintain increased delinquent account collections for the department's site cleanup program.

3980 Office of Environmental Health Hazard Assessment

- Denied the Governor's proposal to eliminate 0.5 position and \$108,000 (Integrated Waste Management Account) associated with testing emissions from environmentally preferred products.

ENERGY AND UTILITIES

3360 California Energy Commission

- Approved nine positions and a two-year total of \$8.7 million—\$6.2 million in FY 2010-11—from the Energy Facility License and Compliance Fund to process electricity generation siting applications and to ensure the more rapid development of the Desert Renewable Energy Conservation Plan (DRECP). Additionally, approved trailer bill language to increase existing licensing fees and expand them to include renewable generation.
- Approved ten permanent positions and \$1.8 million (federal funds), including \$500,000 for contract expenses to implement an Energy Efficiency Program for Existing Residential and Nonresidential Buildings consistent with Chapter 470, Statutes of 2009 [AB 758, Skinner and Bass].
- Approved \$141,000 (Energy Resources Program Account—ERPA) and conversion of a limited-term position to permanent status to conduct ongoing oversight and monitor compliance with the combined heat and power guidelines established pursuant to Chapter 713, Statutes of 2007 [AB 1613, Blakeslee]. Denied a second position to address distributed generation issues associated with development of a “smart grid.”
- Approved \$143,000 (ERPA), on a two-year limited-term basis, one position to provide the California Public Utilities Commission with consultation on defining and developing a smart grid in California, consistent with Chapter 327, Statutes of 2009 [SB 17, Padilla].
- Approved the Governor’s request to provide a budget year (\$5 million) and an ongoing (\$2 million) increase to the Alternative and Renewable Fuel and Vehicle Technology Program (AB 118). Additionally, approved the Governor’s proposed reappropriation of \$40 million (originally appropriated in 2008) for the California Alternative Energy and Advanced Transportation Financing Authority to provide loans, loan guarantees, credit enhancements, bond funding, and sales tax rebates to various AB 118 program participants. Also approved AB 118 trailer bill language to: (1) synchronize the release of the AB 118 Investment Plan with the budget process and provide legislative notification of changes to the plan that occur after the close of the budget process; and (2) accelerate the requirements placed on biorefiners who receive loans via the California Ethanol Producer Incentive Program in order to encourage a more rapid transition toward more environmentally friendly and sustainable ethanol production processes. The requirements on the biorefiners will sunset in two years.
- Approved the Governor’s request for trailer bill language to establish the Clean and Renewable Energy Business Financing Revolving Loan Fund, which would authorize the CEC to conduct and administer the Clean and Renewable Energy Business Financing Program.
- Approved trailer bill language to extend the sunset of the Energy Conservation Assistance Account sunset by two years (to January 1, 2013), and the Local Jurisdiction Energy Assistance Account by five years (to January 1, 2016).

- Approved a one-year extension of \$35 million in loans from the Renewable Resource Trust Fund to the GF. Also authorized a new \$25 million loan from the Renewable Resource Trust Fund with budget bill language that allows for repayment if funds are needed.

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

- Approved as budgeted.

8660 Public Utilities Commission

- Denied the Governor's requested \$1.8 million augmentation associated with pursuit of a 33-percent renewable energy/portfolio standard. Additionally, directed the PUC to cease spending funds for the purpose of developing a renewable energy standard or similar requirement absent the enactment of legislation that authorizes such activities.
- Approved one position and \$112,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to provide consultation to the CEC in the implementation of Chapter 470, Statutes of 2009 [AB 758, Skinner and Bass]. *[See related item above in the CEC.]*
- Approved 2.3 positions (including 0.3 one-year Administrative Law Judge) and \$242,000 (PUCURA) to conduct a ratemaking proceeding and ongoing program monitoring for a new Net Surplus Compensation Program, pursuant to Chapter 376, Statutes of 2009 [AB 920, Huffman], that would allow customers on Net Energy Metering tariffs to sell excess electricity to their electric utility after certain conditions are met.
- Approved one position and \$101,000 (PUCURA) to evaluate the cost effective use of advanced energy storage in support of various California policy goals, including the Renewable Portfolio Standard and AB 32.
- Approved one position and \$85,000 (PUCURA) to better evaluate the utilities' compliance with procurement rules for electric resources. Specifically, the PUC proposes to increase audits from less than 0.5 percent of quarterly transactions to approximately one percent, with a focus on the millions of dollars spent on day-ahead and hour-ahead transactions.
- Approved reappropriation of \$1.5 from the California Teleconnect Fund to support broadband installation for community nonprofits.
- Approved four limited-term positions and \$2.4 million (American Recovery and Reinvestment Act federal funds) to support four years of broadband mapping and planning efforts.
- Approved the following requests from the Division of Ratepayer Advocate: (1) one position and \$96,000 (PUC Ratepayer Advocate Account) to ensure investor-owned utility energy efficiency programs are cost-effective for ratepayers; and (2) one position and \$95,000 (PUC Ratepayer Advocate Account) to address expanding workload on energy low income assistance programs and activities.
- Approved three positions and \$312,000 (Public Transportation Account, State Transportation Fund) for increased rail transit safety oversight, including: (1) better tracking of corrective action plans; (2)

additional inspections of 12 existing rail transit systems and the dozens of new construction projects underway at any given time.

- Approved \$2.3 million (reimbursement authority) to conduct a customer satisfaction survey of limited English proficient customers of California communications utilities relative to the general English proficient population.
- Approved three limited-term positions and \$162,000 (various special funds) originally approved in FY 2008-09 be made permanent in order to continue a pilot program for centralized fines and restitution collections.
- Approved four limited-term positions and \$745,000 (federal funds) to provide four years of increased staffing to support increased workload related to American Recovery and Reinvestment Act energy funds.
- Approved \$40 million in reimbursable consultant services to bring energy efficiency program evaluation, measurement, and verification (EM&V) “on-budget.” Of the requested amount, \$3 million would be for technical expertise to help identify and develop energy efficiency program strategies and improvements to make existing IOU programs more effective; and \$37 million would be for technical assistance in developing, conducting, and monitoring EM&V.
- Approved a one-time augmentation of \$2.2 million (various special funds) to modernize seven 23-year old elevators in the PUC headquarters building.
- Approved a one-year extension of the following loans to the GF: (1) \$75 million from the California High-Cost Fund-B Administrative Committee Fund; (2) \$45 million from the Universal Lifeline Telephone Service Trust Administrative Committee Fund; and (3) \$30 million from the Deaf and Disabled Telecommunications Program Administrative Committee Fund.
- Adopted supplemental report language requiring the PUC to provide certain information regarding its enforcement efforts specific to Community Choice Aggregators.

8665 California Consumer Power and Conservation Financing Authority

- Approved as budgeted.

8770 Electricity Oversight Board

- The Board received no funding in the budget.

FOOD AND AGRICULTURE

7300 Agricultural Labor Relations Board

- Approved as budgeted.

8570 Department of Food and Agriculture

- Approved the Governor's request to make permanent an existing pilot project (consisting of three positions and \$244,000 [\$232,000 ongoing] in reimbursement authority) in which the California Department of Food and Agriculture (CDFA) personnel at the Needles (I-40) border protection stations inspect cargo, photocopy pertinent documents, and pass along potential leads to the Board of Equalization (BOE) for collection of use tax. Additionally, approved the Governor's request for nine positions and \$706,000 (reimbursement authority) to expand the BOE/CDFA Tax Enforcement Program to three additional border protection stations (Yermo, Truckee, and Hornbrook).
- Denied three administrative positions and \$513,000 (Agriculture Fund) for the State Board of Food and Agriculture.
- Approved 38 one-year limited-term positions, 117 temporary help positions, and \$19.8 million (federal funds) to fund detection and quarantine to prevent the spread of the Asian Citrus Psyllid in California.
- Approved seven positions and \$15 million (Agriculture Fund) to implement the California Citrus Pest and Disease Prevention Committee created pursuant to Chapter 426, Statutes of 2009 [AB 281, DeLeon].
- Approved two positions and \$250,000 (Agriculture Fund) to establish a Citrus Nursery Stock Pest Cleanliness Program to protect citrus nursery source propagative trees from diseases, pests, and other risks and threats.
- Approved three positions and \$416,000 (Agriculture Fund) to monitor input material production processes at fertilizing material manufacturing facilities, consistent with Chapter 257, Statutes of 2009 [AB 856, Caballero], in order to ensure that "organic" foods are truly organic (and are not tainted by use of "non-organic" input materials in fertilizer).
- Approved \$194,000 (Municipal Shelter Spay-Neuter Fund) to distribute, consistent with Chapter 328, Statutes of 2008 [AB 2291, Mendoza], grants to eligible municipal shelters for the purposes of providing low cost or free spay-neuter services.
- Approved \$12.7 million from the federal Farm Bill of 2008.
- Approved a one-time augmentation of \$4.6 million (various funds) and an ongoing augmentation of \$116,000 to support the costs associated with the relocation of CDFA staff that is currently located in the Annex Building at 1215 O Street and at the Westfield Downtown Plaza at 560 J Street.
- Approved a \$15 million loan from the Department of Food and Agriculture Fund to the GF.

TRANSPORTATION

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved funding of \$200,000 from the State Highway Account for consulting services related to the evaluation of any Public Private Partnerships (P3s) that the Department of Transportation or local agencies may propose.

2640 STATE TRANSIT ASSISTANCE

- As part of the Proposition 58 Special Session, added funding of \$400 million from the Public Transportation Account to restore state funding for transit agency operations.
- Augmented Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding to a total of \$1.5 billion. The Governor had proposed \$350 million, but additional projects were identified as ready for construction.
- Approved a request to reappropriate Prop 1B funds from the 2007 and 2008 Budget Acts.

2660 DEPARTMENT OF TRANSPORTATION

Transportation Revenue and Finance

- Approved expenditures of \$10.7 billion for the California Department of Transportation (Caltrans), including \$83 million GF, \$3.8 billion special funds, \$2.5 billion bond funds, and \$4.2 million in federal funds.
- Approved a total of \$4.0 billion in Prop 1B funds across multiple departments. Approved Prop 1B bond funding of \$2.1 billion for the following bond categories that are budgeted directly in Caltrans budget (figures include state operations, local assistance, and capital outlay).
 - \$578 million for Corridor Mobility Improvement Account (CMIA)
 - \$525 million for the State Transportation Improvement Program (STIP)
 - \$294 million for Trade Corridors Improvement Fund
 - \$19 million for State Highway Protection and Preservation Program (SHOPP)
 - \$241 million for State Local Partnership
 - \$217 million for Grade Separation
 - \$74 million for State Route 99
 - \$8 million for Local Bridge Seismic Retrofit
 - \$182 million for Traffic Light Synchronization

Other Prop 1B bond appropriations are in the budgets of State Transit Assistance (Transit); the Office of Emergency Services (Security); and the Air Resources Board (Air Quality and School Bus Retrofit).

- Added an appropriation of \$234 million from Proposition 1A bond funds for intercity rail and connector rail that will provide connectivity to the high-speed rail system. This amount is tied to a program of projects adopted by the California Transportation Commission after public hearings were held and local input received. *The Governor vetoed \$133 million of this appropriation, indicating that the High Speed Rail Authority, Caltrans, and local jurisdictions should work together to develop a statewide strategy.*
- Approved, as part of the Proposition 58 Special Session, the “Fuel Tax Swap” proposal, which results in full funding for the “Proposition 42” allocations to highways and local streets and roads. The Fuel Tax Swap also provides GF relief by directing a portion of the new gasoline excise tax revenue to transportation-related general obligation bond debt service. At the time of the Prop 58 Special Session, a total of \$929 million in GF relief was scored in 2010-11 from the Fuel Tax Swap. Due to revised debt service costs, the amount was reduced in the final budget estimates to \$788 million.
- Approved a loan of \$762 million from the new “Fuel Swap” revenue to the General Fund. This revenue is new revenue in addition to that needed to backfill for Proposition 42. The loan will be repaid within three fiscal years per the requirements of Article XIX of the State Constitution.
- Approved a loan of \$29 million from the Public Transportation Account (PTA) to the General Fund. The amount of the loan corresponds to unanticipated PTA savings in the area of bond debt service.
- Approved, as part of the Proposition 58 Special Session, a redirection of \$100 million in tribal-gaming funds to the GF. Under prior statutory provisions, these tribal gaming funds would have gone to transportation special funds as “loan repayment” for past loans to the GF.
- Approved a loan repayment deferral of \$230 million from various transportation special funds. The General Fund will repay these amounts in 2011-12 instead of 2010-11, which is still within the repayment requirements of Article XIX of the State Constitution.
- Approved a new loan of \$80 million from the State Highway Account (SHA) to the GF. The loan comes from the fund reserve, and budget bill language includes repayment provisions so projects are not affected.
- Rejected \$2.3 billion of the \$3.4 billion requested for availability payments, which are a type of lease agreement where the private partner initially funds construction on a highway project, operates the facility over many years, and the state compensates the private partner with fixed payments over many years. However, did approve \$1.1 billion in availability payments specifically for the Doyle Drive project in San Francisco. The Administration urged approval of the Doyle Drive project in order to implement at least one project using this type of financing.
- Rejected an appropriation of \$680 million for Grant Anticipation Revenue Vehicle (GARVEE) bonds, which are bonds repaid with future federal highway grants. Caltrans had indicated during the spring hearings that cash was sufficient to avoid the use of GARVEEs in 2010-11. However, adopted budget bill language would allow the restoration of \$680 million in GARVEEs if needed for projects and upon fulfillment of reporting requirements.

- Rejected a proposal for an experimental project to generate new revenue by placing advertising on highway changeable message signs.

Highway Transportation

- Modified the Administration's May Revision Capitol Outlay Support staffing request such that the reduction in state positions is 212 instead of 723. These staff resources will prepare additional highway projects to be ready for construction, which could result in additional construction projects going forward in this favorable bid environment. In the budget Conference Committee, an additional 13 positions were reduced, to offset new positions in other Caltrans areas. ***The Governor vetoed funding by \$20.3 million and indicated his intent to reduce positions consistent with the May Revision proposal, or a total reduction of 723 Caltrans positions. Relative to the Legislature's enacted budget, this was a reduction of 296 additional personnel years.***
- Rejected an Administration proposal to shift the costs of specified highway-project planning documents from Caltrans to local-government reimbursement – a total of \$7.4 million and 67 positions were part of the request. The Legislature added supplemental reporting language for Caltrans to report on projects in this category. ***The Governor vetoed \$7.4 million and indicated his intent to eliminate 67 positions (or 63.7 personnel years). The veto message suggests local agencies should fund the costs of these projects.***
- Scored \$100 million in operations savings (State Highway Account) in each of the 2009-10 and 2010-11 budgets. This savings is generated from reduced purchases, training, travel, and other operations costs. Directed \$50 million of the savings in 2010-11 to additional pavement maintenance.
- Approved \$5.7 million (special funds) for increased fuel costs.
- Approved the continuation of \$9.1 million (Prop 1B bond funds) and 75 limited-term positions for two additional years for continued work on projects funded by Proposition 1B bond funds.
- Approved \$868,000 (federal funds) and five new positions to address bridge-inspection workload. The Legislature reduced Capital Outlay Support staffing by five positions, so that this request does not result in a net increase in Caltrans staffing.
- Approved \$1.3 million (State Highway Account) and nine positions to conduct new load ratings on state bridges, but augmented beyond that by \$1.3 million and nine additional positions to complete the load ratings in six years instead of ten. Rejected the redirection of litter clean-up funds for the base request and instead augmented with State Highway Account funds.
- Approved \$3.6 million (State Highway Account) and three new limited-term positions to implement the Americans' with Disabilities Act (ADA) compliance plan. Included in the funding is \$3.2 million for external consulting. The Legislature reduced Capital Outlay Support staffing by three positions, so that this request does not result in a net increase in Caltrans staffing.

- Reduced funding for ADA-lawsuit plaintiffs' attorney fees from \$8.5 million to \$3.5 million (State Highway Account), but added budget bill language that authorizes funding up to \$8.5 million depending on actual costs.
- Approved \$2.4 million (State Highway Account) for higher operations and maintenance costs at the new Marysville district office building.
- Provided authority to augment the budget by up to \$4.5 million (State Highway Account) to fund the development of Public Private Partnership (P3) projects, upon legislative reporting.
- Approved a budget reduction of \$1.6 million (special funds) and five positions related to the Administration's fleet reduction plan.
- Approved a budget reduction of \$255,000 (State Highway Account) and the elimination of three positions due to efficiency gains from the Enterprise Resource Planning Financial Infrastructure (E-FIS) information technology project.
- Approved a revised expenditure schedule for the multi-year \$17.2 million (State Highway Account) Construction Management System (CMS) information technology project.
- Approved a revised expenditure schedule for the multi-year \$10.2 million (State Highway Account) Roadway Design Software (RDS) information technology project.
- Approved the Administration's request to transition from centralized administration to distributed administration for budgetary purposes.

Mass Transit, Aeronautics, Bicycle, and Environmental Mitigation

- Approved \$57.3 million (State Highway Account) for diesel retrofit and equipment replacement related to air quality mandates.
- Reduced by half the Governor's request for \$566,000 (federal funds) and six new positions for compliance with federal documentation requirements in the area of environmental review, and made the positions three-year limited-term.
- Approved a one-time increase of \$6.9 million (Public Transportation Account) to baseline funding of \$5.8 million for the 2010-11 cost of railcar maintenance for the Intercity Rail Program.
- Approved \$412,000 (federal funds) and five new positions to address federal requirements for transit funds. The Legislature reduced Capital Outlay Support staffing by five positions, so that this request does not result in a net increase in Caltrans staffing.
- Approved \$100.2 million (federal funds) and four new positions related to federal stimulus funds awarded to Caltrans' rail programs under the High-speed Intercity Rail Passenger Program.
- Approved \$7.2 million in local assistance grants from the Bicycle Transportation Account – the same amount of funding as provided in 2009-10.

- Approved \$10 million in local assistance grants from the Environmental Enhancement and Mitigation Program Fund – the same amount of funding as provided in 2009-10.

All Caltrans Areas

Trailer Bill Language

1. As part of the Eighth Extraordinary Session, approved legislation to implement a “Fuel Tax Swap” that results in more transportation revenue being available for transportation-related bond debt service.
2. Rejected trailer bill language to create a special exemption for Caltrans in tort law.
3. Rejected trailer bill language to authorize an experimental program to allow advertising on highway changeable message signs.
4. Added trailer bill language that provides Fresno County additional time to comply with the Proposition 42 maintenance-of-effort requirements for 2009-10 funds.

2665 HIGH SPEED RAIL AUTHORITY

- Approved total funding of \$221 million for the High-Speed Rail Authority (HSRA) from both Proposition 1A bond funds (\$143 million) and American Recovery and Reinvestment Act (ARRA) funds (\$78 million), with authority to augment that amount by up to \$243 million if right-of-way purchases are ready to proceed in the budget year.
- Revised and expanded the budget act scheduling of expenditures for the HSRA to increase transparency and improve oversight.
- Approved budget bill language that requires the HSRA to report to the Legislature with information on fiscal, management, and planning issues. One quarter of the HSRA funding was made contingent on the submittal and review of the report. ***The Governor vetoed this language and indicated support of the reporting, but asserted that the contingent funding could result in project delays.***
- Approved a total of 30 new positions at the HSRA (about \$3.8 million, funded with Prop 1A bond funds), which will bring total State staff to about 42 positions. Note, the HSRA also indicates that it has 469 contractors (full-time equivalents) also working on the project. The new positions bring in-house, specified accounting, engineering, and management roles. The Legislature added a Risk Manager position, which was in the HSRA’s staffing plan, but had not been requested by the Governor.
- Approved \$46.7 million (Prop 1A bond funds) for program management and oversight contracts.

- Approved \$7.7 million (Prop 1A bond funds) for contracts with Caltrans and other state and local government entities for work related to the high-speed rail project.
- Approved \$4.2 million (Prop 1A bond funds) for specialty contracts in areas such as communications and forecasting.
- Approved \$53.3 million (\$25 million federal funds and \$28.3 million Prop 1A bond funds) for environmental and acquisition activities on the project. This amount can be augmented with legislative reporting if the timeline for acquisition exceeds estimates.
- Approved \$110.9 million (\$52.5 million federal funds and \$58.4 million Prop 1A bond funds) for design contracts on the project.

2670 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN

- Approved \$233,000 for one-time legal expenses and \$162,000 for one-time training costs – both special fund.
- Approved \$75,000 (special fund) for a new Office Technician position.

2700 OFFICE OF TRAFFIC SAFETY

- Approved a reappropriation of \$94 million in federal funds.

2720 CALIFORNIA HIGHWAY PATROL

- Approved \$17.8 million (Motor Vehicle Account) for 180 new California Highway Patrol (CHP) Officers to be established over the next two years. This augmentation will bring the number of uniformed CHP Officers to approximately 6,670 positions.
- Approved \$114.1 million (special funds) for the fifth year of the public safety radio upgrade project. This \$360 million project is nearing completion.
- Approved a total of \$8.5 million (special funds) for baseline cost increases in the areas of workers' compensation (\$4.1 million), vehicle insurance (\$4.2 million), and facility operations (\$191,000).
- Approved \$3.9 million in federal funds for various expenditures, including the purchase of license plate recognition (LPR) systems, which read car license plates and compare the plate against a list of known wanted vehicles.
- Approved \$481,000 (special funds) for increased Motorcyclist Safety Program efforts.
- Approved a total of \$13.0 million (special funds) for specified phases of the following facility capital outlay projects: Santa Fe Springs Area Office (\$1.3 million for working drawings); Oceanside Area Office (\$1.5 million for working drawings); and Oakhurst Area Office (\$10.2

million for construction). Approved budget bill language to allow the CHP to enter into a capitalized lease agreement for the previously-approved Mojave, Fresno, and Grass Valley facilities.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved a transfer from the Motor Vehicle Account (MVA) to the GF of \$72 million, and approved a loan from the MVA to the GF of \$180 million.
- Approved \$900,000 (federal grant funds) to improve privacy protection for the Driving Under the Influence (DUI) internet system.
- Approved a total of \$1.2 million (special funds) to implement new legislation (AB 91 and SB 598, both Statutes of 2009) in the area of DUI programs.
- Approved \$4.8 million (federal grant funds) and three one-year limited term positions for the purchase and installation of new digital imaging equipment in field offices statewide.
- Approved a reappropriation of the remaining \$7.4 million for the WebSite Infrastructure information-technology project.
- Approved \$115,000 (special funds) to implement the Gold Star Family License Plate program created by SB 1455 (Statutes of 2008).
- Approved a total of \$1.8 million (special funds) for office relocation projects.
- Approved a total of \$34.6 million (special funds) for specified phases of the following facility capital outlay projects: Oakland Field Office Reconfiguration (\$2.2 million for working drawings and construction); Fresno Field Office Replacement (\$19.9 million for working drawings and construction); Stockton Field Office Reconfiguration (\$3.5 million for construction); Victorville Field Office Reconfiguration (\$3.7 million for construction); San Bernardino Field Office Reconfiguration (\$2.2 million for construction); and Redding Field Office Reconfiguration (\$3.1 million for working drawings and construction).

