Senate Budget and Fiscal Review— Mark Leno, Chair

SUBCOMMITTEE NO. 4 Agenda

Senator Richard Roth, Chair
Senator Tom Berryhill
Senator Norma Torres

Thursday, May 23, 2013
10:00 a.m.
Room 112

Consultant: Mark Ibele

Part A

State and Local Finance

Proposed Vote-Only Calendar:

Proposed Discussion / Vote Calendar:

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Proposed Issues for Vote-Only:

#	Item	Issue	Amount/ Language	Fund Source	Staff Recommendation
1	**C.S. 12.00** State Appropriations Limit	Revision to appropriation limit	BBL	GF	Approve
2	**0100** State Legislature	Budget adjustment pursuant to appropriation limit	$12.1 million	GF	Approve
3	**8885** Commission on State Mandates	Interagency Child Abuse and Neglect Investigation Reports	NA	GF	Rescind prior action and reject mandate suspension.
4	**0950** State Treasurer's Office	Debt management system	$677,000	Bond Funds	Approve
5	**9210** Local Government Financing	Supplement for counties with insufficient ERAF	$1.9 million BBL	GF	Approve
6	**9620** Cash Management and Budgetary Loans	Decrease in amounts necessary for interest costs on borrowing	-$50.0 million	GF	Approve
7	**0985** California School Finance Authority	Transfer of Charter School Program	$105,000 BBL TBL	GF	Approve

Vote:

Proposed Vote-Only Calendar Issue Descriptions:

Control Section 12.00 State Appropriations Limit

Issue Proposed for Vote-Only:

1. **Revised State Appropriations Limit (Budget Bill Language).** The Administration requests that the budget bill be amended to reflect the updated change in the State Appropriations Limit (SAL). The revised limit of $89.716 billion is the result of applying the growth factor of 5.8 percent. The revised 2013-14 limit is $16.0 million above the $89.7 billion estimate in January.

   Staff Comment: Staff has no concerns with this technical change.

   Staff Recommendation: Approve the revision to the State Appropriations Limit.

0100 State Legislature

Issue Proposed for Vote-Only:

2. **Legislative Budget (Constitutional Adjustment)** The Legislature's budget for 2013-14 was proposed in January to be $109.4 million for the Senate and $146.7 million for the Assembly. Under the terms of Proposition 140, the growth in the Legislature's budget is constitutionally limited to the growth in the state's appropriation limit (SAL). The year-to-year SAL increase is calculated to be 5.8 percent in the Governor's May Revision.

   Staff Comment. The Senate's budget was reduced in 2010-11 and has been held at the same level for the past three years. If the Senate's budget had been adjusted by SAL each year since 2010-11, the budget would have grown 7.39 percent or by over $8 million. These increases were forgone because of the state's budget constraints. The combined spending by the Senate and the Assembly is now well below the State Appropriations Limit. Current year spending is nearly $30 million below the limit.

   Staff Recommendation. Staff recommends that the Legislature's (Assembly and Senate) budget be adjusted as provided in the State Constitution resulting in a total increase of $12.1 million.

8885 Commission on State Mandates

Issue Proposed for <u>Vote-Only:</u>

3. **Interagency Child Abuse and Neglect Investigation Reports (Rescind Prior Committee Action and Reject Mandate Suspension).** In its hearing on May 9, the subcommittee discussed mandates proposed for suspension by the Administration in 2013-14. It approved suspending several mandates without cost estimates for suspension, including parts of the Child Abuse and Neglect Reporting Act (CANRA) that collectively form what is called the Interagency Child Abuse and Neglect Reporting (ICAN) mandate. Rescinding the suspension of this mandate would require local governments to continue the activities associated with the mandate and allow a work group to address issues associated with the mandate. This would conform to the Assembly action.

   Staff Recommendation: Rescind prior action to suspend the Child Abuse and Neglect Reporting Act mandate and reject the suspension of the mandate.

0950 State Treasurer's Office

Issue Proposed for <u>Vote-Only:</u>

4. **Debt Management System (May Revision Finance Letter).** The State Treasurer's Office (STO) proposes $677,000 (bond funds) and one position as part of its new debt management system. The amount includes funding for a procurement consultant and related vendor, oversight costs of California Technology Agency, and the permanent position. The system is necessary for debt administration, including duties associated with trustee, registrar and paying agent responsibilities, payment of debt service, disclosure and analysis of debt issuances. Given the increased legal and financial complexities in the debt markets, the STO indicates a need for a new system to administer outstanding debt, track and pay debt service and fees on outstanding debt, and track and validate the issuance of new debt. The existing system dates to 2004.

