



Final Action Report

A Summary of the 2005 Budget Act

(Chapter 38, Statutes of 2005)

Including:

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

Senator Wesley Chesbro, Chair
Senate Committee on Budget and Fiscal Review

July 25, 2005

FINAL ACTIONS

July 25, 2005

Senate Bill 77 (Chapter 38)
2005-06 Budget Bill

Senate Committee on
Budget and Fiscal Review

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California State Senate

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July 25, 2005

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2005-06 budget actions taken by the Budget Conference Committee along with the Governor's vetoes. This report is available on the Senate Budget and Fiscal Review website:

Please follow the links:

- 1 - www.sen.ca.gov
- 2 - Committees
- 3 - Standing
- 4 - Budget and Fiscal Review
- 5 - Information
- 6 - Final Action Report 2005

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,

A handwritten signature in black ink that reads "Wesley Chesbro".

WESLEY CHESBRO
Chair

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Governor's Vetoes

INTRODUCTION

On July 7th, the Legislature passed SB 77, the 2005 Budget Act (Chapter 38, Statutes of 2005) and its companion vehicle, SB 80 (Chapter 39, Statutes of 2005), that revised various items to the main budget. In enacting these bills, the Legislature met its Constitutional obligation to pass a balanced budget.

Enclosed is the Senate Final Action Report. The report provides a detailed summary of the 2005 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee (via the subcommittee process), the Budget Conference Committee, and final negotiations between leadership of the Legislature and the Administration, along with gubernatorial vetoes.

This report builds on the Major Action Report (issued May 26, 2005) which detailed the Senate version of the proposed 2005-06 budget. Final actions are recorded by department or agency; subdivided by budget subcommittee. The table of contents will direct you to departments or agencies of interest.

A list of budget implementation trailer bills enacted by the Legislature is also included. We hope you find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee with questions.

GENERAL FUND SUMMARY
2005-06
(dollars in millions)

	Budget Conference Committee	Final 2004 Budget (Revised)	Budget Conference Committee	Final 2005 Budget
	<u>2004-05</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2005-06</u>
Prior-Year Balance	\$ 6,948	\$ 7,279	\$ 6,793	\$ 7,498
Revenues and Transfers	79,545	79,935	84,385	84,471
Economic Recovery Bonds	2,012	2,012	--	--
Total Resources Available	88,505	89,226	91,178	91,969
Expenditures	81,712	81,728	89,243	90,026
Fund Balance	6,793	7,498	1,935	1,943
Reserves:				
Liquidation of Encumbrances	-641	-641	-641	-641
Economic Uncertainties	\$6,152	\$6,857	\$1,294	\$1,302

MAJOR FEATURES OF SB 77 (Chapter 38, Statutes of 2005)
As further Amended by SB 80 (Chapter 39, Statutes of 2005)

Broad Overview

- The 2005 Budget Act (SB 77) provides a balanced budget as required by the State Constitution.
- Total revised General Fund resources are estimated at \$91.9 billion, while estimated expenditures are approximately \$90 billion. (The total budget for all funding sources is projected at \$117.3 billion.).
- The budget includes a General Fund reserve of \$1.3 billion.

- Does not include any general tax increases, but is premised on some fee increases, proposed by the administration, particularly in the area of higher education.
- Does not rely on assumed unachievable savings, solutions, or federal funding.

Limited Borrowing and Accelerated Debt Payments

The 2005 Budget limited borrowing and accelerated the payment of various debts:

- Assumes no use of Economic Recovery Bonds (ERBs), preserving approximately \$3.7 billion of ERB capacity.
- Contains full repayment of the Vehicle License Fee (VLF) gap loan of \$1.2 billion to local government. This repayment was not due until August 2006. The funds are now a major source of discretionary funding for local governments. In addition, the budget pays down additional debt for local governments mandate claims in 2004-05 and 2005-06.
- Repays approximately \$61 million in past education mandate claims that are owed to local school districts. The Governor did not propose this repayment, but the Budget Conference Committee believed it was critical that the state make progress in decreasing the debts owed to schools.
- Provides \$67 million, consistent with the outcome of the “*Paterno*” lawsuit, to make the first payment.
- For the second year, assumes issuance of Pension Obligation Bonds (POBs) resulting in a General Fund savings/deferral of approximately \$525 million. Due to litigation challenging the bonds, the administration deferred the issuance of these bonds until 2005-06.

K-12 Education / Higher Education

- Provides the same level of funding for Proposition 98 as the administration, but provides more flexible funding to the schools. The budget protects funding for education by not shifting the cost of the State Teacher Retirement System (STRS) program to schools.
- Provides \$50 billion in Proposition 98 funds for *K-14* education in 2005-06, which represents an increase of \$3 billion above the 2004 Budget. According to the administration’s estimates, this level of funding is estimated to be \$740.9 million above the minimum Proposition 98 funding guarantee for K-14 education.
- Provides \$1.9 billion in revenue limit and categorical program enrollment growth and COLA adjustments in 2005-06. This reflects a 0.69 percent Average Daily Attendance (ADA) growth rate and a 4.23 percent COLA.
- Provides \$406 million in funding to reduce the revenue limit deficit factor for school districts and county offices of education. The Legislature provided an additional \$78 million for deficit

factor reduction above the \$328 million proposed by the Governor. Deficit factor funding provides ongoing, discretionary funding for schools.

- Maintains full funding for mental health services for special education pupils.
- Fully funds the Governor's compact with the University of California (UC) and California State University (CSU), and provides resources for academic preparation programs. In addition, the budget provides \$1 million to UC and CSU for an administrative initiative to increase the number of math and science teachers.

Health and Human Services

- The budget protects the health and human services safety net for low-income Californians, as follows:
 - ✓ Preserves CalWORKs (California Work Opportunity and Responsibility to Kids) grant levels.
 - ✓ Suspends CalWORKs COLA for 2 years versus permanent elimination.
 - ✓ Delays, for three months, the federal portion of SSI/SSP (supplemental security income/state supplementary program) COLA in 2005-06 and 2006-07 (from January 1 to April 1, 2006 and from January 1 to April 1, 2007) versus suspension.
 - ✓ Maintains the state's share of funding for In-Home Supportive Services (IHSS) wages.
 - ✓ Increases the wage amount the state will participate in for IHSS workers to \$11.10 per hour from \$10.10 per hour.
 - ✓ Maintains existing funding for childcare for low-income working families.
 - ✓ Precludes significant reductions in health care for low-income working families.
 - ✓ Rejects mandatory enrollment into managed care for Aged, Blind and Disabled Medi-Cal recipients.
- Increases a fee on healthcare plans in order to assist seniors in filling out their Medicare Part D forms.
- Establishes a realistic cap on dental services for adults in the Medi-Cal program.
- Continues existing cost containment measures for the purchase of services in developmental services.

Other Major Elements of the 2005 Budget Act

- Allocates \$1.3 billion to fully fund Proposition 42 transportation costs.
- Maintains existing renter's tax credit and homeowners programs for low-income seniors and the aged, blind, and disabled.

- Tobacco Securitization Bond refinancing: Taking advantage of lower interest rates, these bonds are being refinanced and will result in a one-time General Fund increase of \$525 million.
- Authorizes the administration to make \$100 million in unallocated General Fund reductions during the fiscal year. An additional \$150 million unallocated reduction was previously built into departmental budgets.

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
SB 77	Ch 38	2005 Budget Act	34-4	65-13
SB 62	Ch 76	Transportation Omnibus Trailer Bill	33-0	78-0
SB 63	Ch 73	Education Omnibus Trailer Bill	34-0	67-11
SB 64	Ch 77	State Boards and Commissions Trailer Bill	36-0	77-1
SB 68	Ch 78	Human Services Omnibus Trailer Bill	27-10	54-22
SB 71	Ch 81	Resources Omnibus Trailer Bill	36-0	70-7
SB 76	Ch 91	Energy Omnibus Trailer Bill	21-13	45-19
SB 78		Budget Act of 2004: Contingencies and Emergencies	Senate Unfinished Business	
SB 80	Ch 39	Revisions to 2005-06 Budget	31-0	64-13
SB 88	Ch 14	Fiscal Affairs: Health Care Funding: Proposition 99	32-2	72-0
SB 91	Ch 79	Budget Act of 2004: Contingencies and Emergencies	30-7	69-9
AB 131	Ch 80	Health Omnibus Trailer Bill	27-11	54-24
AB 138	Ch 72	State Mandates Trailer Bill	29-6	72-6
AB 139	Ch 74	State Government Trailer Bill	27-10	59-19
AB 145	Ch 75	Uniform Civil Filing Fees Trailer Bill	32-5	58-19
AB 794	Ch 23	Health Care Funding for Perinatal Women	22-14	46-25

BUDGET DETAIL, BY SUBCOMMITTEE

Subcommittee No. 1 – Education

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

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

0540	Secretary for Resources	3830	San Joaquin Conservancy
0555	Secretary for Environmental Protection	3835	Baldwin Hills Conservancy
3110	Special Resources Programs	3840	Delta Protection Commission
3125	California Tahoe Conservancy	3845	San Diego River Conservancy
3340	California Conservation Corps	3850	Coachella Valley Mountains Conservancy
3360	Energy Resources Conservation & Development Commission	3855	Sierra Nevada Conservancy
3460	Colorado River Board	3860	Department of Water Resources
3480	Department of Conservation	3870	California Bay-Delta Authority
3540	Department of Forestry and Fire Protection	3900	State Air Resources Board
3560	State Lands Commission	3910	California Integrated Waste Management Board
3600	Department of Fish and Game	3930	Department of Pesticide Regulation
3640	Wildlife Conservation Board	3940	State Water Resources Control Board
3680	Department of Boating and Waterways	3960	Department of Toxic Substances Control
3720	California Coastal Commission	3980	Office of Environmental Health Hazard Assessment
3760	State Coastal Conservancy	7300	Agricultural Labor Relations Board
3780	Native American Heritage Commission	8570	Department of Food and Agriculture
3790	Department of Parks and Recreation	8660	Public Utilities Commission
3810	Santa Monica Mountains Conservancy	8665	California Power Authority
3820	San Francisco Bay Conservation and Development Commission	8770	Electricity Oversight Board
3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy		

Subcommittee No. 3 – Health and Human Services

0530	Health and Human Services Agency	4270	California Medical Assistance Commission
4120	Emergency Medical Services Authority	4280	Managed Risk Medical Insurance Board
4130	Health and Human Services Agency Data Center	4300	Department of Developmental Services
4140	Office of Statewide Health Planning and Development	4440	Department of Mental Health
4170	Department of Aging	4700	Department of Community Services and Development
4180	Commission on Aging	5160	Department of Rehabilitation
4200	Department of Alcohol and Drug Programs	5170	State Independent Living Council
4260	Department of Health Services	5175	Department of Child Support Services
		5180	Department of Social Services

Subcommittee No. 4 –State Administration, General Government, Judicial, and Transportation

0250	Judiciary	8260	California Arts Council
0280	Commission on Judicial Performance	8320	Public Employee Relations Board
0390	Contributions to Judges' Retirement Fund	8380	Department of Personnel Administration
0520	Secretary for Business, Transportation, and Housing	8550	California Horse Racing Board
0595	Office of the State Inspector General	8620	Fair Political Practices Commission
0650	Office of Planning and Research	8690	Seismic Safety Commission
0820	Department of Justice	8830	California Law Revision Commission
0840	State Controller	8840	Commission on Uniform State Laws
0845	Department of Insurance	8855	Bureau of State Audits
0850	State Lottery Commission	8860	Department of Finance
0855	Gambling Control Commission	8885	Commission on State Mandates
0860	Board of Equalization	8910	Office of Administrative Law
0890	Secretary of State	8940	Military Department
0950	State Treasurer's Office	9100	Tax Relief
0985	California School Finance Authority	9210	Local Government Financing
1111	Department of Consumer Affairs	9650	Support for Health and Dental Benefits for Annuitants
1700	Department of Fair Employment & Housing	9800	Augmentation for Employee Compensation
1730	Franchise Tax Board	9840	Augmentation for Contingencies or Emergencies
1760	Department of General Services	9955	Reduction for Employee Compensation
1880	State Personnel Board	3.60	Contributions to Public Employee Retirement Benefits
1920	State Teachers Retirement System	4.01	Employee Compensation Savings
1955	Department of Technology Services	4.10	Reporting Requirements for Unallocated Reductions
2100	Department of Alcoholic Beverage Control	5.50	Contract Savings
2150	Department of Financial Institutions	8.53	Notice of Federal Audit
2180	Department of Corporations	8.81	Consultant Support for Enterprise Business System
2240	Department of Housing and Community Development	11.05	Information Technology Projects – Planning Documents
2320	Department of Real Estate	14.00	Special Fund Loans: Department of Consumer Affairs
2400	Department of Managed Health Care	25.50	Apportionment Payment System
2600	California Transportation Commission	33.50	Strategic Sourcing
2640	Special Transportation Programs		
2660	Department of Transportation		
2665	High Speed Rail Authority		
2720	California Highway Patrol		
2740	Department of Motor Vehicles		
2780	Stephen P. Teale Data Center		

Subcommittee No. 5 – Public Safety, Labor, and Veterans Affairs

0550	Secretary for Youth and Adult Correctional Agency	7100	Employment Development Department
0552	Office of the Inspector General	7120	California Workforce Investment Board
0559	Labor and Workforce Development Agency	7350	Department of Industrial Relations
0690	Office of Emergency Services	8120	Commission on Peace Officer Standards and Training (POST)
1870	Victim Compensation & Government Claims Board	8140	State Public Defender
5225	Department of Corrections & Rehabilitation	8180	Payments to Counties for the Costs of Homicide Trials
5240	Department of Corrections	8955-	Department of Veterans Affairs and
5430	Board of Corrections	8966	Veterans Homes of California
5440	Board of Prison Terms		
5460	Department of the Youth Authority		Control Section:
5480	Commission on Correctional Peace Officer Standards and Training (CPOST)	24.10	Transfer Surplus of Driver Training Penalty Assessment Fund to the General Fund

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review

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SUBCOMMITTEE No. 1

EDUCATION

**Org
Code**

K-12

6110 California Department of Education..... 1-1

Child Development

6110 California Department of Education—Child Development 1-5

Higher Education

6120 California State Library 1-6

6420 California Postsecondary Education Commission (CPEC) 1-6

6440 University of California 1-6

6610 California State University 1-7

6600 Hastings College of Law..... 1-8

6870 California Community Colleges 1-8

7980 California Student Aid Commission..... 1-9

K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Provided \$50 billion in Proposition 98 funds for *K-14* education in 2005-06, which represents an increase of \$3 billion above the 2004-05 budget. According to the administration's estimates, this level of funding is estimated to be \$740.9 million above the minimum Proposition 98 funding guarantee for K-14 education.
- Provided \$44.6 billion in Proposition 98 funding for K-12 schools in 2005-06, which is the same level of funding as proposed by the Governor in the May Revision.
- Provided \$1.9 billion in revenue limit and categorical program enrollment growth and COLA adjustments in 2005-06. This reflects a 0.69 percent Average Daily Attendance (ADA) growth rate and a 4.23 percent COLA.
- Provided \$406 million in funding to reduce the revenue limit deficit factor for school districts and county offices of education. The Legislature provided an additional \$78 million for deficit factor reduction above the \$328 million proposed by the Governor. The deficit factor originated with revenue limit reductions in the 2002-03 budget. By reducing the deficit factor, revenue limit funds increase and move closer to what they would have been without the 2002-03 reductions. **Deficit factor funding provides ongoing, discretionary funding for schools.**
- Maintained \$100 million in funding for mental health related services proposed by the Governor. This continues \$69 million for AB 3632 services provided by county mental health agencies and \$31 million for pre-referral services for children and youth with exceptional needs. The Governor's proposal to permanently shift the AB 3632 mandate back to schools was rejected.
- Rejected the Governor's proposal to eliminate state general fund support -- estimated at \$469 million in 2005-06 -- for the State Teachers Retirement System (CalSTRS) Defined Benefit Program. By eliminating state support, the administration proposed shifting financial responsibility for a large portion of teachers' retirement to school districts and teachers.
- Reduced one-time Proposition 98 settle-up funding by \$235 million --from \$241.8 million to \$6.8 million -- consistent with an administrative proposal. This reduction does not affect the calculation of the minimum guarantee because these are one-time funds deemed to satisfy prior year obligations.
- Reappropriated additional one-time funds from the Proposition 98 Reversion Account for the following K-12 education purposes: (1) \$83.5 million -- beyond the \$100 million proposed by the Governor -- for emergency facility repairs for schools in the lowest three deciles of the Academic Performance Index (API) pursuant to the 2004 *Williams* settlement agreement; (2) \$53.8 million for payment of prior-year mandate claims; (3) up to \$49.5 million in incentive funding to improve the education culture and environment of schools in the lowest three deciles

of the API; and (4) \$18.2 million for providing fruits and vegetables to schools pursuant to legislation enacted during the 2005-06 Regular Session.

- Appropriated a total of \$60.6 million in Proposition 98 funds to pay for prior-year mandate claims owed to K-12 education. This amount includes \$53.8 million in Proposition 98 reversion funds and \$6.8 million in Proposition 98 settle-up funds, as referenced above.
- Adopted the Governor's Budget proposal to defer payment of all ongoing education mandate payments in 2005-06 for a savings of approximately \$300 million.
- Maintained the same level of funding for special education services as proposed by the Governor, but reallocates funds as follows:
 - Passes through \$58.3 million in additional federal special education funds to Special Education Local Planning Areas (SELPA) on a per ADA basis as discretionary funds to be used for any special education purpose.
 - Provides General Fund growth and COLA on the state special education program only -- not on the federal program base -- for a savings of \$48.3 million. These and other savings totaling \$52.6 million are redirected to SELPA on a per ADA basis for any one-time special education purposes, including assistance to students with disabilities to pass the High School Exit Exam and instructional materials.
 - Provides an additional \$18.2 million in new program funding for the out-of-home care formula for students with disabilities needs who reside in licensed children's institutions and other out-of-home placements. This action increases the base program by \$15 million to move the formula closer to full funding and provides \$3.2 million to cover group homes inadvertently left out of the formula.
 - Reappropriates approximately \$26 million in one-time special education savings as per ADA grants to SELPA for special education discretionary purposes and includes \$3.2 million to cover the costs of adding group home beds to the out-of-home care formula in the current year.
 - Increases federal funding for Family Empowerment Centers by \$420,000 to fund additional centers serving students with disabilities and their families in new regions of the state.
- Provided \$60 million to fund a new cohort of low-performing schools eligible for the High Priority Schools program, pursuant to the *Williams* lawsuit settlement.
- Sets-aside \$74.5 million in federal carryover funds for low performing schools and districts identified as needing "program improvement" under the No Child Left Behind Act. The Legislature appropriated these funds as carryover funds for the following programs: \$13.2 million for Title V-Comprehensive School Reform; \$19.2 million for Title I-Migrant Education; \$24.3 million for Title I-Basic Grants; \$18.6 million for Title I-School Improvement. The Governor eliminated carryover funds for these individual programs through his vetoes and set aside the sum of these one-time funds for low-performing schools and districts, to be determined through legislation.

- Increased funding for the Pupil Retention Block Grant by \$20 million to assist students with passing the California High School Exit Exam in 2006. Funding will be allocated to schools with the highest percentage of students who have failed the exam and may be used for purposes of the block grant or for providing intensive instruction and services including hiring additional teachers, individualizing instruction, teacher training, individual or small group in instruction.
- Eliminated \$21 million in new funding that the Administration proposed for the K-12 High Speed Network and instead authorizes funding at the same level from unused funds previously appropriated for Internet connectivity and network infrastructure for grades K-12 schools and county offices of education. Prior to expenditure of these funds, the Joint Legislative Audit Committee (JLAC) shall conduct an audit of the K-12 network.
- Sets-aside \$20 million from the Instructional Materials Block Grant to provide ongoing funding for supplemental materials for English learners. Funding can be used to purchase English language development materials or to supplement core instructional materials used by districts. Budget control section language ties the level of funding provided for this program to the level of funding provided for the community colleges career-technical education program. The Governor vetoed these funds and set-aside the \$20 million for other Proposition 98 purposes pursuant to legislation. The Governor also vetoed the associated budget control section.
- Provided approximately \$115 million in federal Reading First dollars to fund a fourth year for school districts in the first cohort of the program. An additional \$6.5 million in carryover funding is provided for new grants to unfunded districts. Budget bill language requires legislative approval for a fifth year of funding and specifies the creation of an advisory committee to assist the Department of Education in supporting classrooms that provide bilingual education.
- Approved \$68 million for the Charter School Categorical Block grant, as proposed by the Governor, and specifies that changes to the formula be made pursuant to legislation that specifies the categorical programs that are in and out of the block grant.
- Adopted the May Revision to restore \$9 million in one-time funds for the Charter Schools Facilities Grant program for charter schools serving low-income students or located in low-income areas. The Governor's proposed budget would have eliminated funding for the program.
- Restored funding for two small categorical programs the Governor proposed to reduce or eliminate: the Early Mental Health Initiative (\$5.0 million) and the Healthy Start program (\$2 million). The Governor vetoed funding for Healthy Start, but set-aside funding for legislation to continue a program that ensures no out-year costs.
- Approved \$1.0 million to provide training for school district financial officers, as proposed by the Governor. Funding will be allocated pursuant to legislation.
- Provided \$500,000 in federal funds for a study of the Economic Impact Aid formula that provides funding to school districts for meeting the needs of economically disadvantaged students and English learners. The Legislative Analyst's Office will contract for the study that is intended to strengthen the formula so that it provides more equitable, predictable and reliable funding to school districts. The Governor vetoed funding for this study.

- Approved \$450,000 in one-time federal funds for the Department of Education to contract for the translation of required school related documents for non-English speaking parents and families. Translated documents will be added to a statewide clearinghouse so that they can be shared by other school districts.
- Adopted the May Revision proposal to restore \$840,000 for the Advancement Via Individual Determination (AVID) program, which the Governor originally proposed to reduce.
- Continued to defer payments of approximately \$1.3 billion in Proposition 98 apportionment programs from one fiscal year to the next. This practice commenced with the 2002-03 budget as a method of meeting the state's budget shortfall without reducing schools programs and services.
- Authorized the Department of Education to enter into a contract with a state agency, as well as a single, non-profit entity, in providing special education due process and mediation services. Budget trailer bill requires the Superintendent of Public Instruction to develop standards and regulations for contractors in providing due process services.

Trailer Bills:

1. **SB 63 (Committee on Budget and Fiscal Review).** *Makes numerous statutory changes needed to implement provisions of the 2005-06 budget, including provisions that: appropriate Proposition 98 settle-up funds; reduce revenue limit deficit factors to reflect increases in revenue limit appropriations; authorize a second cohort of the High Priority Schools Grant program; revise growth and COLA calculations for special education to limit application to the General Fund program only; and authorize the Department of Education to contract with a state agency, as well as a non-profit entity to provide special education due process hearing and mediation services, and require the Superintendent of Public Instruction to develop standards and regulations for contractors in providing these services. Chapter 73; Statutes of 2005.*
2. **SB 80 (Committee on Budget and Fiscal Review).** *Amends numerous items in SB 77 the Budget Act of 2005 including several that relate to K-12 education. Reappropriates additional one-time funds from the Proposition 98 Reversion Account for the following K-12 education purposes: (1) \$83.5 million for emergency school facility repairs for low-performing schools; (2) \$53.8 million for payment of prior year mandate claims; (3) up to \$49.5 million in incentive funding to improve low-performing schools; (4) \$18.2 million for providing fruits and vegetables to schools pursuant to legislation. Chapter 39; Statutes of 2005.*

CHILD DEVELOPMENT

6110 CALIFORNIA DEPARTMENT OF EDUCATION – CHILD DEVELOPMENT

- Reversed most of the Governor’s child care reform proposals and restored the programs to their current levels (adjusted for caseload) using a combination of General Fund (Proposition 98) and Temporary Aid to Needy Families (TANF) funds (totaling \$162.8 million), as follows:
 - Rejected Governor’s proposal to reduce number of child care slots due to the shift of 11- and 12-year-old children from subsidized child care to after school programs.
 - Denied administration’s proposal to index eligibility based on the Federal Poverty Level (as opposed to current use of State Median Income).
 - Rejected Governor’s proposal to implement a tiered reimbursement rate schedule for licensed and licensed-exempt child care providers. Adopted supplemental report language signaling the intent of the Legislature to work with the Administration in the future on the issue of provider rate reform.
 - Rejected Governor’s proposal to limit the length of time former CalWORKs recipients can receive subsidized child care services under Stage 3.
 - Suspended – for another year – regulations which would have altered the way that providers serving only subsidized children are reimbursed.
 - Approved Governor's proposal to implement centralized eligibility (waiting) lists (CELs) on a county-by-county basis.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Denied Governor's proposal to reduce funding for the Public Library Foundation by \$2.2 million. This action brings the total appropriation level for 2005-06 to \$14.4 million which is the same amount provided in 2004-05.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

Approved operational funding for CPEC, as budgeted.

6440 UNIVERSITY OF CALIFORNIA

- Approved the Governor's higher education budget augmentation proposals, including:
 - \$37.9 million to grow student enrollments by 2.5 percent;
 - \$76.1 million to increase a 3 percent cost-of-living-adjustment (COLA);
 - \$300,000 to grow Medical School student enrollments by 20 full-time students (for the PRIME-LC program at UC Irvine);
 - Increases fees for undergraduate students at UC by 8 percent, pursuant to actions taken by the UC Board of Regents. Fees for graduate students will increase by 10 percent and professional school students will see fees rise 3 percent.
- Restored \$17.3 million GF to support student academic preparation programs at the UC. State funds will be matched with \$12 million of university funds. Governor's proposal called for all state funding to be eliminated from these programs. In signing the 2005 Budget Act, the Governor stipulated that he while he is sustaining the \$17.3 million, funding is only available on a one-time basis, until such time as the University evaluates its academic preparation programs to determine their cost-effectiveness and eliminate those programs that do not provide an adequate return on the state's investment.
- Approved the Governor's Math and Science Teaching initiative which provides UC with \$750,000 to enhance efforts to recruit math and science majors into the teaching profession.
- Restored funding for research related to Labor Studies at the UC and provided an augmentation of \$3.8 million GF for this purpose. In signing the 2005 Budget Act, the Governor vetoed the \$3.8 million related to Labor research.
- Provided a total of \$24 million for first-year operational costs at UC Merced.

- Adopted supplemental report language calling for the Legislative Analyst, Department of Finance, UC, and California State University to examine the marginal cost of instruction methodology and make recommendations for possible changes and improvements to the process by which the state funds student enrollments.
- Approved all Capital Outlay projects as proposed by the Administration.

6610 CALIFORNIA STATE UNIVERSITY

- Approved the Governor's higher education budget augmentation proposals, including:
 - \$50.8 million to grow student enrollments by 2.5 percent;
 - \$71.6 million to provide a 3 percent cost-of-living-adjustment (COLA);
 - Increases fees for undergraduate students at CSU by 8 percent, pursuant to actions taken by the CSU Board of Trustees.
 - Also consistent with actions taken by the CSU Trustees, increases fees by 10 percent for academic graduate students and 3 percent for professional school students.
- Restored \$7 million GF to backfill the "unallocated" reduction proposed in the Governor's Budget. In signing the 2005 Budget Act, the Governor stipulated that he is sustaining the \$7 million on a one-time basis, until such time as the CSU evaluates academic preparation and student services programs to determine their cost-effectiveness and eliminates those programs that do not provide an adequate return on the state's investment.
- Approved the Governor's Math and Science Teaching initiative which provides CSU with \$250,000 to enhance efforts to recruit math and science majors into the teaching profession.
- Reverted \$15.5 million in unspent current-year funds for enrollment growth.
- Provided an additional \$309,000 in support for the Center for California Studies and Capitol Fellow programs. This augmentation was vetoed down by \$227,000, resulting in a minimal \$82,000 augmentation for the program.
- Provided \$4 million to increase student enrollment in CSU nursing programs at the Masters Degree level. Of this amount, the Governor vetoed \$3.44 million, leaving an additional \$560,000 to increase enrollments in the Entry-Level Master's Programs.
- Adopted Supplemental Reporting Language calling for the Legislative Analyst, Department of Finance, UC, and California State University to examine the marginal cost of instruction methodology and make recommendations for possible changes and improvements to the process by which the state funds student enrollments.
- Approved all Capital Outlay projects as proposed by the Administration, including \$26 million of General Obligation Bond funding for capital renewal projects (such as HVAC systems) to extend the useful life of CSU buildings.

