



# **Final Action Report**

## **A Summary of the 2006 Budget Act**

**(Chapter 47, Statutes of 2006)**

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 27, 2006

# FINAL ACTIONS

July 27, 2006

Assembly Bill 1801 (Chapter 47)  
2006-07 Budget Bill

Senate Committee on  
Budget and Fiscal Review

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## California State Senate

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ON  
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL  
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July 27, 2006

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2006-07 budget actions taken by the Budget Conference Committee along with the Governor's vetoes. This report is available on the Senate Budget and Fiscal Review website:

Please follow the links:

- 1 - [www.sen.ca.gov](http://www.sen.ca.gov)
- 2 - Committees
- 3 - Standing
- 4 - Budget and Fiscal Review
- 5 - Information
- 6 - Final Action Report 2006

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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<i>Subcommittee No. 4: Transportation, State Administration, General Government, Judiciary, Public Safety and Criminal Justice</i> .....	4-1

## **Governor's Vetoes**

## INTRODUCTION

On June 27, the Legislature passed AB 1801, the 2006 Budget Act (Chapter 47, Statutes of 2006) and its companion measure, AB 1811 (Chapter 48, Statutes of 2006), that modifies various items to the main Budget. In enacting these bills, the Legislature met its Constitutional obligation to pass a balanced budget.

Enclosed is the Senate Final Action Report. The report provides a detailed summary of the 2006 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee (via the subcommittee process), the Budget Conference Committee, and final negotiations between leadership of the Legislature and the Administration, along with gubernatorial vetoes (exercised under Article IV, Section 10 (e) of the State Constitution).

In total, the budget crafted is based on \$103.4 billion in available General Fund resources, and contains \$101.3 billion in expenditures. The final General Fund reserve is approximately \$2.1 billion (including \$62 million in GF vetoes) – the reserve also includes a \$472 million set-aside for the Budget Stabilization Account (BSA). In terms of all funds (General Fund, special funds, and select bond funds), the proposed budget is approximately \$131.4 billion.

The budget pays down or prepays approximately \$3.8 billion in debt (including over \$967 million for K-12 and community college mandate costs). Among others, this includes additional repayments of: the Economic Recovery Bonds, a significant portion of the 2003-04 and 2004-05 Proposition 42 suspensions, various special fund loans, and local government mandate costs.

The budget does not include any general tax increases and does not raise fees, in excess of administrative proposals, and in particular lowers the fees in the community colleges beginning next year, and insures no additional fee increases at the University of California (UC) and California State University (CSU).

This report builds on the Major Action Report (issued May 26, 2006) which detailed the Senate version of the proposed 2006-07 budget. Final actions are recorded by department or agency; subdivided by budget subcommittee. The table of contents will direct you to departments or agencies of interest.

A list of budget implementation trailer bills enacted by the Legislature is also included. We hope you find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee, at 651-4103, with any questions.

## GENERAL FUND SUMMARY

The following table – a summary of the General Fund – illustrates how the budget crafted by the Conference Committee, as adjusted by leadership decisions, compares with the Governor's *Adjusted* May Revision for both 2005-06 and 2006-07. Throughout the Budget Conference Committee process, the Department of Finance (DOF) acknowledged additional expenditures that they did not include in the May Revise, and accordingly adjusted their budget totals to reflect the changes (see discussion on General Fund reserve).

<b>General Fund Summary</b>				
<b>Current Year and Budget Year</b>				
<b>(in millions)</b>				
	<i>Adjusted</i> <b>2005-06</b> <b>at May</b> <b>Revise</b>	<i>Adjusted</i> <b>2005-06</b> <b>reflected in</b> <b>Budget Act</b>	<i>Adjusted</i> <b>May</b> <b>Revision</b> <b>2006-07</b>	<b>Budget</b> <b>Act</b> <b>2006-07</b>
<b>Prior-Year Balance</b>	\$9,468	\$9,511	\$9,425	\$9,530
Revenues and Transfers	\$92,746	\$92,749	\$93,866	\$93,882
<b>Total Resources Available</b>	<b>\$102,214</b>	<b>\$102,260</b>	<b>\$103,291</b>	<b>\$103,412</b>
<b>Total Expenditures</b>	<b>\$92,789</b>	<b>\$92,730</b>	<b>\$101,287</b>	<b>\$101,261</b>
<b>Fund Balance</b>	<b>\$9,425</b>	<b>\$9,530</b>	<b>\$2,004</b>	<b>\$2,151</b>
<b>Budget Reserve:</b>				
Reserve for Liquidation of Encumbrances	(521)	(521)	(521)	(521)
Special Fund for Economic Uncertainties (including \$62 million in GF vetoes)	8,904	\$9,009	1,483	1,630
Budget Stabilization Account	--	--	472	472
<b>TOTAL AVAILABLE RESERVE</b>	<b>\$8,904</b>	<b>\$9,009</b>	<b>\$1,955</b>	<b>\$2,102</b>

## REVENUE PICTURE

The Budget assumes General Fund revenues and transfers totaling \$93.9 billion. This amount, when added to a \$9.5 billion starting balance, provides a total of \$103.4 billion in available General Fund resources. The revenue assumptions in the Budget Act are very similar to the May Revision. The primary differences are the anticipated additional revenue derived from the enforcement of current retail licensing laws and the US Custom Data Mining program. The following table identifies the revenue sources within the General Fund for 2006-07.

<b>Source</b>	<i>Adjusted</i> <b>May Revision Amount</b>	<i>Adjusted</i> <b>May Revision % of Total</b>	<b>Final 2006 Budget Act Amount</b>	<b>Final 2006 Budget Act % of Total</b>
Personal Income Tax	\$50,877	54.2%	\$50,885	54.2%
Sales Tax	\$28,103	29.9%	\$28,114	29.9%
Corporation Tax	\$10,507	11.2%	\$10,507	11.2%
Insurance Tax	\$2,340	2.5%	\$2,340	2.5%
Tobacco Taxes	\$118	0.1%	\$118	0.1%
Liquor Tax	\$316	0.3%	\$316	0.3%
Other	\$1,605	1.7%	\$1,602	1.7%
<b>Totals</b>	<b>\$93,866</b>	<b>100.0%</b>	<b>\$93,882</b>	<b>100.0%</b>

## EXPENDITURE PICTURE

The budget contains General Fund expenditures of \$101.3 billion. This amount is slightly lower (\$26 million) than the level proposed in the *adjusted* May Revision. The table below shows total expenditures by agency.

**2006-07  
General Fund Expenditures  
(in millions)**

<b>Category</b>	<i>Adjusted May Revision Amount</i>	<i>Adjusted May Revision % of Total</i>	<b>2006 Budget Act Amount</b>	<b>2006 Budget Act % of Total</b>
Education (K-12)	\$40,580	40.2%	\$40,510	40.0%
Health and Human Services	\$29,221	28.8%	\$29,304	29.0%
Higher Education	\$11,279	11.1%	\$11,368	11.2%
Business, Transportation and Housing	\$2,381	2.4%	\$3,029	2.2%
Legislative, Judicial, Executive	\$3,431	3.4%	\$3,417	3.4%
General Government	\$3,149	3.1%	\$2,293	2.9%
Corrections and Rehabilitation (formerly Youth and Adult Corrections)	\$8,761	8.6%	\$8,751	8.6%
Resources	\$1,742	1.7%	\$1,826	2.0%
Environmental Protection	\$75	0.1%	\$88	0.1%
State and Consumer Services	\$571	0.6%	\$576	0.6%
Labor and Workforce Development	\$97	0.1%	\$99	0.1%
<b>Totals</b>	<b>\$101,287</b>	<b>100%</b>	<b>\$101,261</b>	<b>100%</b>

## HIGHLIGHTS BY SUBJECT MATTER

### K-12 Education

- Funding for K-12 education is consistent with the Proposition 98 levels estimated, by the administration, for the guarantee. Total Proposition 98 funding is approximately \$55.1 billion (the GF share of this amount is \$41.3 billion).
- The budget appropriated over \$2.9 billion in discretionary funding, comprised of a COLA (5.92 percent, \$2.6 billion) and revenue limit deficit factor payment (\$309 million) for our schools.
- Base general purpose revenue limit equalization funding of \$350 million for K-12 (allocated under the formula prescribed at the May Revise). This is a source of additional discretionary funding for school districts.
- Allocated \$350 million for Economic Impact Aid for compensatory education services to economically disadvantaged and English learning students.
- Allocated \$200 million for counselors in grades 7-12, with an emphasis on pupils at risk for not passing the California High School Exit Exam (CAHSEE).
- Provided \$534 million in a one-time block grant split between school districts (25 percent or \$133.4 million) with a school district minimum of \$10,000, and school sites (75 percent or \$400.1 million) to spend on their needs with minimums of \$5,000 per school with 25 or fewer pupils, and \$10,000 per school with more than 25 pupils.
- Allocated \$500 million for a one-time Arts, Music, and Physical Education block grant, with a school site minimum of \$2,500.

### **Community Colleges**

- Reduced student fees, from \$26 to \$20 per unit, beginning in the Spring 2007 semester.
- Allocated \$159 million for equalization of community college district funding.
- Provided \$95 million for matriculation services related to enhanced student orientation, assessment, placement and counseling.

- Provided \$30 million for noncredit rate increase, as specified.
- Allocated on a one-time basis: \$100 million discretionary block grant for local college district priorities, \$90 million for deferred maintenance and instructional materials, and \$40 million for career technical equipment and renovations.

### **Higher Education**

- Capped fees, at the 2005-06 level, for students at the UC and CSU. In addition, provided adequate resources, over \$25 million, so that all Californians have the opportunity to succeed in our system of higher education through outreach and academic preparation.
- Allocated funds to insure an appropriate and fair marginal cost rate (the cost at which the state funds each additional student) is calculated for UC (\$9,901/student) and CSU (\$7,225/student).
- Provided \$10.5 million for a comprehensive nursing package for expanded student enrollment, necessary equipment, and critical recruitment and retention incentives for nursing faculty.

### **Resources**

- Allocated \$250 million one time for deferred maintenance of our state parks. Californians take advantage of the vast array of recreational opportunities our parks provide; however, with a \$1 billion deferred maintenance backlog, investment in our parks' infrastructure was a priority of the Conference Committee. Appropriated \$15 million for the operations and maintenance at new and existing state park facilities.
- Provided \$5 million for the Department of Fish and Game to implement the Marine Life Protection Act and Marine Life Management Act.

- Allocated approximately \$14 million to the Department of Water Resources, the State Water Resources Control Board, and the Department of Toxic Substances Control to provide General Fund in lieu of fee increases.

## Health Care

- Provided \$39 million to increase funding to support Medi-Cal managed care rates paid to six plans that were experiencing fiscal solvency problems.
- Provided a 3 percent rate increase for most developmental disability services, including Day Programs, In-Home and Out-of-Home Respite Services, Behavior Management, Independent Living, and Community Care Facilities; provided a 26 percent rate increase for Supported Employment Programs; an increase in the job placement fee (from \$1,000 to \$2,000); provided \$19.1 million (total funds) for the purpose of enhancing wages for direct care staff in Day Programs and Work Activity programs that meet specified criteria as specified; and allocated \$3 million for focused program development to encourage the expansion of Supported Employment Programs and community-based services.
- No reductions, for the first time in many years, to health care programs.
- Provided approximately \$214 million (\$180 million GF) to begin preparation for a pandemic influenza “surge” as proposed by the administration.

## Human Services

- Proposed to reinvest \$100 million in Temporary Assistance for Needy Families Program (TANF) funds back into the CalWORKs program to improve work participation rates and family outcomes. Changes in the federal TANF provided a window of opportunity to help more families leave assistance and become self-sufficient.

In addition, the Budget reprioritizes approximately \$160 million in existing CalWORKs funds to get more families engaged faster, prevent sanctions, and increase our investment in education, training, and child care.

- Increased funds for Foster Care and Child Welfare by \$75 million (General Fund) above the May Revise for, among other things, program improvement and caseload reduction.
- Provided \$42 million for the pass-through of the 2.3 percent federal Cost-of-Living Adjustment (COLA) for the SSI portion of the SSI/SSP program on January 1, 2007. Over 1.2 million aged, blind, and disabled individuals will receive an increase in their grant levels from this COLA.
- Allocated an additional \$6 million for the Multipurpose Senior Services program (MSSP) – the goal of the program is to arrange for and monitor use of community services to prevent or delay premature institutional placement of elderly clients.

### **Senior Citizen Tax Relief**

- Adopted necessary adjustments to insure full funding of the Senior Citizens' Property Tax Assistance Program and Renters' Tax Assistance Program. These adjustments are based on revised participation estimates from the Franchise Tax Board.