9350 SHARED REVENUE

- Approved a request to reappropriate Prop 1B bond funds from the 2007 and 2008 Budget Acts. Prop 1B funds in this item are allocated to cities and counties for local streets and roads.

SUBCOMMITTEE 3

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Mark Leno, Chair
Elaine Alquist
Roy Ashburn

Consultants

Jennifer Troia
Diane Van Maren

SUBCOMMITTEE No. 3

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HEALTH

4120 Emergency Medical Services Authority

- Pharmacy Caches. Denied \$448,000 (General Fund) for requested pharmacy caches since they are not necessary.
- Special Funds. Approved all special fund requests.

4260 Department of Health Care Services

Key Issues for the Medi-Cal Program

- Rejected All Eligibility Reductions. No eligibility reductions were adopted.
- Retained Annual Eligibility for Children. Adopted trailer bill language to restore the annual eligibility for children in Medi-Cal to meet the requirements of the federal Patient Protection and Affordability Care Act (H.R. 3590).
- Extended Existing Hospital Waiver for 60-days. Pending final approval of the 1115 Medicaid Waiver, the federal CMS has approved an extension of California's Hospital Waiver to October 2010. This extension enables California to obtain an additional \$29 million in federal funds which will offset General Fund expenditures.
- Receipt of Federal Funds for 1115 Medicaid Waiver. Assumes approval of pending 1115 Medicaid Waiver and increased federal funds for Medi-Cal Program which results in a savings of \$500 million General Fund. (See SB 208 [Steinberg], Statutes of 2010.)
- Mandatory Enrollment of Seniors and Persons with Disabilities in Medi-Cal Managed Care. Modified May Revision to approve mandatory enrollment of seniors and persons with disabilities within Medi-Cal beginning June 1, 2011 (to be phased-in across 14 counties) for a savings of \$362.5 million (\$187 million General Fund).
- State Resources for 1115 Medi-Cal Waiver. Approved a total of \$5.7 million (\$1.6 million General Fund, \$994,000 Managed Care Fund, \$500,000 MHSA Funds, and \$3.6 million federal funds) and 39 positions to begin implementation of the pending Waiver for California. This is \$2.5 million (General Fund) less than proposed by the Governor.

Of the 39 total positions, 26 are in the Department of Health Care Services (DHCS) and 13 are in the Department of Managed Health Care (DMHC). The focal point of these resources is for implementation of the mandatory enrollment, as noted above. Additional resources can be phased-in as warranted.

Also adopted trailer bill legislation, as contained in SB 853, Statutes of 2010, to require the DHCS and the DMHC to develop an interagency agreement as specified.

- Adult Day Health Care. Adult Day Health Care services were maintained.
- “Hard Caps” on Specified Services. Rejected DHCS proposals to implement “hard caps” on the following services (1) six-prescription outpatient drugs; (2) durable medical equipment; (3) certain medical supplies, including wound care, incontinence supplies, and Urologicals; (4) hearing aid expenditures; and (5) visits for outpatient primary and specialty care provided by physicians.
- “Mandatory” Copayments. Rejected DHCS proposals to implement mandatory copayments for various services, including: (1) physician, Federally Qualified Health Centers, and Rural Health Centers; (2) dental office visits for children; (3) hospital inpatient days; (4) emergency room visits; (5) non-emergency room visits; and (6) pharmacy visits.
- Enteral Nutrition. Rejected proposal to limit enteral nutrition to tube feeding only.
- Over-The-Counter Drugs. Modified Governor’s proposal to eliminate Medi-Cal reimbursement for over-the-counter drugs by deleting Adult Tylenol as a benefit but continuing to provide children’s Tylenol as well as all cough and cold products as a benefit. This will save \$3.1 million (General Fund). Dual eligible individuals (both Medi-Cal and Medicare eligible) can receive Adult Tylenol through Medicare.
- Family PACT Program. Recent federal law changes enable California to obtain additional federal funds for a savings of \$5 million (General Fund). SB 853, Statutes of 2010, specifies the changes to be enacted in California.
- Eight Family Planning Office Codes. No rate reduction was adopted since California receives a 90 percent federal match for these services.
- Medicare Part B Premiums. Adopted the Governor’s proposal to eliminate federal Medicare Part B premiums for Medi-Cal enrollees with an unmet share-of-cost as contained in SB 853, Statutes of 2010. About 900 people are affected by this change.
- National Settlement. California will be awarded \$31 million from a whistleblower lawsuit pertaining to pharmaceuticals. Of this award, \$15.2 million will be used to offset General Fund support in Medi-Cal.
- Nursing Home Quality and Accountability. Adopted a comprehensive Nursing Home Quality and Accountability package as contained in SB 853, Statutes of 2010, which is General Fund neutral and contains the following key components:
 - Provides for a two-year rate adjustment of 3.93 percent rate increase in 2010-11 and up to 2.4 percent in 2011-12 by extending the sunset of the Quality Assurance Fee to July 30, 2012.

- Expands the Quality Assurance Fee to 76 Multi-Level Retirement Communities (MLRCs) as proposed by the Governor since Medi-Cal currently pays for over 50 percent of the MLRCs patients and MLRCs have received over \$46 million in aggregate AB 1629-driven Medi-Cal rate increases since 2004 and have not previously been paying the Fee.
- Continues to exclude Continuing Care Retirement Communities from paying the Quality Assurance Fee since these entities operate under a different type of license and serve few Medi-Cal patients.
- Eliminates the use of a “labor-driven operating allocation” since quality assurance and accountability measures will be phased-in.
- Limits Medi-Cal reimbursement for legal costs incurred by nursing facilities engaged in the defense of legal actions filed by governmental agencies or departments against the facilities. Limits Medi-Cal reimbursement for liability insurance to the 75th percentile computed on a specific geographic peer group basis.
- Requires the Department of Public Health to audit nursing homes for complying with the existing 3.2 nursing hours to patient ratio. About one-third of the nursing homes will be audited in 2010-11 with the remaining to be audited in 2011-12. Nursing homes that do not meet the ratio and are in non-compliance will be assessed a penalty. Nursing homes who are non-compliant from 5 percent to 49 percent of audited days would be assessed a penalty of \$15,000. This increases to \$30,000 for those nursing homes who are noncompliant from 50 percent or more of audited days.
- Begins to phase-in a Quality and Accountability system by establishing a special fund and a reward system for achieving certain measures. A comprehensive Stakeholder process will be used by the Administration to proceed with implementation of this system and to publish the specific information.

For 2011-12, the following quality and accountability benchmarks for allocating the special fund include: (1) 3.2 nursing to patient ratio; (2) immunizations; (3) physical restraints; (4) facility acquired pressure ulcers; (5) direct care staff retention, if data is available; and (6) resident and family satisfaction survey. Additional measures will be added including federal health care reform measures as specified, and the use of chemical restraints.
- Provides an additional \$1.9 million (special fund) above the Governor’s May Revision for the Long-Term Care Ombudsman administered by the Department of Aging. It also requires the Department of Health Care Services to seek federal approval to obtain a federal match for this program, if feasible.
- Hospital Rate Freeze. Adopted the Governor’s proposal to freeze Medi-Cal rates paid for hospital in-patient services for a reduction of \$84.5 million (General Fund) and adopted trailer bill language to gradually transition to a “diagnosis-related grouping” method of reimbursement. SB 853, Statutes of 2010, specifies how this transition is to occur.

- Ten Percent Reduction to Public and Private Hospitals. Rejected both proposals to reduce Designated Public Hospitals and Private Hospitals by 10 percent under the pending 1115 Medi-Cal Waiver.
- Offset for Hospital Quality Assurance Fee. Assumes an offset of \$560 million (General Fund) in children's health care services within Medi-Cal through the use of this fee, as established in AB 1383, Statutes of 2009, and as modified in AB 1653, Statutes of 2010, and SB 208, Statutes of 2010.
- Medi-Cal Managed Care Rates. Adopted May Revision adjustments to reflect February 1, 2011 implementation of phase-in of mandatory enrollment, as referenced above, and an overall 3.7 percent rate increase for the health plans participating in the Medi-Cal Managed Care Program. Also adopted trailer bill language regarding a risk-adjustment factor as specified in SB 853, Statutes of 2010.
- Extended Roger's Amendment. Adopted the Administration's proposal to extend for one year (to January 2012) the State statute that implements the federal "Roger's Amendment", enacted as part of the Federal Deficit Amendment Act of 2005. It sets a limit on the amount that a Medi-Cal Managed Care plan can reimburse a non-contracted hospital that provides emergency services to one of the plan's members. It requires hospitals to accept, as payment in full, no more than the amounts that it could collect under the Fee-for-Service Medi-Cal Program. Annual savings of about \$20 million (General Fund) are attributable to this action.
- Extended Gross Premium Payment. Approved trailer bill language to extend this payment by Medi-Cal Managed Care plans. These funds are used to offset expenditures within the Healthy Families Program administered by the Managed Risk Medical Insurance Board.
- Geographic Managed Care Changes. Adopted the Administration's proposal to shift responsibilities for negotiating Geographic Managed Care rates from the CA Medical Assistance Commission (CMAC) to the DHCS. In addition, shifted \$240,000 (\$120,000 General Fund) and two staff for this purpose.
- Radiology Rates. Adopted DHCS proposal to reduce certain radiology rates to 80 percent of federal Medicare rates for a reduction of \$27.2 million (\$13.6 million General Fund).
- Medi-Cal Eligibility Processing - Change in Eligibility Growth Method. Modified DHCS proposal, to reduce by \$84 million (\$42 million General Fund) through recalculating the County Administrative baseline for Medi-Cal caseload, by recognizing only half of the savings (\$22 million General Fund) and adopting trailer bill language to develop a methodology for next year. *However*, the Governor vetoed the Legislature's \$44 million (\$22 million General Fund) restoration. This veto will likely result in longer delays in Medi-Cal enrollment for low-income families.
- Redirected Proposition 99 Funds. Adopted the Governor's proposal to redirect \$11.3 million (Unallocated Account, Proposition 99 Funds) from the Expanded Access to Clinic (EAPC)

Program and the Asthma Program, administered by the DPH, to backfill for General Fund support within the Medi-Cal Program.

- Timely Filing for Third-Party Liability. Adopted placeholder trailer bill legislation as proposed by the Administration.
- Control Section 23.25. Deleted the Administration's Control Section 23.25 which authorized the Director of Finance to adjustment any item of appropriation for the purpose of implementing the federal Patient Protection and Affordable Care Act of 2010.
- Medi-Cal Claims Processing System. Adopted trailer bill language to provide oversight and accountability of the replacement system for the CA-MMIS (Medi-Cal Fiscal Intermediary system).
- Targeted Case Management. Approved the DHCS request for state positions to conduct reviews of local government expenditures of federal funds as directed by the federal CMS, and adopted Budget Bill Language for the DHCS to provide state expenditure information as specified.
- Local Education Agency Medi-Cal Billing. Adopted a compromise to a total of \$1.3 million (local funds and federal funds) for DHCS staff to conduct reviews of local government expenditures for the DHCS to provide state expenditure information as specified.

4260 DEPARTMENT OF HEALTH CARE SERVICES

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

- Community-Based Clinic Programs. Provided an increase of \$10 million (General Fund), or \$2.5 million for each program, including the Seasonal and Migratory Program, American Indian Program, Rural Health Program, and the Expanded Access for Primary Care Program. *However*, the Governor vetoed the entire \$10 million (General Fund).
- California Children's Services (CCS) Program. Approved full funding for the CCS Program, with no reduction to eligibility.
- Genetically Handicapped Persons Program (GHPP). Approved full funding for the GHPP.

4265 Department of Public Health

- HIV/AIDS Prevention, Education, and Care Programs. Increased by \$52 million (General Fund) to restore State support to these programs which were vetoed by the Governor in 2009. *However*, the Governor vetoed the entire \$52 million amount leaving only minimal federal funding for these extremely important efforts.

- AIDS Drug Assistance Program (ADAP). Increased by \$10 million (\$7.6 million General Fund and \$2.4 million federal funds) the AIDS Drug Rebate Fund reserve since the existing reserve was below the five percent prudent reserve margin and several of the ADAP assumptions have questionable reliability. No eligibility changes were enacted. *However*, the Governor vetoed the \$7.6 million (General Fund) augmentation leaving the program potentially short of funding.
- Every Woman Counts Program. Increased by \$20.1 million (General Fund) to provide additional funds for breast cancer screenings and adopted trailer bill language to require the Department of Public Health (DPH) to provide the fiscal committees of the Legislature with an estimate package in January and May of each year. The DPH will also be required to provide quarterly updates to the Legislature on estimated expenditures in 2010-11.
- General Fund Support for Immunizations. Deletes \$18 million (General Fund) for immunization assistance due to the receipt of federal funds for the H1N1 vaccine and for the Children's Vaccine Program.
- Prostate Cancer. Provided an additional \$1 million (General Fund) to this program for prostate cancer treatment. *However*, the Governor vetoed the entire \$1 million.
- Receipt of Federal Funds for Licensing and Certification. Approved increase of \$17.6 million (federal funds) to permanently establish 124.8 positions to conduct surveys of nursing homes and other priority work as required by the federal Centers for Medicare and Medicaid (CMS).
- Quality and Accountability Payment System for Licensing and Certification. Approved \$2.2 million (Reimbursements from the DHCS) for 38.5 positions to conduct quality and accountability work regarding nursing homes, including auditing for the 3.2 nurse hours per patient ratio.
- Adolescent Family Life Program. Increased this program by \$3 million (General Fund). *However*, the Governor vetoed this entire augmentation.
- Black Infant Health Program. Increased this program by \$2 million (General Fund). *However*, the Governor vetoed this entire augmentation.
- 2010 Water Bond Request. No appropriation has been provided for this purpose.
- Asthma Public Health Initiative and Proposition 99 Funds. Adopted the Governor's proposal to eliminate this funding and redirect Proposition 99 Funds to backfill for General Fund support in the Medi-Cal Program.

4280 Managed Risk Medical Insurance Board

- Healthy Families Program. Fully funded the Healthy Families Program and rejected Governor's proposed increases to premiums and copayments since this cost-sharing had been increased considerably last year. Also approved all adjustments for the federal Children's Health Insurance Program Reauthorization Act of 2009.

- Gross Premium Payments. Corrected an error within the Healthy Families appropriation by identifying \$11 million (Children's Health and Human Services) available from Medi-Cal Managed Care plans paying gross premium payments. This was used to offset General Fund support.
- Access for Infants and Mothers (AIM) Program. Approved the Board's recommended funding level for this program.

4300 Department of Developmental Services

- Lanterman Developmental Center. Adopted trailer bill language as contained in SB 853, Statutes of 2010, and Budget Bill Language to proceed with the Administration's proposal to begin the transition of Lanterman Developmental Center. Also approved \$50.7 million (total funds) in existing funds to be dedicated to the operational, assessment, start-up, and placement needs for individuals transitioning from Lanterman to the community.
- Series of Baseline Adjustments. Adopted a series of baseline adjustments for funding provided to Regional Centers for the Purchase of Services and for Operations. Key adjustments include the following:
 - Rejected Governor's proposal to redirect \$200 million (Proposition 10 Funds) which would have required voter approval in November 2010.
 - Approved Governor's continuation of adjustments from 2009 which affect the entire developmental services system and equated to a \$334 million (General Fund) reduction in 2009. These actions are reflected in the base trends.
 - Provides \$12 million (General Fund) to purchase necessary dental services for adults receiving services through the Regional Centers who do not have insurance for this coverage. This is due to the elimination of Adult Dental Services as a Medi-Cal benefit in 2009. Individuals with developmental disabilities are entitled to these services.
- Reduction of 4.25 Percent. Adopted the Governor's proposal to reduce by a total of 4.25 percent both the Purchase of Services and Regional Center Operations for a total reduction of \$163.4 million (\$85.8 million General Fund). This is 1.25 percent more than was contained in the 2009 Budget Act. Adopted trailer bill language to sunset the 4.25 percent reduction as of June 30, 2011, to provide for specified exemptions from the reduction, and to allow for limited administrative relief as specified.
- Additional Receipt of Federal Funds. Approved the Governor's proposal to modify the billing mechanism used to reimburse Intermediate Care Facilities for the Disabled in order to obtain an additional \$53.5 million in federal funds, with a corresponding reduction in General Fund.
- Revert \$5.3 million from 2009. Adopted Budget Reversion Language to capture \$5.3 million (General Fund) in unexpended funds from 2009-10 which are unnecessary. These funds were appropriated in 2009 to provide for Adult Day Services to individuals with developmental

disabilities due to reductions within the Medi-Cal Program. However, the reductions within Medi-Cal were enjoined by the courts and not enacted. Therefore, individuals with disabilities continue to receive Adult Day Services through the Medi-Cal Program.

- Fund Shift. Redirected \$12.4 million (federal funds) from the Department of Social Services due to changes in child care reimbursement to the DDS to offset General Fund expenditures of \$12.4 million for Regional Center services.
- DDS Bay Area Housing. Due to the imminent expiration (i.e., February 28, 2011) of the California Housing Finance Agency's (CalHFA) line of credit for financing the Agnews/Bay Area Housing Plan, AB 1629, Statutes of 2010, was enacted to implement alternative financing to lower interest rates and avoid up to \$26 million in debt service costs (according to Merrill Lynch). This trailer bill does the following:
 - Restructures bond financing to allow funding of residential facilities for persons with developmental disabilities who have specialized health care needs and receive services through the Regional Center system.
 - Modifies the Small Facilities Loan Guarantee Program for facilities serving people with developmental disabilities to address the unique financing structure of the Agnews/Bay Area Housing Plan. These changes allow Cal-Mortgage to offer insurance for bonds issued by the California Health Facilities Financing Authority (CHFFA).
 - Allows for loans to be insured for the cost of construction, improvement, and expansion, which may exceed the current value of the health facility when supported by other security for, or guaranty of, the debt. It increases the total amount of loans that may be insured, pursuant to the program, to \$100,000,000.
 - Requires the Golden Gate Regional Center, Regional Center of the East Bay, and San Andreas Regional Center to provide for, secure, and ensure the full payment of a lease or leases developed for the Agnews/Bay Area Housing Plan (as defined in Section 4688.5 of Welfare and Institutions Code).
 - Authorizes the Director of the Department of Finance to provide a short-term General Fund loan not to exceed the unpaid principal balance of the homes but not more than \$88 million. The loan may *not* be made any sooner than January 15, 2011 and *only if* the CHFFA has failed to complete the sale and issuance of bonds to provide funding prior to January 15, 2011.

4440 Department of Mental Health

- Mental Health Services for Special Education Students (AB 3632 Mandate). Rejected the Governor's proposal to eliminate the State mandate and instead did the following:
 - Approved reduction of \$52 million (General Fund) in the Department of Mental Health (DMH) item;

- Increased by \$133 million (General Fund) to the Commission on State Mandates for payment of prior year AB 3632 mandate claims in 2010-11 (Item 8885-295-0001); and
- Appropriated \$3 million one-time (federal special education funds) so the Department of Education can contract for statewide technical assistance to Special Education Local Planning Areas regarding best practices in mental health related service delivery for students with disabilities in 2010-11 (Item 6110-161-0890).

However, the Governor vetoed the entire proposal as structured by the Legislature. (Also see Education, Social Services, and Local Mandates sections of this report.)

- Governor's Realignment Proposal. Rejected the Governor's realignment concept to reduce County Mental Health services by \$602 million. This concept is severely flawed from a legal, fiscal and policy perspective.
- Evaluation Funds for Mental Health Services Act (MHSA). Redirected \$1 million (Mental Health Services Act Funds, Proposition 63) for evaluation purposes from the Department of Mental Health to the MHSA Oversight and Accountability Commission (OAC) to reflect the needs and responsibilities of the OAC.
- Early and Periodic Screening, Diagnostic and Treatment (EPSDT) Program. Fully funded program as proposed at May Revision.
- Mental Health Managed Care Program. Approved the May Revision as proposed.
- State Hospitals Caseload. Reduced State Hospitals by a total of \$20.7 million (General Fund) across the two fiscal years to account for an over-estimate of patient population. This is a Legislative Analyst's Office recommendation.
- State Hospitals Operating Expenses. Reduced by \$10 million (General Fund) to reflect a reduction in outpatient medical expenditures and other cost containment measures related to operating expenditures. Enacted legislation as contained in SB 853, Statutes of 2010, to enable the DMH to obtain inpatient hospitalization savings for patients in the community.
- Napa State Hospital. Deleted \$10.8 million (General Fund) from a reappropriation for satellite kitchen project.
- Sex Offender Commitment Program. Adopted Governor's proposal to reduce by \$10.3 million (General Fund) for this program since 70 percent of evaluations are now re-referrals and cost less to evaluate.

HUMAN SERVICES

0530 Office of Systems Integration (OSI)

Among other actions to adjust the budgets for ongoing projects based on their status, staffing, or cost changes:

- Approved a requested increase of \$44.3 million in 2010-11 funding to begin the design, development, and implementation phase of the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System Project. Additionally requested updates from OSI on the progress of negotiations and anticipated costs of this phase of the project.

4140 Office of Statewide Health Planning and Development (OSHPD)

Among other actions to approve of Special Fund authority and adjust staffing plans:

- Approved the Governor's January proposal to continue funding the Song-Brown Program, which increases the number of family practice physicians and other health professionals in medically underserved communities, with \$5 million in Health Data and Planning Funds (rather than GF resources).
- Approved the Governor's May Revision proposal to extend the dates for repayment of \$32 million in loans to the GF from the Hospital Building and Health Data and Planning Special Funds.
- Adopted trailer bill language to clarify that, upon request and for research purposes, OSHPD can share confidential patient-level health information with only the University of California and similar non-profit education institutions.

4170 California Department of Aging (CDA)

Among other actions to approve federal funds authority and make technical adjustments:

- Restored \$6.4 million GF to the Linkages case management, Brown Bag senior nutrition, and Alzheimer's Day Care Resource Center Community Based Services Programs (CBSPs). This amount is equivalent to approximately two-thirds of the resources that were vetoed by the Governor in 2009-10.
 - > *The Governor subsequently vetoed this funding, leaving these formerly state-funded programs with no state resources.*

- Approved the Governor's proposal to transfer \$680,000 GF from the Department of Public Health to CDA for the Long-Term Care Ombudsman program. These funds will cover a shortfall in the resources previously anticipated to be available from the Federal Citation Penalty Account for the Ombudsman program.