6600 HASTINGS COLLEGE OF LAW

- Approved funding for Hastings, as proposed by Governor.

6870 CALIFORNIA COMMUNITY COLLEGES

- Approved \$141.9 million to support 3 percent enrollment growth.
- Provided funding in excess of \$210 million to support a 4.23 percent cost-of-living adjustment.
- Approved the Governor's Career-Technical Education proposal which would provide \$20 million in one-time funding to better align K-12 and community colleges career and vocational curriculum. Funding was "linked" (via a Budget Act Control Section) to the amount appropriated for instructional materials for K-12 English Language Learners. In signing the Budget Act, the Governor deleted the \$20 million in funding for career-technical education in the Budget Bill and instead set those funds aside (\$20 million which is being combined with \$17.4 million in other vetoed funds) for pending legislation, thus requesting that the appropriation be contained in the accompanying policy bill rather than the Budget Act.
- Approved \$10 million in ongoing Proposition 98 dollars to support an increase in nursing education and training at the community colleges.
- Provided \$30 million for equalization; funds are to be distributed pursuant to current law.
- Augmented the Governor's Budget by \$33 million (one-time Proposition 98 dollars) to backfill lost property tax revenues to Community Colleges in the current year; budget bill language further specifies that any funds not expended for this purpose are to be allocated for equalization. Believing that colleges would not need the full \$33 million augmentation, the Governor vetoed \$17.4 million from the appropriation (to be redirected to the Career-Technical Initiative), leaving \$15.6 million to backfill current year property tax revenues.
- Provides \$10 million (one-time) to pay prior-year state mandated local program costs.
- Restores \$31.4 million in funds vetoed from the current-year Budget Act pursuant to the development of a new accountability framework at the community colleges; establishes the accountability framework in statute.
- Added \$1 million to support the Cal-PASS student data sharing system.
- Held student fees constant at \$26 per unit.
- Continued to defer \$200 million worth of general apportionment expenditures from June 2006 to July of 2006.

7980 CALIFORNIA STUDENT AID COMMISSION

- Approved May Revision proposal which restored, to the current-year level, the maximum Cal Grant amount for students attending private colleges and universities.
- Retained both the current number of competitive Cal Grant awards and the current Cal Grant eligibility index for financially-needy students.
- Approved Governor's proposal to shift \$51 million worth of ongoing Cal Grant expenditures from the General Fund to EdFUND's Student Loan Operating Fund.
- Established a new loan assumption program - the State Nursing Assumption Program of Loans for Education (SNAPLE) – to encourage individuals to earn Masters in Nursing degrees and teach nursing in public colleges and universities.

SUBCOMMITTEE 2

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Sheila Kuehl, Chair
Robert Dutton
Alan Lowenthal

Consultant

Keely Martin Bosler

SUBCOMMITTEE No. 2

NATURAL RESOURCES, ENVIRONMENTAL PROTECTION, ENERGY & UTILITIES, AND FOOD & AGRICULTURE

**Org
Code**

Org Code		
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3340	California Conservation Corps.....	2-2
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NATURAL RESOURCES

0540 SECRETARY FOR RESOURCES

- Approved \$30.5 million in Proposition 50 bond funds and \$7.9 million Proposition 40 bond funds for grants to acquire and develop River Parkway projects.
- Approved \$11.7 million in Proposition 50 bond funds for grants to acquire property in the Sierra Nevada Cascade region of the state.
- Approved \$300,000 from Proposition 50 bond funds to contract for an independent programmatic and fiscal review of the CALFED program.

Budget Bill Language

1. *Approved language to require the agency, in coordination with the Sierra Nevada Conservancy, to report by December 1, 2005 on a plan for the coordination of grant programs in the Sierra Nevada region.*

Supplemental Report Language

1. *Approved language to require the agency to report by January 10, 2006, on options for funding resource management activities.*
2. *Approved language to require the Department of Fish and Game (DFG), in conjunction with the Resources Agency, to report by January 10, 2006 on DFG's activities, funding sources, and measured outcomes for each of its program areas.*

3110 SPECIAL RESOURCES PROGRAMS

- Approved as budgeted.

3125 CALIFORNIA TAHOE CONSERVANCY

- Approved \$34.2 million in resources bond funds to implement the Environmental Improvement Program to restore and protect the environment in the Lake Tahoe Basin.

3340 CALIFORNIA CONSERVATION CORPS (Corps)

- Approved \$3.3 million in resources bond funds for the Corps, \$1.2 million supports the state Corps and \$2.1 million supports local Corps programs.
- Approved \$37.1 million in lease revenue bonds for construction of the Delta Service District Residential Center and the Camarillo Residential Satellite Center.

3460 COLORADO RIVER BOARD

- Approved as budgeted.

3480 DEPARTMENT OF CONSERVATION

- Approved \$350,000 from special funds to establish three new positions to increase the department's Williamson Act enforcement unit. The Governor vetoed this legislative augmentation.
- Approved \$3.3 million for support of the CALFED program. These funds are allocated to the following program elements: (1) \$96,000 for oversight and coordination, and (2) \$3.2 million for the watershed program.

Trailer Bill Language

1. *Adopted language to specify that \$2 million in revenues from mining activities on federal lands be deposited in the Surface Mining and Reclamation Account annually for implementation of the Surface Mining and Reclamation Act.*

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

- Approved \$9 million General Fund to augment off-season fire protection staffing in Southern California.
- Approved \$10.8 million ongoing General Fund for fire equipment replacement.
- Approved restoration of \$6.7 million General Fund that was proposed in the Governor's budget as an unallocated reduction.
- Approved \$4.1 million General Fund to support increased costs associated with unemployment insurance.
- Approved \$2.4 million General Fund to replace radio equipment with narrowband capable equipment. This replacement will take five years and cost approximately \$12 million total.

- Approved \$1.5 million General Fund to cover increased costs associated with department's aircraft services and logistical support contracts.
- Redirected \$2 million General Fund from the department's central administrative support budget to augment forest resource management, assessment, and enhancement program activities.
- Approved \$3.8 million in federal funds for fuels management in Southern California in areas infested by the Bark Beetle.
- Approved \$1.4 million in federal funds for activities to increase the utilization of biomass created by fuels management activities.
- Approved \$144 million (\$129 million from lease revenue bonds and \$15 million General Fund) for capital outlay projects to upgrade forest fire stations throughout the state.
- Approved \$154,000 from special funds to support the CALFED watershed program element.

Supplemental Report Language

1. *Approved language to require the department to report by January 10, 2006 on its expenditures for mobile equipment.*
2. *Approved language to require the department to report by January 10, 2006 on its efforts to contract with certified disabled veteran business enterprises in the 2005 fire season.*
3. *Approved language to require the department to report by January 10, 2006 on the department's plans to increase fire prevention work in Southern California, including information on how the Amador agreements have been affected. The language also requires the department to provide updated information by January 10, 2007 based on actual data collected on the fire prevention work conducted.*

3560 STATE LANDS COMMISSION

- Approved as budgeted.

Trailer Bill Language

1. *Adopted language to create a new Oil Trust Fund in the state treasury to fund abandonment of tidelands oil fields in the City of Long Beach. Also transfers funds currently held in an abandonment account by the City of Long Beach to the state Oil Trust Fund. Provides \$2 million from tidelands oil revenues be deposited monthly in the Oil Trust Fund starting in January 1, 2006. This law change will create \$36 million in additional General Fund revenue in the budget year and approximately \$24 million in additional revenues in the 2006-07 budget year.*

3600 DEPARTMENT OF FISH AND GAME (DFG)

- Approved \$5 million from the General Fund to establish 40 new warden positions to ensure that California's natural environment is protected through enforcement of existing laws. The department has recently lost 25 percent of its warden positions, reducing the number of wardens to 1960's levels. This is despite state population increases that continue to put pressure on the state's natural environment. The Governor vetoed this legislative augmentation.
- Approved \$1 million from the General Fund to establish seven new positions to restore the Native Trout program to its 1980 levels. The Governor vetoed this legislative augmentation.
- Approved \$1.7 million from the General Fund to establish 15 new positions to restore statewide review of timber harvest plans.
- Approved \$8 million from tidelands oil revenues for salmon and steelhead trout restoration projects. The Governor reduced this item by \$4 million.
- Approved \$3 million from tidelands oil revenues for fish hatchery operations. The Governor vetoed this legislative augmentation.
- Approved \$500,000 from special funds to implement the Marine Life Protection Act.
- Approved \$200,000 General Fund for an independent contract to assist DFG in re-engineering its accounting systems and assist in preparing a report to the Legislature on its activities, funding sources, and outcomes to determine the level in which DFG is fulfilling its statutory mandates.
- Approved various expenditure reductions to make each dedicated account within the Fish and Game Preservation Fund solvent.
- Approved \$3.6 million to support the CALFED program. These funds are allocated to support the following program elements: (1) \$166,000 for oversight and coordination; (2) \$84,000 for the conveyance program; (3) \$528,000 for the science program; and (4) \$2.8 million for the ecosystem restoration program.
- Approved \$11.6 million from Proposition 13 bond funds to implement environmental enhancement and mitigation measures related to the Yuba Feather Flood Protection program.
- Approved \$2.2 million one-time from bond funds for various projects to manage and enhance lands owned by the department.
- Approved \$1.3 million primarily from federal funds for angler studies and fish health programs.

Trailer Bill Language

1. *Approved the Governor's proposal to eliminate the Interagency Aquatic Invasive Species Council.*

Supplemental Report Language

1. *Approved language to require the department, in conjunction with the Resources Agency, to report by January 10, 2006 on the department's activities, funding sources, and measured outcomes for each of its program areas.*
2. *Approved language to require the department to submit budget change proposals to address any instances in which activities are funded using resources other than those for which funds have been appropriated.*
3. *Approved language to require the department to report, by December 31, 2005, with recommendations for coordinating the state's invasive species activities.*
4. *Approved language to require the department to report by January 10, 2006 on the Fish and Game Preservation Fund, including an expenditure plan for each of the subaccounts within the fund, a fund condition for each of the subaccounts, and a plan for each dedicated account whose revenues are in excess of 20 percent of the account.*
5. *Approved language to require the department to report, by June 30, 2006, on the resources necessary to improve the administration of the Section 1600 permit program.*

3640 WILDLIFE CONSERVATION BOARD

- Approved \$21 million in Proposition 50 bond funds for purposes of restoring and enhancing wildlife habitat as required by the Habitat Conservation Fund.

Trailer Bill Language

1. *Approved language to allocate \$12 million in Proposition 50 resources bond funds that are continuously appropriated to the Wildlife Conservation Board to fund Salton Sea restoration. The Governor reduced this item by \$3.5 million to reflect a lower than anticipated reserve balance in this account.*

3680 DEPARTMENT OF BOATING AND WATERWAYS

- Approved as budgeted.

3720 CALIFORNIA COASTAL COMMISSION

- Approved \$600,000 General Fund to establish five new positions to address the backlog of work related to tracking, accepting and opening offers to dedicate. Offers to dedicate are mitigation tools used by the commission when permitting development within the coastal zone. The Governor vetoed this legislative augmentation.
- Approved \$350,000 General Fund to establish three new positions to increase the commission's review of energy-related projects, including the extension of marine oil terminal leases and liquefied natural gas proposals. The Governor vetoed this legislative augmentation.

Supplemental Report Language

1. *Approved language to require the commission to prepare and submit an annual report, starting January 10, 2006, showing the progress in facilitating the acceptance of outstanding offers to dedicate (OTDs).*
2. *Approved language to require the commission to report, by January 10, 2006, on all offers to dedicate (OTDs) that have not yet been accepted by a third party, including those OTDs where the acceptance status is currently unknown.*

3760 STATE COASTAL CONSERVANCY

- Approved \$1.2 million from special funds for start-up costs for the Ocean Protection Council.
- Approved \$31.5 million in Proposition 50 bond funds and \$4 million in Proposition 40 bond funds for projects to restore and protect coastal watersheds.
- Approved \$4 million in Proposition 40 bond funds and \$2.2 million in Proposition 12 bond funds for restoration of wetlands, wildlife habitat, and public access in the San Francisco Bay Area.
- Approved \$950,000 in special funds to support the conservancy's efforts to accept and open offers to dedicate (OTDs) easements. The Governor reduced this legislative augmentation by \$500,000.

3780 NATIVE AMERICAN HERITAGE COMMISSION

- Approved as budgeted.

3790 DEPARTMENT OF PARKS AND RECREATION

- Approved \$8 million from tidelands oil revenues to establish up to 40 new park positions and fund deferred maintenance activities. The Governor reduced this legislative augmentation by \$6 million.
- Approved \$3 million from tidelands oil revenues for deferred maintenance. The state park system has nearly \$900 million in deferred maintenance projects. The Governor vetoed this legislative augmentation.
- Approved \$1.3 million General Fund to support seven new positions of the initial phase of management and operation of the new Hearst acquisition.
- Approved \$11.8 million General Fund for modification of existing state park facilities to make them more accessible to visitors with disabilities.
- Approved an increase of state park fees of \$6 million to cover costs associated with upgrading outdated water and wastewater systems.
- Approved \$44.1 million in bond funds, special funds, and federal funds for grants to fund various local park projects.
- Approved \$7.5 million from federal funds and bond funds to acquire new state park properties.
- Approved \$5.6 million from special funds to acquire new off-highway vehicle properties.
- Approved \$35.7 million in bond funds for capital outlay projects to develop and improve existing state park facilities.

3810 SANTA MONICA MOUNTAINS CONSERVANCY

- Approved \$9.5 million in Proposition 50 bond funds for watershed protection projects.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

- Approved \$88,000 General Fund for oversight and coordination activities related to the CALFED program.

3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY

- Approved \$4.5 million in Proposition 50 bond funds for projects consistent with the conservancy's watershed and open space plan.

3830 SAN JOAQUIN CONSERVANCY

- Approved \$1.5 million in Proposition 40 bond funds for land acquisitions for development of the San Joaquin River Parkway. These funds are provided in the Wildlife Conservation Board's budget.

3835 BALDWIN HILLS CONSERVANCY

- Approved \$8.7 million in Proposition 40 bond funds for grants to acquire open space.

3840 DELTA PROTECTION COMMISSION

Approved as budgeted.

3845 SAN DIEGO RIVER CONSERVANCY

- Approved \$500,000 in reimbursements for grants.

3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY

- Approved \$218,000 in Proposition 40 bond funds for grants and land acquisitions by the conservancy.

3855 SIERRA NEVADA CONSERVANCY

- Approved \$3.6 million special funds to fund start-up costs for the conservancy.

Supplemental Report Language

1. *Approved language to require the conservancy to report, by January 10, 2006, on its total expenditure requirements for 2006-07 and future years, in recognition that some of the expenditures in 2005-06 are one-time start-up costs.*
2. *Approved language to require the Secretary for Resources, in consultation with the Sierra Nevada Conservancy to submit a plan for the coordination of grant programs in the Sierra Nevada region.*

3860 DEPARTMENT OF WATER RESOURCES

- Approved \$103.1 million General Fund to cover settlements related to the Paterno lawsuit. Approximately \$67.1 million is for the first payment of a 10-year financing arrangement with Merrill-Lynch to pay off the \$428 million settlement reached with over 3,000 plaintiffs in this lawsuit.
- Approved \$117 million to support the CALFED program. These funds are allocated to the following program elements: (1) \$263,000 for oversight and coordination; (2) \$8.1 million for the ecosystem restoration program; (3) \$9 million for the environmental water account; (4) \$27 million for the water use efficiency program; (5) \$254,000 for the watershed program; (6) \$552,000 for the drinking water quality program; (7) \$19.2 million for levees program; (8) \$8.5 million for the storage program; (9) \$6.9 million for water supply reliability; (10) \$30.9 million for the conveyance program; and (11) \$6.2 million for the science program.
- Approved \$11.5 million in Proposition 50 bond funds for pilot and demonstration projects that remove contaminants from drinking water.
- Approved \$34.9 million in Proposition 13 bond funds for the Yuba Feather Flood Protection program, including \$14 million to fund the acceleration of levee improvements for the Three Rivers Levee Improvement Authority.
- Approved \$11.3 million (\$9.7 million General Fund) to increase DWR's flood management activities, including maintenance of the Central Valley flood project, floodplain management, emergency response, and a multi-year levee system reevaluation and rehabilitation project.
- Approved \$21 million (\$16.7 million General Fund) to fund capital outlay flood management projects in the Central Valley.
- Approved \$59 million General Fund for the lining of the All-American Canal and other local projects that help the state live within its Colorado River allocation.
- Approved \$47.9 million from Proposition 50 bond funds for the Integrated Regional Water Management grant program.
- Approved \$21.3 million from Proposition 50 for feasibility and construction grants for desalination of ocean or brackish waters.
- Approved as budgeted the California Energy Resources Scheduling division.

3870 CALIFORNIA BAY-DELTA AUTHORITY

- Approved \$19.7 million to support the CALFED program. These funds are allocated to the following program elements: (1) \$6.9 million for oversight and coordination; (2) \$7.4 million

for the ecosystem restoration program; (3) \$2.5 million for the conveyance program; and (4) \$3 million for the science program.

Budget Bill Language

1. *Approved a new control section to require the Department of Finance (DOF) to provide the Legislature with additional information on bond fund expenditures in the base budget for the CALFED Bay-Delta Program. Also requires DOF to annually submit budget change proposals for CALFED-related local assistance expenditures.*

Supplemental Report Language

1. *Approved language to require the administration to submit a zero-based cross-cut 2006-07 budget for the CALFED Bay-Delta program. It is the intent of the Legislature that this would require the Administration to justify all expenditures proposed to support the CALFED program.*

ENVIRONMENTAL PROTECTION

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

- Approved \$1 million from special funds for climate change activities, including \$500,000 to support the Climate Action Registry funded by the Public Interest Energy Research fund. The Governor vetoed the \$500,000 provided for the Climate Action Registry.

Supplemental Report Language

1. *Approved language to require the agency to report by January 10, 2006 on the further refinement of indicators developed under the Environmental Protection Indicators for California (EPIC) project.*
2. *Approved language to require the agency to report by January 10, 2006 on a balanced funding mix for implementing the Education and the Environment Initiative at the California Integrated Waste Management Board.*
3. *Approved language to require the agency to report by January 10, 2006 on the status of implementing the agency's cross-agency enforcement initiative.*

3900 AIR RESOURCES BOARD

- Approved \$3.5 million from special funds to augment the board's mobile source review program.
- Approved \$3.7 million from special funds to augment enforcement in the Heavy-Duty Vehicle Inspection program along the California-Mexico border and the Port of Long Beach.
- Approved \$8.6 million from special funds to increase funding to support the board's development of the State Implementation Plan and state regulations for reducing particulate matter (PM2.5).
- Approved \$12 million in one-time additional funding for the Carl Moyer Air Quality program. These special fund revenues were received in the current year, but had not been expended.
- Approved \$25 million in special funds (\$10 million redirected from the Carl Moyer program and \$15 million from the Motor Vehicle Account) to retrofit and replace old school buses.
- Approved \$6.5 million from special funds to implement the California Hydrogen Blueprint Plan to establish demonstration hydrogen fueling stations and lease and purchase hydrogen-powered vehicles.

Trailer Bill Language

1. *Approved language to guide the implementation of the California Hydrogen Blueprint Plan and establish standards for hydrogen fuel and fuel cells.*

Supplemental Report Language

1. *Approved language to require the board to report by January 10, 2006 on actual increases in emissions resulting from free commercial vehicle travel between the United States and Mexico as a result of NAFTA implementation.*

3910 INTEGRATED WASTE MANAGEMENT BOARD

- Approved \$3.5 million from special funds to implement the Education and Environment Initiative.

3930 DEPARTMENT OF PESTICIDE REGULATION

- Approved as budgeted.

Supplemental Report Language

1. *Approved language to require the department to report by January 1, 2006 on the number of risk assessments conducted and a description of the process the department is using to make risk assessments, including how disagreements on scientific findings have been resolved.*

3940 STATE WATER RESOURCES CONTROL BOARD

- Approved \$1.5 million from special funds to start environmental work required to determine in-stream flows required for maintaining fisheries downstream of diversions on the Napa River and other rivers on the North Coast.
- Approved \$11.5 million for loans and grants from the Repair and Replacement of Underground Storage Tanks program for small businesses.
- Approved \$15 million increase in funding from the Underground Storage Tank Cleanup Fund for the cleanup of contamination caused by underground storage tanks.

- Approved \$1.6 million in special funds to oversee cleanup of Brownfield properties, including closed military bases.
- Approved redirection of \$600,000 to establish 7.4 positions to operate a regulatory program that protects wetlands no longer protected under the jurisdiction of the federal government due to the U.S. Supreme Court SWANCC decision.
- Approved \$66.5 million from Proposition 50 bond funds for grants to finance projects that restore and protect coastal water quality.
- Approved \$55 million from Proposition 50 bond funds for Integrated Regional Water Management grants.
- Approved \$20.7 million from Proposition 50 bond funds for grants to assist in the construction of publicly owned wastewater treatment and collection facilities.
- Approved \$3.9 million from Proposition 13 bond funds for grants to finance projects that reduce non-point source pollution.
- Approved \$1.9 million from Proposition 13 bond funds for grants to finance watershed protection projects.
- Approved \$1.9 million for support of the CALFED program. These funds are allocated to the following program elements: (1) \$381,000 for the watershed program; (2) \$1.3 million for the water use efficiency program; and (3) \$212,000 for the drinking water quality program.

Trailer Bill Language

1. *Approved language to extend until January 1, 2008, the board's deadline for adopting principles and guidelines for maintaining in-stream flows in coastal streams from the Mattole River to San Francisco and in coastal streams entering Northern San Pablo Bay.*

Supplemental Report Language

1. *Approved language to require the board to report by January 10, 2006 on its plan to implement a program to regulate cruise ship waste discharges.*

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

- Approved \$8.5 million General Fund to continue to fund the state takeover of the BKK landfill pending resolution of long-term financing plan with the potential responsible parties.
- Approved \$1.7 million in special funds to oversee cleanup of Brownfield properties, including closed military bases.

- Approved \$3.1 million General Fund to support preliminary plans to construct a new pretreatment plant at the Stringfellow Hazardous Waste site.

Trailer Bill Language

1. *Approved language that allocates emergency response costs associated with the state takeover of the BKK landfill to the state's total share of liability related to long-term management of the landfill.*
2. *Approved language to create a state account for deposit of revenues from local agencies to fund the state's Certified Unified Program Agency in Imperial and Trinity Counties.*

Budget Bill Language

1. *Approved language to require notification of the Legislature of payments by potential responsible parties to reimburse General Fund expenditures to operate and upgrade the BKK Class I landfill.*

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

- Approved \$1 million from the General Fund to establish five new positions to fund children's health program activities and other statutory mandates. The Governor reduced this legislative augmentation by \$500,000 General Fund.
- Approved \$250,000 from the Waste Discharge Permit Fee fund to establish two new positions to address deficiencies in the department's fish health program. The Governor vetoed this legislative augmentation.
- Approved \$250,000 from the Department of Pesticide Regulation Fund to establish two new positions to support the department's pesticide related activities. The Governor vetoed this legislative augmentation.

ENERGY AND UTILITIES

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

- Approved \$15.5 million from special funds to establish a new public interest natural gas research program at the commission.
- Approved \$796,000 from special funds to augment the commission's analytical resources related to energy demand forecasting, transportation information, and electricity procurement.

Trailer Bill Language

1. *Adopted language to expend one-half of funding for the new public interest natural gas research program pursuant to a plan jointly developed and approved by the commission and the Air Resources Board. Up to one-third of the funds allocated annually pursuant to this plan are authorized to be expended on transportation-related research.*
2. *Adopted language to allow Public Interest Energy Research funds to be expended for transportation-related public interest energy research.*
3. *Adopted language to define interests of ratepayers to include activities that benefit ratepayers and promote energy efficiency, reduction of health and environmental impacts of air pollution, greenhouse gas emissions related to natural gas and electricity and increased use of alternative fuels.*
4. *Adopted language to direct the commission to develop a long-term workload and staffing plan for the Public Interest Energy Research Development and Demonstration program.*

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

- Approved \$1 million from special funds to establish 10 new positions in the division of the Office of Ratepayer Advocates. The Governor vetoed this legislative augmentation.
- Approved \$1.3 million from special funds to expand the commission's rail safety program, including \$100,000 for a rail safety working group to identify rail safety problems and make

recommendations to the Legislature. The Governor vetoed \$283,000 intended for additional legal staff and governmental liaisons for the rail safety program.

- Approved \$6 million from special funds on a one-time basis to reimburse telephone providers for discounted telephone service provided through the Universal Lifeline Telephone Program.
- Approved \$786,000 from special funds for 13 positions to process informal complaints of utility customers, five of the positions are 2-year limited term.
- Approved \$521,000 from special funds to increase enforcement of household goods carriers.

Trailer Bill Language

1. *Adopted language to increase the maximum fee paid by household goods carriers in order to fund increased enforcement of the household goods carrier industry.*

**8665 CALIFORNIA CONSUMER POWER AND CONSERVATION
FINANCING AUTHORITY**

- No funding provided in the budget year. The Authority has been disbanded.

8770 ELECTRICITY OVERSIGHT BOARD

- Approved as budgeted.

FOOD AND AGRICULTURE

8570 DEPARTMENT OF FOOD AND AGRICULTURE

- Approved \$8 million from the General Fund to support the Mediterranean fruit fly preventative release program.
- Approved \$1.3 million from the General Fund to eliminate the backlog of deferred purchases to replace obsolete equipment for the state's veterinary diagnostic laboratory system.
- Approved the restoration of \$597,000 General Fund that was proposed as an unallocated reduction to the County Agricultural Commissioners. A corresponding reduction was made to the General Fund budget for the department.

Budget Bill Language

1. *Approved language to require the department to provide a detailed spending plan for federal specialty crop grant funds prior to appropriation of these funds by the Legislature.*

Trailer Bill Language

1. *Approved the Governor's proposal to eliminate the Agriculture Cooperative Bargaining Advisory Committee.*

Supplemental Report Language

1. *Approved language to require the department to report by March 1, 2006 to the Legislature on the activities conducted and fees collected by the commodity specific boards under the department.*

7300 AGRICULTURAL LABOR RELATIONS BOARD

- Approved as budgeted.