### **Public Safety**

- Insured funds for public safety by approving \$238 million GF for the Citizen's Option for Public Safety (COPS) and the Juvenile Justice Crime Prevention Act (JJCPA) grant programs; \$18.5 million GF for grants to rural and small county sheriffs for law enforcement activities; \$45 million for Mentally Disordered Offender Challenge grants; an additional \$8 million for vertical prosecution; and \$35 million for the booking fees/local detention program.
- Added budget language designating federal homeland security funds are made available to perform an independent "gap" analysis of the state's preparedness for a large-scale catastrophic disaster.

- Approved an augmentation of \$20 million for the California Multi-jurisdictional Methamphetamine Enforcement Team (Cal-MET).
- Allocated \$10 million for a Juvenile Justice Community Reentry Challenge Grant program for the purpose of improving the performance and cost-effectiveness of post-custodial reentry supervision of juvenile parolees, reducing recidivism rates, and piloting innovative reentry programs consistent with a focus on a rehabilitative treatment model.
- Appropriated \$100 million for additional healthcare expenditures, in the Department of Corrections and Rehabilitation, requested by the federal receiver in the *Plata* case.

### **Judiciary**

- Allocated \$5.4 million to begin the phasing-in of 50 new judges.
- Provided \$14.7 million to insure an 8.5 percent salary increase for judges beginning January 1, 2007.

### **Transportation**

- Provided an estimated \$1.4 billion for full transfer of General Fund sales tax revenue on gasoline in accordance with Proposition 42.
- Appropriated \$1.42 billion in early payments on outstanding Proposition 42 loans. Approximately \$920 million is for early payment of Proposition 42; this loan was not due until 2007-08. In addition, the budget provides an additional \$495 million to prepay the existing balance of interest bearing Proposition 42 loans.

### **Employee Compensation**

- Allocated \$30 million (total funds) to begin addressing recruitment and retention issues in employee compensation for represented and excluded employees.

- Approved the Governor's Budget and Finance letters related to State bargaining units with contractually specified increases for 2006-07.

## Debt Reduction

The budget reduces existing debt and includes no new borrowing. The budget reduces overall debt by over \$3.8 billion (including \$967 million for payment of past-year K-12 and community college mandates). Following are the major debt-reducing actions taken by the Budget Conference Committee, including changes reflected by legislative leadership:

- Provided \$1.42 billion in early payments on outstanding Proposition 42 loans. Approximately \$920 million is for early payment of Proposition 42, as proposed by the administration; this loan was not due until 2007-08. In addition, the budget provided an additional \$495 million to prepay the existing balance of interest-bearing Proposition 42 loans.
- Appropriated \$402 million for local mandates prepayments and payments:
  - Provided \$170 million for the first and second (prepayment) year of a 15-year repayment cycle for past due state mandate claims; while recognizing a cost savings calculation of \$44 million related to reduced or disallowed mandate claims.
  - Appropriated \$233 million for the payment of the cost (in arrears) of 2005-06, as well as prepayment of 2006-07 mandates (including \$17 million in 2005-06 and 2006-07 for the costs of the Peace Officers Bill of Rights mandate).
- Provided an additional \$472 million to assist in the accelerated payment of the Economic Recovery Bonds – consistent with Proposition 58.
- Provided \$101 million for payment of local flood control claims and support of the local flood control subvention program. These payments had been suspended because of budgetary constraints in recent years.
- Allocated a total of \$347 million for repayment of various special fund loans.
- Repaid approximately \$967 million (one-time) in past mandate claims that are owed to local school and community college districts. The Conference Committee believed it was critical that the state continues to make progress in decreasing the debts owed to schools and community colleges.

## General Fund Reserve

The final budget contains a total reserve of approximately \$2.1 billion (of which \$62 million is the result of Governor's Vetoes). The total reserve includes a set-aside of \$472 million for the Budget Stabilization Account (BSA) consistent with Proposition 58.

The administration's *adjusted May Revise* GF reserve was approximately \$1.96 billion. The Governor's original May Revision contained a total reserve of \$2.2 billion. However, throughout the Budget Conference Committee, the DOF acknowledged various expenditure adjustments that were unaccounted for, including: (1) Medicare Part D-enacted legislation, \$100 million (2005-06); (2) Foster Care, \$50 million, (3) late data related to Proposition 98, \$178 million (which also affects prior-years); (4) Public Employee Retirement System rate adjustment, \$43 million; (5) \$12 million related to mental health costs associated with the *Coleman* lawsuit; and (6) \$100 million in acknowledgement of possible healthcare-related costs required by the federal Receiver who now oversees all healthcare to persons within the adult corrections system. Accordingly, during the Budget Conference Committee, DOF began making these adjustments to their original GF reserve.

The following table shows the differences between the 2006 Final Reserve and the changes made to the Governor's original May Revision reserve.

<b>2006-07 General Fund Reserve (in millions)</b>		
	<i>Adjusted May Revision</i>	<b>Conference Committee Reserve</b>
<b>Starting Available Reserve</b>	<b>\$2,200</b>	<b>\$1,899</b>
✓ Reduction to reserve due to unaccounted Medicare Part D-enacted legislation (2005-06 adjustment).	-\$100	--
✓ Reduction to appropriately account for inmate healthcare.	-\$100	--
✓ Proposition 98 (2004-05, 2005-06, and 2006-07 adjustments).	-\$178	--
✓ DMH changes related to <i>Coleman</i> lawsuit.	-\$12	--
✓ PERS rate adjustment.	-\$43	--
✓ Foster care adjustment per the administration's agreement.	-\$50	--
✓ Other miscellaneous adjustments.	-\$58	--
✓ Leadership expenditure adjustments (AB 1811).	--	-\$157
✓ Final prior-year revenue adjustment (Control Section 35.50).	\$296	\$296
<b>2006 Final Estimated Reserve</b>	<b>\$1,955</b>	<b>\$2,038</b>
<b>2006 Final Reserve (including \$62 million in vetoes)</b>		<b>\$2,100</b>

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## BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
AB 1801	Ch 47	2006 Budget Act	30-10	54-23
AB 1811	Ch 48	2006 Budget Act Modifications	39-0	64-11
AB 1802	Ch 79	Education Omnibus Trailer Bill	36-2	62-15
AB 1803	Ch 77	Resources Omnibus Trailer Bill	28-12	57-19
AB 1805	Ch 78	Local Government Omnibus Trailer Bill	38-1	70-4
AB 1806	Ch 69	General Government Omnibus Trailer Bill	34-6	55-22
AB 1807	Ch 74	Health Omnibus Trailer Bill	27-13	54-21
AB 1808	Ch 75	Human Services Omnibus Trailer Bill	28-12	57-19
AB 1809	Ch 49	Budget Act of 2006: Implementation: Taxes	27-13	54-22
AB 1810	Ch 55	Budget Act of 2005: Augmentations for contingencies or emergencies	33-7	75-1
SB 1132	Ch 56	Transportation Omnibus Trailer Bill	40-0	64-13
SB 1137	Ch 63	Prop 36 Reforms	27-2	64-8
SB 1154	Ch 40	Budget Act of 2005: Augmentations for contingencies or emergencies	31-3	70-0

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# BUDGET DETAIL, BY SUBCOMMITTEE

**Subcommittee No. 1 – Education**

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

6870 California Community Colleges  
7980 Student Aid Commission

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

0540	Secretary for Resources	3830	San Joaquin Conservancy
0555	Secretary for Environmental Protection	3835	Baldwin Hills Conservancy
3110	Special Resources Programs	3840	Delta Protection Commission
3125	California Tahoe Conservancy	3845	San Diego River Conservancy
3340	California Conservation Corps	3850	Coachella Valley Mountains Conservancy
3360	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, Human Services,  
Labor and Veterans Affairs**

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

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

0250	Judiciary	8120	Commission on Peace Officer Standards and Training (POST)
0280	Commission on Judicial Performance	8140	State Public Defender
0390	Contributions to Judges' Retirement Fund	8180	Payments to Counties for the Costs of Homicide Trials
0520	Secretary for Business, Transportation, and Housing	8260	California Arts Council
0552	Office of the Inspector General	8320	Public Employee Relations Board
0650	Office of Planning and Research	8380	Department of Personnel Administration
0690	Office of Emergency Services	8550	California Horse Racing Board
0820	Department of Justice	8620	Fair Political Practices Commission
0840	State Controller	8690	Seismic Safety Commission
0845	Department of Insurance	8830	California Law Revision Commission
0850	State Lottery Commission	8840	Commission on Uniform State Laws
0855	Gambling Control Commission	8855	Bureau of State Audits
0860	Board of Equalization	8885	Commission on State Mandates
0890	Secretary of State	8910	Office of Administrative Law
0950	State Treasurer's Office	8940	Military Department
0954-0985	State Treasurer's Boards and Commissions	9100	Tax Relief
1110-1111	Department of Consumer Affairs	9210	Local Government Financing
1700	Department of Fair Employment & Housing	9600	Revised General Obligation Bond Debt Service Estimate
1730	Franchise Tax Board	9620	Interest Payments on General Fund Loans
1760	Department of General Services	9650	Support for Health and Dental Benefits for Annuitants
1870	Victim Compensation & Government Claims Board	9800	Augmentation for Employee Compensation
1880	State Personnel Board		<b>Control Sections:</b>
1900	Public Employees' Retirement System	3.45	Statewide General Fund Reductions Related to Salaries and Wages
1920	State Teachers' Retirement System	3.60	Contributions to Public Employee Retirement Benefits
1955	Department of Technology Services	4.01	Employee Compensation Savings
2100	Department of Alcoholic Beverage Control	4.05	Unallocated General Fund Reductions
2150	Department of Financial Institutions	4.06	Mid-Year Correction Authority
2180	Department of Corporations	4.75	Statewide Surcharges
2240	Department of Housing and Community Development	5.50	Contract Savings
2320	Department of Real Estate	8.50	Federal Fund Receipts
2400	Department of Managed Health Care	14.00	Special Fund Loans: Department of Consumer Affairs
2600	California Transportation Commission	24.10	Transfer Surplus of Driver Training Penalty Assessment Fund to the General Fund
2640	Special Transportation Programs	31.00	Administrative Procedures for Salaries and Wages
2660	Department of Transportation	33.50	Strategic Sourcing
2665	High Speed Rail Authority	35.60	Budget Stabilization Account Transfer to GF
2720	California Highway Patrol		
2740	Department of Motor Vehicles		
2780	Stephen P. Teale Data Center		
5225	Department of Corrections & Rehabilitation		



# SUBCOMMITTEE 1

# FINAL ACTION REPORT

Senate Budget and Fiscal Review

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Amy Supinger

# SUBCOMMITTEE No. 1

## EDUCATION

### **K-12**

Department of Education..... 1-1

### **Child Development**

California Department of Education—Child Development..... 1-10

### **Higher Education**

California State Library..... 1-10

University of California..... 1-10

California State University..... 1-11

California Community Colleges..... 1-12

Student Aid Commission..... 1-13

## K-12 EDUCATION

### 6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Appropriated an additional \$5.2 billion (10.3 percent) in Proposition 98 funding for K-12 education and community colleges above the enacted 2005-06 budget. This brings total Proposition 98 funding to \$55.1 billion in 2006-07.
- Appropriated \$2.8 billion in one-time Proposition 98 funds in 2006-07 for K-12 education and community colleges, reflecting a \$2.3 billion increase in 2005-06 Proposition 98 funding resulting from significant new revenues, and other one-time funds including \$283 million from prior year settle-up payments and \$248 from the Proposition 98 Reversion Account.
- Of the \$2.8 billion in one-time funds in 2006-07, \$2.5 billion is provided for K-12 education for the following major programs:
  - \$927.0 million to reimburse school districts and county offices of education for outstanding, prior year education mandate claims. This includes \$650.1 million for 2005-06 settle-up payments and \$258.2 million for settle-up payments in prior years. (The budget provides an additional \$18.7 million in one-time funds from the Proposition 98 Reversion Account for prior-year K-12 mandates.)
  - \$533.5 million billion for Discretionary Block Grants. Of this amount, \$400.1 million (75 percent) is for school sites, including State Special Schools and charter schools, for a variety of purposes to be determined by school site councils, including but not limited to, instructional materials, classroom and lab supplies, school and classroom library materials, education technology, deferred maintenance, professional development and other efforts to close the achievement gap. The remaining \$133.4 million (25 percent) is for block grants to school districts that can be used for the school-site purposes mentioned above, as well as, home-to-school transportation and activities to address outstanding fiscal obligations. Funding for school site and district grants will be based upon K-12 enrollment and adult education and regional occupational center/program average daily attendance.
  - \$500 million to school districts, county offices of education and charter schools for a block grant to districts for purchase of arts, music and physical education supplies and equipment. Funding will be allocated on the basis of student average daily attendance (ADA) with minimum school site grants of \$2,500.
  - \$137 million from the Proposition 98 Reversion Account for emergency facility repairs for schools in the lowest three deciles of the Academic Performance Index (API), pursuant to statute implementing the Williams settlement agreement.