4200 Department of Alcohol and Drug Programs

- Rejected the Governor's May Revision proposal to eliminate Drug Medi-Cal services for approximately 171,000 individuals (or 79 percent of individuals who would otherwise receive them).
- Rejected the Governor's January proposal to eliminate all GF support (\$18 million) for the Offender Treatment Program (OTP). Consistent with the laws established by Proposition 36 (the Substance Abuse and Crime Prevention Act) of 2000, OTP provides drug treatment services, rather than incarceration, to certain offenders who have used or possessed drugs.
 - > *The Governor subsequently vetoed this funding, leaving this formerly state-funded program with no resources.*
- Rejected the Governor's January proposal to continue a reduction of \$663,000 GF to the Women and Children's Residential Treatment Services (WCRTS) program for perinatal (before and after childbirth) drug treatment services. Further, amended budget bill language to no longer identify a specific number of providers, making it clear that the \$5.8 million GF setaside for the program is the total statewide funding. (The \$663,000 GF reduction was originally made in 2009-10 after one of the nine programs specifically identified in budget bill language closed.)
 - > *The Governor subsequently vetoed this \$663,000 in funding, leaving these programs with \$5.1 million GF. The veto did not, however, impact the Legislature's amendment to the budget bill language that removed the specific number of providers.*

4700 Department of Community Services & Development

Approved as budgeted.

5160 Department of Rehabilitation

Approved as budgeted, except that one of two requested positions for the Traumatic Brain Injury program was approved as limited-term, rather than permanent.

5175 Department of Child Support Services

In addition to the approvals of federal funds authority and other budget adjustments:

- Approved the Governor’s January proposal to continue an augmentation of \$18.7 million (\$6.4 million GF) that was originally enacted in 2009-10. This “revenue stabilization funding” was intended to support local child support agencies’ maintenance of caseworker staffing levels and to stabilize child support collections (including collections that offset GF costs of public assistance benefits provided to custodial parents).
- Approved plans to transition hosting for the Child Support Enforcement (CSE) component of the California Child Support Automation System (CCSAS) from vendor to in-house services provided by the state. Correspondingly, approved the use of \$14.1 million (\$4.8 million GF) in one-time reappropriation funding for costs associated with this transition, but removed authority for use of remaining reappropriation funds from specified prior years (for GF savings of \$9.9 million). Additionally, approved an increase of \$8.2 million (\$2.7 million GF) in baseline funding for the CCSAS system.
- Adopted trailer bill language to extend existing reporting and evaluation requirements related to revenue stabilization funding to any year for which such an appropriation is made and to authorize the State Registrar to disclose information regarding a mother’s marital status to the Department of Child Support Services for purposes of demographic and statistical analysis.

5180 Department of Social Services

Among other adjustments and votes, took the following actions in each major program:

CalWORKs

- Rejected the Governor’s January proposal to trigger the elimination of the CalWORKs program if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds. Subsequently, rejected the Governor’s May Revision proposal to eliminate the CalWORKs program (not subject to any trigger). The proposal to eliminate CalWORKs would have impacted 580,000 families with more than one million children. The state would have saved approximately \$1.2 billion GF, but foregone more than \$4 billion in federal funds.
 - > *The Governor vetoed \$365.9 million GF from CalWORKs, but indicated that he did not intend to create any adverse impacts on the program in 2010-11. Instead, the Administration intended to create that amount of GF relief on a one-time basis by instructing DSS to seek a corresponding advance of federal Temporary Assistance to Needy Families (TANF) funding.*
- Rejected the Governor’s proposal to reduce CalWORKs grants by 15.7 percent. The proposal would have made the maximum monthly CalWORKs and food stamps grant level equivalent to approximately 73 percent of the Federal Poverty Level (FPL) in high-cost, and 71 percent of the FPL in low-cost, counties.

- Rejected the Governor's proposal to eliminate the CalWORKs Recent Noncitizen Entrants Program (RNE). The RNE program provides temporary cash assistance and education, training, and employment services to approximately 22,500 lawful immigrants who have not yet been in the United States for five years.
- Adopted trailer bill language to ensure that the state can fully benefit from any extensions of ARRA's TANF Emergency Contingency Fund (ECF) and from all of the allowable uses of federal ECF funding for subsidized employment (including its use for needy youth between the ages of 18 and 24 years of age).
- Adopted trailer bill language to delay to April 1, 2012 (from April 1, 2010), the date by which the Work Incentive Nutritional Supplement (WINS) program shall be fully implemented. Further, delayed to October 1, 2011 (from April 1, 2010), the date by which the Temporary Assistance Program (TAP) must begin and to no later than July 1, 2011, the date for statewide implementation of a CalWORKs county peer review process.
- Adopted trailer bill language referencing existing constitutional and statutory authority to allow a temporary deferral, for the period between enactment of the 2010 Budget Act and the completion of cashflow borrowing, of some payments to counties for administration of the CalWORKs program.
- *Note:* See child care section of this report for additional CalWORKs-related outcomes.

Food Programs

- Approved the use of \$8.4 million in federal ARRA stimulus funding for food stamp modernization projects (e.g., expansion of online application options) and the use of \$30 million in federal Defense Appropriations Act funding to offset the increasing costs of administration due to the program's rapidly rising caseload (resulting in \$10.5 million GF savings).
- Rejected the Governor's proposal to eliminate the California Food Assistance Program, which provides nutritional benefits to approximately 32,900 low-income, lawful immigrants who are over 18 and under 65 years of age.
- Adopted trailer bill language to allow counties, during 2010-11 and 2011-12, to draw down a portion of increasing food stamps administration funding without a county match above and beyond an existing Maintenance of Effort requirement.
- Approved the Governor's May Revision proposal for \$23,000 (\$7,000 GF) savings from establishing Inter-County Transfer processes for food stamp recipients (as of April 1 or July 1, 2011, depending upon whether the beneficiaries also receive CalWORKs benefits). As a result, recipients will no longer need to reapply after moving from one county to another within California.

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

- Rejected the Governor's proposal to reduce SSI/SSP grants for individuals who are aged or blind or who have disabilities. The proposed SSP portion of the grants would have been set at the federally required minimum level. As a result, maximum grants for approximately one million individuals would have been reduced from \$845 to \$830 monthly (or from roughly 94 percent to 92 percent of the Federal Poverty Level).
- Rejected the Governor's proposal to eliminate the Cash Assistance Program for Immigrants (CAPI), which provides the equivalent of SSI/SSP benefits (minus \$10 per individual and \$20 per couple) to approximately 9,000 low-income, lawful immigrants who are aged or blind or who have disabilities.
- Adopted Supplemental Report Language directing the Department of Social Services to convene a workgroup to evaluate the estimated effects of eliminating the food stamps "cash-out" policy, under which SSI/SSP beneficiaries are currently ineligible for food stamps. This direction only takes effect if the state receives a positive response from the federal government regarding its request to consider changing the policy for only SSI/SSP recipients whose households would benefit.

In-Home Supportive Services (IHSS) Program

- Rejected the Governor's January proposal to trigger the elimination of the IHSS program if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds. Further, made technical adjustments necessary to accept the Administration's rescission at the May Revision of its January proposals to eliminate services for approximately 87 percent of IHSS recipients and to reduce the state's participation in providers' wages to the minimum wage of \$8.00 per hour plus \$.60 per hour for benefits.
- Rejected the Governor's May Revision proposal to assume \$637.1 million General Fund (GF) savings in the IHSS program in 2010-11. Instead, adopted savings of \$300 million GF, as follows:
 - \$190 million GF due to enhanced federal funding for IHSS from the establishment of a sales tax on support services and the receipt of matching funds for the use of the revenues obtained pursuant to the tax. IHSS providers will receive a supplementary payment that is equal to the portion of their gross receipts that is newly subject to state and federal taxation.
 - \$75 million GF from recognizing that the 2009-10 caseload for the program was lower than previously anticipated and making corresponding adjustments to the 2010-11 caseload.

- \$35 million GF from an across-the-board reduction of 3.6 percent in recipients' authorized hours. This reduction takes effect 90 days after enactment and lasts until July 1, 2012. Recipients may direct the manner in which the reduction is applied. Further, recipients may appeal the reduction, as specified.
- Suspended, until July 1, 2012, (and subject to a court order that upholds their validity and cannot be appealed) the following reductions, which were enacted by SB 6 (Chapter 13, Statutes of 2009) and ABx4 4 (Chapter 4, Fourth Extraordinary Session, Statutes of 2009):
 - Reduction - to \$9.50 per hour plus \$.60 per hour for health benefits - of the maximum level of IHSS provider wages in which the state will participate.
 - Elimination of eligibility, subject to applicable exemptions, for:
 - a. Domestic and related services provided to individuals with a functional index ranking below 4 for each service; and
 - b. All services for individuals with a functional index score below 2.
- Adopted trailer bill language to amend, effective 90 days after enactment and subject to specified exceptions, the list of criminal convictions that preclude an individual from being an IHSS provider for a period of 10 years. The newly added exclusions are based on convictions for designated serious and violent felonies, felony sex offenses, and felony fraud against a government welfare program. Recipients are entitled to make an informed choice to employ a provider who would otherwise be excluded on the basis of these specific convictions by submitting an individual waiver to the county. Providers may also request a more general exception to the new exclusion policies, which DSS has authority to determine whether to grant.
- Approved the Administration's proposal for \$26.4 million (\$10.0 million GF) in 2010-11 funding for additional fraud prevention, detection, referral, and investigation efforts at the local level. In 2009-10, the Legislature authorized a similar amount of funding, on a one-time basis, for local District Attorney and County Welfare Department efforts.
- Rejected the Administration's January proposal for six new anti-fraud/program integrity positions at DSS. These proposed positions would have been in addition to 42 new, related state positions authorized in the 2009-10 budget (12 at DSS and 30 at the Department of Health Care Services over the 2009-10 and 2010-11 budget years).
- Approved \$150,000 (approximately half GF) of the Governor's January request for \$500,000 (\$264,000 GF) for contractor assistance in DSS's preparation of a report regarding prevention and early detection of fraud, as well as referrals of suspected fraud and final convictions of fraud.

- Adopted Supplemental Report Language to ensure that the Department of Social Services reports, prior to proposing funding for continued or new anti-fraud efforts in the In-Home Supportive Services (IHSS) program, on the estimated costs and savings associated with each of those activities. Such reports must include the basis for assumptions made by the Department in its analysis.

Children and Family Services Programs

- Restored \$133 million (\$80.0 million GF) for child welfare services that the Governor vetoed upon signing the 2009-10 budget. Preliminary data from the counties regarding the impacts of the 2009-10 reduction had indicated the loss statewide of more than 500 front-line social workers who investigate emergency reports, help families stay together or be reunited, and work to find permanent homes for foster children. Preliminary information also indicated less timely investigations of abuse and neglect and more frequent placement moves for foster children.
 - > *The Governor subsequently vetoed this restoration of funding for child welfare services.*
- Rejected the Governor's January proposal to trigger the elimination of the Transitional Housing Program Plus for former foster youth, which currently provides housing and supportive services to approximately 1,400 youth and 170 of their children, if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds.
- Approved an increase of \$268.5 million (\$93.9 million GF) resulting from recent court orders regarding group home rates. Additionally, adopted trailer bill language to establish a working group to revise the current system for setting group home reimbursement rates (within the context of other necessary changes to the system of foster care placements and services), and to enact a one-year moratorium on applications for new group homes or other specified changes in existing group home programs. Related to these activities, approved a three-year, limited-term position at DSS, along with \$250,000 (\$125,000 GF) for consulting and contracts, including contracts with county experts.
- Deleted \$69.7 million GF for the state's share of 2010-11 residential placement costs associated with the care and supervision of children identified as "seriously emotionally disturbed (SED)" and placed in out-of-home care through the special education system. The Legislature's intent was for this funding to be reimbursed in out-years via counties' claims under the state's mandate reimbursement system.
 - > *The Governor vetoed related funding provided for services to youth designated as SED, with the intention of suspending existing state mandates for those programs. See the General Government, Education and/or Health sections of this report for additional information.*
- Rejected the Administration's request for \$1.4 million (\$918,000 GF) in new funding for probation officers' access to the Child Welfare Services/Case Management automation system.

- Approved \$113,000 total funds (\$59,000 GF) of the Governor's larger May Revision request for \$1.1 million (\$500,000 GF) to improve upon the state's accuracy in determining eligibility for federal foster care funding. The approved funds are intended to support a web-based training site.
- Approved trailer bill language to delay, for one additional year to July 1, 2011, the implementation of provisions enacted by AB 2488 (Chapter 386, Statutes of 2006) related to disclosure of personal information between adoptees and their biological siblings.
- Adopted trailer bill language to require DSS to establish a working group to develop recommended revisions to the existing system of establishing Rate Classification Levels (RCLs) for group homes. Additionally prohibited, for one year, the establishment of a rate for a new or reinstated group home program or provider or the increase of an existing provider's rate or capacity, with appropriate case-by-case exceptions.
- Approved trailer bill language to implement new federal requirements related to reasonable travel for a child to remain in the school in which he or she is enrolled at the time of placement in foster care and the circumstances and terms under which the state may enter into an agreement with an Indian tribe, consortium of tribes or tribal organizations regarding the care and custody of, and jurisdiction over, Indian children.

Community Care Licensing

- Rejected the Administration's proposal to completely overhaul statutorily-based licensing inspection requirements and to raise provider fees (for an estimated total of \$1.4 million GF savings). Directed the Department to continue working with stakeholders on a future related policy and/or budget proposal that would, similar to this proposal, result in more frequent licensing inspections without additional GF costs.
- Adopted trailer bill language to suspend, for one additional year, a prohibition on charging fingerprinting fees to applicants for licenses to operate facilities that provide non-medical board, room, or day care to six or fewer children.

Other

- Rejected proposed trailer bill language to make significant policy changes to the state hearings process, and instead funded three new Administrative Law Judges to alleviate workload-related demands [at a cost of approximately \$450,000 (\$215,500 GF)].
- Rejected (through conformity with other actions) the Governor's proposal to redirect county savings from other proposed reductions to fund an increased county share of costs for Foster Care, Foster Care Administration, and the Adoption Assistance Program.

SUBCOMMITTEE 4

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Mark DeSaulnier, Chair
Tom Harman
Gloria Negrete McLeod

Consultants

Brian Annis
Brian Brown
Kris Kuzmich
Seija Virtanen

SUBCOMMITTEE No. 4

STATE ADMINISTRATION, CORRECTIONS AND REHABILITATION, JUDICIARY, PUBLIC SAFETY AND CRIMINAL JUSTICE, AND VETERANS AFFAIRS

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STATE ADMINISTRATION

VARIOUS - AMERICAN RECOVERY AND REINVESTMENT ACT OVERSIGHT ENTITIES

- Approved \$9.2 million (\$7.5 million Central Services Cost Recovery Fund and \$1.7 million GF) to support oversight of the expenditure of federal American Recovery and Reinvestment Act (ARRA) funds by the Governor-created California Recovery Task Force and ARRA Inspector General; the State Controller's Office; and the Bureau of State Audits. This action ensures nearly all of the oversight costs will be supported by federal funds. Included in this action is entity-specific provisional budget language restricting the expenditure of these funds for defined ARRA-related oversight activities. The \$9.2 million breaks down as follows:
 - \$3.9 million for the California Recovery Task Force, which reflects a reduction of \$100,000;
 - \$2.8 million (\$1.1 million CSCRF and \$1.7 million GF) for the ARRA Inspector General, to be housed within the Governor's Office, on a one-time limited-term basis for 2010-11 only (this action includes rejection of any budgetary or statutory proposal to permanently establish the office or any positions therein);
 - Full funding of \$1.2 million to the Bureau of State Audits (the Governor's January budget contained only six months funding for the Bureau's ARRA oversight activities); and,
 - \$1.3 million to the State Controller's Office.

See also Item 0595 - ARRA Inspector General for additional details about a rejected request to permanently establish the office with 21 positions.

0502 OFFICE OF THE CHIEF INFORMATION OFFICER

- Approved statewide information technology savings of \$40 million attributable to the continued implementation of Governor's Reorganization Plan No. 1 (GRP 1). *See also Control Section 15.30 - Information Technology Savings at the end of the State Administration section of this report.*
- Approved the final phase of the consolidation of information technology related activities and personnel under the Office of the State Chief Information Officer (OCIO) pursuant to the 2009 GRP 1, representing an increase of 394 positions to reflect the transfer of employees from the Department of General Services' (DGS) Public Safety Communications Division to the OCIO.
- Approved increased expenditure authority of \$2.061 million (Technology Services Revolving Fund) and nine positions to complete the transfer of indirect services that support the Public

Safety Communication Division from the DGS to the OCIO, as part of GRP 1. *See also Item 1760 - Department of General Services, approval of a similar reduction to DGS' budget to result in a net effect zero total increase in budget authority in 2010-11.*

- Approved a number of requests totaling \$17.9 million (Technology Services Revolving Fund) related to mainframe central processing unit capacity, midrange server instance capacity, network load capacity and internet service provider upgrades, data storage capacity, and statewide e-mail E-hub enhancement and, consistent with the intent of GRP 1, to consolidate information technology activities and achieve related savings.
- Approved increased expenditure authority of \$88,000 (State Emergency Telephone Number Account - SETNA) for state operations and \$2 million (SETNA) for local assistance and one two-year limited-term full-time position (July 1, 2010 through June 30, 2012) to provide one-time grants to primary Public Safety Answering Points for recruitment and training of 911 dispatchers as authorized by Chapter 489, Statutes of 2009 (AB 912).
- Approved increased expenditure authority of \$1.9 million (federal grant funds) for a one-time grant under the Ensuring Needed Help Arrives Near Callers Employing 911 Act to be used for the migration of Enhanced 911 services to an Internet IP-enabled emergency network.
- Approved various adjustments to the OCIO's expenditure authority to align previously approved budget actions with the ongoing costs of the related projects; the total net reduction to the OCIO's budget was \$1.8 million in 2009-10 and \$1.8 million in 2010-11.
- Approved increased expenditure authority of \$6.024 million (Technology Services Revolving Fund) for the Office of Technology Services (OTech) to re-host the Department of Child Support Services California Child Support Automation System from a private vendor to OTech before the October 2010 expiration of the existing hosting service contract.
- Approved increased expenditure authority of \$4.7 million (reimbursements) to allow the Office of Information Security to receive a federal grant awarded by the Department of Homeland Security through the California Emergency Management Agency to fund three cyber security projects over two years beginning in 2010-11: (1) State-level Geographic Information Systems Web Services Hosting; (2) State Enterprise Cyber Security Risk Assessment Program; and (3) Secure ca.gov Domain Name System Project.
- Approved reappropriation of \$3.21 million (variety of bond and special funds) in working drawing funds for the Sacramento Public Safety Communications Decentralization project (Project), as well as \$3.268 million (Technology Services Revolving Fund) for the purchase or replacement of public safety equipment for the existing towers as part of this same project. When complete, the Project will relocate critical public safety communications from the top

floor of the Resources Building in Sacramento to establish a “communications ring” at various outlying sites in the Northern California region, similar to one established in Southern California, thereby strengthening the viability of the state’s overall Public Safety Communications System in the event of an outage at any one site. Midstream responsibility for this Project shifted from the DGS to the OCIO, consistent with the terms of GRP 1. *See also Item 1760 - Department of General Services, approval of reversion of \$1.508 million in savings in the acquisition and preliminary plan phases of the Project.*

Trailer Bill Language

1. Adopted the following statutory changes necessary to continue implementation of GRP 1: (a) authorize the Technology Services Revolving Fund (TSRF) to receive revenues for services rendered by the OCIO; (b) authorize the OCIO to collect payments from public agencies for services requested from, rather than contracted for, the OCIO; and (c) revises the conditions used to determine whether a balance remains in the TSRF at the end of a fiscal year to limit the amount that is used to determine a reduction in billing rates. This trailer bill language applies to funds collected since July 1, 2010.
2. Expanded the existing information technology (IT) statutory review, approval, and oversight authority of the OCIO to include service contract procurements, if the proposed service contract contains an IT component that would be subject to oversight by the OCIO if it was a separate IT project.

0509 GOVERNOR’S OFFICE OF ECONOMIC DEVELOPMENT

- Rejected \$2.1 million (reimbursements) to provide half-year support for the Governor’s Office of Economic Development. This action also rejected the establishment of a new budget bill item number for this office and instead deferred to the policy process where several relevant bills are pending to establish this office in statute.

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

- Approved as budgeted.

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Approved funding of \$901,000 (federal reimbursements) to fund the existing non-profit regional Financial Development Corporations to implement the \$35 million loan program for energy efficiency and green technologies that is part of the federal American Recovery and Reinvestment Act.

- Approved new baseline funding of \$159,000 General Fund and 1.5 positions at the Business, Transportation, and Housing (BT&H) Agency to administer the Small Business Loan Guarantee Program. The program had been temporarily suspended in the 2009 Budget Act – this request zero-based staffing and requested only half of the 3.0 positions previously authorized. In addition to the 1.5 positions approved here, trailer bill issue number one directs a portion of the \$32.3 million in funding appropriated in that trailer bill to be available to support another 0.5 limited-term position for this program.
- Approved funding of \$29,000 (special funds) to increase support for the California Welcome Center Program. The program is fully supported with fees paid by the non-state entities that apply for and operate the centers.
- Rejected a request to move two positions that comprise the Office of the Small Business Advocate from the Office of Planning and Research to the BT&H Agency. See the Office of Planning and Research summary for additional detail.

Trailer Bill Language

1. Adopted trailer bill language for a one-time appropriation of \$32.3 million GF to support existing jobs and small business programs. Included in this amount is \$20 million for the Small Business Loan Guarantee Trust Fund, which will support loan guarantees for about 1,000 businesses.
2. Approved trailer bill language to clean up statute by deleting the defunct Manufacturing Technology Program. Funding was deleted for this grant program when the Technology, Trade, and Commerce Agency was abolished in 2003-04.
3. Adopted trailer bill language that identifies the amount (approximately \$24 million) in the Imperial Irrigation District Infrastructure Guarantee Trust Account at the California Infrastructure and Economic Development Bank as meeting the reserve account requirement for the financing of the water conservation measures related to the Quantification Settlement Agreement.