SUBCOMMITTEE 3

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Denise Moreno Ducheny, Chair
George Runner
Tom Torlakson

Consultants

Anastasia Dodson
Diane Van Maren

SUBCOMMITTEE No. 3

HEALTH and HUMAN SERVICES

**Org
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HEALTH

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Increased by \$10 million General Fund to provide support to trauma care centers for uncompensated medical care.
- Increased by \$6.2 million (federal Health Resources and Services Administration grant funds) to (1) fund six limited-term positions, (2) conduct a variety of special statewide projects, and (3) provide \$3.3 million in local assistance. These are federal grant funds. These resources are to be used to continue the development and implementation of a bioterrorism response system for the state.
- Increased by \$270,000 (federal funds) to continue a one-year limited-term state position and to contract for the development of an electronic management system to track training courses completed by emergency medical system personnel. The state position will be used to review existing and proposed terrorism response medical training programs for emergency medical personnel and implement state terrorism response training standards.
- Augmented by \$311,000 (federal funds) to fund two positions, overtime pay, and consultant expenditures to develop, implement, and operate a coordinated medical terrorism monitoring and analysis program within the state. This request is part of a broader proposal related to the establishment of a new Statewide Terrorism Threat Assessment Center.
- Provided \$77,000 (Emergency Medical Services Training Program Approval Fund) to fund a position to facilitate reviews and training program renewals associated with Child Care Centers as required by existing law.

4260 DEPARTMENT OF HEALTH SERVICES (DHS)

The Medi-Cal Program

- Reflected savings of \$150.3 million General Fund due to a lower than anticipated caseload and slower growth in the utilization of services.
- Saved \$191.7 million General Fund by authorizing the DHS and Managed Risk Medical Insurance Board (MRMIB) to submit a State Plan Amendment to the federal CMS in order to obtain a 65 percent federal match for the state's Prenatal Care Program for Undocumented Women and the Access to Infants and Mothers (AIM) Program. Trailer bill legislation was also adopted to ensure that California's existing reproductive rights protections, as well as full scope services to pregnant women, would be maintained.

- Modified the administration's proposal to expand the Medi-Cal Managed Care Program. Specifically, the following actions were taken:
 1. Rejected the mandatory enrollment of aged, blind, and disabled.
 2. Provided for expansion into 13 new counties using the existing program enrollment method of the mandatory enrollment of children and families, and the voluntary enrollment of the aged, blind, and disabled.
 3. Provided for existing County Organized Health Care Systems (COHS)—all five of them—to expand into additional counties. By the nature of this model, COHSs require the mandatory enrollment of aged, blind, and disabled individuals. Therefore, counties that choose to become part of an existing COHS would have mandatory enrollment.
 4. Adopted trailer bill language to codify key components of the administration's "plan readiness" requirements.
 5. Adopted trailer bill language to retain the integrity of the California Children's Services (CCS) Program in a managed care environment.
 6. Adopted trailer bill language to require the DHS to provide the Legislature with quarterly updates, beginning January 1, 2006, on core activities to improve the Medi-Cal Managed Care Program and to expand to the 13 counties.
 7. Adopted trailer bill language to require the DHS to provide the Legislature with information regarding the rate analysis currently being conducted by Mercer, Incorporated.
- Adopted a modified expenditure cap for Adult Dental services provided to Medi-Cal enrollees. This modified cap has a set limit of \$1,800 over a calendar year and commences as of January 1, 2006. The cap excludes emergency services, dentures, dental services provided in a long-term care nursing home setting, and complex oral and maxillofacial surgeries. A three-year sunset date of January 1, 2009 was also adopted. Since the administration's proposal assumed a retroactive cap in order to obtain savings in the budget year, an increase of \$25.1 million General Fund was needed to backfill General Fund support.
- Rejected the administration's changes to the existing Single Point of Entry process for savings of \$3.4 million (\$2.1 million General Fund). This was another component piece to the administration's Medi-Cal redesign proposal.
- Contains no changes associated with the administration's proposed Hospital Financing Waiver (California's existing Waiver expired as of June 30, 2005). The Waiver will be discussed and finalized through a separate process.
- Rejected the administration's proposal to use a contractor, in lieu of state employees, to monitor counties performance for savings of \$600,000 (\$300,000 General Fund).
- Adopted trailer bill legislation to permanently establish in statute the cost-based reimbursement methodology presently provided in Los Angeles County for county-owned or operated hospital clinics and community care clinics that participated in the Los Angeles County Waiver (set to expire as of June 30, 2005). This is the same language as proposed by the administration.

- Appropriated \$29.1 million (federal funds) for local trauma centers located in Los Angeles and Alameda Counties. The state funds used to draw this federal match come from county taxes as adopted by local voters.
- Saved \$25.8 million General Fund by using Proposition 99 funds to backfill for a portion of General Fund support in the Orthopaedic Hospital Settlement Agreement.
- Adopted several actions that pertain to the implementation of the federal Part D Drug Program by January 1, 2006. These actions within the Medi-Cal Program are as follows:
 1. Adopted trailer bill legislation to implement the federal Part D Drug Program. Among other things, this language will require the DHS to include counties and appropriate stakeholders in the development of any and all county letters or other forms of instruction that are sent out, and requires the DHS to work with counties to develop an estimate of cost for eligibility processing which is to be presented in the Governor's 2006 budget submittal to the Legislature;
 2. Concurred with the administration to increase by \$93.6 million (\$46.8 million General Fund) to provide coverage under the Medi-Cal Program for dual eligibles for those specific categories of drugs excluded from the federal Part D Drug Program;
 3. Adopted trailer bill legislation for the DHS to develop a process for providing emergency drug coverage for a dual eligible for up to 60-days during the first year of implementation of the federal Part D Drug Program;
 4. Reduced by \$759.6 million General Fund (January 1, 2006 to June 30, 2006) as proposed by the DHS to capture the anticipated savings from shifting drug expenditures for the dual eligibles from Medi-Cal to the new federal Part D Drug Program;
 5. Increased by \$511 million General Fund due to the federal "clawback" in which the federal government requires states to make a "state contribution" payment to help finance the federal Part D Drug Program dual eligible enrollees;
 6. Reduced by \$57.6 million (\$28.8 million General Fund) the capitation rate paid to certain Medi-Cal Managed Care plans to reflect that the federal Part D Drug Program will be paying for the drugs provided to dual eligibles;
 7. Adopted trailer bill legislation to enable the AIDS Drug Assistance Program to pay for the copays associated with the new federal Part D Drug Program, as is presently done in the existing ADAP Program; and
 8. Conformed to the administration to provide \$1.6 million General Fund within the Medi-Cal Program to mail flyers to dual eligibles regarding the federal Part D Drug Program and to conduct certain provider relations activities.
- Increased by \$59.8 million (\$29.9 million General Fund) to provide rate increases to various long-term care facilities not covered by AB 1629, Statutes of 2004, as provided for under existing state statute.

- Reflected *net* savings of \$257 million General Fund through the implementation of AB 1629, Statutes of 2004, which (1) requires the DHS to provide a cost-of-living adjustment to certain nursing homes, effective August 1, 2004, (2) provides for the establishment of a facility specific rate methodology by August 1, 2005, and (3) institutes a quality improvement fee to be effective August 1, 2004. This is all contingent upon federal CMS approval which is still pending.
- Increased by \$26.4 million (\$13.2 million General Fund) for Adult Day Health Care (ADHC) providers to (1) implement a modest change to the existing moratorium on provider Medi-Cal certification, and (2) provide a rate adjustment as required by existing state law which the administration did not include in their budget.
- Provided 38 positions, in lieu of the requested 74.5 positions, to the DHS to continue with various third-party recovery activities in the Medi-Cal Program for savings of \$25.7 million General Fund. No emergency regulation authority was provided for any component.
- Assumed implementation of a quality improvement fee on Medi-Cal Managed Care plans as of July 1, 2005 for an overall net savings of \$37.7 million General Fund.
- Increased by \$3.4 million (\$1.2 million General Fund) to reflect funding for health care benefits and eligibility administration for implementation of an accelerated enrollment for certain children who have a high share-of-cost in Medi-Cal. These children would receive up to 60-days of coverage pending enrollment into the Healthy Families Program.
- Reduced by \$7 million (\$3.5 million General Fund) to reflect a January 1, 2006 implementation date for obtaining federal government approval of the Department of Health Services' request regarding the states Medi-Cal Drug Rebate Program (i.e., "protecting rebates"). This action was approved by the Legislature in the Budget Act of 2002 and still has not been implemented by the DHS.
- Augmented by \$4.2 million (\$2.1 million General Fund) to change the drug ingredient formulary pricing from a 30-day noticed update to a weekly noticed update. This proposed change will assist pharmacists in receiving appropriate reimbursement for their drug ingredient expenditures.
- Provided six new positions to the DHS and resources for an internet application to expedite the processing of Medi-Cal provider enrollment (such as physicians).
- Provided an increase of \$120,000 General Fund to support positions at Delta Dental to process the enrollment of dentists into the Medi-Cal Program (Denti-Cal).
- Provided four positions for oversight of the existing SB 1732 hospital construction program and existing disproportionate share hospital program.
- Provided 12 positions for implementation of the pending Hospital Waiver.
- Provided a 3 percent rate increase to CalOPTIMA, the County Organized Health Care Systems of Orange County for increased expenditures of \$18.4 million (\$9.2 million General Fund).
- Provided \$6 million (\$3 million General Fund) for a rate adjustment to maintain fiscal solvency for the Alameda Alliance for Health; however this augmentation was vetoed by the Governor.

- Provided \$5 million (\$2.5 million General Fund) for a rate adjustment to maintain fiscal solvency for the San Diego Community Health Group. Of this total amount, \$3 million was sustained by the Governor.
- Increased by \$724,000 (\$362,000 General Fund) for a rate adjustment for the Partnership HealthPlan of California; however, this augmentation was vetoed by the Governor.
- Augmented by \$100,000 (\$50,000 General Fund) to reflect a rate increase for speech-generating devices. This proposal would settle litigation issues by providing adequate access to the product.
- Reduced by \$2.250 million (\$1.125 million General Fund) the Disease Management Program due to the late implementation by the DHS.
- Adopted trailer bill legislation to add therapeutic diabetic shoes and inserts as a Medi-Cal benefit.
- Adopted trailer bill legislation to increase the rates paid for portable x-ray transportation to 100 percent of the Medicare rate.
- Increased by \$200,000 (\$100,000 General Fund) to provide two positions to expedite and process applications for the Program of All-Inclusive Care for the Elderly (PACE).
- Adopted Budget Bill language to encourage the DHS to process PACE applications in a more efficient manner.
- Adopted trailer bill legislation to require the DHS to provide the Legislature by no later than July 1, 2006 with a comprehensive review of nurse staffing levels that is a statistically valid sample of hospitals that are urban and rural, public and private, proprietary and non-profit, geographically-balanced, and small and large. At a minimum, this analysis shall include a comparison to the 2001 baseline staffing study, including the extent to which hospitals have increased registered nurse and licensed vocational nurse staffing.
- Adopted trailer bill legislation to require the DHS and the California Medical Assistance Commission (CMAC) to provide fiscal information to the Joint Legislative Audit Committee and the Joint Legislative Budget Committee on the funds provided to the contract hospitals participating in the Medi-Cal Program, and the health plans participating in the Medi-Cal Managed Care Program for implementation of the nurse-to-patient ratios.
- Adopted Budget Bill language that it is the Legislature's intent that funding appropriated to the DHS for the Medi-Cal Program shall be expended for purposes that are consistent with the assumptions and estimates as defined in Section 14100.5 of the Welfare and Institutions Code. This language was voted by the Governor.
- Saved \$780,000 General Fund by rejecting changes to CalWORKs that would have affected the 1931(b) eligibility category in Medi-Cal. The increase proposed by the administration to hold harmless certain enrollees is not needed since the CalWORKs adjustment (i.e., "MAP") was not adopted.

- Adopted trailer bill language to continue pilot projects that provide continuous 24-hour skilled nursing care to medically fragile persons with developmental disabilities in certain Waiver facilities (ICF-DD-continuous nursing) as originally contained in AB 359 (Chapter 845, Statutes of 1999).
- Adopted Budget Bill language to appropriate \$898,000 General Fund for specified planning purposes associated with implementation of the Acute and Long-Term Care Integration Projects.
- Continued three positions at the DHS as requested for the Long-Term Care Integration efforts.
- Increased by \$487,000 (total funds) to fund nine positions at the DHS to process reimbursements submitted by Tribal Organizations under the Targeted Case Management (TCM) Program.
- Increased by \$938,000 (total funds) to provide 10 positions to the DHS to process reimbursements from local government agencies associated with Medi-Cal Assistance Claiming (MAC) and the Targeted Case Management (TCM) Program.

Public Health Programs

- Augmented by \$12 million General Fund to assist in mitigating the spread of West Nile Virus. Of this amount, \$10 million will be allocated to local vector control districts.
- Appropriated a total of \$268.3 million (\$91.1 million General Fund, \$76.3 million ADAP Drug Rebate funds, and \$100.9 million federal Ryan White CARE Act funds) to fully fund the AIDS Drug Assistance Program (ADAP).
- Augmented by \$5.7 million (General Fund) HIV/AIDS Prevention and Education funding for various local health jurisdictions to restore them to their 2001-02 funding levels. The Governor sustained this augmentation but stated his intent to view this augmentation as a one-time only appropriation.
- Restored the California Office of Binational Border Health by providing an increase of \$604,000 General Fund. This funding level reflects an unallocated reduction of \$90,000 that was taken in the current-year by the DHS.
- Provided a total of \$2.180 million (\$1.43 million General Fund) towards the Governor's obesity program in lieu of the \$6 million General Fund requested. The Budget provides a Medical Office position as requested, as well as \$500,000 towards local grants and \$1.5 million (total funds) for the Medi-Cal Program best practices.
- Adopted trailer bill language to provide for a four-fifths vote of the Legislature to enable Proposition 99 funds to be matched with federal funds, including federal Medicaid funds, federal hospital Waiver funds (when available), and federal S-CHIP funds.
- Used \$3 million (\$2 million Physician Services Account and \$1 million Unallocated Account) in one-time funds to be transferred to the Steven M. Thompson Medically Underserved Account

to provide for medical school loan assistance to physicians so they will serve in medically underserved areas for up to three years.

- Provided \$3 million (Proposition 99 funds) in one-time-only funds for activities associated with mitigating Asthma.
- Increased by \$3.6 million (Proposition 99 funds) for the Competitive Action Grants to fund a variety of local, regional, statewide, and pilot projects that seek to educate people about the dangers of tobacco use.
- Augmented by \$400,000 to allow the DHS to evaluate the Competitive Action Grants.
- Provided an additional \$1.1 million (Proposition 99 funds) to support increased caseloads in the Breast Cancer Early Detection Program.
- Provided 94.8 positions to the DHS to continue implementation of various activities associated with the receipt of federal bioterrorism funds. Also adopted several pieces of trailer bill language and Budget Bill language to ensure both the fiscal and policy integrity of the program.
- Provided \$1.1 million (total funds) to conduct activities associated with having underserved communities access shelter services provided to individuals needing assistance with domestic violence. Adopted Budget Bill language on how these funds are to be expended.
- Eliminated \$11.7 million General Fund associated with the implementation of the Governor's California Rx Program. Policy legislation to implement this proposal has stalled in the Senate Health Committee.
- Adopted trailer bill language as proposed by the administration to continue to defer the state's \$20.2 million in General Fund support for the County Medical Services Program (CMSP).
- Saved \$22 million General Fund by shifting the Genetically Handicapped Persons Program (GHPP) from an accrual accounting system to a cash accounting system as proposed by the administration.
- Provided an increase of \$761,000 (Proposition 50 Bond funds) to support seven new, two-year limited-term positions for activities associated with the analysis of applications received from water districts.
- Provided \$125,000 (Proposition 50 Bond funds) to fund a position at the California Bay-Delta Authority provided through an interagency agreement.
- Increased by \$400,000 (Water System Reliability Account funds) to fund three contract positions for technical assistance for the Capacity Development Program within the Safe Drinking Water State Revolving Fund Program.
- Adopted Budget Bill language to enable the Genetic Disease Testing Fund to repay its General Fund loan by June 30, 2006 which reflects an expedited repayment schedule.
- Fully funded the Genetic Disease Testing Program, including the new expansion for the Newborn Screening Program portion, as proposed by the administration.

- Fully funded the Child Health Disability Prevention (CHDP) Program as proposed by the administration.
- Fully funded the California Children's Services (CCS) Program as proposed by the administration.
- Adopted trailer bill legislation regarding reimbursement to hospitals for expenditures associated with the purchase of BabyBIG vaccine.
- Augmented by \$1.2 million (Drug and Device Safety Fund) to fund 11 new positions to inspect and license Home Medical Device Retailer facilities.
- Increased by \$644,000 (Clinical Laboratory Improvement Fund) to fund eight positions to conduct activities associated with auditing Medi-Cal laboratories, conducting phlebotomy certification, and conducting genetic scientist licensure.
- Provided \$105,000 (\$52,000 Mental Health Services Fund) for one position for implementation activities associated with Proposition 63.
- Approved funding adjustments as proposed by the administration for implementation of the Medical Marijuana Identification Card.

4270 CALIFORNIA MEDICAL ASSISTANCE COMMISSION

- Reduced by \$171,500 General Fund and adopted trailer bill legislation to reduce the salaries paid to the Commissioners from \$100,000 annually to \$50,000 annually, with an adjustment as applicable for inflation.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

- Provided a total of \$957.6 million (\$346.8 million General Fund) for the Healthy Families Program to provide health, dental, and vision coverage to 867,418 children (June 30, 2006).
- Deleted \$1.8 million (\$624,000 General Fund) from the administration's proposal for Healthy Families which is attributable to the passage of AB 1396 (Garcia) which is still pending legislative approval.
- Approved the administration's proposal to restore outreach activities to improve enrollment in both the Healthy Families Program and the Medi-Cal for Children Program. An increase of \$14.5 million (\$6 million General Fund) was provided for this purpose, including three new positions.
- Rejected the administration's proposed changes to the existing Single Point of Entry process for savings of \$1.9 million (total funds).

- Appropriated \$4.7 million (no General Fund) for the County Health Initiative Matching Fund Program.
- Eliminated the administration's unallocated state support reduction to the MRMIB by providing an increase of \$937,000 (\$328,000 General Fund). This action enables the MRMIB to retain 10 existing positions.
- Provided an increase of 13 positions, in addition to eliminating the unallocated reduction as referenced above, to conduct a variety of contractor oversight functions and program integrity functions related to the operations of the Healthy Families Program.
- Adopted trailer bill language that enables health plans to partner with schools to conduct outreach and enrollment activities for the Healthy Families Program.
- Adopted trailer bill language, as proposed by the administration, to enable counties to buy into the Healthy Families Program (i.e., in essence to use it as a purchasing pool). No state funds would be used for this purpose, only county or other local funds.
- Shifted the funding of the Access for Infants and Mothers (AIM) program from General Fund support to the use of Proposition 99 funds as proposed by the administration. This fund shift saves \$27.4 million (General Fund). This action assumes the receipt of federal S-CHIP funds as a match to the Proposition 99 funds. As such, it is also assumed that a four-fifths vote of the Legislature will be obtained to change Proposition 99 to allow for Proposition 99 funds to be used to match federal funds.
- Adopted trailer bill language, as proposed by the administration, that would provide explicit retroactive (up to 12-months) authority for authorization of services provided under the California Children's Services (CCS) Program for infants born to mothers enrolled in the Access for Infants and Mothers (AIM) Program.
- Fully funded the Managed Risk Medical Insurance Program (MRMIP) at \$40 million (Proposition 99 funds) by expending a \$20 million reserve and only transferring \$20 million in new Proposition 99 funds. Technical trailer bill language was also needed for this action.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

Community-Based Services

- Concurred with the administration to continue the existing cost containment measures on the purchase of services expenditures which have been in effect since the Budget Act of 2003. This includes all of the rate freezes, the extended assessment timeframe (60 days to 120 days), the revision to eligibility, the Family Cost Participation Program, and the unallocated reductions.
- Rejected the Governor's additional cost containment measures on the purchase of services expenditures. An increase of \$13.7 million (\$10.3 million General Fund) was needed to backfill for this elimination of proposed savings.

- Eliminated the \$6 million General Fund augmentation to the Regional Center's operations to implement the proposed additional cost containment measures.
- Provided a total of \$9.2 million (total funds) for the Regional Center's operations budget to hire 103 Service Coordinators, 9 Physicians, and 13 Psychologists to help Regional Centers maintain compliance with the federal CMS regarding the Home and Community-Based Waiver. This amount is in lieu of the \$20.2 million (total funds) as requested by the administration. Trailer bill language was also adopted to provide oversight of the funds and their intended purpose.
- Approved an increase of \$9.3 million General Fund to implement the federal Part D Drug Program. This includes \$4.4 million to fund those medications no longer covered by Medi-Cal or Medicare, and \$4.9 million for the Regional Centers to contract with enrollment brokers for assistance to consumers in enrollment and appeals, and to provide for enhanced medical review and consultation. Budget Bill language was also adopted to capture data related to drug expenditures.
- Reappropriated \$11.1 million General Fund (one-time only) to facilitate the initial development of community-based living options for the current residents of Agnews. The DDS approved this plan on May 11, 2005, after consultation with the California Housing and Finance Agency and the Department of Housing and Community Development.
- Increased by \$1.4 million (\$1.1 million General Fund) in the DDS item, and \$2.1 million (\$459,000 General Fund) in the Department of Rehabilitation (DOR) item to return the Supported Employment Program "group size" back to a total of three individuals, versus its present size of four individuals.
- Approved the administration's fiscal assumptions for implementation of a Self-Directed Services Delivery Model but adopted different trailer bill language.
- Approved the \$2 million General Fund request by the DOF to require the DDS to have an independent assessment conducted on the California Developmental Disabilities Information System (CADDIS). CADDIS implementation has been further delayed to June 30, 2006.
- Increased by \$559,000 (\$467,000 General Fund) for Regional Center operations to hire 42 positions to manually process data necessary for billing contracted and other services to the Home and Community-Based Waiver, thereby accessing federal funds.
- Eliminated \$1.1 million General Fund provided as an augmentation by the administration to purchase dental services due to the administration's proposed Medi-Cal Program dental cap of 1,000 annually. This augmentation was eliminated because it is not needed. The Legislature adopted an annual cap of \$1,800. As such, individuals with developmental disabilities should not be affected by the cap.
- Adopted the administration's proposed suspension of the Guardianship/Conservatorship Filing Mandate.

Developmental Centers

- Provided total expenditures of \$708 million (\$379.2 million General Fund) for the Developmental Centers as proposed by the administration. This level of funding assumes a resident population of 3,016 people. This funding level includes various adjustments for worker's compensation, employee compensation, certain federally required quality management enhancements and activities related to implementation of the federal Part D Drug Programs.
- Adopted all fiscal adjustments related to the closure of Agnews Developmental Center by June 30, 2007.
- Adopted Budget Bill language to require the DDS to report back to the Legislature regarding closure activities as specified as of January 10, 2006 and May 15, 2006.

4440 DEPARTMENT OF MENTAL HEALTH (DMH)

Community-Based Services

- Provided an increase of \$13.4 million (Mental Health Services Fund) to fund 90 positions, instead of the requested 109 positions, to administer Proposition 63—the Mental Health Services Act (Act).
- Adopted placeholder trailer bill language directing the DMH to provide ongoing information to the Legislature regarding expenditure of the Mental Health Services Fund and implementation of the overall Act.
- Adopted Budget Bill language, as proposed by the administration, regarding the expenditure of Proposition 63 funds under the state support item. Specifically, this language states that the funds appropriated in the Budget Act for state support is in lieu of the amounts that otherwise would have been appropriated for state support through the Act.
- Reduced by \$1 million General Fund due to the addition of 6 new audit positions associated with the Proposition 63 implementation.
- Made a series of adjustments related to the continued implementation of AB 3632, Statutes of 1984. These include:
 1. Rejecting the administration's trailer bill language to repeal sections of Government Code that create the mandate on the counties and modified SB 1895 (Burton -- Chapter 493, Statutes of 2004).
 2. Rejecting the administration's proposed Budget Bill language to use funds for past mandate claims.
 3. Appropriating \$120 million General Fund in the DMH item for county mental health-related expenditures associated with mandate claiming. Of the amount appropriated, \$60 million is to be spent on 2004-05 expenditures and \$60 million is for 2005-06 expenditures.

4. Adopting Budget Bill language that it is the intent of the Legislature for the \$120 million in funds, as well as those appropriated within the State Department of Education for services to students enrolled in special education and requiring mental health assistance in order to benefit from the education services provided, to be fully expended to address needs in the 2004-05 and 2005-06 fiscal years.
- Provided \$3.15 million (Mental Health Services Fund) for the Governor's initiative on Chronic Homelessness. Of this amount, \$750,000 is used to backfill for General Fund support for predevelopment loans to fund upfront housing project costs.
 - Approved all technical adjustments for the baseline Mental Health Managed Care Program as proposed by the DMH.
 - Reduced by \$4.4 million (\$2.2 million General Fund) the amount proposed to implement federal requirements regarding "informing materials" as they pertain to the state's Mental Health Managed Care Waiver. Corresponding Budget Bill language was also adopted.
 - Reduced by \$11.8 million (\$5 million General Fund) the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program to account for anticipated savings on program costs from new auditing activities that will commence in the current year.
 - Reflected an increase of \$303,000 (federal Substance Abuse and Mental Health Services Administration grant funds) to be allocated by the DMH to County Mental Health Plans. This increase provides a total of \$55 million (federal funds) for this purpose.
 - Reflected an increase of \$750,000 (federal Projects for Assistance in Transition from Homelessness grants) in grants to be allocated to the County Mental Health Plans. This increase provides a total of \$7.4 million (federal funds) for this purpose.
 - Provided \$94,000 (federal bioterrorism funds) to fund a two-year limited-term position to assist in implementing bioterrorism preparedness and capacity building.
 - Concurred with the administration on needed technical adjustments to the supplemental mental health services provided to children enrolled in the Healthy Families Program.
 - Adopted the proposed adjustments to the San Mateo Field Test Model as proposed by the DMH.

State Hospitals

- Concurred with the administration to provide a total of \$888.6 million (\$802.1 million General Fund) for the support of the State Hospitals. The population of the State Hospitals is now 87 percent Penal Code-related.
- Increased by \$120,000 General Fund to restore a reduction made to the contractor that provides patient's rights. Due to grave concerns expressed by the federal Department of Justice regarding these hospitals, this restoration is viewed as a mitigation measure to avoid further federal concerns.
- Made three adjustments to the budget related to implementation of the federal Part D Drug Program. These adjustments are as follows:

1. Adopted the administration proposal to provide \$69,000 General Fund to fund a position at headquarters.
 2. Recognized \$1.1 million General Fund in increased revenue to the state due to generating additional Medicare revenue from the Pharmacy Drug Plans (PDPs) in the budget year.
 3. Provided seven positions, in lieu of the nine requested, at the State Hospitals and related computer equipment to enable the State Hospitals to operate as long-term care pharmacies under each PDP, as applicable.
- Transferred \$61 million General Fund from the California Department of Corrections (CDC) to the DMH State Hospital appropriation to reflect a mutually agreed to decision by both departments to reflect expenditures associated with CDC caseload being treated in the State Hospitals.
 - Concurred with the administration to save \$6 million General Fund by restructuring the Sexually Violent Predator (SVP) Treatment Program but adopted different trailer bill language.
 - Made adjustments to the Sexually Violent Predator evaluation and court testimony estimate and saves an additional \$811,000 General Fund off of the administration's proposed adjustment.
 - Provided all funding as proposed by the administration for State Hospital capital outlay projects proposed at Metropolitan State Hospital, Napa State Hospital, and Patton State Hospital.