- \$100 million for a block grant to school districts, county offices of education and charter schools for purchase of instructional materials, school and classroom library materials and education technology for students in grades K-12. Funding will be allocated on the basis of student enrollment.
- \$50 million to school districts for teacher recruitment and retention grants for schools ranked in the lowest three deciles of the Academic Performance Index (API). Districts will receive \$50 for each student attending these schools.
- \$50 million to the Child Care Facilities Revolving Fund for renovation of existing facilities or purchase of new relocatable child care facilities. These one-time funds are tied to \$50 million in ongoing funds provided in the budget for expansion of the State Preschool Program, pursuant to legislation.
- \$40 million for grants to school districts, county offices of education charter schools, regional occupational centers and programs, and adult education providers that offer career technical education for purchase of equipment and supplies, and minor facility reconfigurations for career technical education courses. Funding will be allocated based upon the number of students in grades 7-12 enrolled in career technical education courses. Of this amount, \$2.5 million is set-aside tied for an allied health professions preparation program.
- \$30 million for local educational agencies for supplemental instructional materials designed to assist K-12 students who are English learners. Funds may only be used in addition to standards-aligned materials adopted by the State Board. Funding will be allocated to LEAs at a rate of \$25 per K-12 English learner student.
- \$30 million in funding from the Proposition 98 Reversion Account for payment of annual mandate claims beyond the \$38,000 appropriated by Item 6110-295-000.
- \$20 million for a multi-year research pilot program to identify best practices for improving the academic achievement and English language development of students who are English learners, pursuant to legislation.
- \$15 million to school districts and charter schools to restore funding to an existing parent/teacher involvement grant program.
- \$15 million from the Proposition 98 Reversion Account for purchase of school garden supplies and equipment. The Department of Education will appropriate \$500 for each school that applies for grant funding. Remaining funds shall be allocated on a per pupil basis.
- \$11.5 million in new funds for local education agencies to prepare for transition to the California Longitudinal Pupil Achievement Data System (CALPADS) in 2008. Of this total, the following amounts are available: \$9.5 million in local assistance grants to school districts, county offices of education and charter schools for a less intensive version of California School Information System (CSIS) program; \$1.5 million in associated state level

- CSIS activities; and \$533,000 for related CSIS equipment (hardware and software) purchases.
- \$10.5 million from the Proposition 98 Reversion Account to fully fund 2005-06 revenue limit adjustments for unified school districts pursuant to Chapter 355, Statutes of 2005.
  - \$10 million to school districts to reimburse districts for their costs of developing fiscal solvency plans for addressing long-term unfunded liabilities related to retiree health benefits. County offices of education may apply for funding for reviewing district plans.
  - \$10 million to fund the full costs of a new cohort of Healthy Start grants to school districts and charter schools for start-up of comprehensive, integrated health and social service programs on or near school sites. Funding may be expended over a seven year period.
  - \$9.6 million from the Proposition 98 Reversion Account to fully fund all participating beginning teachers in the BTSA program in 2005-06.
  - \$9 million to continue funding the Charter School Facilities Grant Program that provides funding charter schools in economically disadvantaged areas to offset rental or lease costs.
  - \$5.5 million to local educational agencies for purchase of individual study workbooks for students who have failed the California High School Exit Exam.
  - \$5 million to fund the full costs of a new cohort of grantees under the School-Based Early Mental Health Intervention and Prevention Services Matching Grant Program.
  - \$4 million for support of the K-12 High Speed Network. The budget provides a total of \$15.6 million for support of this network.
  - \$3 million in funding from the Proposition 98 Reversion Account to establish state-level teacher recruitment and retention personnel teams to improve school district recruitment and retention, pursuant to legislation.
  - \$3 million in grants for school districts, county offices of education and charter schools for start-up of school breakfast programs.
  - \$1.8 million for a new pilot program to increase the number of qualified high school math teachers and improve the capacity of existing high school math teachers.
  - \$1.2 million from the Proposition 98 Reversion Account to provide professional development to increase the effective integration of standards-aligned instructional materials in reading and math, and supplemental materials, to assist English learners. Priority will be given to teachers of English learners. Funding will be allocated to LEAs on the basis of \$2,500 per participating teacher.
  - \$1.0 million from the Proposition 98 Reversion Account for the Principal Training program.
  - Approved \$2.6 billion in cost-of-living adjustments (COLAs) for K-12 education programs, which provides a 5.92 percent COLA increase. The COLA rate grew to 5.92 percent at May Revise from the 5.18 percent proposed in the Governor's January Budget.

- Provides a total of \$112 million for K-12 enrollment growth increases. The Governor's May Revision estimated negative attendance growth of -0.26 percent, however enrollment growth is budgeted at zero percent in 2006-07 for most K-12 programs, specifically those that rely on general enrollment factors. Positive enrollment growth is provided for other K-12 programs that utilize specialized population factors.
- Approved \$308.6 million to eliminate outstanding revenue limit deficit obligations for school districts and county offices of education in 2006-07. Deficit factors were applied as a result of revenue limit reductions and foregone cost-of-living adjustments (COLAs) in 2003-04. This funding fully restores revenue limits to where they would have been without these reductions.
- Approved \$350 million for equalization of school district revenue limits in 2006-07 using a formula in current law, as specified in the education budget trailer bill (AB 1802). Revenue limits provide general purpose funding for schools.
- Approved \$350 million to alter and expand funding for the state Economic Impact Aid program. This program provides state funding to school districts to assist economically disadvantaged students and students who are English learners. The education budget trailer bill (AB 1802) changes, updates and simplifies the formula for distributing funds through the Economic Impact Aid program. Specifically, the new formula:
  - a. Changes the measurement of economically disadvantaged from CalWorks participant counts to census-based counts used for the federal Title I program.
  - b. Calculates per pupil funding rates by dividing a district's total EIA funding by its Title I and English learner student data counts and holds districts harmless from any loss of per pupil funding in the future.
  - c. Establishes equal funding weights for economically disadvantaged student and English learner student counts.
  - d. Provides a concentration factor for districts with over 50 percent EIA eligible students.
  - e. Provides a funding adjustment to each district calculated on the basis of \$600 minus its per pupil funding amount.
- Approved \$200 million for a new block grant program – the Supplemental School Counseling Program -- for school districts to provide additional counseling services for students in grades 7-12. Priority for counseling services would be given to students who are at-risk of not passing or who have not passed the California High School Exit Exam (CAHSEE) as well as students who are at-risk of not graduating high school due to insufficient credits. Funds will be allocated to school districts on the basis of average daily attendance for students in grades 7-12. Schools with 100 or fewer students will receive minimum grants of \$5,000; schools with 101 to 200 students will receive \$10,000; and schools with more than 200 students will receive \$30,000.

Statutory provisions for this new program are contained in the education budget trailer bill (AB 1802).

- Eliminated nearly \$133.6 million in ongoing funds proposed by the Administration for 38 education mandates in 2006-07 and retained a total of \$38,000 or \$1,000 for each of these mandates. This action will have the effect of deferring payment for most 2006-07 mandate claims to future years. As previously noted, the budget provided \$30 million in one-time Proposition 98 Reversion Account funds for payment of 2006-07 mandates claims.
- Approved \$105 million in Music and Arts Block Grants for students in grades K-12. Funding may be used for a variety of purposes including hiring additional staff; purchasing new materials, books, supplies and equipment; and providing staff development. Minimum school site grants of \$2,500 for schools with ten or fewer students and \$4,000 for schools with more than 20 students. Funds may be used for hiring additional staff, purchase of new materials, books, supplies and equipment or professional development to support standards-aligned music instruction.
- Rejected the Governor's proposal to redirect approximately \$82 million in one-time carryover funds from several federal programs to a new program to assist schools and districts needing program improvement pursuant to the federal No Child Left Behind Act. The Legislature redirected these carryover funds back to their originating federal programs.
- Provided a total of \$69.6 million – a \$49.6 million increase -- to support supplemental, intensive instruction for 11<sup>th</sup> and 12<sup>th</sup> graders in 2006-07 who have not yet passed the California High School Exit Exam (CAHSEE).
- Approved \$5.1 million to provide for additional administrations of the CAHSEE.
- Provided \$40 million for Physical Education Teacher Incentive grants to K-8 schools to support the hiring of additional credentialed physical education teachers. Grantees will be randomly selected and be equitably distributed based upon school type, size and geographic location.
- Increased state funding for school meals – breakfasts and lunches -- by \$38.7 million - approximately seven cents per meal. *The Governor vetoed and set these funds aside for subsequent legislation indicating that the Legislature did not link this funding to improvements in the quality of school meals.*
- Provided a \$25 million increase to the Math and Reading Professional Development Program to address the needs of teachers of English learners, pursuant to legislation.
- Provided \$20 million in Educational Telecommunications Funds, that together with \$10.5 million in one-time Proposition 98 funds previously identified, will provide \$39.5 million in local assistance funds for a limited-term, less intensive version of the California School Information Services (CSIS) program. This new program – referred to as CSIS-light – will assist districts that have not yet participated in CSIS with establishing the hardware, software and management processes necessary for a smooth transition to the new California Longitudinal Pupil Achievement Data System (CALPADS). Expenditures of these funds requires development of a plan by CSIS that must be approved by the Department of Finance, Office of

the Secretary of Education and State Department of Education, in consultation with the Legislative Analyst's Office.

- Provided \$19.3 million for various programs intended to increase the number of highly qualified teachers in public schools. These programs include:
  - \$11.2 million for a new Certificated Staff Mentoring Program – administered by the Superintendent of Public Instruction – to provide grants to school districts for the purpose of encouraging excellent, experienced teachers to teach in staff priority schools and to assist teacher interns during their induction and first years of teaching, pursuant to legislation.
  - \$6.8 million for the Teacher Intern Program – administered by the Commission on Teacher Credentialing -- to provide school districts and county offices of education that agree to enhance teacher internship programs and address the distribution of beginning teachers, pursuant to legislation.
  - \$1.3 million for the California School Paraprofessional Teacher Training Program – administered by the Commission on Teacher Credentialing -- to fund all eligible participants on the waiting list and increase the per participant rate, pursuant to legislation.
- Allocated \$15.1 million in one-time federal Reading First funds including \$3 million for a new cohort of schools in currently unfunded school districts and \$12.1 million to fund new schools in districts that are already receiving Reading First funds, pursuant to legislation to define significant progress. *The Governor vetoed the \$15.1 million in federal Reading First carryover funds and provisional language that specified that “significant progress” for purposes of determining continued school funding be defined in legislation. The Governor’s veto expresses the view that significant progress should be defined by the State Board of Education and that funding should not be provided for new schools in districts that are not currently receiving funding.*
- Authorized \$15.6 million in expenditures for the K-12 High Speed Network in 2006-07 including \$4.0 million in one-time funds from the Proposition 98 Reversion Account, \$4.6 million from E-Rate and Teleconnect Funds, and \$7.0 million in other excess funds and reserves. Budget bill language was added to implement recommendations from a recent report by the Bureau of State Audits of the K-12 network. Budget control language establishes standards and reporting requirements relating to the audit for K-12 education and public higher education segments. *The Governor vetoed language from Control Section 24.55 that required any assets purchased primarily with state funds be transferred to the state if the Corporation for Education Network Initiatives in California (CENIC) no longer manages the California Research and Education Network (CalREN).*
- Allocated nearly \$5.0 million in one-time federal Title II carryover funds to the Department of Education for the following purposes:
  - \$1.2 million for math and reading professional development activities. (This is related to \$1.2 million in one-time funds from the Proposition 98 Reversion Account to expand math and reading professional development for teachers of English learners.)

- \$1.0 million in consultation with the Commission on Teacher Credentialing, for an external evaluation of teacher intern and induction programs, including the university intern program, district intern program, the Beginning Teacher Support and Assessment program.
  - \$938,000 for development of a new Teacher Database System. Of this amount, \$686,000 is available to the Department of Education and \$252,000 is available through an interagency agreement with the Commission on Teacher Credentialing for development of the Teacher Database System and related staffing.
  - \$500,000 for an interagency agreement between the Department of Education and the Commission on Teacher Credentialing to implement the Teaching Performance Assessment, pursuant to legislation.
  - \$500,000 to the Department of Education for the Bilingual Teacher Training Program to provide summer training to teachers who are preparing to take examinations leading to an authorization to teach English learners.
  - \$450,000 to the Department of Education to provide increased compliance monitoring of highly qualified teacher requirements of the federal No Child Left Behind Act.
  - \$200,000 to the Department of Education for an interagency agreement with the Commission on Teacher Credentialing for reviewing and improving measurable standards for special education teacher preparation programs and Education Specialists credentials.
  - \$100,000 to the Department of Education for a professional development math conference for teachers focusing on instructional strategies and content knowledge of algebra.
  - \$75,000 for an interagency agreement between the Department of Education and the Commission on Teacher Credentialing for development of a subject matter language exam template and its application to develop exams in several specific language exams, giving first priority to Filipino, followed by Hmong, Cantonese, Armenian, Khmer, Arabic, and Farsi languages.
- Provided \$4.4 million related to oral health assessments, pursuant to legislation.
  - Continued \$100 million in funding for special education mental health related services proposed by the Governor. This includes \$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.
  - Converted \$50 million in General Funds for special education previously available for CAHSEE interventions to per pupil funding for Special Education Planning Areas (SELPAs).
  - Provided \$1.4 million in Non-98 General Funds for one-time transition costs associated with transfer of the statewide special education due process contract to the Office of Administrative Hearings, State Department of General Services. These funds are available on a one-time basis for reimbursement of additional costs in 2005-06 and cannot be expended until the Department

of Education has submitted an expenditure plan to the Department of Finance that identifies specific workload and costs increases.