0595 AMERICAN RECOVERY AND REINVESTMENT ACT INSPECTOR GENERAL

- Rejected \$3.4 million (Central Services Cost Recovery Fund) and 21 positions ongoing, as well as establishment of a new budget bill item number for this office and related trailer bill language to permanently establish the ARRA Inspector General.
- Approved \$2.8 million (\$1.1 million CSCRF and \$1.7 million GF) for the ARRA Inspector General, to be housed within the Governor's Office, on a one-time limited-term basis for 2010-11 only. *See also American Recovery and Reinvestment Act Oversight Entities, regarding ARRA-related oversight activities of the ARRA Inspector General.*

0596 CALIFORNIA AGENCY ON SERVICE AND VOLUNTEERING

- Rejected establishing the California Agency on Service and Volunteering in statute, which was proposed as the new “home” for the CaliforniaVolunteers (CV) program. The Administration presented that a new home was necessary because the CV program is currently housed in the Office of Planning and Research which the Governor proposed to eliminate. *See also item 0650 - Governor’s Office of Planning and Research and rejection of Governor’s proposal to eliminate that office.*
- Rejected related trailer bill language to establish the continuously-appropriated CaliforniaVolunteers Fund.

See also item 0650 - Governor’s Office of Planning and Research regarding establishment of the position of Secretary of Service and Volunteering within that office.

0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH

- Rejected eliminating the Office of Planning and Research (OPR), including related trailer bill language. However, in retaining OPR, eliminated a total of 30.9 positions from OPR for savings of \$544,000 GF. This action reduces the overall number of positions in OPR but maintains the positions and resources necessary for the following core functions: (1) CEQA Clearinghouse; (2) Environmental Planning and Coordination; (3) CaliforniaVolunteers Program; and (4) Small Business Advocate.

Trailer Bill Language

1. Adopted trailer bill language to establish, within OPR, the position of Secretary of Service and Volunteering. Per the adopted trailer bill language, the Secretary will be appointed by, and serve at the pleasure of, the Governor. The Secretary will be subject to Senate confirmation.

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

- Rejected Governor’s proposal for \$792,000 and five positions funded from the Emergency Response Fund associated with collection of fees generated by the Emergency Response Initiative which was also rejected.
- Approved increased spending authority of \$2,884,000 for increased federal grants associated with antiterrorism training and related activities, as well as tsunami and earthquake preparedness and response programs.
- Reduced Governor’s request for additional expenditure authority for costs to administer federal stimulus Byrne-JAG grants to \$592,000 in 2010-11.

- Approved increased federal fund expenditure authority by \$119,000 for administration and \$1.4 million for local assistance for state and local forensic crime labs.
- Modified reduction of \$75,000 from the Equality in Prevention and Services for Domestic Violence Fund so that a greater share of the reduction was from state administration (\$53,000), and less was from local assistance funding to domestic violence shelters (\$22,000).
- Approved \$20.4 million (\$19.1 million GF and \$1.3 million federal funds) to backfill domestic violence shelter funding eliminated by a Governor's veto in the current year budget.
- Approved budget bill language designating the distribution of the annual federal Byrne-JAG grant funding so that half would be allocated to prevention and treatment programs and half for law enforcement programs. *The Governor vetoed this budget bill provision citing that the funds had already been allocated, and agencies previously announced as recipients had already incorporated these funds into their annual budget plans.*

0840 STATE CONTROLLER

- Approved \$1 million GF to perform compliance audits of mandate claims. Without these additional audit resources, mandate claims would otherwise go unchecked and potentially cost the state \$29 million. This cost savings estimate is based on the State Controller's Office historical data that identifies \$29 in audit findings for every \$1 invested in audit costs.
- Approved increased expenditure authority of \$1.779 million (reimbursements) to address workload volume increases and other contractual responsibilities.
- Approved increased expenditure authority of \$101,000 (reimbursements) and made permanent one position (which was limited-term expiring June 30, 2010) to continue audit work related to the California Child Support Automation System.
- Approved \$1.092 million (reimbursements) to perform audits for the Department of Health Care Services' (DHCS) Disproportionate Share Hospital program. This is a new audit requirement and the costs of the audits will be reimbursed by the federal government. However, DHCS has only agreed to fully fund the cost of the audit program for the first two years. Therefore, in approving this budget item, the positions were designated as two-year limited-term to allow the Legislature to revisit this issue in two years time when DHCS will also be reviewing the audit program.
- On a two-year limited-term basis, approved \$107,079 GF and \$107,079 special fund to manage increased workload in the Division of Accounting and Reporting related to cash management. Rejected companion requests in the Division related to reporting and actuarial advisory support, thereby saving \$143,000 GF and \$143,000 special fund.

- Approved \$30.7 million GF and \$35.4 million (other funds) to continue implementation of the 21st Century Project, which would replace the existing statewide employment history, payroll, leave balance accounting, and position control legacy systems. The 21st Century Project began in May 2004 and is currently projected to conclude in June 2014; the current estimated total cost of the project is \$282.8 million.
- Approved \$206,000 (\$64,000 GF, \$129,000 special fund, and \$13,000 reimbursements) to expand the scope of the Disaster Recovery Plan to cover application servers for mission-critical server-based systems.
- Approved \$444,000 GF for the maintenance and operations support of the Local Government e-Claims (LGeC) system, including the extension for two more years of 4.5 limited-term positions first approved in 2007-08. The positions were continued as limited-term due to below-expectations performance levels to date by the LGeC system. By extending the positions for two years, the Legislature will be able to revisit this issue and determine if the resources are having the intended impact and the estimated cost savings from the LGeC system are being achieved.
- Approved \$874,000 (\$834,000 various special funds and \$40,000 federal funds) for increased rent and postage expenses.
- Approved one-time increased expenditure authority of \$100,000 (Motor Vehicle Fuel Fund) to support one one-year limited-term position to address the implementation workload associated with Chapter 11, Statutes of 2009-10 8th Extraordinary Session (ABX8 6), which added a new motor vehicle fuel storage tax.

See also American Recovery and Reinvestment Act Oversight Entities, regarding ARRA-related oversight activities of the State Controller's Office.

Trailer Bill Language

1. Removed the repayment requirement for a loan authorized to construct a California Olympic Training Center and required that, in lieu of repayment, revenues deposited in the California Olympic Training Account, which are derived from special fees related to sales of special Olympic license plates, be transferred to the GF. The loan was authorized in 1989, to be paid in full no later than 20 years from date of receipt. The Administration has determined that there are no funds available for repayment and indicates that forgiving the loan would properly reflect a debt that is not collectible and therefore not overstate accounts receivable. These loan funds were not accounted for in the revenue estimates in the Governor's January Budget.

0845 DEPARTMENT OF INSURANCE

- Approved increased expenditure authority of \$2.4 million (Insurance Fund) and two two-year limited-term positions to complete the second year implementation phase of the Paperless Workflow System Project which is intended to replace the current paper process with an electronic-based system.
- Approved increased expenditure authority of \$429,000 (Insurance Fund), including \$279,000 to convert three limited-term positions to permanent status, to provide ongoing support to the Telecommunications Infrastructure Replacement Project and associated maintenance and equipment needs.
- Approved increased expenditure authority of \$106,000 (Insurance Fund) to fund one Staff Counsel position on a two-year limited-term basis to support mortgage guaranty regulatory workload pursuant to Chapter 574, Statutes of 2009 (SB 291).
- Approved increased expenditure authority of \$405,000 (Insurance Fund) for three permanent positions to support life settlement insurance product workload pursuant to Chapter 343, Statutes of 2009 (SB 98).
- Restored the Governor's 2009 veto of local assistance funds for local District Attorneys to combat automobile fraud. These are revenues collected by the Department of Insurance, consisting of a \$1.50 charge on each automobile insurance policy sold in California, and are required by statute to be spent by local District Attorneys' (as well as Department of Insurance and the California Highway Patrol) to fight automobile insurance fraud. The restorations included \$4.373 million for the General Auto Fraud Program and \$2.187 million for the Urban Grant Program.

0850 STATE LOTTERY COMMISSION

- Approved as budgeted.

0890 SECRETARY OF STATE

- Approved \$4.2 million (federal funds) to continue implementation of state mandates related to the Help America Vote Act (HAVA), including assistance for individuals with disabilities, voting systems testing/certification, voter education, performance measures, and administration. Additionally, and consistent with the HAVA plan, approved \$23 million (federal funds) to continue implementation of VoteCal, which is the HAVA-required centralized, interactive, computerized voter registration database.
- Approved \$10 million loan from the Victims of Fraud Compensation Fund to the GF.

- Approved a one-time increase of \$68.2 million GF as local assistance to reimburse counties for costs incurred for the May 19, 2009, Statewide Special Election.
- Approved increased expenditure authority of \$500,000 (Business Fees Fund) in 2010-11 and \$500,000 in 2011-12 (same fund) as part of a limited-term two-year plan to reduce the current backlog of Business Entity Filings and Statements of Information applications in the Business Programs Division. The Secretary of State estimates that \$3.7 million in undeposited checks are currently attached to unprocessed filings. Of the \$500,000, \$250,000 is to develop short-term information technology improvements to increase the functionality of the current electronic filing system and \$250,000 is for staffing costs (mix of overtime and for students and retired annuitant hires). This two-year plan is intended to dovetail into a future information technology project which will serve as the long-term solution to automate the Business Programs Division. This long-term solution will be presented to the Legislature in a future budget cycle.

See also Item 0911 - Citizens Redistricting Initiative, regarding supplemental report language impacting the Secretary of State.

0911 CITIZENS REDISTRICTING INITIATIVE

- Rejected \$3 million GF augmentation for the Citizens Redistricting Initiative due to the fact that \$2.5 million GF of the 2009-10 allocation remains unspent. Additionally, approved budget provisional language to provide an expedited request process should the Citizens Redistricting Commission demonstrate it requires funding greater than \$2.5 million for its costs from January 1, 2011, to June 30, 2011.

Trailer Bill Language

1. Approved trailer bill language to require notification to the JLBC to ensure continued legislative oversight of the expenditure of the \$2.5 million GF remaining from the 2009-10 appropriation, as well as should there be a new appropriation in 2010-11, for the Citizens Redistricting Commission, Secretary of State's Office, and Bureau of State Audits, for Proposition 11-related implementation costs.

Supplemental Report Language

1. Approved supplemental report language requiring the Secretary of State to submit a report by September 15, 2010, detailing its plan to provide transitional support to the Commission per the requirements of Proposition 11.

0950 STATE TREASURER'S OFFICE

- Approved six new positions (funded through a special fund loan) to implement SB 71 (Chapter 10, Statutes of 2010), which expands the scope of eligible alternative energy projects that may apply for and receive financial assistance from California Alternative Energy and Advanced Transportation Financing Authority.
- Approved loan repayment deferrals and new loans from various special funds to provide GF relief of \$70 million in 2010-11.
- Approved the permanent extension of one expiring limited-term position, the Treasury Program Manager I, which was approved two years ago to manage the Electronic Fund Transfer Program.
- Approved funding of \$250,000 (federal funds) to contract with the California Housing Finance Authority to complete the processing of \$1.1 billion in loans administered pursuant to the American Recovery and Reinvestment Act during the 2009-10 fiscal year.
- Approved funding of \$125,000 (federal funds) to administer \$46.1 million in funds awarded to the State through the Federal Charter School Facilities Incentive Grants Program.

Trailer Bill Language

1. Approved trailer bill language to increase the Local Agency Investment Fund reimbursement cap from 0.5 percent, to 5.0 percent, of investment earnings. Lower earnings and reduced local funds, require this change to allow the Treasurer to recover costs for the administration of the program.
2. Approved trailer bill language to allow the Treasurer to redeem matured bonds that are ten years or more past their call date. This results in efficiencies because claimants would otherwise have to go through the Victims Compensation and Government Claims Board, which is a lengthier and more complex process.

1100 CALIFORNIA SCIENCE CENTER

- Rejected the Governor's proposal for a \$12 million General Fund reduction to the Science Center and trailer bill language to begin admissions fee collections.
- Approved a \$1 million unallocated reduction.
- Approved budget bill language 1) encouraging the Science Center to raise revenue from sources other than admissions fees; and 2) ordering a report on the Science Centers short- and long-term strategies for finance and governance. *The Governor vetoed this budget bill language.*

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

- Approved the Consumer Protection Enforcement Initiative (CPEI) proposal for \$12.7 million and 107 PY in 2010-11, increasing to \$14.2 million and 138 PY in 2011-12. Also approved modified budget bill language allowing the Department of Finance to augment the amount of money the healing arts boards' can spend to contract with the Attorney General. Rejected the Governor's trailer bill language.
- Approved the BreEZe licensing project which would allow all the healing arts boards to have a single licensing database, and would allow consumers to pay for licenses and update information on-line.
- Approved a \$10 million loan from the Accountancy Fund to the General Fund.
- Approved trailer bill language to:
 - Require notification to the Joint Legislative Budget Committee of the final BreEZe contract before payments to the vendor can commence.
 - Require an examination of the need for staff once the BreEZe system is complete (current system is paper-based and very staff-intensive).
 - Exempting flight schools from the Bureau for Private Postsecondary Education regulations and fees until July 1, 2011.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

- Approved as budgeted.

1705 FAIR EMPLOYMENT AND HOUSING COMMISSION

- Approved as budgeted.

1760 DEPARTMENT OF GENERAL SERVICES

- Approved three redirected positions from the Division of the State Architect and increased expenditure authority of \$350,000 (Building Standards Administration Service Revolving Fund) to be offset by a reduction to two Department of General Services' (DGS) funds effective July 1, 2010, to meet regulatory workload mandates including new and increasing CALGreen building workload, education and outreach, and the management of fee revenue.
- Rejected two requests totaling \$343,000 (bond funds) and three redirected positions for the Office of Public School Construction for school construction-related workload. Given

diminishing overall workload due to rapidly diminishing school construction bond funds, the workload should instead be accommodated within existing resources and position authority.

- Approved revised budget provisional language to bring the Division of the State Architect (Division) “on budget,” require a performance audit of the Division, and prohibit the Division from hiring further staff to monitor and develop performance metrics for plan review workload until the audit is completed. Additionally, approved Supplemental Report Language to require the Division to provide interim minimum monthly updates beginning July 1, 2010, to the Legislature, LAO, and Department of Finance until such time that the performance audit is complete and its recommendations are implemented.
- Rejected the transfer from DGS’ budget to the Legislature’s budget permanent responsibility for Capitol building repairs and maintenance. Sustained the \$5.4 million GF reduction to the DGS budget due to the fact that there is \$9.3 million remaining from prior year appropriations for Capitol repairs. Additionally, and due to the remaining balance, approved the reversion of \$2 million GF for additional GF savings in 2010-11. Finally, to avoid any further confusion as to what is available for expenditure and for what projects, approved budget provisional language that makes expenditure of the \$7.3 million on Capitol repairs contingent on the approval of the Joint Rules Committee.
- Approved continued funding of \$5.5 million (earthquake bond funds) for the construction phase of the structural retrofit of the Walker Clinic and Infirmary Building at the California Institution for Women in Corona.
- Approved re-appropriation of the unencumbered balances for the Library and Courts Building, Sacramento, renovation project [\$59.645 million, lease revenue bonds] and the California Department of Corrections and Rehabilitation Deuel Vocational Institute, Tracy, Hospital Building, structural retrofit project [\$3.740 million, Earthquake Safety and Public Building Rehabilitation (seismic bond) funds]. Due to the freeze of disbursements on interim financing for bond funded projects, both of these projects were suspended temporarily. The projects have resumed, however, the corresponding delays make it necessary to re-appropriate the unspent balances.
- Approved a *reduction* in DGS’ Service Revolving Fund Budget of \$2.061 million to reflect the transfer of 9.0 positions from DGS to the Office of the Chief Information Officer (OCIO). These positions provide indirect services to the Telecommunications Division, which was transferred to the OCIO under the 2009 Governor’s Reorganization Plan No. 1. This action conforms to a corresponding action in Item 0502 - Office of the State Chief Information Officer, to increase expenditure authority with a net effect of zero total increase in overall budget authority. This action also included approval of technical corrections to the provisional language for DGS to properly allocate the amount for Base Rentals and Fees within its budget.

This portion of the request is separate and apart from the adjustment related to the OCIO; however, the overall dollar impact of the Base Rentals and Fees adjustment is also zero.

- Approved an extension of the liquidation period for the unencumbered balances of appropriations for the construction phases of the Office Building 8, 9, and 10 Renovation projects. For OB 8 and 9, located at 714 P Street, approved \$17.274 million (lease-revenue bonds) and a one-year extension to complete necessary minor construction work in the building. For OB 10, located at 721 Capitol Mall, approved \$569,000 (lease-revenue bonds) and a one-year extension due to the Pooled Money Investment Board decision to freeze disbursement on interim financing for bond funded projects.
- Approved reversion of \$1.508 million (variety of bond and special funds) in savings in the acquisition (\$1.225 million) and preliminary plan (\$283,000) phases of the Sacramento Public Safety Communications Decentralization project. The savings result from a change in delivery method from acquisition and development of five sites on which to construct telecommunications towers around the Sacramento area, to a plan to utilize existing state-owned facilities and to lease tower and vault space with limited development required. *See also Item 0502 - Office of the State Chief Information Officer, for further discussion of this Project.*
- Approved increased expenditure authority of \$4.587 million GF and \$10.657 million in other funds to pay for the lease-revenue bonds that were sold to finance the Central Plant Renovation Project.

Supplemental Report Language

1. Approved Supplemental Report Language to require the Department of Finance to review the availability of funds in the State School Building Aid Fund and report back to the Legislature by January 1, 2011. The January Budget estimated \$1 million in transfers from this fund to the GF. The May Revision adjusted that number to \$10 million, which is in line with historical revenues available for transfer. After this transfer, the Fund will have approximately \$20 million remaining. However, it is unclear what obligations exist on the remaining funds.

1880 STATE PERSONNEL BOARD

- Approved as budgeted.

1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- Adopted the budget approved by the California Public Employees' Retirement Systems' (PERS) board.

- Approved both budget provisional and trailer bill language to ensure that CalPERS can administer budgeted federal temporary early retiree reinsurance program funds. *See also Items 9650 - Support for Health and Dental Benefits for Annuitants and 9800 - Augmentation for Employee Compensation, in the Employee Compensation section of this report, for further discussion of these federal program savings.*

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Approved as budgeted.

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved as budgeted.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Approved \$1 million from special funds for two permanent and 7.5 temporary positions to address the economic deterioration due to the deep recession.
- Approved \$1 million from special funds to make 8.6 temporary positions permanent for the purposes of oversight of money transmitters.

2180 DEPARTMENT OF CORPORATIONS

- Approved \$1,285,000 in special funds and eight permanent positions to address the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE), which requires the licensing of individual mortgage loan originators.
- Approved \$324,000 in special funds and two positions to provide information technology support.
- Approved a \$20 million transfer from the State Corporations Fund to the General Fund.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Approved \$54,000 (Air Pollution Control Fund) and one permanent position effective January 1, 2011, to address workload in the Division of Housing Policy Development associated with the implementation of Chapter 488; Statutes of 2006 (AB 32).

- Approved one position and \$108,000 (Building Standards Administration Special Revolving Fund) state operations to provide educational and outreach programs related to the California Green Building Code.
- Approved the following Proposition 1C, Housing and Emergency Shelter Trust Fund Act of 2006, related requests:
 - \$20 million for the Housing Related Parks Program;
 - \$5 million for the Building Equity and Growth in Neighborhoods (BEGIN) Program;
 - Extension of budget authority and liquidation period authorized for the Affordable Housing Innovation Programs;
 - \$1 million for continued monitoring of Prop 1C Programs;
 - Reappropriation of up to \$40 million of any unencumbered balance in local assistance funding authorized in the 2009 Budget Act, plus an additional year for the liquidation period (to June 30, 2015), in the BEGIN Program;
 - Extension of liquidation periods for allocations made under the Infill Incentive Grant Program (IIG) and Transit-Oriented Development Programs; and,
 - Appropriated \$9.275 million in remaining IIG Program funds and, through budget provisional language, authorized Housing and Community Development (HCD) to allocate the funding to three IIG projects that did not receive full funding in Round 1.
- On a three-year limited-term basis, approved \$612,000 (Federal Trust Fund) and six positions to administer the American Recovery and Reinvestment Act of 2009.
- Approved increased expenditure authority of \$315,000 (special funds) and conversion of three previously approved limited-term positions to permanent positions to continue work to convert and restructure rental housing loans in order to retain them in HCD's affordable housing portfolio.
- Approved the transfer of \$965,000 from the Joe Serna, Jr., Farmworker Housing Grant Fund to the GF. The funding was initially allocated to HCD in the 2006-07 Budget Act for the repair, rehabilitation, and reconstruction of the daycare facilities at the Hollister Office of Migrant Services, which has since been demolished.
- Rejected the transfer of \$4.2 million from the Emergency Housing Assistance Program (EHAP) to the GF and instead adopted budget provisional language to require HCD to issue a Notice of Funding Availability for the EHAP program and then distribute the funds to local housing shelters.

- Adopted budget provisional language requiring HCD to report by February 1 of each year on any programs under HCD's jurisdiction for which funding is available but the programs are not operated.
- Approved an increase in Enterprise Zone Program Voucher Application Fees of \$5 per application to fully cover the program's administrative costs, thereby saving \$510,000 GF. Enterprise Zone companies are eligible for tax credits and benefits including \$37,440 or more in state tax credits over a five-year period for each qualified employee hired. This action also includes budget provisional language and a start-up GF loan that will be paid back within three years and by which time the program will be entirely fee supported. *See also trailer bill language below.*
- Approved increased expenditure authority of \$543,000 (Federal Trust Funds) for local assistance and \$321,000 (Federal Trust Funds) for state operations costs to administer the 165 monthly vouchers for Mariposa County's Housing Choice Voucher Program, as well as bring current federal expenditure authority up to current federal funding eligibility levels.
- Approved increased expenditure authority of \$39.532 million (Federal Trust Fund) and redirection of three existing vacant positions for a period of four years to administer the Community Development Block Grant, Disaster Recovery Initiative. Of that amount, \$38.346 million is proposed for local assistance funding (including \$791,000 for local jurisdiction administrative costs), \$276,000 for state operations costs in 2010-11, and \$910,000 to support out-year state operations costs through, and including, 2013-14.
- As part of the action to eliminate 30.9 positions in the Office of Planning and Research (OPR), rejected \$130,000 GF and transfer of an analyst position from OPR to the Department as that position was one of the 30.9 that were eliminated. *See also Item 0650 - Office of Planning Research.*

Trailer Bill Language

1. As part of the action on the Enterprise Zone Program Voucher Application Fees noted above, approved trailer bill language to increase the fees to \$15 per application and make other conforming changes.

2310 OFFICE OF REAL ESTATE APPRAISERS

- Approved \$205,000 (Real Estate Appraisers Fund) and one position to comply with the requirements of Chapter 173, Statutes of 2009 (SB 237) pertaining to registration of Appraisal Management Companies. Included in the \$205,000 in 2010-11 is \$60,000 in one-time

expenditures for temporary help to handle the initial influx of AMCs registering with the Office of Real Estate Appraisers; the ongoing cost is \$143,000 and one position.