HUMAN SERVICES

4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER

0530 HEALTH AND HUMAN SERVICES AGENCY – OFFICE OF SYSTEMS INTEGRATION

- Transferred \$223 million and 176 positions for 10 automation projects from the Health and Human Services Data Center (HHSDC) to the newly established Office of Systems Integration in the Health and Human Services Agency. The Legislature is currently reviewing a Governor's Reorganization Plan that would consolidate the HHSDC operations component and the Teale Data Center into the newly proposed Department of Technology Services.
- Approved \$2 million and 20 positions to transfer the Child Welfare Services/Case Management System (CWS/CMS) application hosting from a private vendor location to HHSDC Operations (or the Department of Technology Services, contingent on approval of the Governor's Reorganization Plan for the HHSDC and Teale Data Center).
- Approved \$13.2 million (\$6.6 million GF) for development, support and implementation of an automation system for the IHSS program, known as Case Management Information and Payrolling System (CMIPS) II. The contract for CMIPS II is scheduled to be awarded in 2005-06.
- Approved \$153.8 million (\$56.4 million GF) for implementation and maintenance of the Statewide Automated Welfare System (SAWS) CalWIN system. This amount represents an increase of \$24.2 million GF over current year, due to additional costs to convert closed cases from the previous automation system and additional training and coaching for counties transitioning to the new system.
- Approved \$48.1 million (\$16.9 million GF) for maintenance and operations of the SAWS C-IV system. This amount represents a decrease of \$10.9 million GF compared to current year, due to the completion of C-IV implementation activities.
- Approved \$121.0 million (\$60.5 million GF) for the Child Welfare Services/Case Management System (CWS/CMS). This amount reflects an increase of \$27.6 million (\$14.2 million GF), due to activities associated with the CWS/CMS Go Forward Plan, including migration of the CWS/CMS application hosting to the Department of Technology Services.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Adopted an increase of \$3.0 million GF to expand the Song-Brown Family Physician Training Program to include support for programs that train Registered Nurses, to help address the statewide nursing shortage.

- Approved \$223,000 from the Hospital Building Fund for Logbook system redesign planning and procurement activities.

4170 DEPARTMENT OF AGING

- Approved an increase of \$1.8 million federal funds, \$2 million special funds, and four positions for the Health Insurance Counseling and Advocacy Program (HICAP). The additional funding and positions would be used to address the increased need for consumer counseling during the initial enrollment period for Medicare Part D Prescription Drug benefits in spring 2006, when over 4 million Medicare beneficiaries in California will need to make enrollment decisions.

4180 COMMISSION ON AGING

- Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Reappropriated \$200,000 in unspent prior year funding for the Office of Problem Gambling to develop culturally appropriate literature on problem gambling.
- Approved \$900,000 federal funds to support dependency drug court programs. Note: the Department of Social Services' budget also reflects \$200,000 to evaluate the effect of dependency drug courts on child welfare and foster care outcomes and costs.
- Approved two positions to support implementation of Proposition 63, the Mental Health Services Act of 2004.
- Increased Drug Medi-Cal provider rates above the 2002-03 rate level by \$2.2 million (\$1.1 million GF). In 2004-05, Drug Medi-Cal rates were reduced to the 2002-03 level.
- Approved \$7.6 million for a federal Access to Recovery grant, which will provide vouchers to substance abusing 12- to 20-year olds for treatment and recovery support services.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- Rejected the Governor's proposed elimination of the Naturalization Services Program and appropriated \$2.5 million GF for this program. The Governor vetoed \$1 million GF for this program, but sustained \$1.5 million GF, which is the amount included in the 2004 Budget Act for this program.

5160 DEPARTMENT OF REHABILITATION

- Approved \$908,000 (\$193,000 GF) to fund an increase in tuition costs for Department of Rehabilitation consumers attending the University of California or the California State University systems, consistent with tuition increases budgeted in both university systems.
- Increased funding by \$2.2 million (\$459,000 GF) to reflect a reduction in Supported Employment Program group size from four to three consumers per counselor, consistent with budget actions taken in the Department of Developmental Services.

5170 STATE INDEPENDENT LIVING COUNCIL

- Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Approved \$269 million (\$92 million GF) for the continued development of the California Child Support Automation System (CCSAS). This includes an augmentation of \$92 million (\$25 million GF) and 36 positions in the Department of Child Support Services (DCSS) and 16 positions in the Franchise Tax Board, which acts as DCSS' agent for the procurement, development, and maintenance of the CCSAS project.
- Approved \$218 million GF for payment of the federal fiscal year (FFY) 2005 alternative federal penalty in 2005-06. Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support. The 2004 Budget Act did not include funding for this penalty, as the payment was entirely deferred to state fiscal year 2005-06. The federal government recently informed the department that payment of the FFY 2006 penalty will be deferred to state fiscal year 2006-07.
- Transferred 168.5 positions and \$12.4 million (\$5.5 million GF) for the Child Support Full Collections Program from the FTB to the DCSS, as authorized by AB 2358 (Steinberg) (Chapter 806, Statutes of 2004).
- Approved \$20 million federal funds to match additional county funding for local child support agencies.
- Approved \$721,000 (\$245,000 GF) to maintain 9 of 23 expiring limited-term positions to redesign and implement the Compromise of Arrears Program. This program offers reduced lump sum settlements to parents in exchange for their commitment to make ongoing payments.

5180 DEPARTMENT OF SOCIAL SERVICES**In-Home Supportive Services**

- Rejected the Governor's proposal to reduce state participation in In-Home Supportive Services (IHSS) provider wages and benefits to the minimum wage (\$6.75/hour), and restored \$206.3 million GF. Effective July 1, 2005, state participation in IHSS provider wages and health benefits increased from \$10.10 per hour to \$11.10 per hour.
- Approved \$10.6 million GF to apply Medi-Cal share of cost rules to IHSS consumers. Due to the federal IHSS Plus waiver adopted last year, IHSS consumers must now have a Medi-Cal eligibility determination, which in some cases results in a higher share of cost to be funded by the state.
- Approved \$173.9 million (\$55.4 million GF) savings to reflect the IHSS Quality Assurance efforts to improve the consistency of IHSS, prevent fraud, and protect consumer access to services.

Supplemental Security Income/State Supplementary Payment

- Approved \$132 million GF savings in 2005-06, and \$338 million GF savings in 2006-07, to suspend the state Supplemental Security Income/State Supplementary Payment (SSI/SSP) cost-of-living adjustment (COLA) for two years.
- Approved \$48 million GF savings in 2005-06 to delay the pass-through of the January 2006 federal SSI COLA for three months, to April 2006. Also approved \$42 million GF savings in 2006-07 to delay the pass-through of the January 2007 federal SSI COLA for three months, to April 2007.

CalWORKs and Food Programs

- Rejected the Governor's proposal to reduce CalWORKs grants by 6.5 percent, and restored \$166.0 million in federal Temporary Assistance for Needy Families (TANF) funding.
- Approved \$135 million GF savings in 2005-06 to suspend the July 2005 CalWORKs COLA, and \$135 million GF savings in 2006-07 to suspend the July 2006 CalWORKs COLA.
- Rejected the Governor's proposal to reduce license-exempt child care reimbursement levels, and restored \$66.1 million TANF in the Department of Social Services and \$58 million TANF in the California Department of Education.
- Rejected the Governor's proposal to use \$201 million in TANF funding to supplant existing General Fund resources in Juvenile Probation.
- Approved the May Revision withdrawal of the Governor's January proposal to reduce the CalWORKs Earned Income Disregard, and restored \$82 million GF and TANF funding.

- Approved the May Revision withdrawal of the Governor's January CalWORKs Sanctions proposal, and restored \$12 million GF and TANF funding. The sanctions proposal was withdrawn by the administration due to an incomplete report by an outside vendor.
- Approved the Governor's CalWORKs county pay for performance proposal, to reflect savings of \$22.2 million GF and TANF based on anticipated caseload and grant reductions. This proposal also includes \$30 million TANF funding in 2006-07 for county performance incentives. Adopted trailer bill language to establish outcome measures and criteria for allocation of the incentive funding.
- Approved the Governor's proposal to eliminate the \$50 million TANF augmentation for CalWORKs employment services in 2005-06.
- Increased CalWORKs county administration funding by reappropriating \$50 million in unspent TANF from 2004-05 to 2005-06, due to reduced savings for prospective budgeting/quarterly reporting. The Governor vetoed \$25 million of this TANF increase.
- Increased Food Stamp county administration funding by \$23.7 million (\$10 million GF) to reflect reduced savings for prospective budgeting/quarterly reporting. The Governor vetoed this increase.
- Approved \$55,000 GF net increase to implement several federal options to simplify Food Stamp administration and increase Food Stamp eligibility and benefit amounts.

Community Care Licensing

- Rejected the Governor's proposal to eliminate the statutory trigger to increase the number of random sample visits to licensed community care facilities if citations issued by the department exceed the previous year's total by 10 percent.
- Approved \$1.1 million GF to establish 14.5 new positions to reflect caseload growth in the number of facilities licensed by Community Care Licensing (CCL).
- Approved \$596,000 (\$392,000 GF) in CCL state operations for six limited-term positions and \$847,000 (\$837,000 GF) to comply with the *Greshner v. Anderson* court decision ordering CCL to revise its criminal background check process to protect the privacy rights of applicants with criminal backgrounds seeking to work in community care facilities.
- Restored \$1.4 million of the \$8.7 million GF unallocated reduction for state operations in the Department of Social Services. This restoration represents the Community Care Licensing portion of the unallocated reduction. The Governor vetoed this restoration.
- Adopted trailer bill language to require the department to report by September 30, 2005 on the distribution and programmatic effects of the unallocated reduction, and specify that the restored funding be used to ensure that all available Community Care Licensing positions are filled and that required licensing visit and background check workload is completed. Further, adopted trailer bill language to require the HHS Agency and Department of Social Services to provide briefings to stakeholders on licensing reforms.

Children and Youth Services

- Rejected the Governor's proposal to adopt legislation to allow the state to pass on to counties penalties that may result if California is determined to be out of compliance with federal law regarding child welfare and foster care outcomes.
- Approved the May Revision proposal for \$14.3 million (\$4.4 million GF) and adopted an increase of \$5.6 million (\$3.5 million GF) for the Child Welfare Services (CWS) Outcome Improvement Project. The Governor vetoed the \$3.5 million GF increase. This funding supports program reforms and improvements to the child welfare services system, including implementation of the CWS outcomes and accountability system, the state's program improvement plan, and expanded child abuse prevention efforts.
- Adopted trailer bill language to preclude a county from claiming reimbursement under both the state mandates process and foster care/realignment funding for the same costs of out-of-home care for seriously emotionally disturbed children. This language restates current law.

SUBCOMMITTEE 4

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Joseph Dunn, Chair
Tom McClintock
Christine Kehoe

Consultants

Brian Annis
Alex MacBain
Dave O'Toole

SUBCOMMITTEE No. 4

STATE ADMINISTRATION, GENERAL GOVERNMENT, JUDICIAL, and TRANSPORTATION

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SUBCOMMITTEE NO. 4

STATE ADMINISTRATION, GENERAL GOVERNMENT, JUDICIAL, and TRANSPORTATION

(continued)

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Code

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TRANSPORTATION

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved as budgeted. This includes a baseline state operations augmentation of \$555,000 – resulting in state operations budget of \$2.1 million to cover cost increases for workers' compensation, legal fees, travel, and rent.

2640 SPECIAL TRANSPORTATION PROGRAMS

- Approved Finance Letter to augment the Special Transportation Programs by \$63.5 million, based on the Governor rescinding his January budget proposal to suspend Proposition 42.

2660 DEPARTMENT OF TRANSPORTATION

- Approved full Proposition 42 funding of \$1.3 billion GF and made related budget adjustments.
- Approved Finance Letter that revises the estimate of revenues from tribal-gaming bonds from \$1.2 billion to \$1.0 billion.
- Approved Finance Letter that reverts \$51.6 million in 2004-05, and adds an unallocated reduction of \$50 million in 2005-06, to generate savings to be redirected to highway capital-outlay expenditures.
- Approved three Finance Letters that add 1,058 workload units (positions and personnel-year equivalents in overtime or contract-out services) related to capital-outlay support project workload; however, increased new state staff and reduced contract-out work to save \$10.9 million. The revised total augmentation is \$163.4 million. A total of 550 new state positions were approved; which, when combined with existing vacancies, would have the state hiring new workers at what Caltrans and the employee bargaining units consider to be near the maximum practicable level of new hiring. New workload of 676 units is associated with revenue from the sale of tribal gaming bonds that repay transportation loans – budget bill language restricts expenditure for this workload to the amount of revenue actually received. Savings from the legislative changes is partially used to augment preventative highway maintenance (see bullet below).
- Approved Finance Letter to maintain highway maintenance funding at the 2004-05 level, but augmented the request by \$10.0 million to perform additional preventative maintenance.
- Approved Finance Letter to augment maintenance funding by \$25.9 million (\$11.2 million ongoing) and 82 positions for new storm-water workload related to recent legal settlements.

- Restored Environmental Enhancement and Mitigation (EEM) funding to its historic level of \$10 million. The Governor vetoed this restoration.

Budget Bill Language

1. *Added a new appropriation item and provisional language to separately appropriate funds for specialty building facilities from funds for highway preservation and rehabilitation.*

Trailer Bill Language

1. *Approved language appropriating Proposition 42 funds pursuant to the requirements of Article XIXB of the Constitution.*
2. *Approved language suspending the sales tax “spillover” transfer to the Public Transportation Account for 2005-06, which results in savings to the GF of \$380 million. Approved language suspending the first \$200 million of spillover revenue in 2006-07, to reduce the anticipated GF deficit for that fiscal year.*
3. *Modified the Administration’s trailer bill language related to tribal-gaming bonds to specify that any outstanding transportation loans not repaid by tribal gaming revenues remain a debt of the General Fund.*
4. *Approved language to eliminate the Transportation Development Advisory Committee. The Administration indicates there is no longer a need for this formalized advisory body.*

2665 HIGH SPEED RAIL AUTHORITY

- Approved Governor’s Budget proposal to augment funding by \$2.2 million (special fund) for legal costs related to the environmental impact report, and a “next-tier” program environmental impact report to study the Central Valley to San Francisco Bay Area portion of the planned high-speed train route.
- Approved Governor’s Budget proposal to augment funding by \$500,000 (special fund) for a financing plan, but added provisional language to prohibit expenditure of those funds if legislation is enacted in 2005 to delay the November 2006 high-speed rail bond vote.
- Augmented funding by \$650,000 - \$325,000 special fund and \$325,000 reimbursements from locals, to complete a Southern San Joaquin Valley Station Study. The Governor vetoed this augmentation.

2720 CALIFORNIA HIGHWAY PATROL

- Approved Governor's Budget proposal to increase funding by \$5.4 million to fully fund overtime costs.
- Approved Governor's Budget proposal to increase funding for inflation, including gasoline costs and insurance; however, reduced that amount by a net of \$1.8 million – to \$15.4 million, to reflect updated cost estimates.
- Approved Governor's Budget proposal to increase funding by \$10.2 million for various capital outlay projects.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved Finance Letter to augment expenditure authority by \$4.1 million for a vehicle insurance reporting information technology project related to meeting the requirements of SB 1500 (Chapter 920, Statutes of 2004, Speier) and AB 2709 (Chapter 948, Statutes of 2004, Levine).
- Approved Finance Letter to augment funding by \$6.6 million to pay credit card convenience fees, which have previously been paid by customers or absorbed within the existing Department budget. Changed funding from permanent to two-year limited-term.

Trailer Bill Language

1. *Modified language requested by the Administration to delay the implementation of SB 1500 (Chapter 920, Statutes of 2004, Speier), which related to electronic reporting of automobile insurance. The Administration requested the date be moved to January 1, 2007. The adopted language would allow the date to be moved to October 1, 2006, if specified conditions are met.*

STATE ADMINISTRATION

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Approved Finance Letter to augment the agency's budget by \$7.3 million (General Fund) to fund the California Travel and Tourism Commission.
- Rejected Finance Letter to augment the agency's budget by \$500,000 (General Fund) to upgrade the CinemaScout server and software, which is a digital library used in selecting potential film location sites.
- Appropriated \$2.0 million (special fund) to support a newly created Chrome Plating Pollution Prevention Loan program. The Governor vetoed this funding.
- Appropriated \$150,000 (General Fund) and added one position to fund a Small Business Advocate. This position was previously placed in the Office of Planning and Research, but not utilized by the administration. The Governor vetoed this funding.

0595 OFFICE OF THE STATE INSPECTOR GENERAL

- Rejected the proposed establishment of an Office of the State Inspector General for investigations and audit activities of state departments. The Legislature proposed shifting funding of \$2.3 million to the existing investigations and audit programs of the Office of State Audits and Evaluations located within the Department of Finance (\$1.15 million) and the Bureau of State Audits (\$1.15 million). The Governor subsequently vetoed funding for these activities.

0650 OFFICE OF PLANNING AND RESEARCH

- Approved funding of \$188,000 for writing and assisting in the implementation of consultation guidelines for local agencies to use when negotiating with tribal communities. The primary purpose of these guidelines is to encourage the protection of Native American lands.

Trailer Bill Language

1. *Approved language to eliminate the Small Business Reform Task Force. The elimination is a component of the Governor's proposal to eliminate 13 "nonessential" boards and commissions.*

0840 STATE CONTROLLER'S OFFICE

- Augmented the budget by \$996,000 (General Fund) and 11 positions to expand audits of state mandate claims. Based on audit finding rates in the last few years, a benefit-to-cost ratio of over 30-to-1 is anticipated.
- Approved a funding level of \$10.4 million and 23 positions for the planning and design phase of the Human Resource Management System—21st Century Project. This multi-year project will replace the state's employment history, payroll, leave accounting, and position control systems.
- Approved request for \$1.2 million (General Fund) to establish a local government "e-claims" filing system for mandate claims. The product will enable state mandate claimants to enter cost claims directly into the State Controller's Office (SCO) main database via the Internet, using e-forms and electronic signatures. Based on the improved data management and audit capacity, this system is expected to save \$14 million in 2006-07 and beyond.
- Rejected a \$100,000 (General Fund) two-position augmentation for the SCO's Property Tax Postponement program. The administration anticipated that this program would have encountered increased workload resulting from the Governor's move to augment the Senior Citizens' Property Tax Deferral program. The Senior Citizens' Property Tax Deferral program is also discussed under Item 9100, Tax Relief.

Supplemental Report Language

1. *Adopted supplemental report language requiring the State Controller's Office to report on its local government e-claims system, including a progress report on its implementation, costs, savings, and recommendations for improvements to the system.*

0845 DEPARTMENT OF INSURANCE

- Augmented the Fraud Workers' Compensation program by \$1 million (Insurance Fund) to fund increased investigation and prosecution of workers' compensation fraud and the willful failure to secure payment of workers' compensation.
- Increased funding for the Organized Automobile Fraud Activity Interdiction program (Urban Grant program) by \$2.5 million (Insurance Fund).
- Distributed \$2.9 million (Insurance Fund) from the Fraud Automobile and Urban Grant programs to local District Attorneys.
- Reduced a personal computer technology refresh request by \$49,000, reflecting an extended replacement schedule.

0850 STATE LOTTERY COMMISSION

- Approved as budgeted--\$107.9 million.

0860 BOARD OF EQUALIZATION

- Augmented the Board of Equalization (BOE) budget by \$690,000 (General Fund) for preliminary plans, working drawings, and a prototype fix to repair the exterior windows of the BOE headquarters building in Sacramento.
- Appropriated \$3 million for ongoing implementation of an electronic tax stamp for cigarette packages. The newly encrypted stamp is anticipated to diminish black market sales by up to \$28.1 million annually.
- Augmented the BOE's Consumer Use Tax Collection Program by seven positions. An augmentation of eight additional positions was proposed in SB 77 but vetoed by the Governor, resulting in a net revenue loss of \$4.3 million.
- Approved \$2.3 million (reimbursements) to provide the BOE with sufficient resources to support the 24 newly-established Special Taxing Jurisdictions (STJ). These new STJs were established by local election in November 2004.
- Reduced funding for the e-waste recycling fee collection program by 11 positions and \$716,000 (General Fund) based on revised estimates of workload.

Budget Bill Language

1. *Adopted language requiring the BOE to report by April 1, 2006, on the actual costs for closure and consolidation of certain field offices and the decision criteria used to determine when an office will be closed.*

Trailer Bill Language

1. *Adopted language reducing the threshold for mandatory payment of taxes by electronic means from \$20,000 to \$10,000 per month.*

Supplemental Report Language

1. *Adopted language directing the BOE to report on the effect on taxpayer behavior of adjusting the threshold for mandatory payment of taxes by electronic means.*
2. *Adopted language to express the intent of the Legislature for the BOE to complete full implementation of the e-filing system for multiple location retailers (which would enable these businesses to file their claim forms online) by 2007.*

3. *Adopted language directing the BOE to report on the sales and use tax “tax gap,” including the size, major components, and strategies for reducing the tax gap.*
4. *Adopted language requiring BOE to report on existing tax information and data systems. The report will focus on systems related to the Personal Income Tax, Sales and Use Tax, and Corporation Tax.*

0890 SECRETARY OF STATE

- *Augmented the budget by \$242 million (federal funds) to carry out provisions of the Help America Vote Act (HAVA). Key components of the spending plan will be the replacement of outmoded voting equipment, creation of a statewide database of voters, and an information campaign on voters’ rights.*
- *Reduced a \$3 million proposal for special items of expense for elections by \$521,000, reflecting a share of election costs that will be covered by HAVA expenditures.*

Budget Bill Language

1. *Approved language related to HAVA expenditures that (1) proscribes the use of HAVA funds consistent with the approved expenditure plan, (2) requires quarterly reports to the Legislature, (3) allows legislative review of the feasibility study report and contract for a statewide voter database.*

Trailer Bill Language

1. *Approved language to eliminate the California Heritage Preservation Commission. The duties of the Commission, formerly shared with the California State Library, will be carried out by the California State Library. The proposal is a component of the Governor’s plan to eliminate 13 “nonessential” boards and commissions.*
2. *Repealed the Handicapped Voter Access Information mandate. This mandate required county election officials to notify voters of handicapped-accessible polling places. Federal law now generally provides greater protections and rights for disabled voters than that of the handicapped voter access information mandate.*
3. *Repealed the Presidential Primaries mandate. This mandate was found to exist following the passage of Proposition 198 (the Open Primary Initiative, passed in 1996). When the U.S. Supreme Court found Proposition 198 to be unconstitutional, the county reporting*

requirements became unnecessary.

0950 STATE TREASURER'S OFFICE

- Approved as budgeted--\$22.7 million.

Budget Bill Language

1. *Adopted language to allow short term General Fund loans (specified as less than two months) to the State Treasurer's Office to meet cash flow needs.*

0985 CALIFORNIA SCHOOL FINANCE AUTHORITY

- Augmented the California School Finance Authority (CSFA) budget by \$19.7 million (federal funds) to provide expenditure authority for new federal grant awards for the lease and construction of K-12 charter school facilities.

1111 DEPARTMENT OF CONSUMER AFFAIRS

- Bureau of Automotive Repair: Approved administration's request to augment the Repair Assistance program by \$4.8 million (special fund) and 17 positions, and augment the Vehicle Retirement program by \$13.6 million (special fund) and 21 positions.
- Office of Privacy Protection: Approved a Finance Letter request to augment the budget by \$446,000 General Fund and add 4.7 positions, which more than doubles the existing staff.

1700 FAIR EMPLOYMENT AND HOUSING

- Approved Governor's Budget, including an unallocated \$211,000 General Fund reduction, and a Finance Letter technical correction.

1730 FRANCHISE TAX BOARD

- Augmented the Franchise Tax Board (FTB) budget by \$8.3 million General Fund and 96 positions for tax gap enforcement activities. These activities will include enhanced detection of tax preparers filing fraudulent returns, audit staff augmentation, additional tax information

resources, and underground economy criminal investigations. Expected revenues from these activities in 2005-06 are \$33.7 million.

- Extended 47 expiring limited-term positions (\$2.8 million General Fund) for two additional years for tax collection activities. Expected annual revenues are \$12.6 million.
- Redirected positions from a proposed “Informant Reward” Program to the tax collection program, which has a higher benefit-cost ratio. Anticipated revenues are approximately \$1.3 million. The collector positions will be established on a two-year limited-term basis.
- Extended, for three years, two attorney positions in order to continue efforts to expedite settlement of tax cases. Anticipated revenues in 2005-06 are \$5.8 million.
- Reestablished a “Discovery Audits” Program (\$1.7 million General Fund and 20 positions), which will unearth information on tax noncompliance by exploring avenues of tax evasion that are new or not fully understood by the FTB. Revenues are expected to exceed program costs.
- Transferred the FTB’s Child Support Full Collection Program to the Department of Child Support Services (DCSS), in accordance with Chapter 806, Statutes of 2004 (AB 2358, Steinberg). A total of 167 positions and \$12.4 million will be shifted to DCSS.
- Increased the FTB budget by \$3.9 million (General Fund) to carry out the final stages of the staff relocation to a new state office building and to renovate existing buildings on the Butterfield Campus in Sacramento.
- Augmented the FTB’s budget by \$17.5 million (\$5.9 million General Fund and \$11.5 million reimbursements) budget to provide funding for nine positions and vendor payments in order to continue the development phase for the California Child Support Automation System (CCSAS) project.

Budget Bill Language

1. *Adopted Budget Bill language to limit expenditures for the Ready Return Pilot tax return filing project to \$215,000 and specify that subsequent funding will be contingent upon the enactment of legislation. A related trailer bill (AB 129, Committee on Budget) reiterates these provisions.*
2. *Adopted Budget Bill language to require an addendum to the supplemental report prepared pursuant to the Budget Act of 2004, related to withholding on payments to independent contractors. This addendum will focus on tax compliance rates by independent contractors among certain business segments and analyze the effect of adding a withholding requirement to those segments. The Governor vetoed this provision.*

Supplemental Report Language

1. *Adopted language to require reporting on existing tax information*

and data systems. The report will focus on systems related to the Personal Income Tax, Sales and Use Tax, and Corporation Tax.

Trailer Bill Language

1. *Adopted various trailer bill provisions of the Governor's "tax gap" budget change proposal. These changes include additional reporting by check cashers for transactions over \$10,000 and conformity with federal law regarding the disbarment of tax practitioners.*
2. *Amended trailer bill to restrict the filing of misdemeanor charges against tax scofflaws. A related funding proposal to reestablish the misdemeanor program in FTB's investigations bureau (at a cost of \$1.3 million General Fund) was vetoed by the Governor, resulting in a revenue loss of \$2.5 million in the budget year and approximately \$5 million annually thereafter.*
3. *Adopted language to limit the expenditure for the Ready Return Pilot tax return filing project to the 2004-05 expenditure level and specify that subsequent funding will be contingent upon the enactment of legislation. Also adopted Budget Bill language that reiterates these provisions.*

1760 DEPARTMENT OF GENERAL SERVICES

- Eliminated 120 positions and \$6.2 million in funding for the Office of State Publishing. The administration had proposed this reduction in the Governor's Budget to address recent operating losses and the growth of office-based printing. While the Legislature restored these positions, the Governor ultimately vetoed the restoration.
- Adopted reappropriations for capital outlay projects including: the Sacramento Central Plant renovation; Department of Corrections' San Quentin Building 22, Tehachapi Dormitories, and Tracy hospital; City of Richmond municipal buildings; Oakland Police Administration building; a Sacramento Department of Education building; and the Department of Transportation's Marysville Office Building.
- Augmented the department by \$163,000 and one position to reflect the transfer of the Employment Development Department's video production facility to DGS.
- Augmented the department by \$9.3 million and 73 positions to transfer the Special Education Alternative Dispute Resolution Program from McGeorge School of Law to the Office of Administrative Hearings. Trailer bill language requiring that the current level of service to schools and families of disabled students be maintained was added to the Education Code.