- Provided a \$320,000 General Fund (Non-98) augmentation for special education dispute resolution services beginning in 2006-07 to cover increased compensation for Administrative Law Judges. *The Governor vetoed this augmentation indicating that funding is already included in the budget for employee compensation adjustments.*
- Increased the size of the special education extraordinary cost pool from \$1 million to \$3 million and allowed SELPAs to access these funds for additional students, specifically students with disabilities residing in foster care placements.
- Provided \$301,000 in federal carryover and General Funds for the final year of an interagency agreement between the Department of Education and CSU, San Bernardino to provide monitoring and technical assistance for special education programs for youth with disabilities incarcerated at the Division of Juvenile Justice, Department of Corrections and Rehabilitation.
- Provided \$300,000 for a study to revise the Special Disabilities Adjustment, which is a special education funding calculation intended to address the high costs of providing services to students with more intensive special education needs. *The Governor vetoed funding for this study indicating that similar a study was funded in recent years that failed to update the adjustment factors.*
- 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 school programs and services.
- Amended Control Section 12.40 relating to categorical funding flexibility to prohibit the transfer of funds out of the Economic Impact Aid program and Foster Youth Services program, but continues to allow the transfer of funding from other categorical programs into these programs.

### **Trailer Bills**

1. **AB 1802 (Committee on Budget). Omnibus Education Budget Trailer Bill.** *Makes numerous statutory changes needed to implement provisions of the 2006-2007 budget package, including, but not limited to, provisions that: appropriate one-time Proposition 98 settle-up funds from prior fiscal years for a number of education programs, such as prior year mandates and discretionary block grants to school sites and school districts; eliminate revenue limit deficit factors to reflect increases in revenue limit funding; appropriate funds and specify the method of equalizing revenue limit funding; provide significant revisions to the funding formula the Economic Impact Aid program; establish a new Middle and High School Counseling program; and revise the programs providing intensive supplemental instruction for 11<sup>th</sup> and 12<sup>th</sup> grade students who have not passed the California High School Exit Exam. Chapter 79; Statutes of 2006.*

2. **AB 1811 (Committee on Budget). Budget Bill Amendments.** Amends numerous items in AB 1801 – the Budget Act of 2006-- including many items that relate to K-12 education. These amendments to the Budget Conference Report to reflect final budget agreements between the Legislature and Administration for a number of K-12 education budget items affecting the following education programs: School Counselors, California High School Exit Exam (CAHSEE), Economic Impact Aid , Math and Reading Professional Development, California Longitudinal Pupil Achievement Data System (CALPADS), Special Education, K-12 High Speed Network, Community Day Schools, National Board Certification Teacher Incentives, Child Care, Physical Education, Arts and Music, Oral Health Assessments, Education Mandates, and Paraprofessional Teacher Training. **Chapter 48; Statutes of 2006.**

## CHILD DEVELOPMENT

### 6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Provided approximately \$26 million to increase the standard reimbursement rate for Title V child care centers from the current rate of \$30.04 per child per day to \$32.89 per child per day.
- Adopted trailer bill language requiring the Department of Education to implement new county-based regional market rates within 90 days upon the enactment of the 2006 Budget.
- "Unfroze" child care income eligibility levels to accurately reflect 75 percent of the current state median income (SMI). Retained family fee schedule whereby fees are assessed on families earning 40 percent of SMI and adds on additional "steps" to the fee schedule to account for families earning higher incomes.
- Provided \$50 million to expand state preschool, contingent upon legislation enacted during the current legislative session.

## HIGHER EDUCATION

### 6120 CALIFORNIA STATE LIBRARY

- Approved an augmentation of \$14 million for libraries. Of this amount, \$7 million is to compensate libraries for the costs they incur when making interlibrary loans and direct library loans to individuals who do not reside in their service area. The remaining \$7 million is for the Public Library Foundation, which supports basic library operations such as maintaining hours of operation, purchasing library materials, and operating services such as homework assistance and bookmobiles. With this action, the total appropriation level for the Public Library Foundation increases to \$21.4 million.

### 6440 UNIVERSITY OF CALIFORNIA

- Approved the Governor's higher education budget augmentation proposals, including:
- \$50.9 million to grow student enrollments by 2.5 percent. With these funds, UC will enroll an additional 5,149 full-time equivalent students at a rate of \$9,901 per full-time equivalent student. While the Legislature designated these funds as supporting a newly revised marginal cost of instruction formula, the Governor vetoed all references to this new formula, leaving parties unclear about how enrollment growth costs will be calculated for 2007-08.

- \$80.5 million to provide a 3 percent cost-of-living-adjustment (COLA);
- Approved \$75 million to avert or "buy out" the proposed 8 percent fee increase for undergraduate students and 10 percent fee increase for graduate students;
- Approved the continuation of \$750,000 for the Governor's Math and Science Teaching initiative, in order to enhance efforts to recruit math and science majors into the teaching profession.
- Restored \$19.3 million to support student academic preparation and outreach programs, including programs to serve transfer students. State funds will be matched with \$12 million of university funds. Governor's January proposal called for all state funding to be eliminated from these programs.
- Restored \$6 million in funding for research related to labor and employment; augmented by \$4 million, the amount of funding available for substance abuse research, and provided \$1 million for research related to obesity and diabetes. The \$1 million provided for obesity and diabetes research was vetoed by the Governor.
- Provided \$963,000 for increased enrollments in master's degree programs in nursing.
- Adopted extensive reporting language related to UC compensation policies and practices.
- Shifted funding for one capital outlay project from lease-revenue bonds to the pending General Obligation bond; approved all other Capital Outlay projects as proposed by the Administration.

## **6610 CALIFORNIA STATE UNIVERSITY**

- Approved the Governor's higher education budget augmentation proposals, including:
- \$61.3 million to grow student enrollments by 2.5 percent. These funds will be used to support an additional 8,490 full-time equivalent students at a rate of \$7,225 per full-time equivalent student. While the Legislature designated these funds as supporting a newly revised marginal cost of instruction formula, the Governor vetoed all references to a new formula, leaving parties unclear about how enrollment growth costs will be calculated for 2007-08.
- \$75.8 million to provide a three percent cost-of-living-adjustment (COLA);
- Approved \$54.4 million to avert or "buy out" the proposed eight percent fee increase for undergraduate students and 10 percent fee increase for graduate students;
- Approved \$1.1 million to continue the Governor's Math and Science Teaching initiative, which enhances efforts to recruit math and science majors into the teaching profession.
- Restored \$7 million GF to backfill reductions to student academic preparation and retention programs, as proposed in the Governor's Budget.
- Provided an additional \$230,000 in support for the Center for California Studies and Capitol Fellow programs. Of this amount, the Governor sustained \$100,000.

- Provided \$4 million to expand nursing program enrollments. Of this amount, \$2 million is available on a one-time basis; \$1.7 million is to support students in accelerated entry-level master's degree programs; and \$371,000 is to support 20 additional baccalaureate degree students in nursing.
- Approved all Capital Outlay projects as proposed by the Administration.

## **6870 CALIFORNIA COMMUNITY COLLEGES**

- Approved approximately \$100 million to support 2 percent enrollment growth.
- Re-benched the funding level of enrollments at the community colleges to account for a lower-than-budgeted level of enrollment growth in the current year.
- Reduced student fees from the current level of \$26 per unit to \$20 per unit beginning in the Spring 2007 term, and backfilled the loss of fee revenue by providing \$40 million ongoing funding.
- Provided funding in excess of \$315 million to support a 5.92 percent cost-of-living-adjustment.
- Approved the Governor's Career-Technical Education proposal which provides \$20 million in ongoing funds to better align K-12 and community colleges career and vocational curriculum. Also approved \$40 million in one-time funds for equipment and facility renovations related to career-technical education.
- Provided \$159.4 million for Equalization; funding is sufficient to equalize the funding levels for districts up to the 90th percentile.
- Augmented by \$30 million the amount of funding available for selected "gateway" noncredit courses.
- Denied the Governor's proposal to increase ongoing funding for maintenance and instructional materials.
- Restored \$24 million in prior-year reductions to the matriculation program. Matriculation services include placement, academic counseling, and retention services.
- Approved \$4 million in ongoing mandate costs, as proposed by the Governor in the May Revision.
- Augmented the amount of funding available for the Economic Development program by \$15 million. Of this amount, \$8 million is available to provide training to workers in high growth, high demand employment sectors.
- Approved \$10 million to provide remedial instruction, through non credit education programs, for students failing to pass the California High School Exit Exam (CAHSEE).

- Restored \$9 million for services to CalWORKs students. Of this amount, \$8 million is to provide state support for work study program wages and \$1 million is to provide staff assistance to this unique student population.
- Augmented by \$9 million the amount of state funding available for part-time faculty office hours and health insurance. These funds were vetoed by the Governor and “set-aside” pending legislation to restore funding for Career Technical Education to the levels he originally proposed in his January budget.
- Augmented by \$2.9 million the amount of funding available to provide retention and attrition reduction services to nursing students.
- Approved a \$1 million augmentation to the Cal-PASS student data sharing system.
- Approved \$100 million in one-time prior-year Proposition 98 "settle up" dollars to provide general purpose block grants to colleges.
- Provided approximately \$94 million in one-time funds for deferred maintenance, hazardous materials abatement, and instructional equipment.
- Provided \$2.5 million in one-time funding for a new nursing faculty recruitment and retention program, to be established pursuant to legislation.
- Allocated \$5 million in one-time funding for professional development which was later vetoed by the Governor. In his veto message, the Governor indicated his willingness to set these funds aside for career-technical education.
- Appropriated \$100,000 to the Amador County Office of Education in order to broadcast community college courses in Amador County.
- Set-aside \$19.7 million in one-time funds to implement a new funding formula for community colleges.
- Set-aside \$30 million to address fiscal solvency issues at the Compton Community College District.
- Continued to defer \$200 million worth of general apportionment expenditures from June 2007 to July of 2007.

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

- Approved Governor's proposal to increase the Cal Grant award amount for students attending private colleges and universities from the current annual level of \$8,322 to \$9,708.
- Approved base budget decreases of approximately \$14 million to account for caseload and population changes expected for the Cal Grant entitlement program in both the current year and the upcoming fiscal year.

- Approved the Governor's proposal to fund 100 new National Guard Assumption Program of Loans for Education (APLE) loan assumption warrants.
- Denied the Governor's proposal to set aside 600 APLE loan assumption warrants for the exclusive use of UC and CSU to support students participating in their Math and Science Teacher Initiative. As part of his veto message, the Governor reduced the number of authorized APLE loan assumption warrants by 600 (from 8,000 to 7,400) and set those awards aside pending legislation to allocate the awards based on his original intent.
- Approved the ongoing issuance of 100 new loan assumption warrants for the State Nursing (SN)-APLE program to encourage students to obtain degrees in nursing and then return to the classroom as nursing faculty.
- Approved 40 new loan assumption warrants tied to the development, pursuant to legislation, of a new loan assumption program to encourage individuals to become nurses and practice in state-run facilities.
- Approved 100 new loan assumption warrants for the Public Interest Attorney Loan Repayment Program. This program has already been statutorily established, but failed to receive funding or authority to become operational; however these funds and loan assumption authority were subsequently vetoed by the Governor.

# 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

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# NATURAL RESOURCES

## 0540 SECRETARY FOR RESOURCES

- Approved \$30.9 million from resources bond funds for grants to acquire and develop River Parkway projects.
- Approved \$11.7 million from resources bond funds for grants to acquire property in the Sierra Nevada Cascade region of the state.
- Transferred \$13.4 million (\$5.8 million GF) and 33 positions from the Bay-Delta Authority to the Secretary for Resources to support a core leadership staff for the CALFED program, program performance and tracking, and the Science Program. The Secretary for Resources will continue to support the public forums and stakeholder processes currently supported by the Bay-Delta Authority and will provide leadership on the development of a Delta Action Plan.
- Approved \$100,000 GF to create a conservation easement registry to track all state-funded conservation easements. The Governor vetoed this augmentation.

### Budget Bill Language

1. Approved budget bill language to ensure a seamless transition for the CALFED program from the Bay-Delta Authority to various other state agencies, including the Secretary for Resources.