   Staff Comment. Staff has no concerns with this proposal.

   Staff Recommendation. Approve the budget proposal.

9210 Local Government Financing

Issue Proposed for Vote-Only:

5. **Subventions to Alpine, Amador and San Mateo Counties (Governor's Budget Proposal, May Revision Finance Letter and Budget Bill Language):** This issue was discussed at the subcommittee's April 25th hearing and held open pending receipt of final budget amount's from the Department of Finance. The Governor's Budget proposed a General Fund subvention of $1.8 million to backfill Amador and San Mateo counties due to circumstances that reduced property tax directed to those county governments, and cities within those counties, in 2011-12. These circumstances also occurred in Amador County last year, and the state provided a subvention. The revenue losses will likely continue into 2012-13 and likely beyond, but the Administration indicates it has not determined at this time whether its proposal is one-time or ongoing. The May Revision Finance Letter increases the required amount by $74,000 based on 2011-12 property tax revenues and includes the County of Alpine. Total proposed appropriations are $1,392,000 for Amador, $293,000 for San Mateo and $189,000 for Alpine.

   Background and Detail: Legislation enacted early in the Schwarzenegger Administration shifted local property tax from schools to cities and counties to accommodate two State fiscal initiatives. Schools were then backfilled with state funds for each of these initiatives. Overall, the fiscal changes resulted in a large net revenue gain for cities and counties as the replacement revenue streams have grown faster than the relinquished revenue streams. However, unique circumstances reportedly reversed this outcome in 2010-11 for Amador County and in 2011-12 for Amador and San Mateo counties, and it is possible this outcome could occur for a few additional counties in the future.

   In the 2004 primary election, voters approved Proposition 58, which allowed the state to sell Economic Recovery Bonds (ERBs) to pay its accumulated budget deficit. The local sales tax for cities and counties was reduced by one-quarter cent and the state sales tax was increased by one-quarter cent to create a dedicated funding source to repay the ERBs. Property tax was redirected from schools to cities and counties, and the state backfilled schools via the Proposition 98 funding guarantee. This financing mechanism is sometimes called the Triple Flip, and the process was intended to hold local governments harmless. At the time the ERBs are repaid (in 2016-17 or earlier), the local sales tax rate will be restored, and no flip—triple or otherwise—will be necessary.

   Also in 2004, the Legislature enacted the VLF Swap. The measure was designed to provide a more reliable funding mechanism to backfill cities and counties for the local revenue decrease resulting from the action that the reduced the VLF tax on motor vehicle from 2.0 percent of a vehicle's value to 0.65 percent of a vehicle's value. Here again, the state redirected property tax from schools to cities and counties to make up for the VLF cut and backfilled schools for the property tax loses with state funds.

The backfill for the Triple Flip and the VLF Swap must originate from property taxes either shifted from the Education Revenue Augmentation Fund (ERAF) or from non-basic aid K-12 and community college districts (but not from so-called ‘basic aid’ schools). This funding mechanism stopped fully working for Amador County reportedly in 2010-11 due to all the schools in those counties becoming basic aid schools. Basic aid schools receive sufficient local property tax to fully fund the per-student amounts required by the Proposition 98 guarantee, and therefore, the state’s funding is minimal. Due to this ‘basic aid’ situation, current law will not provide backfill for such schools for any property tax shifted to cities and counties. County auditors have reportedly reduced or discontinued the shift of property tax from schools to those cities and counties.

Staff Comments and Questions: The financing shifts and educational financing provisions are complex, and perhaps not entirely relevant to making a determination on this budget request. The subcommittee may instead want to focus on some broader ideas and issues:

- The funding shifts included revenue growth uncertainty and risk, as the relative growth of various revenue streams over many years was unknown. On a statewide basis, data suggests most counties, have received a net benefit from the shifts.

- There was no backfill guaranteed in the original legislation, although the Amador and San Mateo outcomes were also not anticipated. The enacting legislation did not include provisions for the state to backfill locals with new subventions if the baseline funding mechanism proved to be insufficient.