Budget Bill Language

1. *Adopted Budget Bill provisional language to requiring DGS to report on drug purchasing practices and contracts. The Governor vetoed this provision, erroneously asserting that this same information was already required in statute. The statute in question is suspended until 2008.*
2. *Adopted budget provisional language to clarify DGS's authority to increase reimbursements for unanticipated expenses.*
3. *Adopted language permitting the Director of DGS to establish a California State Travel Portal for the purpose of creating a centralized airline ticketing system and encourage the purchase of tickets at least two weeks before the flight.*
4. *Added language requiring a report to the Legislature containing cost and descriptive information for every video production service provided, and to be provided in the budget year.*

Trailer Bill Language

1. *Adopted trailer bill language requiring DGS to identify various areas of significant savings in the purchase of prescription drugs. Several million dollars in savings are expected by creating more drug purchasing contacts, requiring collaboration between departments, requiring DGS to develop an annual work plan for purchasing drugs, requiring DGS participation in drug review, and other initiatives to reduce the state's cost for purchasing drugs. Funding for three pharmacist staff is also included (\$306,000 General Fund).*
2. *Enacted language to extend for one year authorizing departments to seek outside bids (other than the Office of State Publishing) to meet their printing needs.*
3. *Established the Property Acquisition Law Money Account and specified that revenues from the sale of surplus property will be deposited in that account for payment of the Economic Recovery Bonds, until those bonds are retired. Thereafter, surplus property sale revenues will be deposited in the Special Fund for Economic Uncertainties, unless otherwise specified.*

Supplemental Report Language

1. *Adopted language that requires the department to report certain information on completed non-Prison Industry Authority purchases.*

1880 STATE PERSONNEL BOARD

- Rejected Finance Letter to augment the Peace Officer Procedural Bill of Rights mandate budget item by \$18.2 million to cover reimbursements to locals for their costs of administering the mandate in 2005-06. Instead, payment of this mandate is deferred in 2005-06.

Trailer Bill Language

1. *Adopted language to require the Commission on State Mandates to review its Statement of Decision regarding the Peace Officer Procedural Bill of Rights test claim and make any modifications necessary to be consistent with recent court decisions.*

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Rejected the Governor's Budget proposal to discontinue the state's two-percent contribution to teachers' retirement, which is a \$469 million (General Fund) expenditure in 2005-06.

1955 DEPARTMENT OF TECHNOLOGY SERVICES*Budget Bill Language*

1. *Approved contingency Budget Bill language that assumes the Legislature will approve the Governor's Reorganization Plan to consolidate the Stephen P. Teale Data Center (Teale), the Health and Human Services Data Center (HHSDC), and certain telecommunications functions of the Department of General Services, into the new Department of Technology Services (DTS).*

Trailer Bill Language

1. *Adopted language to delete the continuous appropriation for DTS in the administration's proposed language.*

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

- Approved Governor's Budget proposal to augment one-time funding by \$246,000 (special fund) for facility renovations.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Rejected Finance Letter and related trailer bill language to eliminate the Credit Union Advisory Committee within the Department. The Governor reduced the Department's budget by \$1,000 in his veto package; however, the statutory requirements concerning the Credit Union Advisory Committee, including a requirement for quarterly meetings, are unchanged.

2180 DEPARTMENT OF CORPORATIONS

- Approved Governor's Budget proposal to augment the department's budget by \$1.5 million (special fund) and 16 positions (seven limited-term) to address increased exam and licensing workload.
- Approved the Governor's Budget request to continue the Seniors Against Investment Fraud (SAIF) Program with the Department's special funds, due to lapsing grant funds. Reduced the funding from \$400,000 to \$225,000 to maintain the core program but reduced costly conference attendance, media purchases, and video production.
- Approved Finance Letter to allow the Department to receive grant funding of \$150,000 to institute a Troops Against Predatory Scams (TAPS) Investor Education Program.
- Reduced funding requested in the Governor's Budget to implement AB 2693 (Chapter 940, Statutes of 2004, Wiggins) by \$191,000 and two positions because the reduced amount would be sufficient to fund compliance investigations and "red flag" audits. Added provisional language requiring the department to report on non-compliance with AB 2693 by January 10, 2007.
- Approved the Finance Letter proposal to eliminate the Mortgage Bankers' Advisory Commission within the Department. The administration indicates there is no longer a need to have a formalized advisory body and this is a component of the Governor's Plan to eliminate 13 "nonessential" boards and commissions.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Modified the Governor's Chronic Homeless Initiative to: (a) reduce General Fund support for the Governor's Interagency Council on Homelessness by \$125,000; (b) eliminate \$750,000 (General Fund) for predevelopment loans and replace that funding with Proposition 63 bond funds; (c) modify the administration's trailer bill language (see trailer bill issues #4 below); and (d) use the General Fund savings to restore Emergency Housing Assistance Program (EHAP) funding to the 2004-05 level. The Governor sustained the \$864,000 augmentation for EHAP, but indicated he considers it one-time in nature.

- Approved Finance Letter to increase funding by \$1 million (special fund) and seven positions to reduce the backlog and meet future workload related to mobile home inspections. Funding requested for 2005-06 is half-year and the ongoing funding and positions double in 2006-07.

Budget Bill Language

1. *Added Budget Bill language in a Department of Transportation item to specify that \$1 million in federal transportation planning funds be used to support grants to local governments for the Housing Need Assessments. The Housing Need Assessments would be incorporated into local transportation plans. The Governor vetoed this language.*

Trailer Bill Language

1. *Adopted language to allow the use of an additional \$5.2 million in Proposition 46 bond funds to pay for repair, rehabilitation, and replacement of facilities and equipment at various state-owned migrant centers. Modified the Proposition 46 migrant housing grant program to extend the program sunset to September 1, 2006, and broaden the eligibility requirements.*
2. *Adopted language extending the Enterprise Zone Program fee-authority sunset date from July 1, 2006 to January 1, 2007.*
3. *Adopted language to limit future rent increases for residents of Office of Migrant Services facilities.*
4. *Adopted language to retain \$5 million in Proposition 46 bond funds in the Preservation Opportunity Program through 2008. The language allows funds exceeding \$5 million to be transferred to the Multifamily Housing Program.*

2320 DEPARTMENT OF REAL ESTATE

Trailer Bill Language

1. *Approved Finance Letter to eliminate the Real Estate Advisory Commission within the Department. The administration indicates there is no longer a need to have a formalized advisory body and this is a component of the Governor's Plan to eliminate 13 "nonessential" boards and commissions.*

2400 DEPARTMENT OF MANAGED HEALTH CARETrailer Bill Language

1. *Approved language to eliminate the Clinical Advisory Panel and the Managed Care Advisory Committee within the Department. The administration indicates these entities were primarily needed when the department was being implemented and this is a component of the Governor's Plan to eliminate 13 "nonessential" boards and commissions.*

2780 STEPHEN P. TEALE DATA CENTERBudget Bill Language

1. *Approved contingency Budget Bill language that assumes the Legislature will approve the Governor's Reorganization Plan to consolidate the Teale Data Center, the Health and Human Services Data Center, and certain telecommunications functions of the Department of General Services into the new Department of Technology Services (see Budget Item 1955 on a previous page).*

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted.

8320 PUBLIC EMPLOYEE RELATIONS BOARD

- Approved Governor's Budget proposal to augment the Board's budget by \$438,000 General Fund and three positions to fund workload associated with recent legislation that has added new public employers to PERB's jurisdiction.

Budget Bill Language

1. *Rejected the administration's budget trailer bill that would shift some mediation responsibilities from the Public Employee Relations Board (PERB) to the Division of Conciliation in the Department of Industrial Relations, and shift some costs from PERB to employers and to employee organizations.*

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Approved Finance Letter to revert \$15.3 million for the Rural Health Care Equity Program to the General Fund. Approved trailer bill language that continuously appropriates General Fund, not to exceed \$15.3 million, to support any future Program claims that exceed ongoing Budget Act appropriations.
- Augmented the Department's budget by \$573,000 (General Fund) and 3.0 positions to implement a comprehensive salary survey.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Approved as budgeted--\$6.1 million.

8855 BUREAU OF STATE AUDITS

- Augmented by \$1.15 million (General Fund) for investigative audits pursuant to Chapter 251, Statutes of 2004 (SB 1437, Speier). This augmentation proposed by the Legislature would have been funded by redirecting funding from the proposed Office of the State Inspector General. The Governor vetoed this augmentation.

8860 DEPARTMENT OF FINANCE

- Augmented by \$1.15 million (General Fund) for auditing activities by the Office of State Audits and Evaluations. This augmentation proposed by the Legislature would have been funded by redirecting funding from the proposed Office of the State Inspector General. The Governor vetoed this augmentation.
- Approved funding of \$494,000 for ongoing development of the web-based presentation of the Governor's Budget. In addition, a specified number of hard copies will be provided to the Legislature, Legislative Counsel, Legislative Analyst's Office, and state libraries.
- Approved a request for \$1.8 million (General Fund) and two positions to continue development of a Budget Information System to streamline budget processes and develop a year-round integrated budget system.
- Rejected a request to establish an Executive Council for Business Management Functions and associated Control Section 8.81 funding to pay for consultants to initiate a project to establish an enterprise architecture for business management functions. (See also Control Section 8.81)
- Established three positions and \$500,000 for two years limited term to coordinate bond activities and fund contracts with financial advisors to improve management of the state's bond debt.

8885 COMMISSION ON STATE MANDATES

- Approved as budgeted--\$1.6 million

Budget Bill Language

1. *Revises the display of mandates in the Budget Bill to consolidate the presentation of all non-education mandates—with the exception of the Seriously Emotionally Disturbed Students mandate—into Item 8885-295-0001. This budget item includes funding for 2004-05 and 2005-06 mandate costs, for a total of \$119.4 million (General Fund) for non-Proposition 98 mandates. Additionally, the following mandates are suspended for the budget year in this item:*
 - a. *Grand Jury Proceedings (Ch. 1170, Stats. 1996)*
 - b. *Sex Crime Confidentiality (Ch. 36, Stats. 1994, 1st Ex. Sess.)*
 - c. *Deaf Teletype Equipment (Ch. 1032, Stats. 1980)*
 - d. *Sex Offenders: Disclosure by Law Enforcement Officers (Ch. 908 and 909, Stats. 1996)*
 - e. *Missing Persons Report (Ch. 1456, Stats. 1988, and Ch. 59, Stats. 1993)*
 - f. *Presidential Primaries (Ch. 18, Stats. 1999)*
 - g. *Handicapped Voter Access Information (Ch. 494, Stats. 1979)*
 - h. *Substandard Housing (Ch. 238, Stats. 1974)*
 - i. *Adult Felony Restitution (Ch. 1123, Stats. 1977)*
 - j. *Airport Land Use Commissions/Plans (Ch. 644, Stats. 1994)*
 - k. *Very High Fire Hazard Severity Zones (Ch. 1188, Stats. 1992)*
 - l. *Local Coastal Plans (Ch. 1330, Stats. 1976)*
 - m. *SIDS Training for Peace Officers (Ch. 1111, Stats. 1989)*
 - n. *SIDS: Contacts by Local Health Officers (Ch. 268, Stats. 1991)*
 - o. *SIDS Autopsies (Ch. 955, Stats. 1989)*
 - p. *Inmate AIDS Testing (Ch. 1597, Stats. 1988)*
 - q. *SIDS Notices (Ch. 453, Stats. 1974)*
 - r. *Guardianship/Conservatorship Filings (Ch. 1357, Stats. 1976)*
 - s. *Victims' Statements-Minors (Ch. 332, Stats. 1981)*
 - t. *Extended Commitment, Youth Authority (Ch. 267, Stats. 1998)*
 - u. *Prisoner Parental Rights (Ch. 820, Stats. 1991)*

- v. *Structural and wildland firefighter safety clothing and equipment (8 Cal. Code Regs. 401 to 3410, incl.)*
- w. *Personal Alarm Devices (8 Cal. Code Regs. 3401(c))*
- x. *Law Enforcement Sexual Harassment Training (Ch. 126, Stats. 1993)*
- y. *Elder Abuse, Law Enforcement Training (Ch. 444, Stats. 1997)*
- z. *Redevelopment Agencies (Ch. 39, Stats. 1998)*
 - aa. *Mandate Reimbursement Process (Ch. 486, Stats. 1975)*
 - bb. *Filipino Employee Surveys (Ch. 845, Stats. 1978)*
 - cc. *Domestic Violence Information (Ch. 1609, Stats. 1984)*
 - dd. *Pocket Masks (Ch. 1334, Stats. 1987)*

Trailer Bill Language

1. *Extends the statutory repayment period for payable mandate claims prior to 2005-06 from five years to fifteen years, ending in 2020-21.*
2. *Adopted intent language for the Commission on State Mandates to reconsider the Mandate Reimbursement Process mandate and, if a mandate is found to exist, develop parameters and guidelines based on unit costs.*

8910 OFFICE OF ADMINISTRATIVE LAW

- Adopted a proposed \$224,000 (General Fund) and two-position increase for a two-year limited-term assignment to address underground regulations.

Supplemental Report Language

1. *Approved language requiring the Office of Administrative Law to report on findings and benefits to the state for adding two positions to address underground regulations.*

9100 TAX RELIEF

- Rejected a Governor's Budget proposal to reduce the Senior Citizens' Renters Tax Assistance program by \$100 million (General Fund).
- Rejected a Governor's Budget proposal to reduce the Senior Citizens' Property Tax Assistance Program by \$40.6 million (General Fund).

- Rejected a related Governor's Budget proposal to augment the Senior Citizens' Property Tax Deferral Program by \$4.7 million (General Fund). This proposal was meant to cover some of the seniors who would lose their property tax assistance due to the elimination of the Senior Citizens' Property Tax Assistance Program.

9210 LOCAL GOVERNMENT FINANCING

- Restored \$18.5 million for the Rural and Small County Law Enforcement Grants subvention, providing \$500,000 in grants to 37 rural counties. Grants are allocated pursuant to statute.
- Establishes an appropriation of \$1,186,830,000 for early repayment of the Vehicle License Fee "Gap" loan. During 2003-04, the Vehicle License Fee loan was made from local governments to the state, to be repaid by August 15, 2006.
- Approved funding of \$126 million (General Fund) for the Citizen's Option for Public Safety (COPS) and the Juvenile Justice Crime Prevention Act (JJCPA) grant programs. Budget bill language specifies that \$26 million will be for the JJCPA program, beginning on April 1, 2006. This difference in timing reflects a one-time adjustment to the annual allocation of JJCPA funds, based on actual cash needs during the April 1, 2006 to March 30, 2007 grant cycle.
- Eliminates budget year funding for the Property Tax Administration program for a savings of \$60 million.

Trailer Bill Language

1. *Directs the Director of Finance to suspend funding to the Property Tax Administration program grant program during the 2006-07 fiscal year, for an additional savings of \$60 million.*
2. *Restructures the Open Meetings Act mandate to clarify that the mandate conforms with recent statutory changes stating that voter-approved ballot initiatives are not mandates.*

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved Finance Letter to augment the budget by \$34.5 million (General Fund) to back out previously anticipated Medicare Modernization Act savings, which are now not expected to accrue in 2005-06.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved Finance Letter adjustments for the administration's new cost estimates, but also added funding of \$8.9 million to cover costs that were omitted, but that will be incurred by the state.

9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIESBudget Bill Language

1. *Adopted budget provisional language to clarify that supplemental appropriation bills will conform to the same requirements that apply to supplemental appropriations funded by this item. These changes will require a higher level of reporting, improving the Legislature's ability to evaluate supplemental appropriation bills. Additionally, provisions were added to eliminate the Director of Finance's ability to use Item 9840 funding for the November special election.*

9955 REDUCTION FOR EMPLOYEE COMPENSATION

- Reduced the budgeted savings assumed for employee compensation reductions from \$408 million GF (as proposed in the January Governor's Budget) to \$40 million (General Fund). The administration intends to generate this savings through negotiations with employee bargaining units. The Legislature rejected the inclusion of any associated statutory amendments in the budget trailer bills.
- Approved budgeted savings of \$85.5 million from the Alternative Retirement Program, which was instituted by Chapter 214 (SB 1105, Statutes of 2004).

CONTROL SECTIONS

3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- Adopted revised rates for the six retirement classes, pursuant to the new California Public Employees Retirement System Board policy of spreading market value asset gains and losses over 15 years as opposed to the current three years. Relative to the Governor's Budget, this change reduces General Fund costs by \$152.7 million in 2005-06.
- Approved Finance Letter adjustments associated with the sale of Pension Obligation Bonds, which reduce expected revenues to \$525 million General Fund (relative to \$929 million GF indicated at the time of the 2004 Budget Act).

4.01 EMPLOYEE COMPENSATION SAVINGS

- Approved language to authorize the Director of Finance to reduce Budget Act appropriations for savings related to the Alternative Retirement Plan and savings related to new collective bargaining agreements.

4.10 REPORTING REQUIREMENTS FOR UNALLOCATED REDUCTIONS

- Adopted language to require the Director of Finance to report on the unallocated reductions included in the Governor's 2005-06 budget. The report would identify the specific reduction by each department, the programmatic impact, the number of positions affected, and other descriptive information to fully disclose the impact of the unallocated reduction. The Governor vetoed this control section, claiming that it would infringe on the confidentiality of 2006-07 budget development.

5.50 CONTRACT SAVINGS

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

8.53 NOTICE OF FEDERAL AUDIT

- Adopted language to require reporting to the Legislature when a final federal audit has been issued that results in a reduction in funds to the state.

8.81 CONSULTANT SUPPORT FOR ENTERPRISE BUSINESS SYSTEM

- Rejected the Governor's proposed Budget Bill language to provide \$1.25 million (General Fund) to the proposed Executive Council for Business Management Functions. This Council would be tasked with mapping the state's enterprise-wide business application development plan.

11.05 INFORMATION TECHNOLOGY PROJECTS – PLANNING DOCUMENTS

- Approved new language that adds reporting requirements for new projects that were funded by the Legislature, but which do not have approved project planning documents as of July 1, 2005. The language states the intent of the Legislature to not approve new projects for the 2006-07 budget that do not have approved project planning documents upon submission to the Legislature.

14.00 SPECIAL FUND LOANS: DEPARTMENT OF CONSUMER AFFAIRS

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

25.50 APPORTIONMENT PAYMENT SYSTEM

- Adopted an amended Control Section 25.50, which displays the contributions by fund for the development of the Apportionment Payment System.

33.50 STRATEGIC SOURCING

- Adopted language to require reporting to the Legislature on the amount of strategic savings achieved and detail on the nature of the savings. The Governor's May Revision estimate of no 2005-06 savings (reflecting a reduction of \$96 million relative to the Governor's Budget) was approved by the Legislature.

JUDICIARY AND GENERAL GOVERNMENT

0250 JUDICIAL BRANCH

- Approved combining the Judicial (0250) and the Trial Court Funding (0450) budgets into one budget item for the entire Judicial Branch.
- Approved the proposed increase of \$92.6 million for the trial courts to address increases in costs facing the trial courts. The increase is allocated for: (a) increased retirement costs (\$39 million); (b) pay parity due to court unification (\$3.7 million); (c) discretionary costs including salary and benefit increases (\$37.2 million); (d) increased court security costs (\$7.9 million); and (e) increased county charges (\$4.9 million).
- Approved proposal for \$13.1 million and 91.5 positions for the continuation and expansion of various administrative and information technology services to support the trial courts.
- Rejected trailer bill language proposal to increase the county obligations associated with the Maintenance of Effort payments by \$5.5 million to address unanticipated cost increases to the trial courts for various forensic evaluations.
- Approved trailer bill language to phase out the county obligation of \$31 million to trial courts for undesignated fees over five years, increase the maximum civil assessment from \$250 to \$300, and hold the General Fund harmless from any resulting revenue shortfall to the courts.
- Approved trailer bill language to create a uniform civil fee, effective January 2006. The fee provides sufficient revenue to offset the \$16.8 million that will be reduced with the sunset of the court security fee in December 2005, and generates an additional \$29.5 million annually (\$14.75 million in 2005-06) in new revenues. These new revenues would be allocated as follows: (a) to the Equal Access Fund (\$3.8 million); (b) technology projects (\$10.8 million); (c) facilities (\$9.9 million); and (d) as a set aside for county law library fee increases (\$3.7 million). The Governor reduced by veto the GF appropriation to the Trial Court Trust Fund by \$9.8 million, leaving a \$4.9 million augmentation for facilities in 2005-06. The veto message indicates that the ongoing offset to the General Fund transfer to the Trial Court Trust Fund will be \$19.6 million.
- The Governor reduced \$57.5 million as a one-time veto of a portion of the General Fund Transfer to the Trial Court Trust Fund. This action reduces the estimated reserve in the Trial Court Trust Fund from \$67.5 million to \$10 million.
- Provides an augmentation of \$130.7 million GF to the trial courts to provide funding for the State Appropriations Limit (SAL) adjustment. This total represents an increase of 6.64 percent—the final SAL May Revise calculation. Adopted Supplemental Report Language and Budget Bill Language that describes the methodology for distributing the SAL adjustment funds to the local courts.

- Adopted Supplemental Report Language directing the Judicial Council to assess the effectiveness of the Judges' Retirement System II.
- Adopted Budget Bill Language that directs up to \$5 million from the Trial Court Improvement Fund shall be expended for self-help centers and other programs to assist unrepresented litigants.
- Reappropriated \$75,000 GF for the acquisition phase of the new courthouse for the Fourth Appellate District and reverted \$2.2 million GF.

0280 COMMISSION ON JUDICIAL PERFORMANCE

- Approved as budgeted -- \$4.1 million GF.

0390 CONTRIBUTIONS TO JUDGES' RETIREMENT SYSTEM

- Approved as budgeted.

0820 DEPARTMENT OF JUSTICE

- Approved proposal for \$1.8 million GF and four positions to begin renovation of the Violent Crime Information Network and to provide the necessary level of program and technical support staff.
- Approved proposal for \$4.7 million in special funds and 12.5 positions to establish a Corporate Responsibility Unit, which would be self-funded through the Public Rights Division Law Enforcement Fund. The proposal includes trailer bill language clarifying that no General Fund augmentations shall be used for this purpose and budget bill language restricting new positions until there are sufficient funds in the Public Rights Division Law Enforcement Fund.
- Approved proposal for \$4 million GF and eight limited-term positions to begin replacement of five automated databases.
- Approved trailer bill language to establish the Legal Services Revolving Fund to improve the management of the Public Rights and the Civil Law Divisions.
- Approved proposal for a one-time augmentation of \$1.5 million GF for external consultants related to the Lloyd's of London (Stringfellow) litigation to continue to fund specialist counsel with expertise in insurance coverage litigation.
- Approved proposal for \$1.1 million GF and \$7.7 million special funds to handle increased litigation workload in the Criminal Law Section.

- Approved reduction of \$283,000 for the Spousal Abuser Prosecution Program and adopted Budget Bill Language directing DOJ to continue funding the program from within existing state operations resources.
- Approved proposal for a one-time increase of \$3.2 million in federal funds for the California Methamphetamine Strategy (CALMS) Program.
- Approved proposal for a one-time increase of \$2.6 million in federal funds for the Threat, Analysis, Reporting, and Geographic Evaluation Tool (TARGET) information system.
- Approved proposal for a one-time increase of \$2 million in federal funds for the Single-Point Information Collection and Evaluation System (SPICES).
- Adopted proposed trailer bill language to establish the Registry of Charitable Trusts Fund and approved an increase of \$2.1 million and 6.6 positions from the fund to address workload for the Registry of Charitable Trusts. As part of this request, reimbursements were reduced by \$410,000 and GF was reduced by \$906,000.
- Approved proposal for \$2.3 million and 10.8 positions for the enforcement of unfair competition and consumer protection laws, as required by Proposition 64.
- Approved proposal for \$2.5 million GF for purchase of old, outdated, and unreliable equipment for the Bureau of Forensic Services' Criminalistics Laboratory system on a one-time basis.
- Approved proposal for \$9.8 million in lease revenue funds for the construction phase of the Santa Rosa Replacement Laboratory.
- Approved proposal for a total of \$11.2 million (\$7 million from a GF loan) for the workload at the DOJ associated with the passage of Proposition 69, the DNA fingerprint, Unsolved Crime and Innocence Protection Act.
- Rejected proposal to suspend the Custody of Minors/Child Abduction and Recovery mandate.

0855 GAMBLING CONTROL COMMISSION

- Approved current-year funding for the Gambling Control Commission. This action did not include any new funds for new workload and did not include any new funds for a state gaming laboratory.
- Rejected proposal for \$276,000 from the Special Distribution Fund to reimburse the Department of General Services for inspection and validation of construction projects.
- Approved an augmentation of \$20 million on a one-time basis from the Special Distribution Fund for a total of \$50 million in 2005-06 to mitigate the impact of gaming operations on local governments. The Governor vetoed the \$20 million augmentation.

8550 CALIFORNIA HORSE RACING BOARD

- Approved as budgeted -- \$8.7 million from special funds.

8690 SIESMIC SAFETY COMMISSION

- Approved as budgeted -- \$1.1 million from special funds.

8830 CALIFORNIA LAW REVISION COMMISSION

- Approved an augmentation of \$40,000 and a 0.5 position to reduce the amount of time that attorneys spend on administrative functions.

8840 COMMISSION ON UNIFORM STATE LAWS

- Approved an augmentation of \$49,000 to fully fund the activities of the commission.

8940 MILITARY DEPARTMENT

- Approved proposal for \$250,000 from special funds to establish the California Military Family Relief Fund to provide financial aid grants to members of the California National Guard who have been called to active duty.
- Approved proposal for \$190,000 GF to implement the California National Guard Surviving Spouses and Children Relief Act.
- Approved proposal to increase funding by \$1.3 million for the Oakland Military Institute.
- Approved proposal for \$6 million GF (\$3.1 million) and federal funds (\$2.9 million) to fund preliminary plans, working drawings, and construction for the renovation of and addition to the Roseville Armory.
- Approved proposal for \$1.1 million GF and federal funds to pay for the full year impact of a Congressionally-mandated State Active Duty pay increase effective January 2005.
- Approved proposal for \$858,000 federal funds and \$431,000 GF to renovate kitchens and latrines and security lighting at selected armories.
- Approved proposal for \$1.5 million from the Armory Fund and augmented by \$700,000 for necessary repair projects at various armories to reduce the backlog of maintenance and repairs. Also augmented by \$3 million GF for this purpose. The Governor vetoed the \$3 million GF augmentation.

- Rejected proposal for \$7.2 million GF for acquisition of 30 acres for a new headquarters complex.

SUBCOMMITTEE 5

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Gloria Romero, Chair
John Campbell
Mike Machado

Consultants

Brian Annis
Alex MacBain

SUBCOMMITTEE No. 5

PUBLIC SAFETY, LABOR, and VETERANS AFFAIRS

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PUBLIC SAFETY AND CRIMINAL JUSTICE

0550 YOUTH AND ADULT CORRECTIONAL AGENCY (YACA)

- Approved a Finance Letter proposal to combine the programs of this agency into the new Department of Corrections and Rehabilitation, starting July 1, 2005. Budget Item 0550 has been deleted and the funding and programs have been included within Budget Item 5225 for the Department of Corrections and Rehabilitation.

0552 OFFICE OF THE INSPECTOR GENERAL (OIG)

- Approved \$3.6 million GF and 23 positions based on new workload adjustments for the OIG budget.
- Approved \$3.0 million and 19 positions to provide staff and resources to support additional workload resulting from the Youth and Adult Correctional Agency (YACA) Reorganization.
- Approved Budget Bill language requiring unspent funds from the augmentations for workload and the YACA Reorganization to revert to the General Fund.