### Trailer Bill Language

1. Approved trailer bill language to clarify the transfer of the Bay-Delta Authority staff and duties to the Resources Agency and to various other state agencies.
2. Approved trailer bill language to direct the Secretary for Resources to develop a long-term Delta vision and action plan to create a sustainable Delta. This plan should include the definition of a sustainable Delta, measurable goals and objectives, the necessary institutional structures to implement the plan, a strategic financing plan, a contingency plan, and adaptive management strategies.
3. Approved trailer bill language to require the Secretary for Resources to evaluate lands that could be conserved around active military bases.

**3110 SPECIAL RESOURCES PROGRAMS**

- Approved \$572,000 from special funds to fund the replacement of a permit tracking system for the Tahoe Regional Planning Agency.
- Approved \$148,000 GF to fund cost-of-living adjustments for Tahoe Regional Planning Agency employees. The Governor vetoed this augmentation.

*Trailer Bill Language*

1. Approved trailer bill language to allow the Department of Finance to make baseline salary and cost-of-living adjustments for the Tahoe Regional Planning Agency personnel through annual planning estimate adjustments in the same manner as other state agencies.

**3125 CALIFORNIA TAHOE CONSERVANCY**

- Approved \$20.7 million mainly from resources bond funds for projects to implement the Environmental Improvement Program to restore and protect the environment in the Lake Tahoe Basin.
- Approved \$180,000 GF to initiate regular maintenance on urban parcels treated to reduce forest fire fuels.

**3340 CALIFORNIA CONSERVATION CORPS**

- Approved \$8.2 million GF to maintain core funding for the California Conservation Corps programs.
- Approved \$1.5 million from resources bond funds for resource conservation projects undertaken by the California Conservation Corps and \$616,000 from resources bond funds for projects undertaken by local conservation corps statewide.
- Approved \$26.2 million in lease revenue bonds to increase funding for the Tahoe Base Center Relocation project to reflect a revised cost estimate based on property availability.

**3460 COLORADO RIVER BOARD**

- Approved as budgeted.

**3480 DEPARTMENT OF CONSERVATION**

- Approved \$896,000 from special funds to increase the department's enforcement of the Williamson Act.
- Approved \$8.9 million from resources bond funds for grants to conserve agricultural lands.
- Approved \$2 million from special funds for abandoned mine remediation studies.

- Approved \$561,000 from special funds to accelerate efforts to inventory abandoned mines on state-owned properties.
- Approved \$904,000 from special funds to establish eight new positions to combat fraud in the Beverage Container Recycling Program and \$5.2 million to implement a new information technology project to improve the department's ability to provide timely remittances and identify fraud.
- Approved \$521,000 from special funds to improve regulation of oil and gas extraction activities in California.
- Approved \$1.5 million from special funds to establish a new Acute Orphan Well Account that will be used to plug abandoned wells that pose an immediate danger to human health and safety.
- Approved \$324,000 from special funds and resources bond funds to support the CALFED Program.

#### Budget Bill Language

1. Approved budget bill language to specify that \$2 million from the Surface Mining and Remediation Account be used to develop strategies for long-term remediation of abandoned mines and that the department report to the Legislature before implementing long-term strategies.

#### Trailer Bill Language

1. Approved trailer bill language to authorize the department to deposit \$500,000 in additional Williamson Act penalty revenues in the Soil Conservation Fund.

### **3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**

- Approved \$37 million GF to fund increased employee compensation costs associated with funding year-round fire protection statewide. Deleted \$2.9 million GF to adjust for a technical over-budgeting of employee compensation costs.
- Approved \$7 million GF to fund increased workers' compensation and unemployment insurance costs.
- Approved \$5 million GF to increase training and hiring of new firefighters to address increased retirements at the department.
- Approved \$7 million from the Forest Resources Improvement Fund to support management of the state demonstration forests.

- Approved \$7 million GF to support other forestry programs, including the state nursery and seed bank program, assistance to landowners to reduce wildland fuels, pest management, and urban forestry.
- Increased by \$3 million from resources bond funds monies available for urban forestry grants in the budget year.
- Approved \$162 million (\$138 million from lease revenue bonds and \$24.2 million GF) for capital outlay projects to upgrade forest fire stations throughout the state. Also authorized the department to double its capital outlay staff over the next two years to allow the department to manage additional capital outlay projects internally.
- Approved \$30 million (\$15 million GF) for general employee compensation increases pursuant to a plan to be submitted to the Joint Legislative Budget Committee. This augmentation may be used to address recruitment and retention problems with managers at CDF that are not a part of Bargaining Unit 8.
- Approved \$159,000 from resources bond funds to support the CALFED program. Transferred \$1.5 million GF from the Bay-Delta Authority to CDF to support administration of former Bay-Delta Authority staff housed at the Resources Agency. The CDF will also continue to provide general administration for the entire Resources Agency.

#### Budget Bill Language

1. Approved budget bill language to ensure a seamless transition for the CALFED program from the Bay-Delta Authority to various other state agencies, including CDF.

#### Trailer Bill Language

1. Approved trailer bill language to ensure that staffing resources supporting year-round fire protection are used to support state responsibilities, including requiring annual reports.
2. Approved trailer bill language to direct revenues from timber sales on state demonstration forests to be deposited in the General Fund except for those revenues needed to manage the state demonstration forests, which should be deposited in the Forest Resources Improvement Fund.

### **3560 STATE LANDS COMMISSION**

- Approved \$2.2 million from special funds for remediation of mines and assessment of other potential hazards on state school lands.

#### Trailer Bill Language

1. Approved trailer bill language to authorize the use of funds in the

State School Lands Fund for remediation of hazards on school lands.

### **3600 DEPARTMENT OF FISH AND GAME**

- Approved \$6 million GF (\$2 million one-time) to implement the Marine Life Protection Act and Marine Life Management Act.
- Augmented by \$5 million GF the department's Marine Division to implement various statutory mandates to protect marine ecosystems.
- Approved \$1.1 million GF for early detection of avian influenza.
- Approved \$8.8 million GF (one-time) emergency levee repair and other work to repair storm damage on state-owned lands.
- Augmented by \$1.9 million GF (\$900,000 one-time) the department's land management activities and invasive species treatment. The Governor vetoed \$1 million of this augmentation. Approved supplemental report language to require an interim update of the Five-Year Infrastructure Plan that contains a complete survey of capital outlay and deferred maintenance needs for department facilities and lands, including invasive species maintenance.
- Approved \$10.6 million GF (\$9.1 million one-time) to augment resource assessment and conservation planning capabilities at the department, including up to \$1.5 million for implementing best management practices for mosquito abatement on department-owned lands.
- Approved \$14 million GF (\$10 million one-time) for salmon and steelhead restoration, including restoration on the Klamath River.
- Approved \$30 million (\$15 million GF) for general employee compensation increases pursuant to a plan to be submitted to the Joint Legislative Budget Committee. This augmentation may be used to address recruitment and retention problems with fish and game wardens.
- Approved \$17.1 million from special funds to support implementation of recent legislation (AB 7, Cogdill) to increase production at trout hatcheries and to augment the Wild Trout program. Implementation of this program requires \$9 million GF to ensure other programs, mainly enforcement, are not adversely impacted.
- Approved \$34.7 million GF (\$19.8 million one-time) to balance each of the various sub-accounts within the Fish and Game Preservation Fund. The Fish and Game Preservation Fund is made up of numerous sub-accounts funded by specific fees and licenses. Previously the department had borrowed from some sub-accounts to cover activities that it was not adequately funded to support.
- Approved \$750,000 from resources bond funds to support restoration activities on the San Joaquin River.
- Transferred \$5 million GF (one-time) to create a new endowment account for maintenance of coastal wetlands.

- Approved \$3 million (\$2.2 million one-time) from various special funds and resources bond funds for management of state lands and capital outlay projects to enhance land management objectives.
- Approved \$36.7 million (\$878,000 GF) for DFG to implement various elements of the CALFED program. Transferred an additional \$1 million (\$744,000 GF) and eight positions from the Bay-Delta Authority to the Department of Fish and Game to support the Ecosystem Restoration Program from the Bay-Delta Authority to the Department of Fish and Game.

### Budget Bill Language

1. Approved budget bill language that specifies that at least \$3,470,000 in GF monies is available to implement the Marine Life Protection Act.
2. Approved budget bill language to authorize \$2 million allocated for the Marine Life Protection Act and the Marine Life Management Act be available for expenditure until June 30, 2009.
3. Approved budget bill language to specify that \$150,000 in reimbursements be used to fund a position to support environmental review of the seismic retrofit of the Hetch Hetchy water system.
4. Approved budget bill language to allocate \$8 million to the Fisheries Restoration Grant Program and \$6 million to restoration on the Klamath River system. Of the \$6 million for the Klamath River system, \$500,000 is also allocated to the State Coastal Conservancy for study of fish passage impediments on the Klamath River.
5. Approved budget bill language to authorize up to \$1.5 million for mosquito abatement to address West Nile Virus threats on department-owned lands.
6. Approved budget bill language to ensure a seamless transition for the CALFED program from the Bay-Delta Authority to various other state agencies, including DFG.
7. Approved budget bill language to designate \$5 million to implement bottom trawling regulations, aquaculture regulations, the Marine Life Protection Act, and the Marine Life Management Act.
8. Approved budget bill language to direct that the expenditure of funds to restore the San Joaquin River is consistent with a final settlement of litigation titled *Natural Resources Defense Council v. Rodgers*.
9. Approved budget bill language to specify that \$10.8 million GF one-time will address deficits in specific sub-accounts within the Fish and Game Preservation Fund.

10. Approved budget bill language to allow for the expenditure of funds from the Hatchery and Inland Fisheries Fund on capital outlay projects with notification of the Joint Legislative Budget Committee.
11. Approved budget bill language to specify that \$651,000 from this fund is for seven new positions to support the Heritage and Wild Trout Program.

#### Trailer Bill Language

1. Approved trailer bill language to require annual reporting of the fund condition statements for each of the sub-accounts within the Fish and Game Preservation Fund.
2. Approved trailer bill language to create the Coastal Wetlands Account and allocate 60 percent of the interest to the Department of Fish and Game (DFG) and 40 percent of the interest to the State Coastal Conservancy for management of coastal wetland areas.
3. Approved trailer bill language to ensure that expenditures made from the Bay-Delta Sport Fishing Enhancement Stamp be consistent with goals of the CALFED ecosystem restoration program.
4. Approved trailer bill language to authorize the use of federal funds to meet annual funding goals specified in statute for trout fish hatcheries.

### **3640 WILDLIFE CONSERVATION BOARD**

- Approved \$21 million from special funds and resources bond funds for purposes of restoring and enhancing wildlife habitat as required by the Habitat Conservation Fund.
- Approved \$5 million GF (one-time) for restoration and enhancements consistent with the Riparian Habitat Conservation Program and Inland Wetlands Conservation Program.
- Approved \$5 million from resources bond funds for grants to implement the Oak Woodlands Conservation Act.
- Approved \$15.2 million from resources bond funds for acquisition or restoration of habitat to promote the recovery of threatened or endangered species and to implement Natural Community Conservation Plans.

### **3680 DEPARTMENT OF BOATING AND WATERWAYS**

- Approved \$1.9 million from federal funds to augment boating education, grants to law enforcement for boating equipment, and grants for boating trail access projects for non-motorized vessels.

- Rejected Governor's proposal to shift \$15 million from the gas tax paid by voters from the Department of Parks and Recreation to fund additional loans and grants to build and rehabilitate marinas and boat launching facilities.
- Approved \$24.4 million from special funds in loans and grants to build and rehabilitate marinas and boat launching facilities.
- Approved \$6 million from special funds for minor capital outlay projects to build or rehabilitate state-owned boat launching facilities.

### **3720 CALIFORNIA COASTAL COMMISSION**

- Approved \$850,000 GF to address the backlog of work related to tracking, accepting and opening offers to dedicate and permitting coastal development. Offers to dedicate are mitigation tools used by the commission when permitting development within the coastal zone.
- Approved \$350,000 GF 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 augmentation.
- Approved \$100,000 GF to web-cast the commission's hearings.

#### Trailer Bill Language

1. Approved trailer bill language to require annual reports on offers to dedicate.

### **3760 STATE COASTAL CONSERVANCY**

- Approved \$23.5 million from resources bond funds for capital projects that protect and improve coastal and San Francisco Bay watersheds.
- Approved \$8 million GF to be expended by the Ocean Protection Council pursuant to a plan jointly developed by the council and the Department of Fish and Game to implement the Marine Life Protection Act and Marine Life Management Act. Rejected the Governor's proposal to allocate \$2.6 million to the State Coastal Conservancy to fund positions at the Department of Fish and Game to implement the Marine Life Protection Act.
- Augmented by \$500,000 reimbursement contracts with the Department of Fish and Game to study the removal of fish passage impediments on the Klamath River and its tributaries. The Governor vetoed this augmentation.
- Augmented by \$500,000 from special funds in funding for coastal access projects to reflect an increase in permit fees transferred from the Coastal Commission.