- At the time of the legislation, stakeholders were likely aware of the risk of variable levels of growth for different revenue streams, but may not have anticipated that outcome of all schools within the county becoming basic aid.

The subcommittee may consider approving the budget request, with one-half the funding to be provided initially and the remainder to be disbursed upon a finding of necessity by the Department of Finance based on criteria established in budget bill language. Absent a finding by Department of Finance, the funds would revert to the General Fund.

LAO Perspective: LAO suggests that the state could reimburse cities and counties for all triple flip and VLF swap funding shortfalls, as proposed in the Governor’s Budget or, in recognition of the significant fiscal benefits cities and counties receive under the VLF swap, reimburse cities and counties only where necessary to replace actual sales tax and VLF revenue losses. Under this latter approach, no state funding would be provided to Alpine, Amador and San Mateo counties for 2011-12 funding shortfalls. Either level of reimbursement could be accomplished through the budget or through a shift in property taxes. The former approach would be more revealing as to the cost, while the former would provide more revenue certainty for local governments.

Staff Recommendation: Adopt the budget request as revised by the May Revision Finance Letter and proposed budget bill language.

9620 Cash Management and Budgetary Loans

Issue Proposed for <u>Vote-Only</u>

6. **Reduction in Borrowing Costs (May Revision Finance Letter).** The Administration proses a reduction in the budget for the payment of debt service on cash flow borrowing. The proposal would reduce the amount necessary for interest costs on internal cash flow borrowing by $10.0 million, from $50.0 million to $40.0 million, and for interest costs on external borrowing by $40.0 million, from $100.0 million to $60.0 million. The reduction is made possible by the expectation of continued low prevailing interest rates in the financial markets.

   Staff Comment. Staff has no concerns with this proposal.

   Staff Recommendation: Approve the May Revision budget request.

0985 California School Finance Authority

Issue Proposed for <u>Vote-Only</u>

7. **One-Time Funding to Facilitate Charter School Program Transfer (May Revision Finance Letter, Budget Bill Language, and Trailer Bill Language).** The May Revision incorporates a request for $105,000 (General Fund) in one-time funding for the California School Finance Authority (CSFA) to facilitate the transfer of the Charter School Facility Grant Program (CSFGP) and the Charter School Loan Program (CSLP) from the State Department of Education to the CSFA. The funds will be used for administrative support and consulting services that will allow for the CSFA to review the revolving loan portfolio and to implement loan underwriting criteria. The request also includes accompanying budget bill language allowing the funds to be used for consulting services. The request also includes trailer bill language necessary to effectuate the transfer...

   Staff Comment. Staff has no concerns with this proposal. The activities and analysis related to the CSFGP and CSLP are better conducted by the STO and housed in that department.

Staff Recommendation: Approve the May Revision budget request, proposed budget bill language, and trailer bill language thus conforming to actions in Subcommittee #1 related to the charter school package.

Proposed Discussion / Vote Calendar:

0971 California Alternative Energy and Advanced Transportation Financing Authority

Issue Proposed for Discussion / Vote:

1. **Residential Home Energy Efficiency Projects (May Revision Finance Letter and Trailer Bill).** The Administration has proposed additional funding of $810,000 (special funds) for four positions (two permanent and two limited-term) to administer the home energy efficiency projects and $10.0 million (special funds) to establish a loss reserve fund for the program. The proposed trailer bill would allow for the establishment of the loss reserve.

   Background. The program is intended to facilitate energy efficiency investments by residents that may have inadequate access to attractive financing and enable them to undertake home energy improvements. The long-range intent is to help build transactions, attract capital efficiencies, and develop the payment history data needed to better inform risk, all with the objective of making energy retrofit financing more available and with more attractive terms. The Residential Property Assessed Clean Energy (PACE) mechanisms can finance residential energy retrofits be repaid as property tax assessments for up to 20 years, and thus obtain secure, low-interest terms and payment transferability to a new owner.

   Detail. The loss reserve is intended to address difficulties that arose with respect to the position of the loan if the residence had an existing mortgage on the property. The loss reserve will allow for the release of a program pause that was instituted by the Federal Housing Finance Agency (FHFA) based on its concern that that in the event of a home foreclosure or mortgage default, a PACE lien would be in a senior position to the federally-insured mortgage. The loss reserve was one of the risk mitigation measures allowed, and deemed by CAEATFA as being the appropriate.