2320 DEPARTMENT OF REAL ESTATE

- Approved \$2.8 million (Real Estate Fund) and 27 positions to implement the federally mandated Secure and Fair Enforcement Licensing Act of 2008 which requires states to implement a new licensing program for mortgage loan originators.
- Secured a commitment from the Department of Real Estate (DRE) that it will not absorb office relocation and consolidation costs in its 2010-11 budget via salary savings or delayed expenditures, which could cause a decrease in consumer protection due to delayed investigations. Instead, the DRE committed to present a formal request as part of the 2011-12 budget process regarding the consolidation and relocation of its offices in downtown Sacramento.

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved two positions from existing special funds for the Office of Patient Advocate's website development.
- Approved 3.6 permanent positions from existing special funds for the Help Center's call center coverage.
- Approved making two limited-term positions permanent, costing \$199,000 from special funds. The positions would process licensing applications.
- Rejected \$910,000 from special funds and nine positions to process consumer complaints against health insurance providers for not covering the developmental disability services provided by the Regional Centers.

7120 CALIFORNIA WORKFORCE INVESTMENT BOARD

- Approved as budgeted.

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted.

8320 PUBLIC EMPLOYEES RETIREMENT BOARD

- Approved as budgeted.

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Approved as budgeted.

8385 CITIZENS COMPENSATION COMMISSION

- Approved as budgeted.

8500 BOARD OF CHIROPRACTIC EXAMINERS

- Approved as budgeted.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Approved as budgeted.

8640 POLITICAL REFORM ACT OF 1974

- Approved as budgeted.

8780 MILTON MARKS “LITTLE HOOVER” COMMISSION

- Approved as budgeted.

8790 CALIFORNIA COMMISSION ON DISABILITY ACCESS

- Approved \$500,000 GF and three staff positions to begin meeting the requirements of Chapter 549, Statutes of 2008 (SB 1608), which established the 17-member California Commission on Disability Access with the stated goal of promoting better compliance with the Americans with Disability Act. The 2010-11 funding represents a “phased-in” approach that will allow the Commission to begin fulfilling its statutory requirements, but does not fully fund the Commission.

8820 COMMISSION ON THE STATUS OF WOMEN

- Approved as budgeted.

8850 STATE PUBLIC WORKS BOARD*Trailer Bill Language*

1. Authorized a new interim financing mechanism for lease-revenue bond financed projects involving the use of asset transfers, where the state will capitalize one asset and use the proceeds to build another. A new interim financing mechanism is needed due to the fact that AB 55 upfront financing loans from the Pooled Money Investment Account are no longer available. Because of this change, the Public Works Board changed its processes for issuing lease-revenue bonds from selling the bonds near the end of project construction to near the end of design. This results in the need to capitalize the costs of the project until the completion of construction which is when occupancy occurs and rent revenue becomes available. The use of asset transfers was heretofore restricted to higher education and used only in very limited situations. By authorizing the use of asset transfers, approximately 50 lease-revenue bond financing projects that are stalled in the design phase will restart thereby decreasing the cost of financing these assets by eliminating the need for capitalized interest costs. The asset transfer authority sunsets in five years. This approved trailer bill language also enacted several technical and conforming changes to State Public Works Board oversight of capital outlay projects.
2. Given AB 2181 (Chapter 252, Statutes of 2010), rejected without prejudice and deferred to the policy process trailer bill language to update the project limit for statewide minor capital outlay, from the current level of \$400,000 to \$800,000, and provide an annual inflation adjustment.

8855 BUREAU OF STATE AUDITS

- Approved as budgeted plus an increase of \$500,000 (Central Services Cost Recovery Fund) to provide full year's funding (\$1.2 million, same fund) for the Bureau of State Audit's ARRA-related oversight activities. *See also American Recovery and Reinvestment Act Oversight Entities, regarding ARRA-related oversight activities of the Bureau of State Audits.*

8860 DEPARTMENT OF FINANCE

- Approved as budgeted.

8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

- Approved \$42.6 million for continuing the Financial Information System for California (FI\$Cal) project, a “Next Generation” Enterprise Resource Planning (ERP) System. Funding includes an increase of \$4.2 million (FI\$Cal Internal Services Fund) in order to accelerate Stage One of the procurement process by two months (from nine months to seven months) and pay vendors (\$1.4 million apiece) for Fit-Gap analysis deliverables in the 2010-11 Fiscal Year (rather than in 2011-12).
- Approved the Governor’s proposed trailer bill language to: (1) re-enact FI\$Cal authorization and financing provisions as separate legislation to address the single-subject-rule issue raised by the Attorney General’s office and preserve the potential for bond financing in the future; (2) amend the FI\$Cal statute provisions (e.g., project objectives) to make them consistent with the latest Special Project Report (SPR 3); (3) delete the “hard pause” (associated with the previous SPR 2 approach) for legislative review of the project; and (4) clarify that some departments with existing ERPs will need to interface with the system. Additionally, adopted: (1) an enhanced period of legislative review (90 days) prior to award of the prime vendor contract (which is now estimated to occur in September 2011); and (2) language directing the project to pursue, in addition to the current plan to develop a fully functioning system, a scaled-back plan with less functionality that would provide the Legislature with a lower-cost option from which to choose (if either cost or risk prove too prohibitive to the “full-scale” project plan).

8885 COMMISSION ON STATE MANDATES

- Approved the suspension of most local mandates – similar to the 2009 Budget Act – to save about \$129 million GF.
- Augmented mandate reimbursements by \$132.9 million to fund prior-year mandate claims for the student mental health, or AB 3632, mandates. *The Governor vetoed this funding and asserts in the veto message that by virtue of deleting reimbursement funding, that the mandate is suspended.*
- Augmented mandate reimbursements by \$3.0 million to fund prior-year mandate claims for the local recreation background check mandate. This mandate requires criminal background checks for local employees and volunteers that work with children. The Legislature also adopted local fee authority for the background checks, which will remove the obligation of the state to reimburse costs in the future. *The Governor vetoed this funding and asserts in the veto message that by virtue of deleting reimbursement funding, that the mandate is suspended.*

Trailer Bill Language

1. Adopted trailer bill language to establish a mandate re-determination process to guide the Commission on State Mandates in the case of new propositions, new federal laws, or new court decisions, which could result in a revised mandate decision.
2. Adopted trailer bill language to allow local governments to charge a fee for the costs of a criminal background check for employees and volunteers that work with youth. The fee language results in the mandated requirements staying in place, but relieves the State of reimbursement requirements.
3. Adopted trailer bill language that would allow local governments to sell their pre-2004 mandate receivables to a joint powers authority for the purpose of securitizing the 10-year State payment stream. The amount of these mandates claims is \$690 million plus interest, and this amount is continuously appropriated. This authority excludes education receivables, which have a different repayment mechanism. *The Governor vetoed SB 866, which would have implemented this action.*

8910 OFFICE OF ADMINISTRATIVE LAW

- Rejected the proposed shift (including related trailer bill language) of the Office of Administrative Law (OAL) to a fee-for-service model due to concerns that the proposal could create a financial disincentive for state departments and agencies to seek OAL approval of proposed regulations therefore potentially resulting in delays in the regulation adoption process and/or an increase in underground regulations.
- Approved \$273,000 (\$212,000 Regulatory Oversight Revolving Fund and \$61,000 reimbursements) and 1.5 positions to address AB 32 workload, convert training abatements to reimbursements, and cover increased Office of Technology costs. Given the rejection of the request to shift OAL to a fee-for-service model, this funding will be provided under the current method by which OAL is funded.

8940 MILITARY DEPARTMENT

- Approved a baseline augmentation of \$1.35 million (\$698,000 GF and \$652,000 Federal Trust Fund) to cover the State Active Duty compensation increases granted effective January 2, 2010, and estimated to be granted January 2, 2011.
- Approved continued reimbursement authority of \$3.5 million (federal funds) and the re-establishment of 47 limited-term positions to provide security of departmental installations and Army Aviation Airfields.

- Approved continued reimbursement authority of \$1.6 million (federal grant funds) and re-establishment of 12 limited-term positions to execute a continuing interagency agreement between the Department and CalEMA for staffing support and operating expenses to manage statewide terrorism training and exercise programs.
- Approved \$49.1 million (bond and special funds) to fund the state's share of a project to provide the Department with a 125,000 square foot Consolidated Headquarters Complex and a 22,600 square foot storage facility on 30 acres of land at Mather Field in eastern Sacramento County.

9100 TAX RELIEF

- Approved funding of \$442 million for the Homeowners' Property Tax Relief program, which is constitutionally required. Approved the Governor's budget suspension of funding for other tax relief programs including Senior Citizens' Property Tax Assistance and Senior Citizen Renters' Tax Assistance programs.

Trailer Bill Language

1. Adopted trailer bill language to improve the implementation of AB 2530 (Chapter 391, Statutes of 2010, Nielson) by specifying the process a county would use in determining the foregone property tax revenue from the Williamson Act. Additionally, the bill reenacts the other provisions of AB 2530 to avoid chaptering out problems – that bill establishes an alternative Williamson Act contract that includes a shorter contract period and thereby results in higher property tax revenues for counties. The alternative contracts would be authorized in years following a significant reduction in the State backfill for Williamson Act contracts.
2. Appropriated, in trailer bill language, \$10 million to support the Williamson Act in 2010-11.

9210 LOCAL GOVERNMENT FINANCING

- Approved Control Section 15.45, which provides the mechanism to adjust state expenditures to account for the shift of \$350 million in May 2011 from redevelopment agencies (RDAs) to a supplemental education account. The RDA shift itself, was authorized by a trailer bill adopted with the 2009 Budget Act (AB X4 26, Chapter 21, Statutes of 2009).

Trailer Bill Language

1. Approved trailer bill language to eliminate the redevelopment agency (RDA) debt cap for San Diego's Centre City Redevelopment Agency. This results in more property tax revenue

for the Centre City RDA for new redevelopment projects. Over time, this change will result in more State GF costs as San Diego property tax funding for schools will grow at a slower rate and the State will backfill through the Proposition 98 guarantee.

2. Approved trailer bill language to eliminate the sanctions for a qualifying RDA that did not make the required shift of RDA funds to a supplemental education account in May of 2010 and/or May 2011. The overall amount of the shift was \$1.7 billion in May 2010, and \$350 million in May 2011, and the shift results in relief to the State General Fund. The sanctions include a prohibition on new RDA debt. If the RDA and the Department of Finance agree to a payment plan, the sanctions are removed. The Richmond RDA is the only known RDA that meets the requirements of this legislation.

9350 SHARED REVENUES

Trailer Bill Language

- Approved the elimination of the Trailer Vehicle License Fees (VLF) backfill to save the GF \$11.9 million. This funding otherwise flows to the Local Revenue Fund to support county-provided healthcare.

CONTROL SECTIONS

4.75 STATEWIDE SURCHARGE

- Authorized the Department of Finance to make adjustments to the Statewide Surcharge amounts in departmental appropriations for 2010-11 albeit with a zero GF cost impact. The Statewide Surcharge was established in 2005 to provide a method for the Department of General Services to recover costs for central services, such as maintenance and operation of Capitol Park and legislative printing.

12.45 PAYROLL DELAY TECHNICAL ADJUSTMENTS

- Authorized the executive branch to implement the ongoing, one-day, June-to-July payroll delay adopted as part of the 2009-10 budget. The delay is statutorily authorized in the government code; however, a control section is necessary to allow the Executive Branch to make the technical adjustments necessary to comply with the statute.

15.30 INFORMATION TECHNOLOGY SAVINGS

- Authorized the Director of Finance to reduce items of appropriation by at least an additional \$40 million GF to reflect information technology and related savings achieved by state agencies as identified by the Office of the State Chief Information Officer pursuant to GRP No. 1.

31.00 BUDGET ACT ADMINISTRATIVE PROCEDURES FOR SALARIES AND WAGES

- Approved the addition of a new subdivision (g) to ensure that the Legislature is properly informed about the use of Control Section 31.00 and its existing policies and restrictions on administratively established positions.

CORRECTIONS AND REHABILITATION

5225 Department of Corrections and Rehabilitation

Corrections Reform Highlights

- Rejected the Governor's proposal to change certain felonies that are eligible for incarceration in prison to an alternative felony term subject to no more than 366 days in local jail.
- Rejected the Governor's proposal to require that non-serious and non-violent felons sentenced to three years or less of incarceration serve that time in county jail rather than prison and that a share of the state prison savings generated be provided to counties.
- Approved Governor's GF augmentation of \$572 million related to the estimated impact of already enacted reforms designed to target parole resources on the most serious and violent parolees, enhance incentives for inmates to complete rehabilitation programs, and provide community-based sanctions for parole violators, among other changes.
- Approved, with technical modifications, the Governor's proposal to create a reentry court pilot project in San Diego County for purposes of better managing and providing substance abuse services to selected parolees who commit new crimes. Saves \$649,000 GF.

Adult Population Highlights

- Modified Governor's proposed augmentations of \$17 million related to adult caseload changes and housing. Reduced this amount by \$10 million based on technical reductions related to the costs to operate the Stark facility for adult inmates for part of the year.
- Rejected Governor's proposed trailer bill language extending the statutory sunset on involuntary transfer of inmates to out-of-state facilities.

Juvenile Justice Highlights

- Approved Governor's May Revision proposal to realign responsibility for supervising DJJ parolees to county probation departments and providing a share of the resulting state savings with counties to serve this population.
- Approved \$5 million reduction associated with administrative elimination of time-adds – additional commitment time that can be given by DJJ staff to wards based on disciplinary problems.

- Increased Governor's estimate of savings resulting from DJJ's declining caseload from \$44 million to \$53 million in BY on a technical basis.
- Approved Governor's \$6 million reduction to Proposition 98 expenditures in the department, reflecting technical adjustments.

Health Care Highlights

- Approved \$820 million in reductions to the budget for inmate medical care.
- Approved Receiver's request for \$532 million in additional funding to implement his Turnaround Plan of Action. This includes funding for information technology projects, contracted medical services, and pharmaceutical and medical supplies, among other things.
- Approved Governor's request to approve additional mental health positions, but did not approve associated funding, resulting in savings of \$10 million relative to the Governor's budget.
- Approved trailer bill language designed to assist the Receiver in reducing inmate health care costs, including provisions authorizing use of utilization management, centralized pharmacy operations, and partial federal reimbursement for costs to provide inpatient medical services to eligible inmates.
- Reduced Governor's request by \$3.3 million associated with additional security staffing to provide guards and escorts for short and intermediate health care beds. Reduction reflects technical adjustments.

Local Assistance Highlights

- Approved \$81 million for reimbursement to counties for back payments owed for housing parole violators in local jails.
- Approved one-time reduction of \$46 million associated with paying current year local assistance payments in arrears.

Other Highlights

- Rejected Governor's request to continuously appropriate \$503 million from the GF for local public safety programs beginning in 2011-12.
- Approved Governor's technical proposal to realign budget authority for various programs to better align this authority with actual program expenditures.
- Approved Governor's proposal to change staffing of its dental program by reducing the number of dentists and adding more dental hygienists. Overall, changes increase staffing for this program currently under court oversight but reduce program costs by \$10 million (scored against department's unallocated budget reduction).

- Approved package of proposals designed to increase budget transparency and accountability in corrections, including requirements that the Budget Act provide more program detail and that the department provide an annual report to the Legislature regarding its performance and outcomes. *Citing workload concerns, the Governor vetoed budget bill language approved as part of this package which would have required CDCR to create a more transparent and efficient caseload budgeting methodology.*

Infrastructure Highlights

- Approved the use of the GF appropriation provided in AB 900 to offset new GF capital outlay project costs proposed by the Governor. Saves \$23 million GF compared to the proposed budget.
- Approved use of design-build authority in the construction of jails and local juvenile rehabilitation facilities authorized by AB 900 and SB 81, respectively.
- Approved an increase of \$200 million in lease-revenue to be used for construction of local juvenile rehabilitation facilities and jails.

0552 Office of the Inspector General

- Approved as budgeted.

JUDICIARY

0250 Judicial Branch

- Approved a package of changes designed to provide courts with sufficient funding to avoid mandated court closures. The package includes the following:
 - One-time transfer of funds from court construction balances (\$98 million),
 - One-time transfer of funds from court special fund balances (\$32 million),
 - \$10 court security fee increase with a 2013 sunset (\$40 million),
 - \$250 summary judgment fee increase (\$6 million),
 - \$20 telephonic fee increase (\$5 million),
 - First paper filing fee increases (\$40 million),
 - \$250 pro hac vice increase (\$1 million),
 - \$3 parking fee surcharge (\$11 million),
 - \$55 million General Fund reduction.
- Rejected Governor's proposal to authorize local jurisdictions to implement automated speed enforcement cameras and use the revenues to backfill GF funding for the courts.
- Approved Governor's proposal to delay funding for the implementation of the Conservatorship and Guardianship Act of 2006, resulting in GF savings of \$17.4 million.
- Approved all budget requests to provide funding for courthouse construction projects. These actions provided funding for projects needing approval of the next phase of design and construction to begin in the budget year. Specifically, this included courthouse projects in the following counties: Madera, San Bernardino, San Joaquin, Riverside, Tulare, San Benito, Calaveras, Solano, and Alameda.
- Approved Governor's requests totaling \$31 million in additional spending authority in the Courts Facility Trust Fund for the ongoing operations and maintenance of court facilities transferred from counties to the state.
- Rejected Governor's proposal to increase expenditure authority for court repairs and modification projects by \$35 million from the State Court Facilities Construction Fund on a three-year limited-term basis. Also approved Supplemental Report Language requiring the Judicial Branch to provide the Legislature with a detailed list of projects and expenditures.

- Approved Governor's proposal to reduce GF authority by \$1.95 million in 2010-11, postponing costs associated with relocating the Third Appellate District Court back to its original location following renovations to subsequent fiscal years.
- Rejected Governor's proposal to implement electronic court reporting statewide.
- Approved package of trailer bill language designed to improve the effectiveness of court and county processes for collecting court-ordered debt. The package includes proposals to allow the state to collect from cash payments for unclaimed property to offset court ordered debt; requirements that courts and counties meet specified criteria to have comprehensive court collections programs; allow more court flexibility to allow lower initial payments on installment plans for court-ordered debt; discharge courts and counties from the responsibility to collect debt if the amount is too small to justify the expense of collection (this does not change the liability of people to pay their debt); and provide a one-time amnesty program for existing debtors.
- Approved changes to the budget bill designed to provide increased transparency over the courts budget. This includes adding a requirement that the Judicial Branch notify the Legislature before shifting funds between different budget programs, consistent with requirements for other state departments. It also included a requirement that the Governor's budget provide more detail on expenditures in the Trial Court Trust Fund, including, for example, the amounts spent on information technology projects and court security.

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

- Rejected Governor's proposal to shift GF departments to a system where they are billed for legal services provided by DOJ. Currently, DOJ provides these services to GF client departments utilizing a direct GF appropriation.
- Approved Governor's proposal to increase from \$1 to \$3 the state fee applied to every \$10 of base fine, penalty, or forfeiture collected by the courts for criminal offenses for deposit into the DNA Identification Fund. The increase in revenues will offset state GF costs for operating forensic laboratories. Action saves \$13.7 million GF in 2009-10 and \$41 million GF in 2010-11.
- Approved Governor's proposal to augment by one position DOJ's program for investigating gun shows, as well as shift the cost of the program from GF to the Dealers' Record of Sale Account. Action saves \$616,000 GF.
- Approved Governor's proposal to increase spending authority from the Dealers' Record of Sale Account by \$257,000 due to increased workload.
- Approved Governor's proposal to increase spending authority of \$184,000 from the Gambling Control Fund to address a backlog of cardroom inspections.
- Approved Governor's request for increased federal funds authority of \$500,000 for purchase of information technology equipment for law enforcement and judicial agencies operating in Santa Clara County in conjunction with the Community Oriented Policing Services (COPS) Technology Grant Program.
- Rejected Governor's requests for increased spending authority of \$625,000 from the Fingerprint Fee Account associated with recently enacted bills designed to increase the number of people required to be fingerprinted and have their criminal histories checked. Approved budget bill language providing the department authority to increase its spending from this special fund by up to 10 percent if unanticipated workload arises and upon notification to the Legislature.
- Approved Governor's proposal to shift \$6.0 million in federal funds to reimbursements, as well as associated trailer bill language, based on the DOJ-operated Western States Information Network program changing to a non-profit organization.

0855 Gambling Control Commission

- Approved as budgeted.

1690 Alfred E. Alquist Seismic Safety Commission

- Approved as budgeted.

1870 California Victim Compensation and Government Claims Board

- Approved as budgeted.

8120 Commission on Peace Officer Standards and Training

- Approved as budgeted.

8140 State Public Defender

- Approved as budgeted.

8550 California Horse Racing Board

- Approved as budgeted.

VETERANS AFFAIRS

8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved resources for the Veterans Homes of California as follows:
 - *Greater Los Angeles Ventura County (GLAVC)*, approved 101.3 positions and \$7.5 million GF to continue construction, activate business, and begin admitting veterans. This funding level reflects a reduction of \$798,000 GF and one position, representing: (1) an increase in the salary savings rate from five to 20 percent in order to more accurately reflect the rate at which new positions will be filled and (2) the elimination of the proposed Information Officer III position at California Department of Veterans Affairs' headquarters in Sacramento. *Note, these savings were redirected on a one-time basis to The Pathway Program proposal discussed below.*
 - *Redding*, approved 9.3 positions and \$908,000 GF related to Construction Completion and Pre-Activation Phase II for the VHC Redding Home which is scheduled to open in February 2012.
 - *Fresno*, approved 8.5 positions and \$908,000 GF related to Construction Completion and Pre-Activation Phase II for the VHC-Fresno Home which is scheduled to open in April 2012.
 - For both the *Redding and Fresno Veterans Homes*, the funding levels reflect a reduction of \$92,000 GF for each home representing rejection of authority to purchase motor vehicles because CDVA did not have an exemption from the Governor's Executive Order which prohibits the purchase of new vehicles.
 - Approved reappropriations totaling \$6.7 million GF for the Enterprise Wide Veterans Home Information System project to acquire an integrated solution to support the long-term clinical care, financial, and administrative operations of all of the *California Veterans Homes*.
 - *Yountville Veterans Home*, approved reappropriation of \$2.4 million to purchase and install a new addressable fire alarm system in seven veteran-occupied buildings. This project is 60 percent federally-funded.
 - Approved conversion of contracted food purchasing, preparation, and nutrition services to civil service with a net zero GF impact as follows: (1) *VHC-Barstow* – 24.5 positions and a funding augmentation of \$154,000; and (2) *VHC-Chula Vista* – 34.5 positions and a reduction of \$154,000.