**3780 NATIVE AMERICAN HERITAGE COMMISSION**

- Augmented by \$200,000 GF the commission's budget to implement recent legislation establishing a process for repatriating Native American human remains and cultural items possessed by a state or local agency or museum that receives state funds.

**3790 DEPARTMENT OF PARKS AND RECREATION**

- Augmented by \$250 million GF (one-time) support for deferred maintenance on State Park facilities.
- Augmented by \$15 million GF support for new and existing park facilities, including funding for seasonal lifeguard staff at state beaches.
- Approved \$175,000 GF to support a state Main Street Program.
- Rejected the Governor's proposal to transfer \$15 million from the gas tax paid by voters from the Department of Parks and Recreation to fund loans and grants to build and rehabilitate marinas and boat launching facilities.
- Approved \$18 million in Off-Highway Vehicle (OHV) grants pending receipt of the gas tax study.
- Approved \$27.4 million in bond funds, special funds, and federal funds for grants to fund various local park projects.
- Approved \$11.2 million GF for modification of existing state park facilities to make them more accessible to visitors with disabilities.
- Approved \$5 million GF to start remediation efforts to address water quality issues at Empire Mine State Historic Park.
- Approved \$1.4 million GF to staff water and wastewater facilities to ensure compliance with state law.
- Approved \$25.7 million from special funds and resources bond funds for capital outlay projects to improve existing parks and acquisitions.

**Budget Bill Language**

1. Approved budget bill language to authorize the department to fund capital outlay projects with the \$250 million GF provided for deferred maintenance with notification to the Joint Legislative Budget Committee.
2. Approved budget bill language specifying that \$15 million GF is provided for ongoing operations and maintenance needs of new and existing state park facilities, including seasonal aquatic safety staffing at state beaches.
3. Approved budget bill language to restrict the allocation of new Off-Highway Vehicle grants until a gas tax study is submitted to the

State Legislature.

4. Approved budget bill language to authorize \$563,000 of the funds provided for deferred maintenance be used for maintenance of the California State Archives Building.

Trailer Bill Language

1. Approved trailer bill language to clarify the transfer of the Malibu Bluffs property from the department to the City of Malibu.
2. Approved trailer bill language to extend the sunset for one year the Off-Highway Vehicle Commission and Program.

**3810 SANTA MONICA MOUNTAINS CONSERVANCY**

- Approved as budgeted.

**3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION**

- Augmented by \$1 million GF the commission's budget to improve timeliness of permit processing, enforcement, and planning capabilities.
- Approved \$88,000 GF to support the CALFED program.

**3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY**

- Approved as budgeted.

**3830 SAN JOAQUIN CONSERVANCY**

- Approved as budgeted.

**3835 BALDWIN HILLS CONSERVANCY**

- Approved as budgeted.

**3840 DELTA PROTECTION COMMISSION**

- Approved as budgeted.

**3845 SAN DIEGO RIVER CONSERVANCY**

- Approved as budgeted.

**3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY**

- Approved as budgeted.

**3855 SIERRA NEVADA CONSERVANCY**

- Approved as budgeted.

**3860 DEPARTMENT OF WATER RESOURCES**

- Approved \$63 million GF to cover settlements related to the *Paterno* lawsuit.
- Approved \$35 million GF to increase the Department of Water Resource's (DWR) 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 \$101.3 million GF for local flood control subventions and support of the local flood control subvention program.
- Approved \$41 million (\$31.4 million GF) to fund capital outlay flood management projects in the Central Valley.
- Approved 28 new positions to support recent legislation (AB 142, Nunez) that allocated \$500 million GF for emergency levee erosion repairs of 29 critical sites in the Central Valley.
- Approved \$84 million GF for the lining of the All-American Canal and other local projects that help the state live within its Colorado River allocation.
- Approved \$1 million from resources bond funds to support restoration activities on the San Joaquin River.
- Approved \$202 million for DWR to implement various elements of the CALFED program. Transferred an additional \$263,000 GF from the Bay-Delta Authority to support three positions and contracts to implement CALFED programs that were being implemented by the Bay-Delta Authority.
- Approved \$1.4 million from GF to backfill for one year an increase in fees to fully fund the Watermaster program.
- Rejected Governor's proposal to transfer \$11.5 million from the California Water Fund to the State Water Project for energy purchases made on behalf of the investor-owned utilities during the 2000 energy crisis. These funds were instead transferred to the General Fund along with \$4.1 million in additional monies in the California Water Fund.

**Budget Bill Language**

1. Approved budget bill language to ensure a seamless transition for the CALFED program from the Bay-Delta Authority to various other state agencies, including DWR.
2. Approved budget bill language to direct that the expenditure of funds to restore the San Joaquin River is consistent with a final settlement of litigation titled *Natural Resources Defense Council v. Rodgers*.

3. Approved budget bill language that prohibits expenditure of funds for the study of enlarging Los Vaqueros Reservoir until regional partners execute an agreement to work together and continue funding the project.
4. Approved budget bill language that gives the department three years to allocate the \$100 million provided for local flood control subventions.
5. Approved budget bill language to expedite the processing of \$10 million owed to the Napa County Flood Control and Water Conservation District for local flood control subventions.
6. Approved budget bill language that prohibits expenditure of capital outlay funding to implement the South Delta Improvement Program until the Secretary for Resources provides a report on what actions it plans on taking to stabilize the Delta and address the Pelagic Organism Decline.

#### *Trailer Bill Language*

1. Approved trailer bill language to require additional environmental review before pumping can be increased to 8,500 cubic feet/second per implementation of the South Delta Improvement Program.

### **3870 CALIFORNIA BAY-DELTA AUTHORITY**

- Transferred all positions and funding for the Bay-Delta Authority to the Department of Fish and Game, Resources Agency, the Department of Water Resources, and the Department of Health Services. The Resources Agency will continue to support the public forums and stakeholder processes currently supported by the Bay-Delta Authority.

## ENVIRONMENTAL PROTECTION

### 0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

- Approved \$465,000 (\$135,000 GF) to fund two positions and contracts to support the Climate Change Initiative.

#### *Trailer Bill Language*

1. Approved trailer bill language to sunset the California Climate Action Registry and transition its function into state government by January 1, 2008. The trailer bill language also established a greenhouse gas emission inventory on or after January 1, 2007.

### 3900 AIR RESOURCES BOARD

- Approved \$31.5 million from special funds for incentives to encourage the deployment of alternative fuel vehicles, including funding to implement the Hydrogen Highway Blueprint.
- Augmented by \$10 million from special funds subventions to local air districts. The Governor vetoed this augmentation.
- Approved \$25 million from special funds (one-time) for clean construction equipment for public agencies. (These monies will be redirected to replace school buses if the Transportation and Air Quality Bond does not pass.)
- Approved \$25 million from special funds (one-time) for air quality incentive programs to reduce emissions from locomotives, construction equipment, and dairies. The Governor vetoed this augmentation.
- Approved \$1.9 million from special funds to support 15.5 positions to implement greenhouse gas emission reduction strategies identified by the Climate Action Team.
- Rejected \$3.3 million from special funds for contracts to implement greenhouse gas emission reduction strategies identified by the Climate Action Team.
- Approved \$1.3 million from special funds for preliminary work to implement mandatory reporting of greenhouse gas emissions.
- Approved \$4 million from special funds to increase enforcement of air quality laws.
- Approved \$1.7 million from special funds to demonstrate new technologies and develop mitigation measures to address pollution created by goods movement activities.
- Approved \$2 million from special funds (one-time) to expand grants awarded by the Innovative Clean Air Technology Grant program.

- Approved \$1 million from special funds (one-time) for contracts and to purchase additional equipment to accurately measure particulate matter emissions from heavy-duty diesel vehicles.

#### Budget Bill Language

1. Approved budget bill language to specify that \$25 million from the Motor Vehicle Account to purchase low-polluting construction equipment in the Transportation and Air Quality Bond is passed by the voters; otherwise, these funds are allocated for the replacement of pre-1977 model-year school buses.
2. Approved budget bill language to specify that \$6.5 million from the Motor Vehicle Account be used to implement the Hydrogen Highway blueprint.
3. Approved budget bill language to allocate \$25 million from the Motor Vehicle Account to be used for various market based and production incentives to encourage the development of alternative fuel vehicles.
4. Approved budget bill language to exclude alternative fuels derived from petroleum, petroleum coke or coal from receiving alternative fuel grants.
5. Approved budget bill language to require the board to submit quarterly reports on the expenditure of funds allocated to implement the Climate Change Initiative.

#### Trailer Bill Language

1. Approved trailer bill language to ensure the portion of the tire fee dedicated to the Carl Moyer Program is not reduced.

### **3910 INTEGRATED WASTE MANAGEMENT BOARD**

- Augmented by \$1.2 million from special funds for enforcement and auditing of the Electronic Waste Recycling program.
- Augmented by \$5.2 million from special funds grants for using Rubberized Asphalt Concrete and enforcement of the Waste Tire Recycling Program.
- Rejected Governor's proposal to allocate \$466,000 from special funds to support the Climate Change Initiative.

#### Budget Bill Language

1. Approved budget bill language to allow the board to allocate up to \$1 million for demonstration projects that convert landfill gas to

liquefied natural gas for use as a clean transportation fuel.

Trailer Bill Language

1. Approved trailer bill language to keep the tire fee at its existing level to maintain current level of funding for the Waste Tire Recycling Program.

**3930 DEPARTMENT OF PESTICIDE REGULATION**

- Augmented by \$500,000 from special funds for risk assessment activities at the department.

Trailer Bill Language

1. Approved trailer bill language to change the annual budget display and reporting requirements.

**3940 STATE WATER RESOURCES CONTROL BOARD**

- Augmented by \$4.5 million from special funds and \$4 million GF for support of the Surface Water Ambient Monitoring Program. The \$4 million GF is provided as a one-time backfill to preclude additional fee increases in the 2006-07 fiscal year.
- Augmented by \$2.3 million from special funds and \$1.3 million GF to augment the Water Rights division. The \$1.3 million GF is provided as a one-time backfill to preclude additional fee increases in the 2006-07 fiscal year.
- Augmented by \$1 million from special funds for support to update water quality standards contained in basin plans.
- Approved \$20 million in resources bond funds for Integrated Regional Water Management grants.
- Approved \$18.2 million to support the CALFED program, including \$7 million for water recycling grants, \$6.2 million for watershed grants, and \$3.5 million for drinking water quality grants. Transferred an additional \$222,000 GF and two positions to support the Drinking Water Program from the Bay-Delta Authority to the State Water Resources Control Board.
- Approved \$1.6 million GF to backfill for one-year the agricultural waiver fee to preclude additional fee increases in the 2006-07 fiscal year.

Budget Bill Language

1. Approved budget bill language to ensure seamless transition of the CALFED program from the Bay-Delta Authority to various other state agencies, including the State Water Resources Control Board.
2. Approved budget bill language to allow the Water Rights program to

borrow \$2.9 million for technology upgrades from the Underground Storage Tank Cleanup Fund to be repaid by June 30, 2011.

### **3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**

- Augmented by \$1.5 million from special funds for enforcement efforts of the Electronic Waste Recycling Program.
- Approved \$5.5 million GF to backfill for one-year increased fees to support Brownfield clean up and other programs supported by the environmental fee.

#### *Trailer Bill Language*

1. Approved trailer bill language to expand the environmental fee to cover all businesses with 50 or more employees.
2. Approved trailer bill language to conform the Hazardous Waste Manifest Law to federal law.

### **3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT**

- Augmented by \$266,000 from special funds to support Proposition 65 work related to identifying “safe” levels of toxic substances.
- Approved \$125,000 GF to implement recently enacted legislation which set a maximum lead standard for certain candies.

## ENERGY AND UTILITIES

### 3360 CALIFORNIA ENERGY COMMISSION

- Approved \$874,000 from special funds to develop and maintain a dynamic simulation model of the California transportation energy market.
- Rejected Governor's proposal to allocate \$612,000 from special funds to support the climate change initiative.
- Approved \$69.8 million in special funds for the Public Interest Energy Research Development and Demonstration program.

#### Budget Bill Language

1. Adopted budget bill language to prohibit the awarding of new Public Interest Energy Research Development and Demonstration grants prior to January 1, 2007.

### 8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

- Approved \$12.2 million from special funds to implement the commission's Telecommunications Bill of Rights, which is \$517,000 less than the Governor's proposal reflecting projected salary savings.
- Approved \$2 million from special funds staffing to enhance rail safety through additional accident investigations, evaluation of quiet zone notices, railroad inspections, and oversight of transit security programs. The Governor vetoed the \$567,000 legislative augmentation.
- Augmented \$2.8 million from special funds to support 28.5 new positions for the Energy Division to address workload associated with new statutory mandates and climate change activities. The Governor vetoed \$1.6 million and 14.5 positions.
- Augmented \$1.3 million from special funds to support 14 new positions for the Division of Ratepayer Advocates to address outstanding staffing needs related to water and telecommunications regulatory proceedings. The Governor vetoed \$423,000 and four positions.
- Augmented \$286,000 from special funds to support three new positions for the Deaf and Disabled Telecommunications Program and to increase staffing to cover telecommunications developments at the federal level.
- Augmented \$574,000 from special funds to support seven new positions for the water and audit divisions at the commission.