   Staff Comment. The loss reserve is an effective means of continuing the functions of the program, while meeting the concerns of FHFA. The subcommittee may ask whether the source of the funds for the loss reserve is a suitable use of funds given the objectives of that program.

   Staff Recommendation. Approve May Revision Finance Letter and proposed trailer bill language.

   Vote:

7730 Franchise Tax Board

Issue Proposed for <u>Discussion / Vote:</u>

1. **Job Creation and Economic Development (Proposed Trailer Bill).** The Administration has proposed trailer bill that would reform the state's job creation and economic development incentives. The proposal is designed to be revenue neutral and focus on improving the performance of resources being used to better stimulate economic growth and the creation of jobs. The program is based on redeploying the resources currently committed to the Enterprise Zone programs and the New Jobs Credit. The May Revision proposes to modernize the state's job creation and economic development incentives by reshaping existing programs to meet the need of the current economy. This program would include the following: (1) hiring credit for businesses in specific areas with high unemployment and poverty rates; (2) sales tax exemption on manufacturing and biotech research and development equipment; and, (3) incentive fund to provide business tax credits in exchange for investments and employment expansion in California. The program would allow small businesses to easily obtain the manufacturing sales tax exemption, and will dedicate a portion of the hiring credit and the incentive fund solely to small businesses.

   Administration's Background Perspective. For over 25 years, California has created numerous Enterprise Zones, as well as other geographically-targeted economic development areas. Currently, there are 40 authorized Enterprise zones; this number is expected to continue to decline as authorizations expire and ongoing regulatory changes and audits are completed. These programs include many aspects, chief of which is a tax credit for new hires. In total, the tax benefits related to these programs currently cost the state about $750 million per year. In its current form, it fails to encourage the creation of new jobs and instead rewards moving jobs from one place to another within the state, according to unbiased economic research. This, along with California's persistently high unemployment rate, argues for changes to encourage economic development and increase the number of jobs in California.

   In 2009, the New Jobs Hiring Credit was created to support creation of new jobs through small businesses. To date approximately $160 million has been claimed resulting in annual costs of approximately $30 million to $40 million annually. Based on the lifetime cap for this program, approximately $240 million remains to be allocated.

   Under current law, California requires a sales tax to be paid by manufacturers on the purchase of manufacturing equipment. When taxes are applied to purchases of manufacturing equipment, the final goods produced by that equipment are effectively taxed at more than the statutory rate. This leads to different effective tax rates for different types of goods (and higher tax rates for goods produced in California versus those same products produced outside of California). California is one of the few states that impose a sales tax on the purchase of manufacturing equipment. California firms have to pay more for the same manufacturing equipment as their competitors in other states, just because of the sales tax. The state share of sales tax for these purchases is approximately $600 million annually.

Proposal Components. The Administration proposes to reshape the state's economic development tax programs by phasing out the current Enterprise Zone tax programs. Taxpayers would be allowed to continue using Enterprise Zone carryover credits for five years and would be able to continue to use generated hiring credits for employees under contract prior to January 1, 2014. The Administration's initiative would establish the following programs

- **Hiring Credit.** The hiring credit will be refocused to specific areas with high unemployment and poverty rates both inside and outside existing zones. This credit will be available for the hiring of long-term unemployed workers, unemployed veterans, and people receiving public assistance. Twenty-five percent of the funds will be targeted to small businesses. The credit would be equal to 35 percent of wages between 1.5 and 3.5 times the minimum wage for a period of five year and available only to businesses that have a net increase in jobs in the state. It is expected that this program component would provide $100 million in credits annually.

- **Sales Tax Exemption.** The existing sales tax exemption for businesses located in Enterprise Zones will be expanded to a statewide sales tax exemption on manufacturing or biotech research and development equipment purchases. A business will be allowed to exclude the first $200 million equipment purchases from the state share of sales tax (4.19%). Such exemptions from the sales tax would be subject to the regular routine audit process. The program component is estimated to provide sales tax exemptions worth over $400 million annually.