0690 OFFICE OF EMERGENCY SERVICES

- Approved reduction of \$2.1 million to various local assistance grant programs. Specifically, the proposal eliminates funding for the following programs: Community Crime Resistance Program (\$231,000); Career Criminal Apprehension Program (\$866,000); Serious Habitual Offender Program (\$137,000); Vertical Defense of Indigents (\$172,000); and Drug Abuse Suppression in Schools Program (\$690,000). Restored \$1.9 million to fund the Rural Crime Prevention Program at \$3.3 million and augmented by \$300,000 for rural crime prevention in Monterey County.
- Approved a proposal for \$1.8 million (federal funds and special funds) and 19 limited-term positions to manage current and future federal homeland security grants.
- Approved a Finance Letter proposal for \$35 million to provide funding for the estimated costs of response and recovery from recent federally-declared disasters.
- Approved a Finance Letter proposal for \$5 million GF to purchase new fire engines for mutual aid response.
- Approved \$7.4 million in federal funds and 21 positions for additional support of Office of Homeland Security activities. Also approved \$139 million in federal funds for additional homeland security grants.

- Rejected Budget Bill and trailer bill language to establish the Office of Homeland Security as a separate department.

1870 VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

- Approved as budgeted.

5225 DEPARTMENT OF CORRECTIONS AND REHABILITATION

- Approved a Finance Letter proposal to create the new Department of Corrections and Rehabilitation by combining the programs of the Secretary for Youth and Adult Corrections (0550), the Department of Corrections (5240), the Board of Corrections (5430), the Board of Prison Terms (5440), the Department of the Youth Authority (5460), and the Commission on Correctional Peace Officer Standards and Training (5480), starting July 1, 2005. Budget Items for those agencies have been deleted and the funding and programs have been included within Budget Item 5225 for the Department of Corrections and Rehabilitation.

Adult Operations/Programs

- Approved a proposal for an increase of \$7.5 million to reimburse local entities for the prosecution of crimes committed by inmates while incarcerated in the state correctional system.
- Approved a proposal for \$956,000 and 8 half-time Jewish chaplain positions for equipment, food, and feeding materials to implement and maintain a statewide Jewish Kosher Meal Program in adult prisons as a result of a federal court order. Total on-going costs for the program will be approximately \$2 million.
- Approved authority to establish 53.5 two-year limited-term pharmacy technician positions in adult institutions to be used in place of contract registry positions. These positions would be funded through redirection of existing funds.
- Approved a proposal for \$9.8 million GF and 145.7 new positions to fund post relief for increased sick leave use and training requirements for registered nurses, supervising cooks, and Medical Technical Assistants (MTAs) at adult institutions. Also approved a Finance Letter proposal for a \$2.9 million GF decrease to reflect a correction in the number of supervisory cooks.
- Approved a proposal for \$2.6 million and 32 positions to provide supervision of inmate grounds-keeping crews.
- Approved \$2 million and 20 positions to staff Employee Relations Offices uniformly across adult prisons.
- Approved a reduction of \$300,000 to reclassify 25 headquarters peace officer positions, and adopted Supplemental Report language directing the department to report on the conversion of peace officer positions in headquarters and regional offices.

- Approved a proposal for \$35 million GF for salary savings adjustments and adopted Budget Bill language requiring the department to revert any funds not used to fill specified positions.
- Approved \$2.6 million GF to implement DNA testing consistent with Proposition 69, a reduction of \$948,000 from the original request.
- Approved \$34.8 million GF for a price increase, a reduction of \$7.3 million from the original request.
- Approved a Finance Letter reduction of \$1.4 million related to estimated energy savings from two energy projects.
- Approved a Finance Letter proposal for \$1.1 million GF to fund recruitment and retention pay differentials for mental health positions at 12 institutions, in order to comply with a court order issued in the *Coleman* lawsuit.
- Approved a Finance Letter proposal for \$4.1 million GF to implement revised guidelines for additional mental health staff in Administrative Segregation Units and Security Housing Units at Corcoran State Prison, in order to comply with a court order issued in the *Coleman* lawsuit.
- Approved a May Revise Finance Letter proposal for an additional \$86.1 million (\$85.4 million GF) to reflect revisions in the projected growth in the adult inmate and parole populations. The budget includes a total of \$338.6 million GF above the amount funded in the 2004 Budget Act due to increases in the estimated growth in the adult inmate and parole populations. A significant portion of the increase was due to implementation delays of parole reforms from the past two years.
- Approved a proposal for \$29.1 million GF to increase the number of Basic Correctional Officer Academy cadets from 640 to 1,920 annually.
- Approved a Finance Letter proposal to restore \$51.2 million of the \$95 million unallocated reduction proposed for inmate and parolee programs. The revised reduction of \$44.1 million was allocated by eliminating and reducing a number of intermediate sanction and parole programs. Also adopted Budget Bill language requiring the department to report quarterly on the implementation of various parole programs and on the estimated fiscal impacts of the programs.
- Approved an augmentation of \$7.5 million GF to expand and improve parole and inmate programs that are evidence based. Also adopted Budget Bill language requiring the department to provide the Legislature with detailed plans prior to expending these funds.
- Approved an augmentation of \$13.3 million and 88.5 positions to implement improvements in the dental program at adult prisons.
- Approved a Finance Letter proposal for \$5.8 million GF and 46 positions to increase staff, improve staff and inmate safety, and address critical physical plant deficiencies at the California Institution for Men, Chino.
- Approved \$4.9 million for Phase III of a Pharmacy Health Care Management System.

- Rejected a Finance Letter proposal for \$12 million GF for preliminary plans for a new mental health facility at California Institution for Men, Chino, and a Finance Letter for \$3.3 million for a study of a new mental health facility at California Men’s Colony, San Luis Obispo. These are two of three new facilities that the department is proposing to build. The three facilities would house approximately 6,000 inmates and would cost an estimated \$1.4 billion to construct.
- Adopted Budget Bill language directing the department to report to the Legislature on “high risk” information technology projects, requires the Department of Finance to perform an assessment of the department’s information technology activities, and requires the department to prepare a corrective action plan based on the findings of the assessment.

Juvenile Operations/Programs

- Approved \$1.2 million General Fund to develop a plan for reforming the juvenile justice system. Also approved Budget Bill language restricting the use of the funds and requiring the department to report quarterly on the progress made in developing the plan.
- Approved a Finance Letter proposal for a reduction of \$3.3 million (all funds) to reflect revisions in the projected growth of ward and parole populations. This decrease is composed of a decrease of \$3.6 million Proposition 98 and a decrease of \$9.8 million in reimbursements and is offset by an increase of \$10.1 million GF.
- Approved a Finance Letter proposal for an increase of \$25 million GF and a decrease of \$25 million in reimbursements to reflect the permanent change of budgeting the amounts received from the counties as revenues instead of reimbursements.
- Approved a Finance Letter proposal for an increase of \$6.6 million GF and 66 positions to augment the funding provided for relief of posted positions. This increase is primarily attributable to an increase in the relief needed to fund the accrual amounts for vacation and sick leave for posted positions.
- Approved a Finance Letter proposal for an increase of \$1.4 million GF to backfill the loss of federal funds previously used to fund substance abuse treatment programs.
- Approved \$23.9 million GF (\$14.8 million Proposition 98) to fund four remedial plans related to the *Farrell* settlement. The funding includes: \$17.1 million GF (\$14.8 million Proposition 98) and 208 positions for the Education Remedial Plan; \$1.2 million and 14 positions for the Interim Mental Health Remedial Plan; \$2.5 million and 19 positions for the Sex Offender Treatment Remedial Plan; and \$3.1 million and 12 positions for the Disability Remedial Plan. Also approved supplemental report language directing the department to report on implementation of the remedial plans.
- Approved a Finance Letter proposal for an increase of \$1.1 million GF to update the Ward Information Network information technology system.
- Approved a Finance Letter proposal for an increase of \$1.5 million GF for a training needs assessment.

Corrections Standards Authority

- Augmented funding by \$201.4 million GF to provide local assistance funding through the Corrections Standards Authority to county probation departments for probation services and to fund local ranch programs. Funding for this program was previously proposed to be provided by federal Temporary Assistance for Needy Families (TANF) funds.
- Approved augmentations totaling \$9.1 million GF and 81 positions to the Corrections Standards Authority to meet increased workload projections for parole revocation hearings consistent with the *Valdivia* Remedial Plan.
- Approved \$110,000 to provide additional staff for the Foreign Prisoner Transfer Program. This funding was vetoed by the Governor.

5240 DEPARTMENT OF CORRECTIONS

- Approved a Finance Letter proposal to combine the programs of this department into the new Department of Corrections and Rehabilitation, starting July 1, 2005. Budget Item 5240 has been deleted and the funding and programs have been included within Budget Item 5225 for the Department of Corrections and Rehabilitation.

5430 BOARD OF CORRECTIONS

- Approved a Finance Letter proposal to combine the programs of this department into the new Department of Corrections and Rehabilitation, starting July 1, 2005. Budget Item 5430 has been deleted and the funding and programs have been included within Budget Item 5225 for the Department of Corrections and Rehabilitation.

5440 BOARD OF PRISON TERMS

- Approved a Finance Letter proposal to combine the programs of this department into the new Department of Corrections and Rehabilitation, starting July 1, 2005. Budget Item 5440 has been deleted and the funding and programs have been included within Budget Item 5225 for the Department of Corrections and Rehabilitation.

5460 DEPARTMENT OF THE YOUTH AUTHORITY (CYA)

- Approved a Finance Letter proposal to combine the programs of this department into the new Department of Corrections and Rehabilitation, starting July 1, 2005. Budget Item 5460 has been deleted and the funding and programs have been included within Budget Item 5225 for the Department of Corrections and Rehabilitation.

5480 COMMISSION ON CORRECTIONAL PEACE OFFICERS STANDARDS AND TRAINING

- Approved a Finance Letter proposal to combine the programs of this department into the new Department of Corrections and Rehabilitation, starting July 1, 2005. Budget Item 5480 has been deleted and the funding and programs have been included within Budget Item 5225 for the Department of Corrections and Rehabilitation.

8120 COMMISSION ON PEACE OFFICERS STANDARDS AND TRAINING

- Approved as budgeted.

8140 STATE PUBLIC DEFENDER

- Approved as budgeted.

8180 PAYMENTS TO COUNTIES FOR THE COSTS OF HOMICIDE TRIALS

- Approved Budget Bill language to strengthen the reporting requirements for counties that receive homicide trial reimbursements.
- Approved trailer bill language to provide Stanislaus County with reimbursement of 100 percent of the extraordinary costs related to the *People v. Peterson* homicide trial.

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

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

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Reduced the agency's budget by \$12,000 (reimbursements) to tie the communications budget to the level of actual expenditures in 2003-04. The agency's communications expenditures received increased scrutiny after \$1,815 was expended on a "video news release" in 2004-05.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved Finance Letter adjustments to state operations and benefit payments, to reflect the May 2005 forecast of claims for the Unemployment Insurance Program, the Disability Insurance Program, and the School Employees Fund Program.
- Approved Finance Letter to reduce the department's budget by \$8.7 million (special fund) and 112 positions to reflect a workload decrease in the foreign-labor certification area because that workload has been shifted to the federal government.
- Approved Governor's Budget proposal to augment the department's budget by \$9.1 million (one-time, special fund) and 147 temporary personnel-years to liquidate the benefit audit backlog.
- Modified the Finance Letter proposal related to nursing education to: (1) reduce expenditures on clinical simulators from \$2.5 million to \$750,000 (GF); (2) reduce expenditures for Employment Training Panel (ETP) pre-apprenticeship training from \$5.0 million to \$2.5 million (special fund); and (3) move the proposed \$2.5 million loan-forgiveness program to the California Student Aid Commission. These savings were redirected to higher-priority expenditures in the area of nurse training in the California State University system and the Office of Statewide Health Planning and Development. The Governor vetoed Budget Bill language specifying that the \$2.5 million for ETP would be expended pursuant to future legislation. While the veto message states it does not want to restrict the use of funding to legislation that has not yet been passed by the Legislature, the administration indicates the intent to still expend the funds for nursing-related training.
- Approved a Legislative Analyst compromise recommendation adding provisional language to increase legislative oversight for unspent Workforce Investment Act (WIA) funds or for unanticipated new federal WIA funds.
- Reduced the department's budget by \$348,000 and three positions to reflect the transfer of the department's video production facility to the Department of General Services.
- Approved Governor's Budget proposal to augment the department's budget by \$2.5 million (special fund) and 25 positions (three-year limited-term) to conduct increased enforcement

activities against employers who violate labor laws. The administration indicates it will coordinate this enforcement effort with similar efforts to be undertaken by the Department of Industrial Relations and the Contractors' State License Board.

- Augmented funding by \$3.8 million (\$2.7 million GF) and 50 positions to increase tax collection and audit activities. The administration indicates this will result in an annual GF net benefit of \$8.4 million by 2007-08. The Governor reduced this funding by \$704,000 on a one-time basis, indicating that less than the full amount would be needed in 2005-06 due to lags in new hiring.

7120 CALIFORNIA WORKFORCE INVESTMENT BOARD

- Approved Finance Letter to decrease the Board's budget by \$775,000 and 6.0 positions. This reduction reduces administrative expenditures and the savings becomes available to redirect to local employment training programs.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Approved Finance Letter to re-establish up to 274.3 positions, previously added to implement workers' compensation legislation, which have been vacant more than six months and are subject to elimination by Government Code 12439. The department indicates these positions were kept vacant due to delays in implementing specific components of recent workers' compensation reforms and delays in the hiring process.
- Approved Governor's Budget proposal to augment the department's budget by \$3.0 million (special fund) and 29 positions (three-year limited-term) to conduct increased enforcement activities against employers who violate labor laws. The administration indicates it will coordinate this enforcement effort with similar efforts to be undertaken by the Employment Development Department and the Contractors' State License Board.
- Augmented the department's budget by \$3.0 million (GF) and 32 positions to increase enforcement in the area of minimum wage and overtime law compliance in construction, agriculture, garment manufacturing, janitorial and restaurant employment. Added Budget Bill language specifying the expenditure of this augmentation. The Governor vetoed this augmentation and associated Budget Bill language.

VETERANS AFFAIRS

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

- Rejected the Governor's Budget proposal to consolidate the headquarters and the three veterans' homes into a single budget unit.
- Approved Finance Letter for a \$97,000 reduction at the headquarters to generate GF savings. The Finance Letter rescinded the Governor's January Budget request for a \$973,000 unallocated GF reduction, some of which would have been taken at the homes.
- Approved Governor's Budget proposal to augment funding by \$100,000 (GF, one-time) to hire a consulting firm with expertise in hospital cost accounting systems.
- Approved Governor's Budget proposal to augment funding by \$446,000 (\$327,000 GF) and 1.0 position for maintenance at the new Northern California Veterans' Cemetery near Redding.
- Approved Governor's Budget proposal to augment funding by \$170,000 (GF, two-year limited term) and 2.0 positions to liquidate the backlog of veterans' claims before the United States Department of Veterans Affairs.

GOVERNOR'S VETOES

State of California
Governor's Office

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

Item 0250-111-0001—For transfer by the Controller to the Trial Court Trust Fund. I reduce this item from \$1,453,866,000 to \$1,386,566,000.

I am reducing this item by \$57,500,000 as a one-time base veto of a portion of the General Fund transfer to the Trial Court Trust Fund. This veto decreases the reserve in the Trial Court Trust Fund from \$67,500,000 to \$10,000,000, leaving a sufficient reserve in case revenues fall short of expected levels. The Trial Court Trust Fund does not need a large reserve since, pursuant to recent legislation, its primary fund sources now receive a statutory annual adjustment based on the increase in the State Appropriations Limit.

I am also reducing this item by \$9,800,000. The Legislature adopted Uniform Civil Filing Fees trailer bill language that would bring in increased revenue of \$14,750,000 in 2005-06 to the Trial Court Trust Fund. Of this amount, \$4,950,000 will be available as additional expenditure authority to the Trial Court Trust Fund for the facilities program and the remaining \$9,800,000 will offset the General Fund transfer. Since the Uniform Civil Filing Fee will not be implemented until January 1, 2006, the above amounts are for a half-year only and will be annualized in 2006-07. As such, the ongoing offset to the General Fund transfer will be \$19,600,000.

Item 0520-001-9329—For support of Secretary for Business, Transportation and Housing. I delete this item.

I am deleting the \$2,000,000 legislative augmentation that would provide loans to chrome plating businesses. This augmentation is associated with pending legislation and I am opposed to the appropriation of funds for legislation that has not yet been approved by the Legislature and the Administration.

Item 0540-001-0140—For support of Secretary for Resources. I revise this item by reducing:

(1) 10-Administration of Resources Agency from \$8,378,000 to \$8,362,000,

and by deleting:

(5.5) Amount payable from the River Protection Subaccount (Item 0540-001-6015) (-\$16,000).

I am revising this item to conform to the action I have taken in Items 0540-490 and 0540-001-6015.

Item 0540-001-6015—For support of Secretary for Resources. I delete this item.

I am deleting this item to conform to the action I have taken in Items 0540-490 and 0540-001-0140.

Item 0540-490—Reappropriation, Secretary for Resources. I revise this item as follows:

"Notwithstanding any other provision of law, the period to liquidate encumbrances of the following citations are extended to June 30, 2006:

0001—General Fund

- (1) Item 0540-101-0001, Budget Act of 1999 (Ch. 50, Stats. 1999)
- (2) Item 0540-101-0001, Budget Act of 2000 (Ch. 52, Stats. 2000)
- (3) Item 0540-101-0001, Budget Act of 2001 (Ch. 106, Stats. 2001)

0890—Federal Trust Fund

- (1) Item 0540-001-0890, Budget Act of 2002 (Ch. 379, Stats. 2002)

~~6015—River Protection Subaccount~~

- ~~(1) Item 0540-101-6015, Budget Act of 2000 (Ch. 52, Stats. 2000)~~
 - ~~(a) Los Angeles River Parkways"~~

I am eliminating the availability of funding provided to the City of Maywood for the Maywood Riverfront Park. Funds for this project have been available since 2000 and the City has not yet purchased the land as required by the grant agreement. Several obstacles remain, making this purchase unlikely in the near future. Consequently, it would not be prudent to continue earmarking these funds for the Maywood project.

I am revising this item to conform to the action I have taken in Items 0540-001-0140 and 0540-001-6015.

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

- (1) 30-Support from \$9,703,000 to \$9,203,000, and
- (11.5) Amount payable from the Public Interest Research, Development and Demonstration Fund (Item 0555-001-0381) (-\$500,000).

I am revising this item to conform to the action I have taken in Item 0555-001-0381.

Item 0555-001-0381—For support of Secretary for Environmental Protection. I delete this item and Provision 1.

I am deleting the \$500,000 legislative augmentation to support the California Climate Action Registry. The work of the Registry is important to accomplishing the goals of the state's greenhouse gas reduction targets, but the Energy Commission already provided \$200,000 in 2004-05 for this purpose. Furthermore, I believe that awards under the Public Interest Energy Research Program should be funded through the existing competitive grant process.

I am deleting Provision 1 to conform to this action.

Item 0855-101-0367—For local assistance, California Gambling Control Commission. I reduce this item from \$50,000,000 to \$30,000,000.

I am deleting the \$20,000,000 legislative augmentation to provide additional grant funds to mitigate the impacts of tribal gaming on local government agencies. I am supportive of these mitigation efforts and understand their importance, especially to areas with significant concentrations of tribal casinos. Because local government agencies have not provided

required annual reports that detail the specific projects funded in their jurisdictions in the past two years, I do not have sufficient information to justify this augmentation.

Item 0860-001-0001—For support of the State Board of Equalization. I reduce this item from \$211,158,000 to \$210,843,000 by reducing:

- (1) 100000-Personal Services from \$275,822,880 to \$275,506,880;
- (2) 300000-Operating Expenses and Equipment from \$89,199,120 to \$89,030,120; and
- (3) Reimbursements from -\$104,504,000 to -\$104,334,000.

I am deleting the \$485,000 legislative augmentation for eight Consumer Use Tax collection positions. My Budget proposed, and the Legislature approved, seven new positions for this purpose. These positions are adequate to address workload needs.

Item 1111-002-0239—For support of the Bureau of Security and Investigative Services. I reduce this item from \$7,241,000 to \$6,958,000 by reducing:

- (1) 25.10.010-Bureau of Security and Investigative Services, Private Security Services Program from \$9,695,000 to \$9,412,000.

I am vetoing this legislative augmentation of \$283,000 and 3.0 positions for the Bureau of Security and Investigative Services. This augmentation is not based on a justified programmatic need, but rather was made because there is a growing fund reserve in the Private Security Services Fund. The growing fund balance reflects a need for the Bureau to reduce fees paid by registrants and is not a reason to increase staffing.

Item 1730-001-0001—For support of Franchise Tax Board. I reduce this item from \$508,091,000 to \$506,865,000, by reducing:

- (1) 10-Tax Programs from \$432,283,000 to \$431,057,000,

and by deleting Provision 8.

I am deleting the \$1,226,000 legislative augmentation that provides 14 additional positions to establish a Misdemeanor Program within the Franchise Tax Board. I am concerned that this program might result in charges against persons who innocently failed to recognize that they had taxable income. There is no indication that local prosecutors would be willing to pursue these cases. Consequently, the revenue projections associated with this augmentation are questionable.

I am deleting Provision 8 of this item. The provisional language would allow the Board to divert up to \$200,000 that is appropriated for activities designed to narrow the tax gap. Specifically, the language would allow the Board to hire outside consultants to study independent contractor withholding and tax compliance issues. I do not believe that funds appropriated for the tax gap proposals should be redirected for other purposes. Furthermore, the Board has studied this issue in the past, and it concluded that California should not take action on this issue unless the federal government takes similar action.

Item 1760-001-0666—For support of Department of General Services. I reduce this item from \$590,238,000 to \$584,086,000 by reducing:

(1) Program support from \$802,572,000 to \$796,420,000,

and by deleting Provision 12.

I am reducing \$6,152,000 and 114.0 personnel years from the Office of State Publishing (OSP) to realign expenditures and revenues. For the last several years, the OSP has not generated sufficient revenues to support its current operations.

I am deleting Provision 12, which would require the Department to provide a report that could lead to disclosure of confidential or proprietary information related to negotiated pharmaceutical contracts. Since trailer bill language also requires the Department to report on these contracts, and does so in a way that would not jeopardize the confidentiality of the negotiated pricing, this Provision is unnecessary.

Item 2150-001-0298—For support of Department of Financial Institutions. I reduce this item from \$18,882,000 to \$18,881,000, by reducing:

(5) 60-Credit Unions from \$3,827,000 to \$3,826,000.

I am reducing this item by \$1,000 to reflect the elimination of the Credit Union Advisory Committee. This is consistent with my commitment to eliminate unnecessary boards and commissions.

Item 2240-105-0001—For transfer to the Emergency Housing and Assistance Fund.

I am sustaining \$864,000 General Fund for the Emergency Housing Assistance Program in this item, on a one-time basis, to continue shelter beds during a transition period while new beds are developed under my proposal to create permanent housing with supportive services for the chronically homeless.

Item 2660-022-0042—For transfer by the Controller from the State Highway Account, State Transportation Fund, to the Environmental Enhancement and Mitigation Program Fund. I delete this item.

I am deleting the \$10,000,000 legislative augmentation for the discretionary Environmental Enhancement and Mitigation Demonstration Program that provides grants to local entities for highway landscaping, urban forestry, the purchase of resource lands, and roadside recreation such as the construction of hiking and biking trails. While preserving open space is an extremely important function in maintaining our environment, improving mobility and increasing maintenance for our state highways is critical. This augmentation is not the best use of scarce transportation funds.

Item 2660-101-0183—For local assistance, Department of Transportation. I delete this item.

I am deleting this item to conform to the action I have taken in Item 2660-022-0042.

Item 2660-102-0890—For local assistance, Department of Transportation. I revise this item by revising Provision 4 as follows:

"4. Of the amount appropriated in this item, \$5,000,000 is for regional blueprint planning grants. ~~Of the \$5,000,000, at least 20 percent of the funds shall be allocated by the Department of Transportation, in consultation with the Department of Housing and Community Development, for grants to those regional councils of governments that have Regional Housing Needs Assessment tasks scheduled for the 2005-06 fiscal year to assist with preparation of their Regional Housing Needs Assessment in order to coordinate and integrate housing and transportation planning to the extent allowable under federal law. If the Regional Housing Needs Assessment is determined to be a reimbursable state mandate pursuant to Section 6 of Article XIII B of the California Constitution, then any grants received by councils of governments to prepare the assessment under this item shall be considered an offsetting revenue for the purposes of claiming state reimbursement.~~"

I am revising Provision 4, because it would require the use of transportation funds for non-transportation purposes, which is not consistent with the intent of the regional blueprint planning program and may not be consistent with federal law.

Item 2665-001-0046—For support of the High-Speed Rail Authority. I reduce this item from \$4,251,000 to \$3,926,000 by reducing:

(1) 10-High-Speed Rail Authority from \$4,576,000 to \$3,926,000;

and by deleting:

(2) Reimbursements (-\$325,000);

and by deleting Provision 2.

I am deleting the legislative augmentation of \$650,000 and 0.5 positions to conduct a study of route alternatives and potential station locations along the Fresno-to-Bakersfield corridor. The High-Speed Rail Authority has already completed a study of this corridor and has not designated any station locations other than Fresno and Bakersfield.

I am deleting Provision 2 to conform to this action.

Item 3360-011-0381—For transfer by the Controller from the Public Interest Research, Development, and Demonstration Fund to the General Fund. I delete this item.

I am deleting the transfer of \$4,000,000 in interest earnings from the Public Interest Research, Development, and Demonstration Fund (PIER Fund) to the General Fund. The PIER Fund is a trust fund to be used for projects that benefit the ratepayers paying the surcharge. Consequently, interest earnings should remain in the fund to be used for projects that promote electricity efficiency and environmentally sustainable energy development.

Item 3480-001-0001—For support of Department of Conservation. I revise this item by reducing:

(3) 30-Land Resource Protection from \$4,256,000 to \$3,911,000, and

- (13) Amount payable from the Soil Conservation Fund (Item 3480-001-0141) from -\$2,599,000 to -\$2,254,000.

I am revising this item to conform to the action I have taken in Item 3480-001-0141.

Item 3480-001-0141—For support of Department of Conservation. I reduce this item from \$2,599,000 to \$2,254,000.

I am deleting the \$345,000 legislative augmentation to increase staffing for Williamson Act enforcement activities. The need for additional staff for enforcement of the Williamson Act has not been clearly demonstrated. Consequently, I am unable to support this augmentation from the limited resources in the Soil Conservation Fund.

Item 3600-001-0384—For support of Department of Fish and Game. I reduce this item from \$8,000,000 to \$4,000,000.

I am revising this item to conform to the action taken in Item 3640-401.

Item 3640-401—Wildlife Conservation Board. I revise this item as follows:

"Notwithstanding any other provision of law, the balance of revenues that would have been deposited in the California Housing Trust Fund and the Resources Trust Fund, pursuant to Section 6217 of the Public Resources Code, shall be allocated in the following order:

Provisions:

1. ~~\$8,000,000~~ \$2,000,000 shall be deposited into the State Parks and Recreation Fund for the Department of Parks and Recreation Maintenance and Park Ranger staff and deferred maintenance. It is the intent of the Legislature that this augmentation be used to establish up to 40 new parks positions. These funds are intended to be ongoing.
2. ~~\$8,000,000~~ \$4,000,000 shall be deposited into the Salmon and Steelhead Trout Restoration Account for salmon and steelhead trout restoration projects authorized by Section 62171 of the Public Resources Code, including, but not limited to, projects that implement the Coho Salmon Recovery Plan.
3. \$48,000,000 shall be deposited in the General Fund.
4. ~~\$3,000,000 shall be deposited into the Fish and Game Preservation Fund to continue operation of state fish hatcheries located in various regions of the state.~~
5. ~~\$3,000,000 shall be deposited into the State Parks and Recreation Fund for deferred maintenance.~~
6. Any revenues remaining after expenditure for the purposes specified in Provisions 1, 2, 3, 4, and 5, shall be deposited in the General Fund."