- Deleted \$539,000 special funds to delete six positions that supported the Payphone Programs. This will leave the Payphone Programs with three inspectors to cover inspections of payphones statewide.
- Approved \$4.8 million special funds to augment the Teleconnect Program in the budget year to fully cover all projected claims. Also approved \$18.2 million from special funds to cover past year claims and authorized \$20 million GF to repay a portion of the loan owed the Teleconnect Fund.
- Reappropriated \$2 million from special funds for grants to community technology centers for technology upgrades.
- Reappropriated \$100,000 from special funds for a working group to identify rail safety problems and make recommendations to the commission.

#### Budget Bill Language

1. Adopted budget bill language to require the commission to report to the Joint Legislative Budget Committee before it is authorized to expend more than \$1 million on its media campaign to implement the telecommunications bill of rights.
2. Adopted budget bill language to require the commission to report to the Joint Legislative Budget Committee before it is authorized to pay claims after December 31, 2006 to identify what steps it has taken to bring the Teleconnect Program into full compliance with the requirements of Section 884.5 of the Public Utilities Code.

#### **8770 ELECTRICITY OVERSIGHT BOARD**

- Approved as budgeted.

## FOOD AND AGRICULTURE

### 7300 AGRICULTURAL LABOR RELATIONS BOARD

- Approved as budgeted.

### 8570 DEPARTMENT OF FOOD AND AGRICULTURE

- Approved \$5.2 million (\$3.6 million GF) for support of a new program to address emerging threats to the food supply. Shifted \$1.5 million of this proposal to special and federal funds and reduced the Governor's overall proposal by \$2 million.
- Approved \$6.5 million GF to eradicate recent outbreaks of the Diaprepes Root Weevil in Southern California.
- Approved \$2.5 million GF to support the Weed Management Areas program. The Governor reduced this augmentation by \$1 million.
- Approved \$385,000 (\$135,000 GF) to support the conversion of the department's accounting systems to the CalSTARS system.
- Approved \$190,000 GF to support a one-year pilot program to determine the pest introduction risk from private vehicles entering the state.
- Approved \$3 million GF to increase funding for the County Agricultural Commissioners' High Risk Pest Exclusion Program.

#### Budget Bill Language

1. Approved Budget Bill language to require the department to report to the Legislature with workload information on long term maintenance of the department's information technology projects that are part of the emerging threats program.
2. Approved Budget Bill language that allocates up to \$2.8 million from unclaimed gas tax money to address emergency detection and eradication of animal plant and animal pests and disease.
3. Approved Budget Bill language to specify that funds provided for High Risk Pest Exclusion activities be expended consistent with Food and Agricultural Code Section 2282.5.

# SUBCOMMITTEE 3

# FINAL ACTION REPORT

## Senate Budget and Fiscal Review

### *Members*

Denise Moreno Ducheny, Chair  
Wesley Chesbro  
Dave Cox

### *Consultants*

Anastasia Dodson  
Diane Van Maren  
Brian Annis  
Dave O'Toole

# SUBCOMMITTEE No. 3

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# HEALTH

## 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Increased by a total of \$18.3 million (General Fund) to purchase three mobile hospitals, one more than proposed by the Administration, in order to locate them in the same regions as the CA Medical Assistance Teams and to have better overall state coverage in the event of an emergency that requires this assistance. Also adopted Budget Bill Language to provide for the waiver of public contract code to expedite the purchase of these mobile hospitals.
- Provided \$10 million (General Fund) to be allocated to Trauma Care Centers on a competitive basis commencing December 2006. In the event the Tobacco Tax of 2006 Initiative passes, these funds would revert to the General Fund. This augmentation was vetoed by the Governor.
- Approved an increase of \$1.75 million (Reimbursements which are federal funds) to implement and administer three new disaster response teams for California which would be known as the CA Medical Assistance Teams (CalMAT). The CalMAT's are to be designed after the existing federal teams. Of the amount appropriated, \$1.3 million is for special caches, including medical supplies, pharmaceuticals, medical equipment and tents to be used by the CalMATs to provide for a variety of disaster situations.
- Approved as requested an increase of \$177,000 (Emergency Medical Services Personnel Fund) for three positions for the Paramedic Licensing and Enforcement Program to address issues regarding administration of the program.
- Rejected a \$1.5 million (General Fund) loan and reorganization proposal regarding the proposed transfer of licensing emergency medical personnel to the state. This is a significant policy change and policy legislation is proceeding on the issue.

## 4260 DEPARTMENT OF HEALTH SERVICES

### Public Health Programs

- Augmented by \$195.2 million (\$161.2 million General Fund) to address several components in preparation of a pandemic influenza "surge" as proposed by the Administration. These components are shown below. (Please see Item 4120 for the mobile hospital purchases.)
  1. Approved \$5.224 million for a consultant and staff to develop state guidance and standards for hospitals during a pandemic influenza event. But rejected Budget Bill Language that would have provided the DHS with broad emergency regulation authority.
  2. Denied the \$14.5 million (General Fund) to fund staff positions in 420 hospitals (ongoing cost of \$29 million General Fund) to have them participate in local emergency planning

- efforts. Also denied trailer bill legislation to require hospitals to participate in local emergency planning efforts as a condition of licensure.
3. Approved \$424,000 (federal funds) and positions to have the DHS update hospital licensing regulations (Title 22 requirements) which are extremely out of date.
  4. Adopted an augmentation of \$53.3 million (General Fund) to purchase antiviral medication as proposed by the Administration. Also adopted Budget Bill Language to enable the DHS to waive public contract code requirements for this purchase.
  5. Provided \$33 million (total funds) to purchase 2,395 ventilators, or one-third of the amount requested by the Administration. This reflects a phased-in approach. Also adopted Budget Bill Language to allow for an expedited purchase.
  6. Increased by \$77.9 million (total funds) to purchase medical supplies for “alternative care sites” which reflects half the level requested by the Administration. This reflects a phased-in approach. Also adopted Budget Bill Language to allow for an expedited purchase.
  7. Provided \$25.25 million (total funds) for masks for health care workers, which reflects half the level requested by the Administration. This reflects a phased-in approach. Also adopted Budget Bill Language to allow for an expedited purchase.
- Augmented by a total of about \$30 million and 33 new DHS positions to conduct various activities related to public health preparedness, including readiness for pandemic influenza. These activities include the following:
    1. Increased by \$16 million (\$11.4 million General Fund and \$4.5 million federal funds) to provide additional funding to the 61 Local Health Jurisdictions as requested by the Administration. A minimum of \$125,000 will be provided to each jurisdiction, with the remaining amount being allocated based on population. In addition, approved three of the five requested DHS positions and \$1 million in contract funds. Also required the reporting of certain data.
    2. Provided \$1.5 million (General Fund) and one DHS position to manage and stockpile antivirals as requested by the Administration. These funds would purchase about 200,000 doses of antivirals at a cost of \$1.3 million.
    3. Approved \$4.2 million (General Fund) and 13 DHS positions to expand the capacity of the Richmond Laboratory to respond to bioterrorism and emerging diseases, and to create a pre-doctoral program to expand the number of clinicians (doctorate and post-doctorate level) at the local level, i.e., contract with the University of California system (one program at Berkeley and one at Los Angeles).
    4. Approved \$1.3 million (General Fund) and four DHS positions to expand and maintain state and local capacity to conduct communicable disease surveillance. Of this amount, \$700,000 would be used to contract with the UC system to obtain specialized services to conduct support, training, testing, customer service, interfacing, and quality control

activities for statewide surveillance operations and initiatives, such as the use of electronic laboratory reporting.

5. Approved \$350,000 (federal funds) as requested to train public health field staff on how to respond to emergencies.
  6. Provided \$465,000 (General Fund) and three positions, in lieu of five positions, for the DHS to prepare and respond to pandemic influenza. The positions are to be used in the Immunization Branch to, among other things: (1) review state and national pandemic influenza plans and develop standards for clinical activities, (2) develop standards of care for a clinical response to pandemic influenza, and (3) communicate and coordinate with local, state and federal agencies.
  7. Rejected \$14.3 million and five positions to develop an outreach and media campaign for pandemic influenza. The Administration had proposed using a sole source contract for this purpose.
  8. Deleted \$1.4 million and ten DHS positions to develop healthcare and community infection control program for hospitals since policy legislation is proceeding on this issue.
  9. Approved two DHS positions in lieu of five positions to address concerns regarding potential attacks on the environment by terrorists.
  10. Approved two DHS positions in lieu of six positions to address concerns regarding potential attacks on food by terrorists.
  11. Approved \$1.5 million (special funds) and five DHS positions to protect water from potential attacks by terrorists.
- Augmented by \$359,000 (federal funds) to address new federal activities related to pandemic influenza as required by the federal Centers for Disease Control (CDC).
  - Adopted trailer bill language to require the California Health and Human Services Agency to report to the Legislature by November 15, 2006 on the status of implementing pandemic influenza and related public health emergency preparation efforts.
  - Augmented by \$9 million (General Fund) to provide one-time funding to mitigate the spread of West Nile Virus. This augmentation was reduced to a total of \$3 million due to a Governor's veto of \$6 million.
  - Provided an increase of \$1 million (General Fund) for the continued development of Valley Fever vaccine and related mitigation efforts.
  - Increased by \$1 million (General Fund) the Indian Health Program to fund additional primary care health clinics. This augmentation was vetoed by the Governor.
  - Approved an increase of \$1 million (General Fund) and eight positions to implement AB 121 (Vargas), Statutes of 2005, regarding concerns with lead in candy.
  - Expanded the Newborn Screening Program to including screening for Cystic Fibrosis and Biotinidase and adopted placeholder trailer bill legislation for this action.

- Provided an increase of \$100,000 (General Fund) for San Francisco City/County to conduct water quality monitoring as required by AB 1876, Statutes of 2004.
- Shifted \$1 million (Proposition 99 Funds) from Asthma activities to provide \$500,000 to the Seasonal, Migratory Worker Clinics and \$500,000 to the Rural Health Clinics since the Asthma program was not spending all of its funding. The Asthma program will be funded at \$3 million, versus the Administration's proposed level of \$4 million (Proposition 99 Funds).
- Adopted trailer bill legislation as proposed by the Administration to exempt the payment of \$20.2 million (General Fund) to the County Medical Services Program (CMSP).
- Increased by \$35 million (WIC Manufacturer Rebate Fund) to enable the state to stretch federal food grant dollars to serve more participants and absorb food inflation costs.
- Fully funded the AIDS Drug Assistance Program (ADAP).
- Provided an increase of \$5.6 million (General Fund) for HIV/AIDS education and prevention efforts.
- Expanded dental prevention efforts in schools by providing an increase of \$2 million (General Fund) for fluoride varnish and dental sealants provided to low-income students. This augmentation was vetoed by the Governor. In addition, an increase of \$1.5 million (total funds) was provided in the Medi-Cal Program, as well as \$4.4 million (Proposition 98 General Fund) in the State Department of Education for this effort. These augmentations were sustained.
- Provided the DHS with three positions using special funds from rebates to expand the CARE Health Insurance Premium Payment (HIPP) Program to enable individuals to have their Medicare Part D premiums paid by the ADAP if it is cost-beneficial for the state.
- Fully funded the Genetically Handicapped Persons Program (GHPP) for caseload and related adjustments.
- Fully funded the Genetic Disease Program for caseload and related adjustments.
- Fully funded the CA Children's Services (CCS) Program for caseload and related adjustments.
- Fully funded the Child Health Disability Prevention (CHDP) Program for caseload and related adjustments.
- Reappropriated \$107.5 million (Proposition 50 funds) to provide for additional time as necessary to obligate funding for 2005-06 for such items as construction contracting and related activities for drinking water systems.
- Extended 15.5 positions at a cost of \$1.6 million (special fund) for the Proposition 50 Drinking Water Management Program for administration of the grants including engineering review, financial and accounting functions, and related activities.
- Extended 10.5 positions at a cost of \$1.1 million (special funds) for administration of the Small Drinking Water Program to provide technical assistance in numerous areas, including completing applications to obtain loan funding.