- Approved Supplemental Report Language pertaining to the Rector Creek Dam and Reservoir and Yountville Veterans Home Leases to assess the potential to maximize state assets located at or associated with the *Yountville Veterans Home* to increase revenues to the state. The report is required on or before January 1, 2011.
- Approved funding to implement and sustain Operation Welcome Home as follows: (1) \$314,400 (Veterans Service Office Fund - VSOF) and \$5 million GF in ongoing operations funding for County Veteran Service Offices (CVSOs); and (2) a one-time VSOF augmentation of \$768,000 in 2010-11 to be spent over three years to implement the Subvention Administrative Information System, a common veteran case management application in CVSOs. With regard to the operations funding, approved budget provisional language requiring CDVA to submit to the JLBC a set of quantifiable goals and objectives to measure the performance of Operation Welcome Home grant recipients. Additionally, and with regard to the operations funding, approved Supplemental Report Language requiring CDVA to report no later than March 1 of each year, the extent to which CVSOs have complied with the requirements of the budget provisional language, including efforts to meet the established goals and objectives. This new funding in 10-11, when added to the 2009-10 funding level of \$2.6 million GF and \$544,000 VSOF, brings CVSO funding to \$8.1 million, a greater than 200 percent increase in funding year-to-year for these offices.
- Via budget provisional language, provided \$800,000 GF in redirected salary savings from the GLAVC Veterans Home to The Pathway Home, which currently operates on the grounds of the Yountville Veterans Home and is a privately funded non-profit residential recovery treatment program. Budget provisional language authorizes the Director of Finance to provide up to \$500,000 GF additional no sooner than 30 days after the Department provides a March 1, 2011, report to the JLBC detailing the Pathway's efforts to raise non-state funds.
- Approved budget provisional language requiring the Department of Motor Vehicles to update its initial and renewal driver license and state identification card application forms, both paper and electronic, to identify veterans who wish to be contacted regarding their eligibility for state and federal veterans' benefits. The language requires the Department of Motor Vehicles to share this information with the CDVA in compliance with state and federal privacy protection laws and otherwise shield this information from public view.
- Approved one position and increased expenditure authority of \$120,000 (federal funds) to expand California State Approving Agency for Veterans Education services to include outreach activities and approval of apprenticeship programs and on-the-job courses.
- Approved a technical funding adjustment of \$1.124 million (federal funds) to satisfy the new scope change associated with the Northern California Veterans Cemetery Expansion Project which will now provide 2,000 columbarium niches (walls with niches for interring cremated remains).

SUBCOMMITTEE 5

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Denise Moreno Ducheny, Chair
Robert Dutton
Alex Padilla

Consultants

Brian Annis
Keely Martin Bosler
Kris Kuzmich

SUBCOMMITTEE No. 5

REVENUES, THE ECONOMY AND LABOR

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TAX ADMINISTRATION

0860 STATE BOARD OF EQUALIZATION

- Approved various “tax-gap” proposals that will result in a net revenue gain of \$15.9 million to the General Fund. Included in these proposals are the following:
 - Agricultural Inspection Station Tax Leads. Approved an augmentation of \$6.7 million (\$4.4 million GF) to help close the tax gap by identifying property entering California through its agricultural inspection stations that owes sales and use tax. This proposal is expected to result in \$23 million in additional GF revenues in the budget year.
 - Use Tax Collection – Voluntary Disclosure Program. Approved trailer bill language (TBL) to extend the line item on the income tax form for taxpayers to self report use tax that was not paid on items purchased from out-of-state retailers. This proposal will result in the maintenance of \$9.2 million in GF revenues in the budget year, since the statute that established the line item sunset with the 2009 tax year.
- Approved TBL to authorize BOE to implement a new cost recovery fee and to use involuntary collection methods such as liens and wage garnishments to obtain payment. This proposal will generate approximately \$4 million in the budget year.

1730 FRANCHISE TAX BOARD

- Approved TBL to modify the Large Corporation Underreporting Penalty that applies a 20 percent penalty to underpayments of corporate income tax in excess of \$1 million. The TBL change would provide a safe harbor for taxpayers that underreport by over \$1 million if they understate their tax by less than 20 percent. This proposal is expected to cost approximately \$90 million in the budget year.

REVENUES

SUSPEND NET OPERATING LOSSES

- Approved TBL to suspend Net Operating Losses (NOLs) for two additional years. NOLs are being suspended in 2008 and 2009. Corporations would be allowed to use NOLs to offset tax liability starting in 2012 and would be allowed to carry these losses forward for 20 years. Previously, corporations could only carry forward NOLs for ten years. Over 90 percent of corporations are exempted from this suspension because the TBL exempts taxpayers with an adjusted gross income or corporations with pre-apportioned income of less than \$300,000. This proposal will result in \$1.2 billion in additional GF tax revenues in the budget year.
- Also makes specific exemption to NOL suspension law to allow the Humboldt Redwood Company to utilize NOLs that would otherwise have been lost due to bankruptcy reorganization of the Pacific Lumber Company, which was dissolved in 2008.

CORPORATE TAX MODIFICATION

- Approved TBL to restore the “Cost of Performance” rule for corporate taxpayers who do not elect the new single sales factor formula. This rule was changed to a market-based rule in 2009 when the elective single sales factor (Chapters 10x3 and 17x3, Statutes of 2009) was enacted. The market-based rule would have required the sales of intangible goods (software licenses) and services (cable subscriptions) be used to apportion corporate income to California effective in the 2011 tax year. Under the “cost of performance” rule, sales from intangibles and services are assigned to California for tax purposes only if the greater cost of performance of the income producing activity occurs in California relative to other states. The old “cost of performance” rule benefits corporations, for the purpose of income apportionment, that have a relatively greater cost of performance outside of the state. This proposal is expected to cost approximately \$28 million in the budget year.

CASH MANAGEMENT

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

- Approved May Revision Finance Letter to reflect 2010-11 GF debt service costs of \$4.8 billion, which is \$197 million less than the amount in the January Governor's Budget.

9620 CASH MANAGEMENT AND BUDGETARY LOANS

- Approved May Revision Finance Letter to reflect 2010-11 GF cash-flow borrowing costs of \$350 million, which is \$190 million less than the amount in the January Governor's Budget.

Trailer Bill Language

1. Adopted trailer bill language in February 2010, as part of the Eighth Extraordinary Session, to authorize deferrals of specified 2009-10 and 2010-11 payments, as necessary to maintain adequate cash reserves. (AB X8 5, Chapter 1, Statutes of 2010, and AB X8 14, Chapter 10, Statutes of 2010)
2. Adopted trailer bill language in June 2010, that created hardship-exemption processes for specified payment recipients, such that the payment deferrals could instead be paid timely in limited cases. (AB 191, Chapter 29, Statutes of 2010)
3. Adopted trailer bill language that standardizes the timeline for the Prompt Payment Act by conforming the deadline for undisputed refunds to the deadline for undisputed invoices. (SB 856)
4. Adopted trailer bill language to clarify that the Tax Credit Allocation Fee Account may be used for cashflow borrowing. (SB 856)
5. Adopted trailer bill language that authorizes short-term deferrals in October and November of 2010, to address the low cash period between enactment of the budget and the sale of Revenue Anticipation Notes (RANs). (AB 1624, Chapter 713, Statutes of 2010)

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Approved \$7.208 million (special fund and reimbursements) and 66 positions to permanently establish the Economic and Employment Enforcement Coalition (EEEC), a federal-state multi-agency partnership formed to combat the worst violators of federal and state labor, licensing, and tax laws operating in the underground economy. In addition to the Labor and Workforce Development Agency (LWDA), the other state departments that comprise the EEEC include the Department of Industrial Relations, the Employment Development Department, and the Contractors State License Board. The EEEC was initially approved in the 2005-06 Budget with three-year limited-term positions; the 2008-09 Budget continued the EEEC positions for another two-year limited-term.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved resources for eleven information technology projects intended overall to improve service delivery and increase operational effectiveness and efficiency at the EDD as follows: (1) Automated Collection Enhancement System (including revised budget provisional language discussed below); (2) Disability Insurance Automation Project; (3) Call Center Network Platform and Application Upgrade; (4) Continued Claims Redesign; (5) and (6) Single Client Database and Alternate Base Period subprojects (*revised request approved along with trailer bill language discussed below*); (7) Electronic Benefit Payments; (8) Identity Management; (9) Continued Claim Certification Web; (10) eApply Modernization; and (11) Unemployment Insurance Forms. *For a complete description of these projects and the specific resources approved for each, please see the Senate Budget Subcommittee No. 4 April 29 hearing agenda which is available at the Committee's website:*
http://www.senate.ca.gov/ftp/SEN/COMMITTEE/STANDING/BFR/_home/
- With regard to the Automated Collection Enhancement System project, approved revised budget provisional language to require JLBC notification if DOF exercises its authority to reduce the GF appropriation for the project. The ACES procurement is a benefits based procurement wherein the contractor receives payment if and when additional revenue generated by the project offsets all of the state's project costs. The proposed budget provisional language authorizes DOF to reduce the GF appropriation if the revenue does not meet estimates (which means the ACES project is not performing as expected).
- With regard to the Single Client Database and Alternate Base Period subprojects, reduced the approved resources to reflect adopted trailer bill language (detailed below) which provided a five-month extension of the current statutory deadline for completion of the ABP subproject.

- Rejected the Governor’s Jobs Initiative which consisted of a series of loans totaling \$500 million from the Disability Insurance Fund to the Employment Training Panel to be paid back by requiring all employers, including those who are currently exempt, to pay the Employment Training Tax. Also rejected companion budget provisional language and trailer bill language related to the Jobs Initiative.
- Approved a one-time shift of \$17.9 million from the EDD Contingent Fund to the GF. The EDD Contingent Fund is comprised of fine and penalty revenue and is used, among others, to support the administration of the unemployment insurance (UI) program. This transfer, on a one-time basis, is possible because the federal government is currently providing sufficient ARRA funds to support the state’s administration of the UI program.
- Approved increased expenditure authority of \$625,000 (federal grant funds) to enable EDD to support ARRA investments in energy efficiency and renewable energy industries. This request represents expenditure authority for the second half of these federal grant funds; in March 2010, the JLBC approved a Section 28 request for expenditure authority of \$625,000 in 2009-10.
- Approved increased expenditure authority of \$4.426 million (federal funds) for 16.3 currently unfunded positions to obligate federal funds from the federal Department of Labor for the purpose of funding ten grant projects intended to improve UI information technology security and contingency planning, and implement technological improvements to better serve UI beneficiaries and employers. Also approved companion budget provisional language that would require approval from both the Office of the Chief Information Officer and Department of Finance in order to expend \$2.419 million of these federal funds.
- Approved several adjustments for the Workforce Investment Act (WIA) Program (federal funds), reflective of an overall decrease in federal funds. Additionally, the ARRA-specific WIA funds, which provided an additional \$470 million for California’s workforce system in 2009-10, have expired and are not available in 2010-11.
 - For the WIA 15 Percent discretionary funds, which total \$69 million in 2010-11, approved the Administration’s proposed expenditure plan. With regard to the California Department of Corrections and Rehabilitation (CDCR) Parolee Services Programs, in addition to the \$6 million in proposed WIA 15 Percent discretionary expenditures in 2010-11, approved a no-cost extension of \$7 million from 2009-10 to the 2010-11 year, bringing the total amount of WIA 15 Percent discretionary funds available for CDCR Parolee Services Programs in 2010-11 to \$13 million.
- Approved budget adjustments for new estimates of claims and payments for the Disability Insurance (DI) Program, as follows: (1) decreased the EDD budget by \$9.144 million and 124.2 personnel years, and decreased the California Unemployment Insurance Appeals Board budget

by \$208,000 and 2.0 personnel years to reflect revised workload estimates; and (2) decreased expenditure authority by \$28.678 million to reflect a projected decrease in DI benefit payments.

See also Item 0559 Labor and Workforce Development Agency, regarding action to make the Economic and Employment Enforcement Coalition permanent (the EDD is a participating entity in the EEEEC).

Trailer Bill Language

1. With regard to the Automated Collection Enhancement System (ACES) project: (1) authorized EDD to collect penalties and back-wages that are due to Department of Industrial Relations (which are currently collected by the Franchise Tax Board); and (2) eliminated the requirement that employers file an annual contribution reconciliation form and instead modify the quarterly contribution return of taxable wage information filed by all employers to the EDD to instead reconcile taxes paid with taxes due each quarter. The latter part of the trailer bill language operationalizes a key component of the ACES project; i.e., the ability to establish non-audit related liabilities prior to year-end reconciliation.
2. Approved a five-month extension of the current April 3, 2011, statutory deadline for the Alternate Base Period subproject. The project is five months behind schedule due to federal unemployment insurance benefit extensions that required the temporary redirection of programming resources away from the subproject. The EDD was developing a “de-linking” solution, but the potential risks and costs of this solution were too high. The statutory deadline was legislatively-created; a five-month extension of the deadline will still allow the ABP subproject to be completed well in advance of the federal implementation deadline of September 2012.

Supplemental Report Language

1. Approved Supplemental Report Language requiring EDD, in conjunction with the Department of Veterans Affairs, to assess the current structure of its veterans’ employment and job training programs and evaluate options for a new government and management model and report to the Legislature by March 10, 2011.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Eliminated \$798,000 GF in 2010-11 for a Residential Prevailing Wage Survey in the Central Valley and adopted related budget provisional language to prohibit expenditure of any other funds for purposes of this survey. The survey was authorized in July 2009; however, the actual survey has yet to commence and current law provides that any bidder can file a petition to review a wage determination rate upon the ground that it has not been determined in accordance with law. *The Governor vetoed the budget provisional language, stating that in order to build a*

prudent reserve he agreed no GF would be added to this budget to support this activity, but that he was ordering the Director to utilize existing resources to complete the study.

- Approved 2.5 positions and \$275,000 (Apprenticeship Training Contribution Fund) to enforce apprenticeship labor code requirements on public works projects.
- For the Division of Apprenticeship Standards (DAS), approved the elimination of \$3.3 million in Employment Training Fund (ETF) support, with a corresponding \$3.287 million increased appropriation to the Apprenticeship Training Contribution Fund to backfill the reduction. This action eliminated all support for DAS from the ETF.
- Approved 2.5 positions and \$362,000 (Apprenticeship Training Contribution Fund) to assist in writing new regulations, providing training and evaluation of labor compliance programs (LCPs) that are newly empowered to enforce apprenticeship laws on public works projects, and reviewing and assessing penalties as a result of the LCP enforcement action.
- Reduced the Managed Care Fund appropriation by \$282,000, reflective of a decrease in anticipated fund revenue due to a proposed amendment to California Code of Regulations to reduce the certification fees relative to the Health Care Organization (HCO) Program. The reduced appropriation level will support the current HCO program staffing costs of approximately \$91,000.
- Due to a January 1, 2010, statutory sunset, eliminated the Workers' Compensation Return-to-Work Fund appropriation of \$499,000 and transferred the \$483,000 fund balance to the Workers' Compensation Administration Revolving Fund. In addition, and on a one-year limited-term basis, approved the retention of one position which administered the Return-to-Work program to address the backlog due to the change in business practice from a paper system to a paperless system.
- Extended the loan repayment from the Occupational Safety and Health Fund (OSH Fund) to the GF from June 30, 2010 to June 30, 2011. During the 2009-10 Budget process, the Division of Occupational Health and Safety proposed to completely eliminate its GF support of \$24.8 million. In order to achieve this, the proposal included a GF loan request of \$14.5 million to provide operating capital for the OSH Fund until the annual assessment revenue was collected (which occurs around March of every year). However, during subsequent budget negotiations last year, trailer bill language was adopted to cap the OSH Fund assessment at \$52 million annually until July 1, 2013, at which time it will revert back to the June 30, 2009, level adjusted for inflation. With the OSH assessment capped, if DOSH repays its GF loan obligation on June 30, 2010, it would leave the fund insufficient operating revenue until the 2010-11 assessment is received in March 2011. Because of this, DOSH would have to request another GF loan to bridge the gap until the assessment is received. By extending the loan repayment until June 2011, this request provides DOSH with sufficient income to operate for the first nine months of the 2010-11 fiscal year.

- Approved three positions for the Division of Labor Standards Enforcement Bureau of Field Enforcement and increased expenditure authority of \$221,000 (Uninsured Employers Benefits Trust Fund) to comply with Chapter 640, Statutes of 2009 (SB 313), which is effective January 1, 2011, and requires a more complex, comparative analysis method when computing workers' compensation insurance penalties issued by DLSE.
- Approved the transfer of \$5 million from the Apprenticeship Training Contribution Fund to the GF.
- Approved 3.5 positions and \$918,000 (special funds) to continue critical ongoing maintenance activities necessary to the Electronic Adjudication Management System (EAMS), including ensuring that unauthorized access to personal and confidential information is prevented and that medical care and disability payments are provided in a timely fashion. The continuing external user access issues with EAMS will be resolved in a yet-to-be-determined new project in a future budget cycle.
- Approved increased expenditure authority of \$5.192 million (federal funds) and redirection of 32 positions to improve the functionality of the Cal/OSHA Program. These funds represent a permanent increase in federal funds to the state's base funding amount for the Cal/OSHA Program.
- Approved 50 positions and increased expenditure authority of \$6.8 million (State Public Works Enforcement Fund) for half-year funding to enable the Division of Labor Standards Enforcement to establish a Public Works Compliance Monitoring Unit to meet the monitoring and enforcement requirements of Chapter 7, Statutes of 2009-10 2nd Extraordinary Session (SBx2 9). This request also contains proposed budget provisional language which states that the resources requested in this proposal shall not be appropriated directly to the Department of Industrial Relations (DIR), but rather shall be subject to the availability of funds as determined by the Director of Finance and further requires that any authorization made shall be reported in writing to the JLBC within 30 days of the increase in expenditure authority.

Trailer Bill Language

1. Eliminated the continuous appropriation for the Apprenticeship Training Contribution Fund (ATCF), which has never been continuously appropriated and, because it now supports the Division of Apprenticeship Standards, it is no longer appropriate for the ATCF to have this authority.
2. Approved technical clean-up to Chapter 7, Statutes of 2009-10 2nd Extraordinary Session (SBx2 9), including provisions to streamline the collection of monies due to DIR to reduce state departmental administrative costs. Chapter 7 overhauled existing law related to the payment of prevailing wages and the monitoring and enforcement thereof. In lieu of monitoring and enforcement by a Labor Compliance

Program, Chapter 7 instead requires awarding agencies to pay a capped fee, not to exceed $\frac{1}{4}$ of one percent of the bond award, to DIR for compliance monitoring and enforcement on projects that are subject to the fee.

EMPLOYEE COMPENSATION

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved \$27.484 million GF to augment departmental budgets for increased salary and benefits costs (excluding pension contributions) under current law and salary schedules. For other funds, approved a total of \$57.581 million for increased salary and benefits costs. Under current law and the various expired labor agreements, virtually no state employees are expected to receive salary increases in 2010-11. The costs in this budget item, therefore, consist mainly of increased state contributions to health, dental, and vision benefits under some prior state employee contracts, the provisions of which generally continue in effect until a new labor agreement is approved. Additionally, the figures reflect the June 2010 action by the CalPERS Board to increase 2011 state employee health premiums by an average of 9.1 percent (note, this increase was partially offset by the federal temporary early retiree reinsurance program savings discussed more fully in Item 9650-Support for Health and Dental Benefits for Annuitants).

See also Item 1900-Public Employees Retirement System (CalPERS), in the State Administration Section of this document, regarding approved budget provisional and trailer bill language to ensure that PERS can administer budgeted federal temporary early retiree reinsurance program funds.

CONTROL SECTIONS

3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- In light of the CalPERS Board adoption of new rates in June 2010, and prior Board action to adopt a new rate for Judges' Retirement System II, adopted revised rates for the seven retirement classes in this Control Section. Although the PERS Board recognized total state retirement contributions of \$2.1 billion GF (\$3.8 billion all funds), the routine deferral of fourth-quarter payments to the subsequent fiscal year will result in a somewhat lower amount of costs reflected in the 2010-11 budget package itself. Note, subsequent legislative action to approve proposed bargaining unit MOUs may lower state pension contributions below this level (*please see next bullet*).
- Adopted a new subsection (d) to provide flexibility to the executive branch in administering pension provisions of future MOUs adopted consistent with the Ralph C. Dills Act by rank-and-file bargaining units and the Legislature and that contain an increase in state employee retirement contributions.

- As introduced January 10, 2010, rejected subsection (d) of this control section, which would have made adjustments to the state employer contribution rate should the Legislature adopt an additional five percent increase in the employee's retirement contribution rate. *See also Control Section 3.90-Reduction for Employee Compensation, for further information about the Governor's January Employee Compensation package which included increasing state employee retirement contribution rates by five percent.*

3.90 REDUCTION FOR EMPLOYEE COMPENSATION

- Reduced each item of appropriation, except those items of the California State University, the University of California, the California Community Colleges, Hastings College of Law, the Bureau of State Audits, the Legislature (including the Legislative Counsel Bureau), the judicial branch, the State Board of Equalization, the state constitutional offices, and the direct revenue collection functions of the Franchise Tax Board, by \$449.6 million GF and \$352.8 million other funds representing five percent personnel costs savings attributable to the Governor's Executive Order S-01-10 requiring state departments to cap the size (reduction of 8,915.7 PYs) and cost of the workforce by July 1, 2010. The language requires the Director of Finance to allocate the reductions to each item of appropriation as necessary.
- Adopted new budget bill language to require that the first priority to reduce personnel costs under the Executive Order be to administration, including but not limited to agency, headquarters, and central offices, and that every effort be made to avoid negative impacts on the delivery of direct services.
- Authorized an additional GF appropriation reduction of \$130 million, with the exception of the entities specifically named in the first bullet under this item, attributable to corresponding Operating Expenses and Equipment savings. The budget bill language also authorizes the Director of Finance to allocate the reductions to each item of appropriation as necessary.
- Rejected the Governor's January Budget proposals, including proposed trailer bill language, to reduce state employee compensation by five percent and increase state employee retirement contributions by five percent, as well as the proposed health care savings trailer bill language, instead directing the Administration to collectively bargain these proposals. *See also Control Section 3.91, Reduction for Employee Compensation (Potential Contracts).*
- Rejected the Governor's May Revision proposal to enact a new Personal Leave Program, consisting of a mandatory eight hours per month leave for 12 months for all civil service employees, thereby reducing employee pay by 4.62 percent, instead directing the Administration to collectively bargain this proposal. *See also Control Section 3.91, Reduction for Employee Compensation (Potential Contracts).*

3.91 REDUCTION FOR EMPLOYEE COMPENSATION (POTENTIAL CONTRACTS)

- Reduced each item of appropriation in the 2010-11 budget, except those items for the California State University, the University of California, Hastings College of Law, the Bureau of State Audits, the Legislature, and the judicial branch, by \$1.557 billion (\$896 million GF) to reflect a reduction in employee compensation achieved through the collective bargaining process or through administrative actions for represented employees and a proportionate reduction for nonrepresented employees (utilizing existing authority of the administration to adjust compensation for nonrepresented employees).