I am reducing Provisions 1 and 2, which would transfer Tidelands Oil Revenue to specified funds within the Department of Parks and Recreation for staffing and deferred maintenance projects, and the Department of Fish and Game for salmon and steelhead restoration and fish hatcheries. I am also deleting Provisions 4 and 5. Although the augmentations contained in these provisions may have merit, these reductions and deletions are necessary in light of our current fiscal situation and to ensure a prudent General Fund reserve.

I am revising this item to conform to the action I have taken in Items 3600-001-0200, 3600-001-0384, 3790-001-0001, and 3790-001-0392.

Item 3720-001-0001—For support of California Coastal Commission. I reduce this item from \$10,751,000 to \$9,801,000 by reducing:

- (1) 10-Coastal Management Program from \$14,573,000 to \$13,973,000, and
- (2) 20-Coastal Energy Program from \$1,147,000 to \$797,000.

I am reducing this item by \$950,000 and eight positions for administration of Offers-to-Dedicate and review of Liquefied Natural Gas (LNG) applications and federal offshore oil leases. This augmentation may have merit; however, as presently proposed it would result in a General Fund cost. The Coastal Commission has sufficient resources to perform critical, high priority work such as the review of LNG applications. The Commission also has the authority to adjust its fees in order to fund its activities, and can address this issue and meet its workload obligations without impacting the General Fund.

Item 3760-301-0593—For capital outlay, State Coastal Conservancy. I reduce this item from \$950,000 to \$450,000 to make a technical correction to the Budget Bill by reducing:

- (1) 80.00.020-Public Access from \$950,000 to \$450,000.

I am deleting the \$500,000 legislative augmentation because there are insufficient funds in the Coastal Access Account to support this augmentation. With this technical correction, \$450,000 remains to support the Conservancy's efforts to accept and open Offers-to-Dedicate easements.

Item 3790-001-0001—For support of Department of Parks and Recreation. I revise this item by reducing:

- (1) For support of the Department of Parks and Recreation from \$353,003,000 to \$344,003,000, and
- (9) Amount payable from the State Parks and Recreation Fund (Item 3790-001-0392) from -\$134,779,000 to -\$125,779,000.

I am revising this item to conform to the actions taken in Items 3640-401 and 3790-001-0392.

Item 3790-001-0392—For support of Department of Parks and Recreation. I reduce this item from \$134,779,000 to \$125,779,000.

I am revising this item to conform to the actions taken in Items 3640-401 and 3790-001-0001.

Item 3900-001-0044—For support of Air Resources Board.

I am sustaining this legislative augmentation of \$12,500,000 to replace pre-1977 school buses. To ensure that this augmentation is spent most appropriately, I am directing the Air Resources Board to develop a plan by September 15, 2005, for allocation of these resources, and to submit this plan to the California Environmental Protection Agency for review and approval. The allocation plan must consider the overall financial capacity of the applicant to reasonably replace these buses without state assistance, the exposure to children, and the age of the buses slated for replacement.

Item 3900-001-0115—For support of Air Resources Board.

I am sustaining the redirection of \$10,000,000 from the Carl Moyer Program to fund the retrofitting of diesel school buses. The allocation criteria for Carl Moyer Program make it difficult for school bus projects to qualify for award and thus our children continue to be at risk. To ensure that these redirected funds are spent most appropriately, I am directing the Air Resources Board to develop a plan by September 15, 2005, for allocation of these resources, and to submit this plan to the California Environmental Protection Agency for review and approval. The allocation plan must consider the overall financial capacity of the applicant to reasonably replace these buses without state assistance, the exposure to children, and the age of the buses slated for replacement.

This redirection, along with the augmentation of Item 3900-001-0044 and the \$4,500,000 of Proposition 98 funding is a significant and important advancement in our protection of our children.

Item 3980-001-0001—For support of Office of Environmental Health Hazard Assessment. I reduce this item from \$8,852,000 to \$8,352,000 by reducing:

- (1) 10-Health Risk Assessment from \$16,924,000 to \$15,924,000;
- (6) Amount payable from the Department of Pesticide Regulation Fund (Item 3980-001-0106) from -\$1,120,000 to -\$870,000;

and by deleting:

- (7.5) Amount payable from the Waste Discharge Permit Fund (Item 3980-001-0193) (-\$250,000)

The Legislature augmented the Office of Environmental Health Hazard Assessment's (OEHHA's) budget by \$1,500,000. I am sustaining a \$500,000 General Fund augmentation to support OEHHA's scientific efforts to evaluate environmental risks. However, I am vetoing \$1,000,000 of the augmentation to support a prudent General Fund reserve and because there are insufficient funds available in the Department of Pesticide Regulation Fund.

Item 3980-001-0106—For support of Office of Environmental Health Hazard Assessment. I reduce this item from \$1,120,000 to \$870,000.

I am reducing this item by \$250,000 to conform to the actions I have taken in Item 3980-001-0001.

Item 3980-001-0193—For support of Office of Environmental Health Hazard Assessment. I delete this item.

I am deleting this item to conform to the actions I have taken in Item 3980-001-0001.

Item 4120-115-0001—For transfer by the Controller to the Trauma Care Fund. I am sustaining this item.

I am sustaining the \$10,000,000 legislative augmentation for trauma care services on a one-time basis because I am concerned about the financial stress experienced by many of our state's trauma centers. I recognize the critical role these health care facilities play in providing

access to essential medical services and the importance of addressing priority concerns such as securing on-call physicians and promoting hospital surge capacity for times of emergency. I am therefore sustaining this funding and directing the Emergency Medical Services Authority to work closely with local Emergency Medical Services Authorities to ensure these funds target priority needs and do not supplant existing funding.

Item 4260-001-0001—For support of Department of Health Services. I reduce this item from \$244,093,000 to \$241,093,000 by reducing:

(1) 10-Public and Environmental Health from \$313,379,000 to \$310,379,000,

and by deleting Provision 11.

I am deleting the \$3,000,000 legislative augmentation to continue the Improved Access, Counseling and Treatment for Californians with Prostate Cancer (IMPACT) program, as it is not prudent to expand programs in light of the projected structural deficit in 2006-07, and because of the absence of an evaluation of the effectiveness of the IMPACT program, especially given the 45 percent non-clinical overhead costs of the program. Without restructuring program operations, it is not clear that the benefits of this program for the small number of beneficiaries (341 in 2004-05) outweigh the costs. My Budget places a high priority on protecting health care services and maintains eligibility for health insurance for millions of low-income Californians. It increases funding for indigent health care services providing \$73,500,000 to support indigent healthcare in the California Healthcare for Indigents and Rural Health Services programs.

The IMPACT program was established as a pilot program in 2000-01 using one-time Tobacco Settlement Funds. It last received new funding by the Legislature in 2002-03. Since then, the program has used previously unspent funds to continue program services. These funds are exhausted. Given concerns that less than 60 percent of the appropriated funds are spent on direct patient care and the lack of an evaluation of the program's effectiveness, I am directing the department to evaluate the IMPACT program for programmatic and cost effectiveness. Any contractual funding for a prostate cancer treatment program must go to maximize services to the patients and minimize contractual costs and overhead. Continuing this program prior to the evaluation is imprudent.

I am deleting Provision 11 to conform to this action.

Item 4260-001-0626—For support of Department of Health Services. I delete Provision 1.

I am deleting Provision 1, which would require the Department of Health Services to use the interagency agreement process to conduct work related to small water systems. This Budget Bill language would limit the Department's flexibility to seek an external contract for these services if an interagency agreement is not a viable option if geographic restrictions preclude use of state staff or if there are other operational alternatives that would be beneficial to and less costly for the state.

Item 4260-101-0001—For local assistance, Department of Health Services. I reduce this item from \$12,670,181,000 to \$12,665,819,000 by reducing:

(3) 20.10.030-Benefits (Medical Care and Services) from \$29,401,653,000 to \$29,392,929,000;

(9) Amount payable from the Federal Trust Fund (4260-101-0890) from -\$19,282,571,000 to -\$19,278,209,000;

and by deleting Provision 14.

I am deleting the legislative augmentation of \$3,362,000 for the Alameda Alliance for Health and Partnership HealthPlan of California. I believe California must expand its use of managed care for Medi-Cal beneficiaries in order to improve outcomes for this critical population and control growth of the program's costs. But before the state considers funding a rate increase to providers, which this augmentation would do, a thorough review of these managed care providers' financial records is necessary to determine the underlying causes of the financial status of the providers. The Department of Health Services will change the Partnership's contract date to allow time for a thorough review of the Partnership's reimbursement rate during the next budget cycle. There is an indication that past discretionary actions of the Alameda Alliance for Health are largely responsible for their current fiscal stress. It would be unwise for the state to provide fiscal relief to Alameda Alliance for Health until the Alameda Alliance for Health implements cost-saving strategies.

However, in the case of the San Diego Community Health Group, I have determined that vetoing \$2,000,000 million (\$1,000,000 General Fund) and sustaining \$3,000,000 (\$1,500,000 General Fund) is appropriate. Community Health Group has worked closely with the Department of Managed Health Care to restructure their finances and implement program efficiencies. In addition, this increase will partially compensate the Group for a Medi-Cal rate increase in 2000 that is not reflected in the Group's current rate. This action, combined with the significant rate reductions the Group has already negotiated with its key providers, will allow the Group to implement a sound fiscal plan to assure that the Group will be able to continue to provide services to a vulnerable population without additional rate increases next year.

I am also deleting the legislative augmentation of \$4,362,000 in Item 4260-101-0890 to conform to this action.

I am deleting Provision 14 because requiring the Administration to notify the Legislature whenever actual expenditures for a specific part of the Medi-Cal program are not consistent with the Medi-Cal Estimate would be unnecessarily burdensome. The Department of Health Services already provides the Legislature with a monthly report which compares components of the Medi-Cal Estimate to actual expenditures. Any information beyond this report would require an unreasonable expenditure of staff resources given that it would result in duplicative information, and the additive value of the information that it would provide is uncertain.

Item 4260-101-0890—For local assistance, Department of Health Services. I reduce this item from \$19,282,571,000 to \$19,278,209,000.

I am reducing this item by \$4,362,000 to conform to my action in Item 4260-101-0001.

Item 4260-111-0001—For local assistance, Department of Health Services.

I am sustaining, on a one-time basis, the \$5,639,000 legislative augmentation which would restore Human Immunodeficiency Virus (HIV) Prevention and Education funding for various local health jurisdictions to 2001-02 funding levels. This Budget includes base General Fund support of approximately \$24.9 million, which is currently allocated to local health jurisdictions based on the California HIV Planning Group's formula to direct funds to those jurisdictions that have the highest prevalence of the disease. Supplemental program funding in 2006-07 beyond

the base funding of \$24.9 million should be reviewed in the context of competing priorities for limited General Fund resources.

Item 4270-001-0001—For support of California Medical Assistance Commission. I reduce this item from \$1,207,000 to \$1,126,000 by reducing:

- (1) 10-California Medical Assistance Commission from \$2,622,000 to \$2,460,000, and
- (2) Reimbursements from -\$1,307,000 to-\$1,226,000.

I am reducing this item by \$162,000 to disassociate commissioner salaries from the salaries provided to legislators. Instead, commissioner annual compensation will be \$50,000. This action more properly aligns commissioner salaries with the amount of work required to faithfully perform the duties required of commissioners.

Item 4280-104-0236—For local assistance, Managed Risk Medical Insurance Board, for the Healthy Families Program Rural Health Demonstration Project.

I am sustaining the \$1,000,000 legislative augmentation for the Rural Health Demonstration Project (RHDP) on a one-time basis. The RHDP provides a valuable service to explore how to improve access to health care services for the medically underserved and uninsured populations in rural areas, as well as for special populations.

Item 4440-295-0001—For local assistance, Department of Mental Health.

I am sustaining on a one-time basis the legislative augmentation of \$120,000,000 to fund counties for providing special education mental health services under the AB 3632 state mandate. These funds will ensure continued services while the state pursues transitioning from a state-mandated program to a categorical program.

To this end, I am directing the Department of Mental Health, in collaboration with the State Department of Education, to develop a plan to shift the program from a state-mandated program to a categorical program effective fiscal year 2006-07. This plan is to be developed in consultation with counties, school authorities, community mental health providers, and other private and public groups with an interest in mental health and special education issues. The plan will address the roles and responsibilities of local education agencies and counties in the provision of federally required mental health services, the type and scope of services to be provided, recommended changes in statute, regulations and practices necessary to implement the program, appropriate mechanisms to encourage and improve collaboration among education and mental health systems, and appropriate funding levels, fiscal controls, and auditing efforts. I am also directing the Department of Finance to provide consultation and assistance to ensure that the plan is fiscally sound.

A more effective system of delivery of this service must be found; sustaining this augmentation on a one-time basis only is to allow for a transition to such an alternative by 2006-07.

Item 4700-001-0001—For support of Department of Community Services and Development. I reduce this item from \$125,000 to \$75,000 by reducing:

- (1) 47-Naturalization Services from \$125,000 to \$75,000.

I am reducing the \$2,500,000 legislative augmentation for the Naturalization Services Program to the \$1,500,000 included in the 2004 Budget Act. This is a valuable program and I am therefore sustaining funding at last year's level to support services that assist immigrants in completing their citizenship application, citizenship testing, and in preparing for the interview. The Naturalization Services Program funds faith-based institutions, community-based organizations, and non-profit entities to provide these and many other important activities for immigrants.

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

Item 4700-101-0001—For local assistance, Department of Community Services and Development. I reduce this item from \$2,375,000 to \$1,425,000 by reducing:

(1) 47-Naturalization Services from \$2,375,000 to \$1,425,000.

I am reducing this item by \$950,000 to conform to the action taken in Item 4700-001-0001.

Item 5175-101-0890—For local assistance, Department of Child Support Services. I delete Provision 4.

I am deleting Provision 4, which would limit local child support agencies (LCSAs) to a 10 percent share of any federal penalty increases that may result from the expenditure of an additional \$20,000,000 federal funds to match voluntary county contributions to the Child Support Program. In 2004-05, the LCSAs agreed to provide for the full cost of any penalty increases that would result from these types of expenditures. Therefore, I am vetoing this provision because it contradicts the existing agreement that the state has with the LCSAs, and because it could result in General Fund expenditure increases without any regard to the availability of revenues. Should the state obtain relief from federal penalties, I am committed to proportionally sharing any penalty relief with LCSAs that choose to draw down additional federal funds.

Item 5180-001-0001—For support of Department of Social Services. I reduce this item from \$78,630,000 to \$77,155,000 by reducing:

(2) 25-Social Services and Licensing from \$139,798,000 to \$138,248,000, and

(11) Amount payable from the Federal Trust Fund (Item 5180-001-0890) from -\$337,180,000 to -\$337,105,000.

I am deleting the \$1,400,000 legislative augmentation that would restore a portion of the Department of Social Services' (DSS) General Fund unallocated reduction. The Legislature calculated that this amount of funding is equal to the Community Care Licensing Division's share of the Department's unallocated reduction. I share the Legislature's concerns with protecting the health and safety of vulnerable clients cared for in community care facilities as evidenced by my recent increase of \$1,140,000 General Fund to address additional workload resulting from caseload growth in the Community Care Licensing Division.

The DSS is currently making a substantial effort to identify and implement efficiencies within the Community Care Licensing Division, thereby prioritizing existing resources on monitoring and oversight responsibilities. In addition, the DSS has recently undertaken an aggressive hiring campaign to fill longstanding vacancies within this division that resulted from hiring freezes during the previous Administration and prior unallocated reductions passed by the Legislature.

However, such a significant hiring process takes time and the Department will still realize savings from positions not filled for the entire fiscal year. These savings will help the Department achieve its full unallocated reduction without adversely impacting the critical services the department provides to our children and families.

To maximize protection of our state's most vulnerable populations, I am directing the Health and Human Services Agency to conduct a thorough review of licensing activities in all Agency Departments. This review will identify needed programmatic and fiscal changes in the licensing programs.

I also am deleting \$150,000 (\$75,000 General Fund) and one position added by the Legislature to assist counties in complying with the federal Indian Child Welfare Act (ICWA). The DSS has a number of positions involved in oversight and management functions to support tribal issues and ICWA compliance, including one ICWA specialist position dedicated to advocate and facilitate compliance with ICWA laws, regulations, and policies in California. Given the ongoing structural deficit and the existing resources devoted to ICWA compliance, I cannot support this augmentation. However, recognizing the Legislature's desire to have an ICWA coordinator in the DSS Executive Office, I am directing the DSS to redirect the existing ICWA specialist position to the Office of the Director.

Item 5180-001-0890—For support of Department of Social Services. I reduce this item from \$337,180,000 to \$337,105,000.

I am revising this item to conform to the action I have taken in Item 5180-001-0001.

Item 5180-101-0001—For local assistance, Department of Social Services. I revise this item by reducing:

- (1) 16.30-CalWORKs from \$4,979,156,000 to \$4,954,156,000, and
- (6) Amount payable from the Federal Trust Fund (Item 5180-101-0890) from -\$3,846,720,000 to -\$3,821,720,000.

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

Item 5180-101-0890—For local assistance, Department of Social Services. I reduce this item from \$3,846,720,000 to \$3,821,720,000.

I am reducing \$25,000,000 in federal Temporary Assistance for Needy Families (TANF) Block Grant funds for CalWORKs administration to modify the effect of language included in the trailer bill to provide up to \$50,000,000 in unspent 2004-05 CalWORKs single allocation funds to counties in 2005-06. The Legislature increased funding for the administration of this program based on an alternate projection of savings associated with shifting from retrospective budgeting/monthly reporting for eligibility determination to prospective budgeting/quarterly reporting. I am sustaining \$25,000,000 of the allocation on a one-time basis to ensure the counties have adequate resources to support work participation activities. I am also directing the Department of Social Services to work with the counties to determine the true impact of quarterly reporting requirements for CalWORKs recipients, to reflect the appropriate level of savings in my January Budget.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from \$424,392,000 to \$413,401,000 by reducing:

- (1) 16.75-County Administration and Automation Projects from \$1,050,018,000 to \$1,023,732,000, and
- (3) Amount payable from the Federal Trust Fund (Item 5180-141-0890) from -\$569,817,000 to -\$554,522,000.

I am deleting the legislative augmentation of \$2,545,000 (\$991,000 General Fund and \$1,554,000 Federal Trust Fund) for Foster Care Administration. The Legislature reinvested Foster Care Administration caseload savings back into Foster Care Administration. This veto would re-establish funding for this program at the level I proposed in the May Revision, which accurately reflects Foster Care Administration funding needs based on the projected foster care caseload in 2005-06.

I am deleting the legislative augmentation of \$23,741,000 (\$10,000,000 General Fund and \$13,741,000 Federal Trust Fund) for Food Stamp and California Food Assistance Program (CFAP) administration. The Legislature increased funding for the administration of these programs based on an alternate projection of savings associated with shifting from retrospective budgeting/monthly reporting for eligibility determination to prospective budgeting/quarterly reporting. This veto would re-establish funding for Food Stamp and CFAP administration at the level I included in the May Revision. I am directing the Department of Social Services to work with the counties to determine the true impact of quarterly reporting requirements for food stamps recipients to reflect the appropriate level of savings in my January Budget.

Item 5180-141-0890—For local assistance, Department of Social Services. I reduce this item from \$569,817,000 to \$554,522,000.

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

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from \$764,894,000 to \$761,294,000 by reducing:

- (1) 25.30-Children and Adult Services and Licensing from \$2,221,743,000 to \$2,215,914,000, and
- (6) Amount payable from the Federal Trust Fund (Item 5180-151-0890) from -\$1,382,198,000 to -\$1,379,969,000.

I am deleting the legislative augmentations of \$5,600,000 (\$3,500,000 General Fund) for the Child Welfare Services (CWS) Outcome Improvement Project and \$229,000 (\$100,000 General Fund) for Adoption Assistance Program (AAP) training. These reductions are necessary to limit program expansions and to help bring ongoing expenditures in line with existing resources due to the projected structural deficit in 2006-07.

The May Revision included a comprehensive funding package that provides sufficient resources to support ongoing CWS Program Improvement Plan initiatives, fund implementation of county System Improvement Plans, and improve outcomes for children in 2005-06. The legislative augmentation exceeds the level of funding that is necessary to implement approved CWS program improvement initiatives and strategies, achieve compliance with federal performance requirements, and avoid federal penalties.

With this reduction, \$26.6 million in total funds still remains to support ongoing Program Improvement Plan activities and the CWS Outcome Improvement Project in 2005-06. Of this amount, a new investment of \$12.8 million will be available for all counties to implement their System Improvement Plans. The Department of Social Services (DSS) will work with the County Welfare Directors Association to develop an application and approval process to allocate these funds.

Similarly, the legislative augmentation for AAP training is unnecessary as the DSS intends to increase efforts in 2005-06 to provide training and technical assistance to county social workers regarding the eligibility determination process for the AAP within existing resources.

Item 5180-151-0890—For local assistance, Department of Social Services. I reduce this item from \$1,382,198,000 to \$1,379,969,000.

I am reducing this item to conform to the action I have taken in Item 5180-151-0001.

Item 5225-001-0001—For support of the Department of Corrections and Rehabilitation. I revise this item from \$6,623,170,000 to \$6,623,060,000 by reducing:

(9) 35-Board of Parole Hearings from \$78,707,000 to \$78,597,000,

and by deleting Provision 25.

I am deleting the legislative augmentation of \$110,000, which would provide additional staff for the Foreign Prisoner Transfer Program to increase outreach and marketing efforts to encourage more foreign prisoners to volunteer to be transferred back to their country of origin. The Board of Parole Hearings has staff to operate this program and is already taking steps to increase inmate awareness of the program. Transfers are not due to a lack of staff but other factors, such as the willingness of prisoners to volunteer to transfer, the willingness of the other countries to accept the prisoner and agree to California sentencing requirements, and treaties with other nations. Therefore, this augmentation is not necessary.

I am deleting Provision 25 to make a technical correction to the Budget Bill. Provision 29 of this item includes similar language that correctly reflects the Legislature's action on this issue.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$42,674,000 to \$42,206,000 by reducing:

(3) 30-Special Programs from \$50,109,000 to \$49,141,000;

(9) Amount payable from Federal Trust Fund (Item 6110-001-0890) from -\$149,985,000 to -\$149,485,000;

and by deleting Provision 3.

I am reducing this item by \$468,000 and 4.6 positions to eliminate support for the Healthy Start program which conforms to my action taken in Item 6110-200-0001.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$149,985,000 to \$149,485,000.

I am deleting the \$500,000 augmentation to the Legislative Analyst's Office to study the distribution of federal and state supplementary funding targeted at the State's economically disadvantaged and English language learner students. The use of federal funds to study funding formulas for state programs is inappropriate and may constitute an audit exception. Further, this augmentation is unnecessary. The work group I have already directed, consisting of the Office of the Secretary for Education, the Legislative Analyst's Office, and the State Department of Education, could address this issue at an absorbable cost.

I am deleting Provision 18.5 to conform to this action.

Item 6110-123-0890—For local assistance, Department of Education (Proposition 98). I reduce this item from \$65,141,000 to \$51,329,000 by reducing:

- (2) 20.60.030.038-Comprehensive School Reform Program from \$43,839,000 to \$30,027,000.

I am deleting the \$13,812,000 legislative augmentation in carryover for this program. These funds were originally included in the No Child Left Behind Act flexibility proposal for carryover funds. Because the number of schools and districts identified as "program improvement" under the federal school accountability system has significantly increased, I believe it is a higher priority to target these carryover funds directly to low-achieving schools and districts to improve the academic performance of their pupils. Consequently, I will pursue future legislation appropriating these funds for that purpose and continue to work with the federal government through the State Board of Education to obtain approval of a No Child Left Behind Act flexibility proposal.

Item 6110-125-0890—For local assistance, Department of Education. I reduce this item from \$294,959,000 to \$275,759,000 by reducing:

- (2) 10.30.010-Title I, Migrant Education from \$144,461,000 to \$125,261,000.

I am deleting the \$19,200,000 legislative augmentation in carryover for this program. These funds were originally included in the No Child Left Behind Act flexibility proposal for carryover funds. Because the number of schools and districts identified as "program improvement" under the federal school accountability system has significantly increased, I believe it is a higher priority to target these carryover funds directly to the low-achieving schools and districts that have large populations of migrant students to improve the academic performance of these pupils. Consequently, I will pursue future legislation appropriating these funds, and I will continue to work with the federal government through the State Board of Education to obtain approval of a No Child Left Behind Act flexibility proposal.

Item 6110-136-0890—For local assistance, Department of Education. I reduce this item from \$1,846,724,000 to \$1,805,187,000 by reducing:

- (1) 10.30.060-Title I-ESEA from \$1,751,527,000 to \$1,727,227,000;
- (3) 10.30.080-Title I-School Improvement from \$86,477,000 to \$69,240,000;

and by revising Provision 5.

I am deleting the \$41,537,000 legislative augmentation in carryover for these programs. These funds were originally included in the No Child Left Behind Act flexibility proposal for carryover

funds. Because the number of schools and districts identified as "program improvement" under the federal school accountability system has significantly increased, I believe it is a higher priority to target these carryover funds directly to low-achieving schools and districts to improve the academic performance of their pupils. Consequently, I will pursue future legislation appropriating these funds and continue to work with the federal government through the State Board of Education to obtain approval of a No Child Left Behind Act flexibility proposal.

I am revising Provision 5 to conform to this action.

"5. Of the funds appropriated in Schedule (3), ~~\$46,477,000~~ \$29,240,000 shall be available pursuant to Article 3.1 (commencing with Section 52055.57) of Chapter 6.1 of Part 28 of the Education Code, for Title I district accountability."

Item 6110-161-0001—For local assistance, Department of Education, (Proposition 98) Special Education. I reduce this item from \$2,894,790,000 to \$2,890,022,000 by reducing:

(1) 10.60.050.003-Special education instruction from \$2,831,196,000 to \$2,826,428,000, and by revising Provision 24.

I am deleting \$4,768,000 from Provision 24 of this item to correct a technical over-appropriation which should have been offset by a corresponding increase in property tax estimates assumed as part of the final budget agreement. I am setting these funds aside for appropriation in subsequent legislation for other Proposition 98 priorities.

I am revising Provision 24 to conform to this action:

"24. Of the amount appropriated in Schedule (1), ~~\$52,620,000~~ \$47,852,000 is available for the 2005–06 fiscal year on a one-time basis. Local educational agencies shall use these funds for one-time purposes, including, but not limited to, the following: to assist students with disabilities pass the California High School Exit Examination, instructional materials, or other one-time expenditures for students with disabilities."

I am sustaining the remainder of this appropriation with the understanding that subsequent clean-up legislation will correct various technical issues in both this item and in Item 6110-161-0890 that concern funding for students with disabilities, including a correction that will identify the amount passed through to Special Education Local Plan Areas (SELPA) in Provision 21 as \$58.4 million rather than the lesser amount currently specified. I further expect that subsequent legislation will specify that the first priority for the use of the amount of funding remaining in Provision 24 for allocation to SELPA) will be to help students with disabilities pass the state's High School Exit Exam.

Item 6110-191-0001—For local assistance, Department of Education (Proposition 98). I delete this item.