- **Investment Incentives.** The California Competes Recruitment and Retention Fund will be created and will be administered by the Governor's Office of Business and Economic Development (GO-Biz). Businesses will have the opportunity to compete for available funds based on specified criteria including the number of jobs to be created or retained, wages that are at least two times the minimum wage, and a set job retention period. GO-Biz will negotiate agreements to provide businesses tax credits in exchange for investments and employment expansion in California. Approval of any proposed incentive will be made by an allocation committee that may recapture the incentive if the business fails to fulfill the terms and conditions of the contract. A portion of the incentive funds will be awarded solely to small business. The program component would provide between $100 million and $200 million in credits annually.

LAO Perspective. There are numerous details to be fleshed out in the proposal, but LAO indicates that there are some positive parts of this proposal—specifically, scaling back the ineffective enterprise zone program and reducing certain manufacturing sales taxes. Such taxes are the result state tax provisions that create "tax pyramiding"—economically distortionary phenomenon whereby businesses pay sales tax on their equipment and their customers then pay additional sales tax on the final product itself. On the other hand, LAO indicates skepticism that the hiring credit and incentive fund can be designed in ways that achieve their stated goals without providing windfall gains to businesses for decisions they would have made even without the tax incentives. LAO's general advice, which has been consistent over time, is that the Legislature move toward state tax changes that spread the cost of public services over the broadest base possible, with fewer tax expenditures focused on select segments of the economy. By doing this, the state would have the option of lowering certain marginal tax rates and yet be able to collect approximately the same amount of tax revenue.

Staff Comment. At its May 9 hearing, the subcommittee held an overview of the Enterprise Zone incentive programs, including a discussion of their effectiveness and fiscal impacts. As discussed at that hearing, Enterprise Zone tax incentive programs have generally not been found to be effective tools for creating jobs in the state. In addition, the fiscal impact on the state has grown significantly over the last decade. The background paper for this discussion can be found on the Senate Budget and Fiscal Review website:

http://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/SUB4/05092013Sub4PtAStateLocalFinance.pdf

Staff Recommendation. Hold issue open.

Vote:

0860 Board of Equalization

Issues Proposed for Discussion / Vote:

1. **Hazardous Waste Fee Collection Costs (May Revision Finance Letter).** The Board of Equalization (BOE) requests $1.3 million (reimbursement authority) and four positions to respond to expanded responsibilities under the Hazardous Waste Management Program. The requested resources will decline to $916,000 in 2014-15 and lesser amounts thereafter. The request in the initial year is higher due to the implementation of the expanded program and fixed investment costs.

   Background. The Department of Toxic Substances Control (DTSC) proposes to modify the hazardous waste fee structure in the Hazardous Waste Control Account to align the fees with public policy objectives, provide a long-term stable funding source for DTSC's Hazardous Waste Management Program, and align the fees with program objectives. BOE is assigned the responsibility of fee collection. The proposed reforms will have a direct impact on BOE's collection activities associated with the fees and result in an increased workload based on the expansion of the universe of businesses required to pay the fees and the quarterly reports required of the department to DTSC and the Legislature. The department indicates it cannot absorb the additional costs in its current budget.

   Staff Comment. For 2013-14, BOE has about 6,000 accounts for the program which, under the DTSC's proposal, will expand by almost 50 percent to over 9,000. The budget for the gram is $4.5 million, which under the proposal, would increase $1.3 million to $5.8 million in the initial year, before dropping to about $5.3 million annually. Given the increase in the universe of affected businesses, the costing of the proposal is reasonable.

   Staff Recommendation. Approve the May Revision Finance Letter budget request with the added provision that the position authority be for a two-year, limited term.

   Vote:

2. **Clarify Sales Tax on Software (May Revision Trailer Bill).** The Administration has requested the adoption of trailer bill language that would clarify that software delivered on media (such as discs, tapes, or other storage devises) is tangible personal property subject to sales tax provisions. The clarification would consist of an amendment to subdivision (a) of Revenue and Taxation Code section 6010.9 as well as in non-codified language in the bill. Currently, there is an exemption from the tax for custom computer software programs, whether in the form of written procedures (code) or in the form of storage media on which the program is recorded. The trailer bill is declaratory of existing law and will ensure

that retail sales of computer programs on storage media are taxed as tangible personal property.

Background. Unless specifically exempted, the sales of all tangible personal property are subject to the sales and use tax. The sales of services and intangibles are not subject to this tax. Software can be delivered to the end consumer over the internet or on some form of media such as a tape, a disk, or a cartridge. Sales of software or other products such as music and books that are delivered through the internet are considered intangibles, and are not subject to the sales and use tax. Sales of software delivered on media, however, are considered tangible personal property and, thus, are taxable.