8.26 FEDERAL FUNDS TRIGGER

- Rejected language that would have triggered an additional five percent reduction in state employee compensation if the federal government failed to provide \$6.9 billion in funding or flexibility measures after January 1, 2010, and on or before July 15, 2010.

PENSION REFORM

Trailer Bill Language

1. Approved trailer bill language to enact pension reform for new state employees hired on or after January 15, 2011, including those in bargaining units that do not currently have a Memorandum of Understanding with the state, and employees of the California State University, the judicial branch of government, and the Legislature.
 - Requires three-year final compensation method of calculating benefit levels for new state employees who are not already under this calculation method.
 - New state employees' retirement benefits would be returned to the pension benefit levels that existed prior to the adoption of SB 400 (Chapter 555, Statutes of 1999), as detailed in the below chart:

Retirement Category	Current Retirement Formulas	Proposed Formulas
Miscellaneous	2% at Age 55 (up to 2.5% at 63)	2% at Age 60 (up to 2.418% at 63)
Industrial	2% at Age 55 (up to 2.5% at age 63)	2% at Age 60 (up to 2.418% at age 63)
State Safety	2.5% at Age 55	2% at Age 55
Peace Officer and Firefighters in State, CSU, Legislative and Judicial	3% at Age 50	2.5% at Age 55

2. To increase transparency, adopted separate trailer bill language to require additional analysis and oversight of CalPERS' actuarial assumptions. More specifically, the trailer bill language requires that the CalPERS Board of Administration, each time it adopts contribution rates, provide an actuarial report, containing investment returns, amortization period, and discount rates using specific analytical guidelines, to the Legislature, the Governor, and the Treasurer. The Treasurer is then required, within 30 days of receipt of the report, to address both houses of the Legislature about the report.

GOVERNOR'S VETOES

SB 870, CHAPTER 712
VETOES

State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 870.

Item 0690-102-0890—For local assistance, California Emergency Management Agency. I revise this item by deleting Provision 2.

I am deleting Provision 2, which requires the California Emergency Management Agency to distribute federal Edward Byrne Memorial Justice Assistance Grant funding according to a specific methodology. These grant awards have already been allocated for fiscal year 2010-11, the grantees have incorporated these allocations into their respective expenditure plans, and any changes would create additional state costs.

Item 1100-001-0001—For support of California Science Center. I revise this item by deleting Provision 1.

I am deleting Provision 1, which would require the California Science Center to report to the Legislature on short- and long-term alternatives for restructuring the California Science Center's financing and governance.

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 Chief Executive Officer of the California Science Center to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the California Science Center's ability to perform its essential functions.

Item 2660-001-0042—For support of Department of Transportation, payable from the State Highway Account, State Transportation Fund. I reduce this item from \$2,622,616,000 to \$2,599,061,000 by reducing:

- (2) 20.10-Highway Transportation-Capital Outlay Support from \$1,753,604,000 to \$1,733,297,000,
- (9) 40-Transportation Planning from \$105,684,000 to \$98,246,000, and
- (17) Amount payable from the Federal Trust Fund (Item 2660-001-0890) from -\$596,673,000 to -\$592,483,000.

Consistent with my May Revision proposal, I am eliminating the legislative augmentation of \$20,307,000 (\$16,117,000 State Highway Account, and \$4,190,000 Federal Trust Fund) and 296.0 personnel years for engineering, design, environmental studies, and other work done by the capital outlay support program. In view of diminishing long-term workload it is prudent to limit program expansion to a level that is consistent with anticipated project

funding levels in order to help bring ongoing expenditures in line with resources. While the Department continues to work on better techniques for estimating workload, and accurately assessing its staffing needs, I am concerned that estimated staffing needs have been higher historically than the actual workload that materialized. I am also concerned that increased productivity of state staff has not been adequately taken into account. In the May Revision I also proposed to use an increased share of contractual services, consistent with the provisions of Proposition 35 approved by the voters in 2000, but the Legislature instead funded 90 percent state staff and 10 percent contract staff. Because it will take a year or more to hire and train state staff as existing staff leave, I am very concerned that this action will delay projects and cost more than using contractual services. Moreover, because the funding from Proposition 1B is one-time and will be exhausted over the next three years, the hiring of new permanent state staff could result in 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 instructing the Director of the Department of Transportation to take all steps necessary to deliver projects as quickly as possible, including an increased use of contractual services within the funding level the Legislature has provided. With these reductions, \$1,733,297,000 still remains to support the Capital Outlay Support Program.

I am reducing this item by \$7,438,000 and 63.7 personnel years because state funds should not be committed to the development of project initiation documents for locally-funded projects that are not on a state highway corridor or do not have funding identified to fund the project. I propose instead that local agencies fund these costs for their projects.

Item 2660-001-0890—For support of Department of Transportation. I reduce this item from \$596,673,000 to \$592,483,000.

I am reducing this item by \$4,190,000 to conform to the action I have taken in Item 2660-001-0042.

Item 2660-011-0062—For transfer by the Controller, upon order of the Director of Finance, from the Highway Users Tax Account, Transportation Tax Fund, to the General Fund. I revise this item by deleting Provision 2.

Provision 2 provides that the funds from the repayment of this loan shall be allocated by the formula set forth in paragraph (3) of subdivision (a) of Section 2103 of the Streets and Highways Code. Use of these funds for the State Highway Operation and Protection Program (SHOPP) for critical highway maintenance and safety projects is a higher priority given the extraordinary backlog and needs in this program.

Item 2660-104-6043—For local assistance, Department of Transportation, non-State Transportation Improvement Program (STIP), payable from the High-Speed Passenger Train Bond Fund. I reduce this item from \$146,126,000 to \$38,500,000 by reducing:

- (1) 30.10-Mass Transportation from \$146,126,000 to \$38,500,000.

While I am sustaining \$38,500,000 to fund the implementation of positive train control safety projects in various local rail corridors, I am reducing this item by \$107,626,000. These funds are available from Proposition 1A bond proceeds for the purpose of enhancing local transit lines as feeder routes to the high-speed rail system. The High-Speed Rail Authority, the Department of Transportation, and local jurisdictions should work together to

develop a statewide strategy and an associated list of projects that will best accomplish the goal of moving passengers between destinations around the state in the quickest, most efficient and cost effective way, by utilizing these funds to advance the construction of facilities for joint use where possible and by providing better connectivity to the future high-speed rail system.

Item 2660-304-6043—For capital outlay, Department of Transportation, non-State Transportation Improvement Program (STIP), payable from the High-Speed Passenger Train Bond Fund. I reduce this item from \$88,302,000 to \$62,490,000 by reducing:

- (1) 30-Mass Transportation from \$88,302,000 to \$62,490,000.

While I am sustaining \$62,490,000 to fund the implementation of positive train control technology on various state intercity rail corridors, I am reducing this item by \$25,812,000, to conform to the action I have taken in Item 2660-104-6043.

Item 2665-004-6043—For support of High-Speed Rail Authority, payable in accordance with and from the proceeds of the Safe, Reliable High-Speed Train Bond Act for the 21st Century, payable from the High-Speed Passenger Train Bond Fund. I delete Provision 2.

Provision 2 provides that \$55,320,000 appropriated in this item and Items 2665-304-0890, 2665-304-6043, 2665-305-0890, and 2665-305-6043 is available only upon submittal of a report to the Joint Legislative Budget Committee and a 60-day review period. The report is to include a legal analysis of any revenue guarantee, a summary of contract expenditures for community outreach, a financial plan with alternative funding scenarios, a copy of the strategic plan, a report on the performance of the Program Management Contractor, and a report on how the Authority has addressed other recommendations of the Bureau of State Audits not otherwise covered by this provision. While the Administration supports these reporting requirements, making the appropriation contingent upon receipt and approval of this report by the Legislature could result in project delays, jeopardize the Authority's ability to meet already tight federal deadlines and result in increased state costs.

Item 2665-304-0890—For capital outlay, High-Speed Rail Authority. I revise this item by revising Provision 1.

I am revising Provision 1 to conform to the action I have taken in Item 2665-004-6043 as follows:

~~“1. Provision 2 of Item 2665-004-6043 and Provision 1 and 1.6 of Item 2665-304-6043 shall apply to this item.”~~

Item 2665-304-6043—For capital outlay, High-Speed Rail Authority. I revise this item by deleting Provisions 1.5 and 1.6.

I am deleting Provisions 1.5 and 1.6 to conform to the action I have taken in Item 2665-004-6043.

Item 2665-305-0890—For capital outlay, High-Speed Rail Authority. I revise this item by revising Provision 1.

I am revising Provision 1 to conform to the action I have taken in Item 2665-004-6043 as follows:

“1. ~~Provision 2 of Item 2665-004-6043 and~~ Provision 3 of Item 2665-305-6043 shall apply to this item.”

Item 2665-305-6043—For capital outlay, High-Speed Rail Authority. I revise this item by deleting Provision 1.5.

I am deleting Provision 1.5 to conform to the action I have taken in Item 2665-004-6043.

Item 3600-001-0001—For support of Department of Fish and Game. I reduce this item from \$66,318,000 to \$64,818,000 by reducing:

(1) 20-Biodiversity Conservation Program from \$128,915,000 to \$127,415,000.

Of the \$3,000,000 legislative augmentation for the Department of Fish and Game's (DFG) Habitat Conservation Programs, I am sustaining \$1,500,000 for Marine Life Protection Act projects and deleting \$1,500,000 for Timber Harvest Plan (THP) review. The reduction in funding to the Department's Habitat Conservation Programs is necessary to achieve additional General Fund savings. Additionally, appropriate levels of funding still remain for THP review and the DFG should focus these remaining resources on the highest priority projects.

Item 3600-001-0200—For support of Department of Fish and Game. I revise this item by deleting Provision 2.

I am deleting Provision 2 requiring the Department of Fish and Game (DFG) to submit a report to the Legislature regarding all incidents in which a taser was used. This provision would create a new reporting requirement for the DFG without providing funding source for the cost of producing the report.

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

(3) 30-Public Safety and Prevention of Damage from \$140,265,000 to \$139,765,000, and

(32) Amount payable from the Disaster Preparedness and Flood Prevention Bond Fund of 2006 (Item 3860-001-6052) from -\$72,398,000 to -\$71,898,000.

I am revising this item to conform to the action I have taken in Item 3860-001-6052 and Item 3860-101-6052.

Item 3860-001-6052—For support of Department of Water Resources. I reduce this item from \$72,398,000 to \$71,898,000.

I am reducing this item by \$500,000 to conform to the action I have taken in Item 3860-001-0001 and Item 3860-101-6052 related to agricultural easements.

Item 3860-101-6052—For local assistance, Department of Water Resources. I reduce this item from \$129,750,000 to \$125,250,000 and delete Provision 2.

I am deleting the \$4,500,000 legislative augmentation for agricultural easements. Acquiring agricultural easements may be a permissible component of a multi-benefit flood control project, but the primary purpose of Proposition 1E funding is to enhance flood protection throughout the state. This earmark for agricultural easements undermines the state's ability to allocate limited bond funds to projects with the highest flood control benefits and would increase state costs.

I am deleting Provision 2 to conform to this action.

Item 4170-001-0001—For support of Department of Aging. I reduce this item from \$4,131,000 to \$3,991,000 by reducing:

(4) 40-Special Projects from \$6,777,000 to \$6,637,000,

and by deleting Provision 1.

I am deleting the legislative augmentation of \$140,000 and 0.9 personnel years for support of Community Based Services programs.

I am deleting Provision 1 to conform to the action I have taken in Item 4170-101-0001.

Item 4170-101-0001—For local assistance, Department of Aging. I reduce this item from \$35,343,000 to \$29,083,000 by reducing:

(4) 40-Special Projects from \$18,051,000 to \$11,791,000,

and by deleting Provision 3.

I am deleting the \$6,260,000 legislative augmentation to Community Based Services programs. This reduction is necessary to help bring ongoing expenditures in line with existing resources and to build a prudent reserve.

I am deleting Provision 3 to conform to this action.

Item 4200-001-0001—For support of Department of Alcohol and Drug Programs.
I reduce this item from \$4,628,000 to \$4,353,000 by reducing:

- (1) 15-Alcohol and Other Drug Services Program from \$45,311,000 to \$45,036,000.

I am reducing this item by \$275,000 and 3.0 positions to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. This eliminates funding for the Offender Treatment Program, consistent with my proposed Budget. I am reducing a total of \$18,000,000 for this purpose: \$275,000 from this item and \$17,725,000 from Item 4200-101-0001.

Item 4200-101-0001—For local assistance, Department of Alcohol and Drug Programs.
I reduce this item from \$83,665,000 to \$65,940,000 by reducing:

- (1) 15-Alcohol and Other Drug Services Program from \$332,191,000 to \$314,466,000.

I am reducing this item by \$17,725,000 to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. This eliminates state funding for the Offender Treatment Program consistent with my proposed Budget. I am reducing a total of \$18,000,000 for this purpose: \$17,725,000 from this item and \$275,000 from Item 4200-001-0001.

Item 4200-104-0001—For local assistance, Department of Alcohol and Drug Programs.
I reduce this item from \$21,111,000 to \$20,448,000 by reducing:

- (1) 15-Alcohol and Other Drug Services Program from \$38,165,000 to \$37,502,000,

and by revising Provision 2.

I am reducing this item by \$663,000 to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With these reductions \$5,104,000 still remains to support the eight existing Residential Perinatal Treatment Programs, a funding level consistent with last year's funding level for each of the remaining centers.

I am revising Provision 2 to conform to this action as follows:

“2. Of the funds appropriated in this item, ~~\$5,767,000~~ \$5,104,000 shall be used to fund existing residential perinatal treatment programs that were begun through the federal Center for Substance Abuse Treatment grants, but whose grants have since expired and currently are constituted as Women and Children's Residential Treatment Services. For counties in which there is such a provider, the State Department of Alcohol and Drug Programs shall include language in those counties' allocation letters that indicates the amount of the allocation designated for the provider during the fiscal year. Pursuant to Section 11840.1 of the Health and Safety Code, the treatment programs that were established through the federal Center for Substance Abuse Treatment grants are not subject to the county 10-percent match. All of the funds allocated for programs shall be passed through those counties directly to the designated residential treatment programs in each county, respectively.”

Item 4260-101-0001—For local assistance, Department of Health Care Services. I reduce this item from \$13,285,305,000 to \$13,263,331,000 by reducing:

- (1) 20.10.010—Eligibility (County Administration) from \$2,893,028,000 to \$2,849,080,000, and
- (9) Amount payable from the Federal Trust Fund (Item 4260-101-0890) from -\$28,849,145,000 to -\$28,827,171,000.

I am deleting the \$21,974,000 legislative General Fund augmentation for County Administration. This reduction is necessary to bring expenditures in line with existing resources and to build a prudent reserve.

Item 4260-101-0890—For local assistance, Department of Health Care Services. I reduce this item from \$28,849,145,000 to \$28,827,171,000.

I am reducing this item by \$21,974,000 to conform to my action in Item 4260-101-0001.

Item 4260-111-0001—For local assistance, Department of Health Care Services. I reduce this item from \$200,496,000 to \$190,496,000 by reducing:

- (1) 20.35-Primary and Rural Health from \$11,054,000 to \$1,054,000.

I am deleting the \$10,000,000 legislative augmentation for various discretionary clinic grants. This reduction is necessary to bring expenditures in line with existing resources and to build a prudent reserve. Federal Health Care Reform alternatively provides \$1.4 billion of increased funds over five years to clinics, in addition to substantial increases from the American Recovery and Reinvestment Act. Most of these clinics will continue to receive significant state funding from Medi-Cal and other programs.

Item 4265-001-0001—For support of Department of Public Health. I reduce this item from \$77,997,000 to \$76,997,000 by reducing:

- (2) 20-Public and Environmental Health from \$395,074,000 to \$394,074,000.

I am deleting the legislative augmentation of \$1,000,000 General Fund for the Prostate Cancer Treatment Program. These reductions are necessary to limit program expansions, to help bring ongoing expenditures in line with existing resources, and to build a prudent reserve. With this reduction, \$3,100,000 still remains to support the Prostate Cancer Treatment Program.

Item 4265-111-0001—For local assistance, Department of Public Health. I reduce this item from \$239,617,000 to \$174,884,000 by reducing:

- (3) 20.20-Infectious Disease from \$390,613,000 to \$330,880,000; and
- (4) 20.30-Family Health from \$1,610,589,000 to \$1,605,589,000.

I am reducing this item by \$57,133,000 by reducing funding to local entities for the following programs:

- \$52,133,000 for Office of AIDS local assistance programs, and
- \$5,000,000 for the Maternal, Child and Adolescent Health Program.

These reductions are necessary to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With these reductions, \$55,109,000 still remains to support the Maternal, Child, and Adolescent Health Program, and \$55,412,000 still remains to support Office of AIDS local assistance programs.

I am also reducing this item by \$7,600,000 General Fund by reducing funding to local entities for the AIDS Drug Assistance Program (ADAP). The Department of Public Health may utilize funding from the ADAP Rebate Fund, which is continuously appropriated, to maintain services, if necessary. This reduction is necessary to provide for a prudent General Fund reserve. With this reduction, \$434,013,000 still remains to support the ADAP.

Item 5180-101-0001—For local assistance, Department of Social Services. I reduce this item from \$3,614,352,000 to \$3,248,452,000 by adding:

Unallocated Reduction -\$365,900,000.

I am reducing this item by \$365,900,000 and am instructing the Director of the Department of Social Services to request a corresponding advance of Temporary Assistance for Needy Families Block Grant funds from the federal government for the quarter ending June 30, 2011. This will provide one-time General Fund relief without any adverse program impacts.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from \$740,599,000 to \$679,718,000 by reducing:

- (1) 25.30-Children and Adult Services and Licensing from \$2,178,571,000 to \$2,117,690,000.

I am reducing this item by \$60,881,000 to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With this reduction \$2,117,690,000 still remains to support the Children and Adult Services and Licensing Program. This maintains the level of funding for the Child Welfare Services Program that was in effect in fiscal year 2009-10. I am reducing a total of \$79,956,000 for this purpose: \$60,881,000 from this item and \$19,075,000 from Item 5180-153-0001.

Item 5180-153-0001—For local assistance, Department of Social Services. I reduce this item from \$359,729,000 to \$340,654,000 by reducing:

- (1) 26-Title IV-E Waiver from \$914,352,000 to \$895,277,000.

I am reducing this item by \$19,075,000 to help bring ongoing expenditures in line with existing resources. With this reduction \$895,277,000 still remains to support the Title IV-E Program. This maintains the level of funding for the Child Welfare Services Program that was in effect in fiscal year 2009-10. I am reducing a total of \$79,956,000 for this purpose: \$19,075,000 from this item and \$60,881,000 from Item 5180-151-0001.

Item 5225-001-0001—For support of California Department of Corrections and Rehabilitation. I revise this item by deleting Provision 7.

I am deleting Provision 7, which would restrict the California Department of Corrections and Rehabilitation (CDCR) from using the Inmate Activation Schedule for purposes of budgeting and to instead use a ratio of one staff for every 5.6 inmates. This methodology change would result in additional workload without regard to the availability of resources. Consequently, I am vetoing this language. Nevertheless, I am instructing the CDCR to continue to work with the Department of Finance and the Legislature to develop and implement changes to their population budgeting process that would result in more transparency, provided they are able to do so using existing resources and without impairing the CDCR's ability to perform its essential functions.

Item 6110-001-0001—For support of Department of Education. I revise this item from \$34,031,000 to \$34,030,000 by reducing:

- (2) 20-Instructional Support from \$139,361,000 to \$132,914,000;
- (3) 30-Special Programs from \$53,845,000 to \$53,342,000;
- (8) Reimbursements from -\$17,293,000 to -\$16,790,000;
- (9) Amount payable from Federal Trust Fund (Item 6110-001-0890) from -\$148,290,000 to -\$141,844,000; and by

revising Provision 22; and

deleting Provision 25.

I am deleting the legislative augmentation of \$385,000 in reimbursement authority and 2.0 limited-term positions for support of the State Advisory Council on Early Childhood Education and Care (ELAC) because the increase in workload has not been justified. Further, I am vetoing \$118,000 in reimbursement authority proposed in the May Revision for one redirected position given that the Sacramento County Office of Education will assume the responsibility for coordinating the activities of the ELAC. The Budget continues to provide authority for 2.0 limited-term positions for the Department to provide additional support for the ELAC's work, which should be sufficient.

I am revising Provision 22 to conform to this action as follows:

“22. (a) Of the reimbursements appropriated in Schedule (8), \$439,000 and 2.0 limited-term positions until July 1, 2013, pursuant to an agreement with the California Children and Families Commission, shall be available to the State Department of Education to support the activities of the Early Learning Quality Improvement System Advisory Committee established by Chapter 307 of the Statutes of 2008, and the Advisory Council on Early Childhood Education and Care (ELAC) pursuant to Executive Order S-23-09.

~~(b) Of the reimbursement funds appropriated in Schedule (8), \$503,000 is provided for 1.0 redirected position, 2.0 new limited-term positions until July 1, 2013, and associated committee expenses to support the activities of the ELAC, pursuant to an agreement with the California Children and Families Commission.”~~

I am reducing the legislative augmentation of \$144,000 General Fund by \$1,000 and deleting the provisional language specifying that the Curriculum Development and Supplemental Materials Commission (Commission) is to complete the History/Social Science and Science frameworks. Instead, it is my intent that the remaining \$143,000 be used for higher priority activities related to the California Common Core Standards, as directed by the State Board of Education.

I am also deleting Provision 25 to conform to this action.

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

Item 6110-001-0890—For support of Department of Education. I revise this item by: reducing this item from \$148,790,000 to \$142,344,000, revising language in this item, and by deleting Provision 17.5 and Provision 39.

I am reducing \$2,946,000 Federal Trust Funds that would otherwise be available for the development and support of the California Longitudinal Pupil Achievement Data System (CALPADS). I am concerned that the resources allocated for this purpose lack necessary accountability to ensure the citizens of California receive a high quality longitudinal educational data system that can be used to enable our students to improve academically, consistent with my long standing goal for improved transparency to the public. With this reduction, \$2,946,000 remains to provide for costs incurred through December 6, 2010. In addition, I have reduced expenditure authority for support of the California School Information Services administrative activities for the CALPADS project in Item 6110-485 from \$5,244,000 to \$1,362,000 to conform to this action. It is my intent that this reduced funding be set aside for future legislation that appropriates funds for an appropriate entity to complete the project and provide a data system that will successfully supply student-level achievement data to assist teachers, district administrators, and policy makers with reliable information.