I am deleting the \$20,000,000 for purchase of supplemental materials for English language learners that was shifted by the Legislature from Instructional Materials in Item 6110-189-0001. The action by the Legislature to link this funding to the funding appropriated for Career-Technical Education through Control Section 24.50 is unconstitutional and attempts to usurp the authority of the Governor to veto items of appropriation. Furthermore, the Budget Act of 2004 contained \$30,000,000 for supplemental materials for English language learners that has yet to

be allocated. Therefore, this additional appropriation is premature. I am setting these funds aside for appropriation in subsequent legislation for other Proposition 98 priorities.

Item 6110-200-0001—For local assistance, Department of Education. I delete this item.

I am deleting this \$2,000,000 legislative augmentation because the one-time funding included in the 2004 Budget Act for this program was intended to fully fund both the planning and operational grants for each grantee, thus not resulting in any future-year obligations for the State. I am therefore setting these funds aside for appropriation in subsequent legislation that ensures that any grants provided this year will eliminate any subsequent funding pressures or obligations on the state in the future. This action will have no effect on schools currently operating these programs, as full funding for their multi-year grant periods has been provided in past budgets.

Item 6110-243-0001—For local assistance, Department of Education. I am sustaining this item.

I am sustaining the \$20,000,000 legislative augmentation because it is a high priority of my Administration to provide the services necessary to help eligible pupils pass the California High School Exit Exam. It is my understanding that further legislation will be enacted to address some concerns I have with the language contained in this item. For instance, the language would allow the services to be provided during the regular school day, which would likely remove these pupils from other important instructional opportunities. In addition, this item only contains funding for two of the four currently funded supplemental instruction programs, which delays allocation of funds and inhibits flexibility. Therefore, it is my expectation that legislation will also restore the supplemental programs contained in this item back to the original supplemental instruction funding item to resolve these issues and maximize the level of funding available to serve students who have failed or are likely to fail the exit exam.

Item 6440-006-0001—For support of University of California. I delete this item and Provision 1.

I am deleting this item which reflects a legislative augmentation of \$108,000 to support California's membership in the Western Interstate Commission for Higher Education (WICHE). When acting on the 2004 Budget last year, the Legislature deleted funding for membership dues for WICHE, as well as other state membership dues because of the fiscal condition of the state. It is my understanding that the higher education segments have agreed to fund their share of the membership dues in this budget year as well.

Item 6610-002-0001—For support of California State University. I reduce this item from \$3,034,000 to \$2,807,000 by reducing:

- (1) Center for California Studies-Fellows Program from \$610,000 to \$602,653;
- (3) Assembly Fellows from \$597,851 to \$537,354;
- (4) Senate Fellows from \$597,851 to \$537,354;
- (5) Executive Fellows from \$597,351 to \$536,854;
- (6) Judicial Fellows from \$421,659 to \$386,647; and
- (7) LegiSchool Project from \$116,788 to \$113,638.

I am reducing the legislative augmentation for the Capital Fellows Programs from \$309,000 to \$82,000, reflecting an overall increase of three percent in base funding for these programs, consistent with the Compact for Higher Education.

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98). I revise this item by deleting Provision 6.6 to conform to the action I have taken in Control Section 24.50.

Consistent with my action in Control Section 24.50, I am deleting Provision 6.6 which states legislative intent to fund Career Technical Education pursuant to the Legislature's addition of Control Section 24.50. Control Section 24.50 would require that \$20,000,000 for Career Technical Education be linked to providing an identical amount of funding for supplemental instructional materials for English learners. These two programs do not share any legal or programmatic relationship, thus the Control Section creates an inappropriate funding link between these distinct programs. Further, this action is unconstitutional and attempts to usurp the Governor's veto authority.

I have a strong commitment to career technical education reform in order to ensure that all students have the opportunity to prepare for high paying careers in the high demand job sectors of our economy. Therefore, I am setting aside \$20,000,000 from my veto of Control Section 24.50 to provide support for Career Technical Education in separate legislation.

I am deleting Provision 6.6 to conform.

Item 6870-486—Reappropriation (Proposition 98), Board of Governors of the California Community Colleges. I revise this item from \$33,000,000 to \$15,600,000 as follows:

~~"6870-486—Reappropriation (Proposition 98), Board of Governors of the California Community Colleges. The sum of \$33,000,000 \$15,600,000 is reappropriated from the Proposition 98 Reversion Account, for the purpose of backfilling a projected shortfall in 2004-05 local property tax revenues for community colleges. To the extent that the funding provided for this purpose exceeds the amount necessary to compensate community colleges for the shortfall in local property tax revenues, the remaining funding shall be reappropriated to community colleges to further support equalizing community college apportionment rates."~~

I am reducing the Legislature's augmentation to community colleges to backfill a projected shortfall in 2004-05 local property tax revenues from \$33,000,000 to \$15,600,000. I am advised that the community colleges will experience a shortfall not greater than \$21,000,000 in the current year. Furthermore, the community colleges are not likely to earn all growth funding for 2004-05, and as such the system would not incur the costs of instruction anticipated for the current year. Given the continuing structural deficit facing the state, a portion of these resources should therefore be utilized for higher priorities. Consistent with that approach, I am setting aside this \$17,400,000, in combination with the set aside of \$20,000,000 from my action on Control Section 24.50, to provide support for Career Technical Education pursuant to separate legislation.

Item 7980-001-0784—For support of Student Aid Commission. I delete Provision 4.

I am deleting Provision 4 because it would limit the Commission's authority to carry out its statutory authority by requiring advance notification of specified actions related to the governance structure and roles and responsibilities of the EdFUND Board of Directors. Additionally, this provision's expressed intent regarding the sale or transfer of the federal loan

guarantee to another entity is a policy matter that should be addressed only after thoughtful deliberation by the Legislature and the Administration.

Chapter 961, Statutes of 1996, authorizes the Student Aid Commission to establish an auxiliary organization for the purpose of providing operational and administrative services for the Commission's participation in the Federal Family Education Loan Program. Among other duties and responsibilities, the Commission is empowered to nominate and appoint a board of directors for the auxiliary organization. As such, Provision 4 infringes on the Executive Branch's ability to operate programs and establishes a substantive change in law.

Item 7980-101-0001—For local assistance, Student Aid Commission. I am sustaining this item.

I am sustaining the legislative authorization contained in subdivision (e) of Provision 1 for an augmentation of 300 additional APLE loan assumption warrants because loan assumptions are a critical incentive to encourage science and math majors to become teachers. However, given the budget agreement to fund the Science and Math Teacher Initiative in the University of California and California State University segments, it is necessary that this provision be modified in subsequent legislation to make these additional warrants available exclusively to candidates participating in the initiative, as determined by the segments. In this way, we can assure the success of the initiative to provide our students with the most proficient science and math teachers possible, which is critical to California's future economic well-being.

Item 7100-001-0001—For support of Employment Development Department. I reduce this item from \$22,679,000 to \$22,186,000.

I am reducing the legislative augmentation by \$493,000, which would provide funding for increasing the department's efforts to collect employment taxes owed to the state. In recognition of the potential merits associated with this effort, I am sustaining \$2,194,000 of the augmentation. This reduction is necessary to reflect a more realistic timeframe for the implementation of this effort.

Item 7100-001-0514—For support of Employment Development Department. I delete Provision 3.

Provision 3 sets aside \$2,500,000 from this item to fund a health care training program to be adopted in legislation during the 2005-06 session. I am concerned about restricting the use of this funding for legislation that has not yet been passed by the Legislature.

California has a real and growing nursing shortage. California will have a shortage of 47,600 nurses by 2010. This means that California will need an additional 9,500 nurses every year for the next five years just to meet demand. California is currently ill-equipped to meet that demand. That is why my Administration has recently developed a multifaceted, comprehensive program of more than \$100,000,000 to build California's capacity to train nurses. Provision 3 would unnecessarily hamper the efforts my Administration has embarked upon in this regard.

Item 7100-001-0588—For support of Employment Development Department. I reduce this item from \$214,699,000 to \$214,488,000.

I am reducing the legislative augmentation by \$211,000 which would provide funding for increasing the department's efforts to collect employment taxes owed to the state. In recognition of the potential merits associated with this effort, I am sustaining \$940,000 of the augmentation. This reduction reflects the anticipated timeframe for the implementation of this effort.

Item 7100-001-0870—For support of Employment Development Department. I revise this item by reducing:

- (2) 21-Tax Collections and Benefit Payments from \$647,908,000 to \$647,204,000;
- (9) Amount payable from the General Fund (Item 7100-001-0001) from -\$22,679,000 to -\$22,186,000; and
- (13) Amount payable from the Unemployment Compensation Disability Fund (Item 7100-001-0588) from -\$214,699,000 to -\$214,488,000.

In recognition of the potential merits associated with increasing the efforts to collect employment taxes owed to the state, I am sustaining \$3,134,000 of the \$3,838,000 augmentation to provide funding for 50 auditors and collectors in the Tax Collections and Benefits Payments Program. I am reducing the legislative augmentation by \$704,000 to reflect the anticipated timeframe within which these new personnel will be hired by the Department.

This action conforms to the reductions of Items 7100-001-0001 and 7100-001-0588.

Item 7350-001-0001—For support of Department of Industrial Relations. I reduce this item from \$64,249,000 to \$61,249,000 by reducing:

- (6) 50-Division of Labor Standards Enforcement from \$49,983,000 to \$46,983,000,

and by deleting Provision 2.

I am deleting the legislative augmentation that provided \$3,000,000 and 30.4 personnel years to expand enforcement efforts by the Labor Commissioner and the Bureau of Field Enforcement. In the years prior to my arrival in Sacramento, literally dozens of new laws were added to the California Labor Code. Unfortunately, while all these new laws were being added to the Labor Code, the number of labor law officials actually enforcing the laws was slashed dramatically. In fact, when my Administration began in November 2003, not a single enforcement official was based in the Central Valley. This disregard for the importance of vigorous labor law enforcement allowed the underground economy to flourish.

In January, I proposed, and this Budget creates, the Economic and Employment Enforcement Coalition (EEEC). The EEEEC will coordinate underground economy enforcement activities by the Department of Industrial Relations (DIR), the Employment Development Department, the Contractors State License Board, and others. The Budget provides the EEEEC with 63 positions, including \$3,026,000 and 27.5 personnel years for DIR. Also, a concerted effort was made to create these positions without using General Fund dollars, allowing those dollars to be used for other high-priority needs.

I am deleting Provision 2 to conform to this action.

Item 8660-001-0461—For support of Public Utilities Commission. I reduce this item from \$8,785,000 to \$8,502,000.

The Legislature augmented the Public Utilities Commission's (PUC's) rail safety program by \$1,242,000. Because rail safety is of paramount importance, I am sustaining \$959,000 of this augmentation on a one-time basis. I am reducing this augmentation by \$283,000 that was

intended for additional legal staff and governmental liaisons because they are unnecessary to increase railroad safety inspections and investigations. In addition, the State Auditor recently issued a report identifying deficiencies in the PUC's accounting practices in this program. Consequently, continuation of this augmentation will be dependent upon the PUC rectifying these deficiencies and ensuring that the fees which support this program are fully allocated to these activities.

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

- (1) 10-Regulation of Utilities from \$88,887,000 to \$87,887,000;
- (3) 20-Regulation of Transportation from \$16,043,000 to \$15,760,000;
- (10) Amount payable from the Public Utilities Commission Transportation Reimbursement Account (Item 8660-001-0461) from -\$8,785,000 to -\$8,502,000;
- (18) Amount payable from the Public Utilities Commission Ratepayer Advocate Account (Item 8660-001-3089) from -\$19,379,000 to -\$18,379,000.

I am revising this item to conform to the actions I have taken in Items 8660-001-0461, 8660-001-3089, and 8660-011-0462.

Item 8660-001-3089—For support of the Public Utilities Commission. I reduce this item from \$19,379,000 to \$18,379,000.

I am deleting the \$1,000,000 legislative augmentation to fund an additional 10.0 positions in the Office of Ratepayer Advocates' (ORA) telecommunications division. The ORA already has 122 positions and did not provide sufficient workload detail to justify additional positions. If the ORA can identify critical work that is not being performed by the existing staff, it can be considered in next year's budget.

Item 8660-011-0462—For transfer by the Controller from the Public Utilities Commission Utilities Reimbursement Account to the Public Utilities Commission Ratepayer Advocate Account. I reduce this item from (\$19,379,000) to (\$18,379,000).

I am reducing this item by \$1,000,000 to conform to the actions I have taken in Items 8660-001-0462 and 8660-001-3089.

Item 8855-001-0001—For support of Bureau of State Audits. I reduce this item from \$14,232,000 to \$13,082,000 by reducing:

- (1) 10-State Auditor from \$14,232,000 to \$13,082,000.

I am deleting the \$1,150,000 legislative augmentation to the Bureau of State Audits. Augmenting this item is inconsistent with the creation of the Office of Inspector General since the Administration does not oversee or direct the activities of the Bureau of State Audits.

Item 8860-001-0001—For support of Department of Finance. I reduce this item from \$34,542,000 to \$33,392,000 by reducing:

- (2) 20-Program and Information System Assessments from \$15,361,000 to \$14,211,000.

I proposed a new Office of the State Inspector General, but the Legislature rejected my proposal and augmented this item by \$1,150,000 to provide funding for staffing and associated resources for additional audits by the Office of State Audits and Evaluations in the Department of Finance. These audits would assess and strengthen the internal accounting and administrative control systems to minimize fraud, errors, abuse, and waste of government funds within any department or agency reorganized in the 2005-06 Legislative Session.

I am deleting the legislative augmentation because it does not address the identified need. The Office of the State Inspector General would have a much broader purview than the Department of Finance, which conducts fiscal audits and provides accounting advice to departments. My proposal would require criminal investigations that the Department of Finance does not have the authority to conduct. Additionally, Department of Finance staff does not have the experience or training to work in an arena controlled by the rules of evidence for criminal proceedings. I will bring my proposal for a meaningful and effective Office of Inspector General back next year.

Item 8940-001-0604—For support of Military Department. I reduce this item from \$5,200,000 to \$2,200,000 by reducing:

- (1) 10-Army National Guard from \$5,200,000 to \$2,200,000.

I am reducing the legislative augmentation to make additional repairs to existing armories throughout the state from \$3,700,000 to \$700,000. With this action, the Military Department will have \$2,200,000 to begin addressing maintenance and repair needs at armories.

I am directing the Office of the Adjutant General to complete a comprehensive review of its facility needs, including an assessment of deferred maintenance needs for the armories.

Further, there is a substantial backlog of deferred maintenance at other buildings under the state's management, and this augmentation would have privileged armories over other needs for maintenance of higher priority.

I am also deleting Item 8940-002-0001 to conform to this action.

Item 8940-002-0001—For transfer by the Controller to the Armory Fund. I delete this item.

I am deleting \$3,000,000 in this item to conform to the action I have taken in Item 8940-001-0604.

Item SEC. 4.10—Reporting Requirements for Unallocated Reductions. I delete this Control Section.

I am deleting this control section that requires the Director of Finance to report to the Legislature by December 10, 2005, on the impact of the unallocated reductions included in the 2005 Budget Act. This language is an infringement on the Executive Branch's budget development process as the information necessary to produce this report may include budgetary decisions that would not be reached until the preparation of the 2006-07 Governor's Budget was complete.

SEC. 12.75—Basic Aid District Reduction. I revise this Control Section to delete the \$280,000 legislative augmentation to basic aid district categorical funding. The Budget still provides \$1,260,000 to reduce cuts made to basic aid district categorical funding in the 2003-04 Budget. However, I am setting aside these additional funds for appropriation in subsequent legislation

for other Proposition 98 priorities. The total reduction to basic aid district categorical funding in the 2005-06 fiscal year is \$1,406,000.

I am revising Control Section 12.75 as follows:

"SEC. 12.75. The Superintendent of Public Instruction shall reduce by ~~\$1,126,000~~ 1,406,000 funding for basic aid school districts from the Proposition 98 categorical funds appropriated in this act that would otherwise be allocated to basic aid school districts, in accordance with legislation that goes into effect on or before January 1, 2006."

Item SEC. 24.50—Career Technical Education. I delete this Control Section.

I am deleting the Legislature's addition of this Control Section to require that \$20,000,000 for Career Technical Education be linked to providing an identical amount of funding for supplemental instructional materials for English learners. These two programs do not share any legal or programmatic relationship, thus the Control Section creates an inappropriate funding link between these distinct programs. Further, this action is unconstitutional and attempts to usurp the Governor's veto authority.

I have a strong commitment to career technical education reform in order to ensure that all students have the opportunity to prepare for high paying careers in the high demand job sectors of our economy. Therefore, I am setting aside \$20,000,000 from this veto to provide support for the Career Technical Education proposal in separate legislation.

I am also deleting Provision 6.6 of Item 6870-101-0001 to conform to this action.

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

/s/ Arnold Schwarzenegger

ARNOLD SCHWARZENEGGER

State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 80.

Item 0250-101-0932—For local assistance, Judicial Branch. I revise this item from \$2,513,466,000 to \$2,488,916,000 by reducing:

- (1) 45.10-Support for operation of the Trial Courts from \$2,183,763,000 to \$2,159,213,000, and deleting Provision 8.

I am reducing this item by \$24,550,000. The Legislature adopted Uniform Civil Filing Fees trailer bill language that would result in increased revenue of \$14,750,000 in 2005-06 and \$29,500,000 beginning in 2006-07 to the Trial Court Trust Fund. The Legislature also increased appropriation authority in this item by \$29,500,000 beginning in 2005-06. I am vetoing \$14,750,000 to reduce the appropriation authority consistent with the increased level of revenue in 2005-06. In addition, a related veto in Item 0250-111-0001 is reducing the General Fund transfer to the Trial Court Trust Fund by \$9,800,000. Therefore, I am also vetoing \$9,800,000 in this item to conform to that action. The remaining \$4,950,000 will be available as additional expenditure authority to the Trial Court Trust Fund for the facilities program.

I am deleting Provision 8 which would specify the method of allocating additional funds received through a statutorily required adjustment based on the percentage change in the State Appropriations Limit. As a separate and co-equal branch of state government, the Judicial Branch should have the flexibility to allocate these funds based on the operational needs of the trial courts and not according to a methodology imposed by the Legislature.

Item 0520-001-0001—For support of Secretary for Business, Transportation and Housing. I reduce this item from \$8,828,000 to \$8,678,000.

I am deleting the \$150,000 legislative augmentation which provides funding for the Small Business Advocate within the Business, Transportation and Housing Agency. I am a strong proponent of keeping California's business climate positive and helping business development, and believe that small businesses would be best served with this interagency coordinating function remaining at the Governor's Office of Planning and Research. The Office of Planning and Research should perform this function within existing resources.

Item 0520-001-0044—For support of Secretary for Business, Transportation and Housing. I revise this item by reducing:

- (2) 25-Infrastructure Finance and Economic Development Program from \$15,700,000 to \$13,550,000;
- (5) Amount payable from the General Fund (Item 0520-001-0001) from -\$8,828,000 to -\$8,678,000;

and by deleting:

- (9) Amount payable from the Chrome Plating Pollution Prevention Account (Item 0520-001-9329) (-\$2,000,000).

I am reducing this item to conform to the actions I have taken in Items 0520-001-0001 of this bill and 0520-001-9329 of the Budget Act.

Item 3600-001-0001—For support of Department of Fish and Game. I reduce this item from \$44,431,000 to \$38,431,000 by reducing:

- (1) 20-Biodiversity Conservation Program from \$132,172,000 to \$128,172,000;
- (2) 25-Hunting, Fishing and Public Use from \$48,920,000 to \$44,920,000;
- (4) 40-Conservation Education and Enforcement from \$55,643,000 to \$50,643,000;
- (12) Amount payable from the Fish and Game Preservation Fund (Item 3600-001-0200) from-\$98,919,000 to -\$95,919,000;
- (18.5) Amount payable from the Salmon and Steelhead Trout Restoration Account (Item 3600-001-0384) from -\$8,000,000 to -\$4,000,000;

and by deleting Provisions 3 and 4 to conform to this action.

I am deleting the \$5,000,000 legislative augmentation to create 40 new game warden positions. The Department has 352 warden positions available to enforce California's Fish and Game laws. While I am supportive of enforcing California's Fish and Game Code, I am unable to concur in this specific augmentation because of the need to ensure a prudent reserve for economic uncertainties. I am deleting Provision 3 to conform to this action.

I am deleting the \$1,000,000 legislative augmentation to create 7.0 positions for the Wild and Heritage Trout Program. I am deleting Provision 4 to conform to this action.

I am also revising this item to conform to the action I have taken in Item 3600-001-0200 and Item 3600-001-0384.

These reductions are necessary to provide for a prudent General Fund reserve in light of the state's current fiscal condition. With these reductions, \$272,209,000 still remains to support these programs.

Item 3600-001-0200—For support of Department of Fish and Game. I reduce this item from \$98,919,000 to \$95,919,000.

I am deleting the \$3,000,000 legislative augmentation which would increase funding for fish hatchery operations to conform to the action I have taken in Items 3640-401 and 3600-001-0001.

Item 6440-001-0001—For support of University of California. I reduce this item from \$2,618,386,000 to \$2,614,585,000 by reducing:

(1) Support from \$2,534,890,000 to \$2,531,089,000,

and by revising Provisions 12 and 13 and by deleting Provision 25.

I am deleting the \$3,800,000 legislative augmentation for the Labor Institute. The Legislature's action restores funding that was provided on a one-time basis in the 2004 Budget Act and these reductions are needed to help bring ongoing expenditures in line with existing resources.

I am deleting Provision 25 to conform to this action.

I am also reducing this item by \$1,000 and revising Provision 12 to eliminate the Legislature's requirement that the California State Summer School for Math and Science (COSMOS) be evaluated consistent with the accountability framework for outreach programs that was developed by the University in April 2005. This program is not an outreach program focused on increasing the academic performance of disadvantaged students; therefore, an evaluation on that basis would not be productive. The \$1,000 reduction reflects savings by revising Provision 12, as follows, to eliminate the unproductive effort required by the Provision:

"12. It is the intent of the Legislature that the University of California report by April 1, 2006, on the outcomes and effectiveness of COSMOS, ~~consistent with the accountability framework developed by the University of California for student academic preparation and education programs in April 2005.~~"

I am revising Provision 13 to eliminate the Legislature's requirement that the Welfare Policy Research Project be located at the University of California at Berkeley campus. This is an internal issue to the University, and as such, both usurps the autonomy of the University and the authority of the Executive Branch to operate programs. I am revising Provision 13 to conform to this action as follows:

"13. The amount appropriated in Schedule (1) includes funding for the University of California ~~at Berkeley, Institute for Governmental Studies,~~ to support the Welfare Policy Research Project, per Article 9.7 (commencing with Section 11526) of Chapter 2 of Part 3 of the Welfare and Institutions Code."

Finally, I am sustaining the \$17.3 million legislative augmentation for Student Academic Preparation and Education Programs on a one-time basis, with the understanding that the University will work with the Administration to fully evaluate the cost-effectiveness of each program and eliminate those that cannot demonstrate an adequate return on investment.

Item 6610-001-0001—For support of the California State University. I reduce this item from \$2,554,085,250 to \$2,550,645,250 by reducing:

(1) Support from \$3,978,663,250 to \$3,975,223,250,

and by revising Provision 11.

I am reducing the legislative augmentation for a specific entry-level master's degree program in nursing from \$4,000,000 to \$560,000 because the level of funding provided exceeds the programmatic need in the budget year. However, I believe very strongly in increasing the number of nurses in California. Therefore, in order to ensure that all these dollars are not left unspent, and actually are used to address our nursing shortage, I am setting aside the vetoed amount, to address this critical need through different approaches, pursuant to subsequent legislation. For instance, I would consider signing legislation that would appropriate the remainder of the \$4,000,000 to the California State University, the University of California, or both, to work with some of California's independent colleges and universities to increase capacity for nursing programs with the objective to further increase the number of nursing faculty available in our state. The availability of increased nursing faculty will allow schools to offer more nursing classes and increase the State's capacity to train an even greater number of nurses.

I am revising Provision 11 to conform to this action as follows:

“11. Of the amount appropriated in Schedule (1), ~~\$4,000,000~~ \$560,000 is to support the development of entry-level master's degree programs in nursing, pursuant to Article 8 (commencing with Section 89270) of Chapter 2 of Part 55 of Title 3 of the Education Code.”

Finally, I am sustaining the \$7 million legislative augmentation for student academic preparation and student support services programs on a one-time basis, with the understanding that the University will work with the Administration to fully evaluate the cost-effectiveness of each program and eliminate those that cannot demonstrate an adequate return on investment.

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges. I am deleting Provision 6.6 of this item to conform to my action on that same Provision and Control Section 24.50 in the main budget bill, SB 77:

As stated in the veto message for SB 77, I am deleting Provision 6.6 which states legislative intent to fund Career Technical Education pursuant to the Legislature's new added Control Section 24.50. Control Section 24.50 would require that \$20,000,000 for Career Technical Education be linked to providing an identical amount of funding for supplemental instructional materials for English learners. These two programs do not share any legal or programmatic relationship; thus, the Control Section creates an inappropriate funding link between these distinct programs. Further, this action is unconstitutional and attempts to usurp the Governor's veto authority.

I have a strong commitment to career technical education reform in order to ensure that all students have the opportunity to prepare for high paying careers in the high-demand job sectors of our economy. Therefore, I am setting aside \$20,000,000 from my veto of Control Section 24.50 to provide support for Career Technical Education in separate legislation.

Item SEC. 29.50—Employee Compensation Savings. I delete this control section.

I am deleting Control Section 29.50 because this language is unnecessary and infringes on the Administration's prerogatives regarding collective bargaining. This section requires the Administration to notify the Legislature 10 days prior to any reductions in appropriations based on the results of collective bargaining. Control Section 4.01 provides the same authority to reduce appropriations but provides for legislative notification within 30 days of the reductions.

Notification prior to reductions would place the Legislature in the position of approving or disapproving specific employee compensation reforms that arise from collective bargaining negotiations, rather than ratifying memoranda of understanding that require expenditures of funding as provided for in Government Code Sections 3517.6 and 3517.61. This constitutes an infringement on the Governor's responsibilities under the Dills Act.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 80.

/s/ Arnold Schwarzenegger

ARNOLD SCHWARZENEGGER

To the Members of the California State Senate:

I am signing Senate Bill No. 71 with the following line item veto in Section 1 to more closely align the bill with my expenditure plan.

SECTION 1. Section 2932.2 is added to the Fish and Game Code, to read:

2932.2. Of the funds appropriated pursuant to Section 79565 of the Water Code, not less than ~~twelve million dollars~~ eight million five hundred thousand dollars (~~\$12,000,000~~ \$8,500,000) shall be made available for transfer or direct expenditure for acquisition, grants, or other activities that directly restore the Salton Sea and its transboundary watersheds, consistent with Section 2932.

I am reducing this allocation in recognition of the fact that only \$8,800,000 in funds appropriated pursuant to Section 79565 of the Water Code will be available for allocation during 2005-06. By reducing this allocation to \$8,500,000, the available funding will not be exceeded, and a small reserve will remain for contingencies in all activities and projects funded by this section of the Water Code.

With the above line item veto, I hereby approve SB 71.

Sincerely,

Arnold Schwarzenegger

To the Members of the California State Senate:

I am signing Senate Bill 76, a budget trailer bill establishing authority and appropriating funds to implement the first stage of the hydrogen highway in California.

This bill expands the technologies eligible to seek funding from Public Interest Research, Development and Demonstration Fund to include projects that serve the energy needs of both stationary and transportation purposes and provide a benefit to the electricity ratepayer. The clear intent was to provide funding opportunities for emerging technologies within the existing resources in the program not to provide an avenue or reason to raise rates to fund additional activities.

Sincerely,

Arnold Schwarzenegger