Also in current law, for an otherwise taxable transaction, the value of any intangible personal property rights associated with a technology transfer agreement is not taxable. A technology transfer agreement is an agreement under which a right to a patent or copyright is transferred to the buyer in a transaction. BOE has been engaged in litigation with some taxpayers on what specifically constitutes a technology transfer agreement, and how to value those technology transfer agreements. In *Nortel v. Board of Equalization,* the Appeals Court sided with the taxpayer's contention that some significant transactions of the plaintiff in fact constituted technology transfer agreements.

Although this court did not directly address the issue of whether software delivered on media is tangible personal property, the decision in this case has been cited by some to argue that all software, even prepackaged software, is intangible, and thus not subject to tax. While current statute does not contain an explicit statement that software delivered on media is tangible personal property, it is amply clear from statute that the taxation of prepackaged software was intended by the Legislature. This trailer bill would clarify that intent and make it explicit.

Additionally, the courts, in two separate recent cases have clearly declared that software delivered on media is tangible personal property. The California Supreme Court in *Navistar v. Board of Equalization* stated in its decision that "A subsequent sale of that program …is a transfer of a tangible personal asset". In *Microsoft v. Franchise Tax Board,* the plaintiff, as part of its larger argument that their sales of software to computer manufacturers should be sourced outside of California, argued that "computer software is intangible personal property". The Court of Appeal rejected plaintiff's argument.

Staff Comment. The current structure of the Revenue and Taxation Code gives abundant evidence that the Legislature has intended that software delivered on media be considered tangible personal property. Section 6010.9 of the Revenue and Taxation Code specifically exempts the sales of custom software from the sales and use tax. If software on media was not considered tangible personal property, it would not be taxable, and there would then be no need to have created a specific exemption for custom software. This trailer bill simply ensures that the current state of law for the taxation of prepackaged software is maintained.

The proposed trailer bill will provide certainty for retailers and consumers as to the sales and use tax treatment of prepackaged software. Large retailers are currently and have been, for as long as there has been prepackaged software, collecting sales tax on pre-packaged software. BOE has estimated that the sales and use tax on prepackaged software generates revenue in the $100's of millions each year. As this proposed trailer bill language is simply clarifying current law, there is no revenue gain associated with it. However, if there were a subsequent court decision that determined that software delivered on media is not tangible personal property, the state, as well as local governments, would face significant revenue losses.

Staff Recommendation. Adopt the proposed trailer bill language.

Vote:

Control Section 8.56 Budget Adjustments Related to Federal Sequestration

Issue Proposed for <u>Discussion / Vote:</u>

1. **Control Language for Federal Funding Reductions Due to Sequestration and Other Federal Actions (May Revision Budget Bill Language).** The May Revision Calls for budget bill language that would address potential budget reductions as a result of federal sequestration. The language would allow the Director of Finance to reduce items of appropriation and associated positions. The exact funding implications of federal sequestration are unclear and federal agencies have not issued all necessary guidelines for such reductions. Given the uncertainty in the exact program reductions, the Administration has presented this control section to provide fle3xibility to decrease spending.

   The proposed language allows the Director of Finance to reduce items of appropriation and reduce positions upon 30 days' notice to the fiscal committees of the Legislature. The notification would include the amount of the appropriation adjustment, the program affected, and a description of the assumption used in making the adjustment.

   LAO Comment. The LAO notes that the Administration already has control sections to account for changes in federal funding in Control Sections 8.50 and 28.00. Their recommendation is for the new control section to be modeled after the exiting language in Control Section 28.00, which would provide for the Legislature to have some input as to how the reductions to items of appropriations would be made and require the Director of Finance to conform to those provisions.

   Staff Comment. Staff recognizes the necessity to address reductions in federal funding that will occur as a result of sequestration. The LAO alternative language preserves a measure of legislative input into the appropriation adjustment process. In addition, it would limit the adjustments in this section to those related to sequestration.

   Staff Recommendation. Reject May Revision proposed budget bill language and adopt alternative, based on approach developed by the Legislative Analyst's Office allowing for additional Legislative input, limiting the adjustments to those related to sequestration, and requiring an explanation of the adjustment.

   <u>Vote:</u>