While California has struggled with this project for over seven years and spent over \$150 million since 1997 on longitudinal data systems, other states have allocated far less funding and achieved their databases in much less time. For example, Virginia and Texas each have spent approximately \$20 million to develop their systems; Virginia has an in-house system; and Texas developed an integrated data warehouse system over a two-year period.

It is critical to have a statewide longitudinal data system to measure overall effectiveness of teachers, principals, and schools. Without this data, reform efforts in our lowest achieving schools are paralyzed. We owe it to the children in those struggling schools to make certain we get this right. The absence of a good statewide data system frustrates the efforts of our great school district leaders who need this data to learn from other high performing school districts across the state and improve school achievement in their classrooms. Finally, the lack of this data system was a significant factor in California's loss of federal Race to the Top funding. Enough is enough.

I am revising Provision 17 to conform to this action as follows:

“17. The following funds appropriated in this item are for the development of a comprehensive strategy to address data reporting requirements and the development of the California Longitudinal Pupil Achievement Data System (CALPADS) to meet the requirements of the federal No Child Left Behind Act of 2001 (P.L. 107-110) and Chapter 1002 of the Statutes of 2002:

- (a) ~~\$730,000~~ \$ 287,500 and 5.0 positions to support state operations for a comprehensive strategy to address data reporting requirements.
- (b) ~~\$1,430,000~~ \$48,500 and 1.0 position to support state operations related to the development of CALPADS.
- (c) \$115,000 and 1.0 position to support workload associated with coordinating data collection and sharing for CALPADS and for the federal Education Data Exchange Network.
- (d) \$2,457,000 to support Department of Technology Services costs associated with storage and maintenance of CALPADS servers and data.
- (e) \$38,000 for software maintenance and licenses necessary to ensure consistent matching of Statewide Student Identifiers.”

I am also deleting Provision 17.5 to conform to this action.

Further, I am deleting \$3,500,000 in federal Title II and federal Statewide Longitudinal Data System funds for the California Teachers Integration Data System (CALTIDES) to conform to my actions on the California Longitudinal Pupil Advancement Data System (CALPADS) and because CALTIDES was to be developed within the CALPADS infrastructure. With this reduction, \$563,000 remains to provide for costs incurred through December 6, 2010. It is my intent that these funds be set aside for future legislation that would appropriate funds for an appropriate entity to complete the project and provide a data system that will successfully provide teacher and student-level achievement data to assist teachers, district administrators, and policy makers with reliable information.

I am also revising Provision 31 to conform to this action as follows:

“31. Of the funds appropriated in this item, ~~\$3,000,000~~ \$560,000 is provided from federal Statewide Longitudinal Data System funds and ~~\$1,060,000 is provided from federal Title II funds, of which \$200,000 is one-time carryover.~~ The funding shall support 3.0 limited-term positions and ~~2.0 existing positions and~~ other development costs for the California Longitudinal Teacher Integrated Data Education System (CALTIDES). ~~The one-time carryover funds are available for CALTIDES or the California Longitudinal Pupil Achievement Data System (CALPADS) support, which may include a Data Processing Manager III position.~~ No funds may be expended until the California Longitudinal Pupil

Achievement Data System (CALPADS) has been determined to receive and transfer data reliably and upon the written approval of the Department of Finance and the office of the State Chief Information Officer. The 3.0 limited-term positions shall expire on June 30, 2012.”

Finally, I am deleting Provision 39 which states legislative intent language that a portion of the grant under the American Recovery and Reinvestment Act for the State Advisory Council on Early Childhood Education and Care (ELAC) be used to study the feasibility of implementing a data system containing information on children five years of age or younger. This language is inconsistent with the approved grant application for these funds which contains funding to contract for a needs assessment that will explore expanding existing data systems for this purpose.

Item 6110-113-0890—For local assistance, Department of Education. I reduce this item from \$28,742,000 to \$27,967,000 by deleting:

- (1) 20.60.030.030-Instructional Support: Alternative Schools Accountability Model (\$775,000),

and Provision 1.

I am reducing this item by \$775,000 to eliminate the Alternative Schools Accountability Model consistent with my April 1st proposal. The Department of Education and the State Board of Education have begun phasing out the external contractor in favor of the Department of Education staff compiling data from existing sources making these funds unnecessary. In addition, because the state funds testing and accountability programs interchangeably with federal funds and Proposition 98 General Fund, this reduction will generate Proposition 98 General Fund savings.

Item 6110-161-0890—For local assistance, Department of Education. I reduce this item from \$1,232,519,000 to \$1,232,518,000 by reducing:

- (4) 10.60.050.021-IDEA, State Level Activities from \$81,914,000 to \$81,913,000,

and by deleting Provision 9 to conform to the action I have taken in Item 8885-295-0001.

Item 6110-196-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from \$1,508,848,000 to \$1,252,848,000 by reducing:

- (1.5) 30.10.020-Child Care Services from \$1,683,503,000 to \$1,427,503,000
- (f) 30.10.020.012-Special Program, Child Development, Alternative Payment Program—Stage 3 Setaside from \$365,918,000 to \$109,918,000.

I am reducing \$256,000,000 from CalWORKs Stage 3 child care. This action is necessary to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With this reduction, \$128,823,000 in federal funds remains to support existing Stage 3 child care services through October 2010.

Item 6110-485—For local assistance, Department of Education. I revise this item to conform to the actions related to the support and development of the California Longitudinal Pupil Achievement Data System I have taken in Item 6110-001-0890 as follows:

“Reappropriation (Proposition 98), Department of Education. The sum of ~~\$5,224,000~~ \$1,362,000 is hereby reappropriated from the Proposition 98 Reversion Account for the following purposes:

0001—General Fund

(2) The sum of ~~\$5,224,000~~ \$1,362,000 to support California School Information Services administration activities authorized pursuant to Schedule (2) of Item 6110-140-0001.”

Item 6440-001-0001—For support of University of California. I revise this item by deleting Provision 17.

I am vetoing the provisional language that would require the University of California (UC) to report on its proposal for long-term state funding for the UC Retirement Plan (UCRP), including any alternative funding plans that might be proposed. This language is unnecessary, as forwarding every proposal received from any person or entity is unwarranted. Further, the UC Office of the President is committed to reporting on its UCRP proposals and has indicated that it would provide detailed reports on the long-term funding of the UCRP without the adoption of this language.

I am deleting Provision 17 to conform to this action.

Item 7350-001-0001—For support of Department of Industrial Relations. I revise this item by deleting Provision 2.

I am deleting Provision 2, which prohibits the Department of Industrial Relations (DIR) from implementing the prevailing wage survey in the Central Valley agreed to during 2009-10 budget negotiations. In an effort to build a prudent reserve, I have agreed that no General Fund will be added to this budget to support this activity. However, I am instructing the Director of the DIR to utilize existing resources to complete this critical study as the disparity between commercial and residential rates is significant within the Central Valley. Failure to conduct this survey would prevent the DIR from meeting its statutory responsibilities to ensure wages paid within residential construction are appropriate. In the absence of this study, the prohibition could result in future construction costs that are \$25 to \$50 million greater than would otherwise be required for completion of \$1 billion in public works projects.

Item 7980-001-0001—For support of Student Aid Commission. I reduce this item from \$11,711,000 to \$11,236,000 by reducing:

- (1) 15-Financial Aid Grants Program from \$12,550,000 to \$12,075,000;
- (1.5) 50-California Loan Program from \$514,000 to \$257,000;
- (4.5) Amount payable from the Student Loan Operating Fund (Item 7980-001-0784); from -\$514,000 to -\$257,000

and by revising Provisions 4 and 5.

I am reducing Schedule (1) to delete legislative augmentations totaling \$475,000 General Fund and 1.0 position for publication of a periodical and for additional information technology staff and equipment. This reduction is necessary to limit program expansion and to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With this reduction, \$11,236,000 still remains to support programs, including \$1.2 million for restoring essential services performed by EdFund.

I am reducing Schedule (1.5) by \$257,000 Student Loan Operating Fund and 3.0 net personnel years to reflect the phase-out of workload associated with oversight of EdFund resulting from recent federal legislation ending the Federal Family Education Loan Program and the U.S. Department of Education's decision to terminate the Student Aid Commission's guaranty agency agreement. It is anticipated that these federal decisions will end all Federal Policy and Program Division workload by January 1, 2011. Over \$250,000 remains available to fund this activity for the first six months of this fiscal year.

Similarly, I am reducing the amount authorized in Schedule (4.5), the amount payable from the Student Loan Operating Fund, by \$257,000.

I am revising Provisions 4 and 5 to conform to these actions.

"4. This item reflects ~~\$514,000~~ \$257,000 payable from the Student Loan Operating Fund for the purpose of funding, on a limited-term basis, 6.0 positions in the Federal Policy and Programs Division. Those positions shall be continued until a sale or other authorized transaction is completed pursuant to Chapter 182 of the Statutes of 2007, which is anticipated to occur no later than the 2010-11 fiscal year."

"5. Of the funds appropriated in Schedule (1), up to ~~\$1,151,000~~ \$676,000 is available for any expenses that may be necessary or convenient for the Student Aid Commission to assume activities currently provided by EdFund in order to further the intent of the sale, or other authorized transaction, of EdFund pursuant to Chapter 182 of the Statutes of 2007. These funds shall not be expended unless first approved in writing by the Department of Finance."

Item 7980-001-0784—For support of Student Aid Commission. I reduce this item from \$514,000 to \$257,000 and delete Provision 1.

I am reducing this item by \$257,000 to conform to the action I have taken in Item 7980-001-0001.

I am deleting Provision 1 to conform to this action.

Item 8885-295-0001—For local assistance for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, for disbursement by the Controller for claims for costs incurred during the specified periods. I reduce this item from \$216,336,000 to \$80,400,000 by reducing:

- (1) For payment of the following mandate claims for costs incurred in the 2004-05 through 2008-09 fiscal years from \$216,336,000 to \$80,400,000.

My policy is to suspend mandates not related to elections, law enforcement, or property taxes in order to maintain a prudent General Fund reserve.

I am reducing this item by \$132,941,000 by deleting Schedule (1) (oo) Handicapped and Disabled Students I and II, and Seriously Emotionally Disturbed Pupils: Out of State Mental Health Services (AB 3632) (Ch.1747, Stats. 1984; Ch. 1128, Stats. 1994; Ch. 654, Stats. 1996) (CSM-4282; 02-TC-40; 02-TC-49; 97-TC-05). This mandate is suspended.

I am also reducing this item by \$2,995,000 by deleting Schedule (1) (pp) Local Recreational Background Checks (Ch. 777, Stats. 2001). This mandate is suspended. However, I will support legislation that grants local entities fee authority to recoup the costs of the background screenings for employees and volunteers at locally operated parks, playgrounds, recreational centers, or beaches used for recreational purposes.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 870.

/s/ Arnold Schwarzenegger

ARNOLD SCHWARZENEGGER

FINAL
DEPARTMENT OF FINANCE
SOLUTIONS LIST

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
<u>Expenditure Reductions</u>				
<u>Education:</u>				
1	Proposition 98 funding level	\$700.0	\$2,381.0	\$3,081.0
<i>Subtotal, Prop. 98</i>		\$700.0	\$2,381.0	\$3,081.0
2	Dept of Ed State Operations Workload Savings	\$0.0	\$2.6	\$2.6
3	Offset General Fund for UC and CSU	0.0	212.0	212.0
4	"Fund Your Future" Financial Aid Publication for CSAC	0.0	0.3	0.3
5	Augmentation for IT Position, Equipment, and Surveillance System for CSAC/EdFund Detangling	0.0	0.2	0.2
<i>Subtotal, Higher Ed. and Non-98 Ed.</i>		\$0.0	\$215.1	\$215.1
<u>Health and Human Services:</u>				
6	Migrant Childcare caseload reduction	\$0.0	\$3.5	\$3.5

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
7 Child Care center reserve reduction	0.0	83.1	83.1
8 Child Care funding shift	0.0	201.0	201.0
9 Child Care: Reduce/redirect Quality Improvement Funds	0.0	10.5	10.5
10 Child Care: Reduce license-exempt rates from 90 percent to 80 percent	0.0	31.3	31.3
11 Child Care Stage 3	0.0	256.0	256.0
12 Child Care: Reduce administrative and support services allowance from 19 percent to 17.5 percent	0.0	17.1	17.1
13 Medi-Cal -- Anti-Fraud Initiative	0.0	26.4	26.4
14 Medi-Cal -- Enrolling Seniors and Persons with a Disability into Managed Care	0.0	187.0	187.0
15 Medi-Cal -- Increased Federal Funding for Family Planning Services	0.0	5.0	5.0
16 Health Care Services--Improved Methodology for Funding County Administration	0.0	44.0	44.0

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
17 Medi-Cal -- Eliminate Over-The-Counter Acetaminophen-Containing Products (not children's liquid Tylenol or cold and cough medications)	0.0	3.1	3.1
18 Hospital Rate Freeze at 1/1/10 Rate and Transition to a Diagnostic-Related Group Payments	0.0	84.5	84.5
19 Health Care Services--Reduction to Relatively High Radiology Rates	0.0	13.6	13.6
20 Use Cigarette and Tobacco Products Surtax Funds for Medi-Cal Rather than Expanded Access to Primary Care Clinics and Asthma Education	0.0	11.2	11.2
21 Eliminate Payment of Medicare Part B Premium for Medi-Cal Beneficiaries Over Certain Income Limits	0.0	1.0	1.0
22 Public Health--Augment funding for EWC program	0.0	-20.1	-20.1
23 Public Health--Reduction to Immunization Program	0.0	18.0	18.0
24 Public Health--Restoration of veto of Office of AIDS programs	0.0	0.1	0.1
25 DDS - Regional Centers -- 4.25 percent reduction for operations and purchase of services	0.0	25.0	25.0

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
26	DMH - Hospital cost containment	0.0	10.0	10.0
27	Child Support Automation System savings	9.9	0.0	9.9
28	IHSS Savings Proposal	0.0	300.0	300.0
29	Shift AB3632 funding from DSS and DMH to the Commission on State Mandates.	0.0	122.0	122.0
30	CalWORKs Veto	0.0	365.9	365.9
31	Various Health and Human Services Adjustments	5.0	75.5	80.5
	Subtotal, Health and Human Services	\$14.9	\$1,874.7	\$1,889.6
	<u>Corrections:</u>			
32	Reduce Inmate Medical Care Costs	\$0.0	\$820.0	\$820.0
33	Division of Juvenile Justice Savings - Parole Reform and Transfer of Wards to Adult Facilities	0.0	10.2	10.2
34	Reentry court diversion pilot	0.0	0.2	0.2
35	CDCR Mental Health Staffing Ratios	0.0	9.8	9.8

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
36	CDCR Reduction of Custody Staff for Mental Health Program	0.0	3.4	3.4
37	Offset Capital Outlay projects with AB 900 appropriation	22.2	0.0	22.2
38	CDCR population adjustments	0.0	18.5	18.5
39	CDCR population adjustments	0.0	200.0	200.0
40	CDCR local assistance payments in arrears	0.0	46.3	46.3
41	Division of Juvenile Justice population savings from administrative actions	0.0	5.0	5.0
	<i>Subtotal, Corrections</i>	\$22.2	\$1,113.4	\$1,135.6
	<i>Employee Compensation:</i>			
42	CalPERS Health Reinsurance	\$0.0	\$43.6	\$43.6
43	5% Cap on Payroll Costs and Delay OPEB pre-payments	0.0	547.7	547.7
44	Employee Compensation	0.0	896.0	896.0
	<i>Subtotal, Employee Comp</i>	\$0.0	\$1,487.3	\$1,487.3

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
	<u>Other:</u>			
45	Legislature - Elective Negative SAL	\$0.0	\$4.6	\$4.6
46	Delay Implementation of Conservatorship Program	0.0	17.4	17.4
47	Trial Court Savings - Unallocated Reduction	0.0	25	25.0
48	Trial Court Funding - Reduce funding and use additional reserves	0.0	30	30.0
49	Secretary of State - Water bond ballot savings	0.0	0.7	0.7
50	Citizens Redistricting Commission - Deny Augmentation	0.0	3.0	3.0
51	Cal EMA--Restored Domestic Violence Shelter Funding	0.0	-19.1	-19.1
52	SCO - Legislature denied partial funding related to cash management, financial reporting, and actuarial advisory support.	0.0	0.1	0.1
53	Capitol maintenance, Law Revision Commission, and Uniform State Laws funded by savings or through existing entities.	2.0	6.2	8.2

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
54	Reduce Support for Discretionary Hunting and Fishing Programs	0.0	5.0	5.0
55	Fish and Game--Biodiversity Conservation Program General Fund Reduction	0.0	3.5	3.5
56	Reduction to State Parks	0.0	7.0	7.0
57	Suspend Certain Mandates & Defer Payment of pre-2004 Claims	0.0	232.0	232.0
58	Accurately reflect the updated expenditure estimates for the Bureau of State Audits for the American Recovery and Reinvestment Act (ARRA oversight, auditing, and reporting activities.	0.0	-0.5	-0.5
59	Military--Updated State Active Duty employee compensation based on newer estimates	0.0	0.1	0.1
60	Veterans Homes-Fresno and Redding reduced funding for passenger vehicle purchases due to Executive Order.	0.0	0.2	0.2

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
61	CDVA - County Veteran Service Officer Funding - Reject Gov's proposal	0.0	3.4	3.4
62	Eliminate Backfill of County Trailer Fees	0.0	11.9	11.9
63	Lease-payment bond savings	0.0	75.6	75.6
64	OE&E savings	0.0	130.0	130.0
65	Statewide IT Savings	0.0	40.0	40.0
66	Prevailing wage survey	0.0	0.8	0.8
67	Miscellaneous Adjustments	0.0	0.4	0.4
	Subtotal, Other	\$2.0	\$577.3	\$579.3
	Total, Expenditure Reductions	\$739.1	\$7,648.8	\$8,387.9
				.

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
Federal Funds				
68	Extension of ARRA Enhanced Funding for Medi-Cal	\$0.0	\$1,338.0	\$1,338.0
69	Extend ARRA Increase for Individuals with Disabilities Education Act (IDEA) Part C through 2010-11	0.0	32.9	32.9
70	Expansion of federal funding – Department of Developmental Services	39.0	14.5	53.5
71	Extend Child Support Incentive ARRA Funding through 2010-11	0.0	18.9	18.9
72	Extend ARRA Funding for Foster Care and Adoptions Assistance through 2010-11	0.0	9.9	9.9
73	Federal Flexibility and Payment for Monies Owed	0.0	3,600.0	3,600.0
74	DHCS Technical Accounting for the Impact of Federal Stimulus Funds from State Budget Policy	0.0	-45.4	-45.4
75	Extend ARRA Funding for CalWORKs through 2010-11	0.0	395.4	395.4
	Total, Federal Funds	\$39.0	\$5,364.2	\$5,403.2

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
	<u>Other Solutions</u>			
	<u>Baseline Workload Costs</u>			
76	Health Benefits	20.0	-1.8	18.2
77	Pension Benefits	0.0	-101.0	-101.0
78	Miscellaneous Adjustments	0.0	-219.5	-219.5
	<i>Subtotal, Baseline Workload Costs</i>	\$20.0	-\$322.3	-\$302.3
	<u>Alternative Funding</u>			
79	Redevelopment Agency Fund Shift to Offset Trial Court Costs	\$0.0	\$350.0	\$350.0
80	Prop. 98 settle-up payment, 1st installment	-\$300.0	\$0.0	-300.0

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
81 Increase DNA Penalty Assessments for Support of DOJ Forensic Labs (2009-10)	13.7	0	13.7
82 Medi-Cal -- Use Authorized Hospital Fees (AB 1383) to Support Children's Health Coverage in Medi-Cal	0.0	240.0	240.0
83 Proposition 99--Use One-Time Reserves From Authorized Accounts for Medi-Cal	0.0	36.0	36.0
84 Offset Cal Grant Program Costs with Excess Student Loan Operating Funds	0.0	100.0	100.0
85 Miscellaneous Adjustments	0.0	29.0	29.0
<i>Subtotal, Alternative Funding</i>	<i>-\$286.3</i>	<i>\$755.0</i>	<i>\$468.7</i>
<u><i>Fund Shifts and Other Revenues</i></u>			
86 Loans and Transfers from special funds (includes transportation loans as result of GO bond savings)	\$0.0	\$1,916.1	\$1,916.1
87 Transfer Corporations penalty revenues to the General Fund	0.0	20.0	20.0

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
88 Reduce Bottle Bill loan repayment	0.0	36.0	36.0
89 California Science Center	0.0	1.0	1.0
90 Sale Leaseback (base included in the Budget)	0.0	-289.0	-289.0
91 Sale Leaseback	0.0	1,200.0	1,200.0
Subtotal, Fund Shifts and Other Revenues	\$0.0	\$2,884.1	\$2,884.1
<u>Additional Revenues</u>			
92 Additional Revenue projected by LAO	\$399.0	\$961.0	\$1,360.0
93 Extend NOL Suspension for years 2010 and 2011 for businesses and individuals with income more than \$300,000; Delay carrybacks until 2013; carrybacks limited to 50% for 2013 and 75% for 2014; 100% allowed beginning 2015.	0.0	1,200.0	1,200.0
94 Use Tax Table (SUT line on PIT form)	0.0	6.7	6.7

Comprehensive Solutions List at 2010 Budget Act

(Dollars in Millions)

	<i>Issue Title</i>	<i>2009-10 or Prior</i>	<i>2010-11</i>	<i>2-year Total</i>
95	BOE auditor proposal (net solution)	0.0	13.6	13.6
96	Cost of Performance (SSF rule modification for taxpayers who don't elect single sales)	0.0	-28.0	-28.0
97	20% safe harbor for LCUP	0.0	-105.0	-105.0
98	Interaction between NOL suspension and Cost of Performance	0.0	-2.6	-2.6
99	Interaction between NOL suspension and 20% safe harbor for LCUP	0.0	-12.0	-12.0
	Subtotal, Additional Revenues	\$399.0	\$2,033.7	\$2,432.7
	Total, Other Solutions	\$132.7	\$5,350.5	\$5,483.2
	<u>Solutions By Category</u>			
	Expenditure Reductions	\$739.1	\$7,648.8	\$8,387.9
	Federal Funds	39.0	5,364.2	5,403.2
	Other Solutions	132.7	5,350.5	5,483.2
	Total Solutions	\$910.8	\$18,363.5	\$19,274.3