- Increased by \$1.1 million (special fund) to hire 11 new Sanitary Engineers to assist in ensuring that certain oversight activities are conducted for the Large Drinking Water Program. Trailer bill language to change the existing DHS inspection timeframes was rejected.
- Approved six DHS positions and a fee increase as proposed by the Administration to address concerns regarding medical waste management. Also approved trailer bill legislation.
- Approved \$495,000 (General Fund) and four DHS positions to implement SB 484 (Migden), Statutes of 2005.
- Approved seven DHS positions for an increase of \$815,000 (special funds) and trailer bill legislation to improve the Drug and Medical Device Manufacturer Program.
- Approved eight DHS positions to conduct inspections of X-ray machines and to evaluate applications for license approval to use radioactive material for industrial, academic, medical or research purposes.
- Denied the Administration's proposal to establish a continuing education program for environmental health specialists since it would have increased fees.

### **The Medi-Cal Program**

- Appropriated an additional \$78.1 million (\$39 million General Fund) to provide an increase to six plans identified by the DHS that required additional funding in the budget year to stabilize their "tangible net equity" level at 200 percent.
- Provided an additional \$18.6 million (\$9.3 million General Fund) for the DHS to allocate to managed care plans participating in the Medi-Cal Program that require additional financial assistance as specified in Budget Bill Language. This augmentation was vetoed by the Governor.
- Approved an increase of \$65.4 million (\$32.7 million General Fund) for Medi-Cal Managed Care to recognize the sunset of the 5 percent rate reduction as of December 31, 2006 as contained in AB 1762, Statutes of 2003. This adjustment becomes effective as of January 1, 2007.
- Increased the rates paid to Programs for All Inclusive Care (PACE) to the 90 percent of Medi-Cal Fee-For-Service levels.
- Modified the Administration's proposal to improve licensing and certification functions by (1) changing 23 positions to the higher classification of Registered Nurse; (2) making 23 limited-term positions permanent; (3) adopting trailer bill language to establish a special fund, to establish 2006-07 as a baseline year for new fee payments, and to provide for a three-year phase in of fee changes; (4) augmenting by \$10.4 million (General Fund) to reduce the fees proposed by the Administration in specified areas; (5) providing a total of 141 positions for increased inspections; and (6) shifting the payment of fingerprint clearances currently paid by certain workers to be paid for by providers in order to address federal audit exceptions.

- Adopted trailer bill legislation, in lieu of the Administration's more restrictive language, to implement the federal Deficit Reduction Act (DRA) of 2005 regarding proof of citizenship or national status as a condition of Medi-Cal eligibility. Adopted modified Budget Bill Language to provide for assistance to individuals in meeting verification rules and for county eligibility activities.
- Increased by \$786.6 million (total funds) to fund rate adjustments as required by AB 1629, Statutes of 2004.
- Increased by \$185.4 million (\$92.7 million General Fund) to increase the rates paid for long-term care facilities that are not defined in AB 1629, Statutes of 2004, including freestanding Level A nursing homes, Distinct-Part-Level B nursing homes, and adult subacute facilities that provide long-term care, including PACE.
- Provided an 8 percent rate increase, effective as of August 1, 2006, for non-emergency transportation services for an increase of \$4.8 million (\$2.5 million General Fund). This augmentation was vetoed by the Governor.
- Augmented by \$4.5 million (\$2.2 million General Fund) and adopted trailer bill legislation to make several changes in how durable medical equipment is reimbursed, including wheelchair equipment and oxygen services.
- Increased by \$19.7 million (\$8.5 million General Fund) to allocate funds to selected counties to partner with public and private community organizations for outreach, streamlined enrollment, and retention efforts associated with Medi-Cal and Healthy Families programs. Of the total amount, \$3 million would be used for smaller counties and the remaining amount would be allocated to twenty large counties based on a DHS supplied formula. Also adopted trailer bill language to implement this provision.
- Approved the proposal to increase by \$42.1 million (\$21.1 million General Fund) to reflect an increase in caseload of 27,600 enrollees due to the implementation of a simplified redetermination application.
- Denied the increase of \$3.4 million (\$1.4 million General Fund) to implement a new media campaign for the enrollment of Medi-Cal and Healthy Families Program individuals.
- Rejected the Administration's proposal to reduce funding provided to counties for Medi-Cal eligibility processing and adopted trailer bill language to reaffirm the importance to appropriately fund counties to perform these functions for the state.
- Added Budget Bill Language to provide \$600,000 (\$300,000 General Fund) for the DHS to conduct a study of pharmacy reimbursement rates due to changes as contained in the federal Deficit Reduction Act of 2005. This augmentation and Budget Bill Language was vetoed by the Governor.
- Rejected the Administration's proposal to recraft the Adult Day Health Centers Program through the budget process since policy legislation is moving. An increase of \$19 million (\$9.5 million General Fund) was provided to appropriately fund the program. In addition, a minor

technical correction was made to the moratorium on the certification of Adult Day Health Centers.

- Approved trailer bill language to adjust the Medi-Cal reimbursement rate paid for hearing aids. There is no General Fund effect due to these changes.
- Provided an increase of \$1.68 million (\$840,000 General Fund) to support 15 new positions to operate the Hospital Financing Waiver. Some of these positions were made two-year limited-term.
- Converted 20 limited-term positions in the Medi-Cal anti-fraud area to permanent status for an increase of \$2.3 million (\$842,000 General Fund).
- Adopted Budget Bill Language to provide appropriate funding to the counties for the effective administration of the Medi-Cal Program at the local level to ensure that counties can reasonably meet the purposes of the performance measures as contained in Section 14154 of the Welfare and Institutions Code.
- Adopted Budget Bill Language to provide for the transfer of funds as needed by the DOF to counties to provide assistance with complying with the *Conlan v. Shewry* court decision.
- Approved an increase of \$200,000 (\$100,000 General Fund) and trailer bill language that would enable a doctor of podiatric medicine, within their scope of practice, to provide treatment under the Medi-Cal Program for certain procedures without having to submit a treatment authorization request.
- Deleted 12 positions of the requested 17 positions to continue the implementation of Medi-Cal Managed Care into thirteen new counties for savings of \$430,000 (General Fund) since the Budget Act of 2005 had already provided the DHS with 27 new positions for this purpose.
- Approved three positions of the requested five positions to implement new coordinated care management projects for individuals enrolled in Fee-For-Service Medi-Cal and have mental health and/or substance abuse issues.
- Adopted increased expenditures of \$887,000 (\$443,500 Mental Health Services Act Fund) to contract for program management, consumer education, clinical consultation and administrative support to reduce pharmaceutical costs and improve prescribing patterns for anti-psychotics and access to quality mental health care services.
- Denied the Administration's proposal to establish two new pilot projects for Medi-Cal Managed Care—Access Plus, and Access Plus Community Plan Choices—since they require substantial policy changes. Savings of \$1.1 million (\$525,000 General Fund) were obtained from this denial.
- Rejected the Administration's proposal to develop a new long-term care community options assessment tool for savings of \$500,000 (General Fund) since policy legislation is moving on this issue and funding should be contained in the legislation.

- Reduced by \$7.5 million (General Fund) to reflect increased recoupments from “aged” drug rebates collected under the Medi-Cal Program. In addition, extended 11 DHS positions for one more year for these collection purposes.
- Adopted an increase of \$1.1 million (\$355,000 General Fund) to expand the Nursing Facility Waiver as required by SB 643 (Chesbro), Statutes of 2005.
- Approved 19 positions of the requested 26 positions to process applications in the Breast and Cervical Cancer Program and reduced local assistance by \$6 million (\$2 million General Fund) to reflect the processing of backlogged applications which will shift individuals between programs (federal and state only).
- Provided an increase of \$2 million (\$1 million General Fund) to fund a disease management project for individuals with HIV/AIDS but deleted \$1 million (\$500,000 General Fund) from the existing project due to delays in implementation.
- Approved 46 positions of the requested 55 positions to implement AB 1629, Statutes of 2004, regarding nursing home reimbursement. Adopted placeholder trailer bill legislation in lieu of the Administration’s in order to more narrowly limit the language regarding the use of the quality assurance fees for payment of the DHS’ expenditures.
- Approved 14.5 positions to increase the number of DHS staff conducting fingerprint investigations but rejected proposed trailer bill language since policy legislation is moving.
- Approved three positions in lieu of a requested six positions to improve the Treatment Authorization Request (TAR) process.

#### **4270 CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

- Approved as proposed by the Administration.

#### **4280 MANAGED RISK MEDICAL INSURANCE BOARD**

- Provided a total of \$1.027 billion (\$371.1 million General Fund) for the Healthy Families Program to provide health, dental and vision coverage to 867,727 children (June 30, 2007).
- Provided an increase of \$9.6 million (\$3.4 million General Fund), including one position, to streamline the Healthy Families enrollment process and adopted trailer bill legislation to enact changes. These changes include *discontinuing* requiring applicants to: (1) submit a premium at the time of application and (2) make a plan selection at the time of application. Instead, applicants would pay their premium upon actual enrollment into the program and would have up to three months to choose a health care provider.
- Increased by \$1.1 million (\$400,000 General Fund) to increase the amount paid to “certified application assistants” for successful annual eligibility redeterminations from \$25 to \$50 per application.

- Modified the Administration's proposal regarding certified application assistants who use the Health-e-App web-based application by providing an additional \$10 per application (for a total of \$60) when submitting applications. The Administration had proposed a total of \$75 per application.
- Adopted trailer bill legislation that would eliminate the potential for Access for Infants and Mothers (AIM) linked infants to be enrolled in either the no cost Medi-Cal Program or private insurance, as well as in the Healthy Families Program.
- Adjusted, as proposed by the Administration, federal matching funds under the County Health Initiative Matching Fund Program funds to Alameda, Santa Clara, San Mateo, San Francisco, Santa Cruz and Tulare as approved by the federal CMS and as allowed for under AB 495, Statutes of 2001.
- Provided four new positions, in lieu of ten positions, to conduct a variety of contractor oversight functions and program integrity functions related to the operations of the Healthy Families Program.
- Approved as proposed \$432,000 (Mental Health Services Act Funds) and two positions to do an evaluation of the Healthy Families Program's mental health delivery system and to craft a strategy for monitoring outcomes from this evaluation.
- Fully funded the Access for Infants and Mothers (AIM) Program.

#### **4300 DEPARTMENT OF DEVELOPMENTAL SERVICES**

##### **Community-Based Services**

- Rejected the Governor's proposal to make extensive changes to contract language with the Regional Centers to reduce services and supports provided to consumers served by Regional Centers. An increase of \$10.9 million General Fund was needed to backfill for this elimination of proposed savings.
- Eliminated the \$7 million (General Fund) augmentation to the Regional Center's operations to implement the proposed additional cost containment measures.
- Augmented to provide an increase in the hourly rate paid for Supported Employment services in both individualized settings and group settings from \$27.62 to \$34.24 per hour (an increase of \$6.62 per hour). An increase from \$1,000 to \$2,000 is also provided for job placement.
- Adopted a three percent rate increase for most services, including Day Programs, In-Home and Out-of-Home Respite services, Behavior Management, Independent Living, Work Activity Programs, and Community Care Facilities, as contained in the January budget and as adjusted technically by the May Revision.
- Provided \$19.1 million (total funds) for the purpose of enhancing wages for direct care staff in Day Programs and Work Activity programs that meet specified criteria as contained in trailer bill language.

- Approved an increase of \$2.3 million (General Fund) to expand the Autistic Spectrum Disorder Initiative. These funds will be used to provide additional staff at the Regional Centers for these services and to implement “best practice” guidelines for screening, diagnosis, and assessment.
- Increased by \$3 million (General Fund) and adopted trailer bill legislation to provide resources for the focused development of new community-based programs. The Governor’s budget had continued a freeze on these funds for savings of \$6 million (General Fund).
- Provided an additional \$3.2 million (\$1.7 million General Fund) to Regional Center Operations to address concerns expressed by the federal Centers for Medicare and Medicaid (CMS) regarding California consistently meeting its 1-to-62 case manager to consumer ratio within the state’s Home and Community-Based Waiver. Also adopted Budget Bill Language to require the DDS to actively engage the Regional Centers on how to improve case management functions.
- Adopted several May Revision adjustments in order to capture increased federal funds. These actions included the following: (1) \$2.1 million (\$1.4 million General Fund) to add 42 Regional Center staff to re-negotiate transportation vendor contracts and to train these contractors on how to provide detailed billing for federal reimbursement purposes; (2) \$1.3 million (\$1 million General Fund) to provide for up to a one percent increase in the re-negotiated contracts with vendors to cover their increased workload for providing detailed billing data; (3) a shift of \$16.1 million from General Fund support to federal fund support; (4) \$193,000 (\$126,000 General Fund) to provide for two staff at DDS headquarters to oversee changes to the billing system and the administration of the program; and (5) adopted both Budget Bill Language and trailer bill language to implement the proposal.
- Approved an increase of \$7.7 million (General Fund) to facilitate the continued enrollment of RC consumers into the federal Medicare Part D Drug Program. Of this amount, \$4.8 million is to pay insurance premiums or to buy prescription medications not covered by Part D (whichever is most cost effective). The remaining \$2.9 million is to continue support for existing enrollees to access medications and to assist new consumers in signing up with new plans. Budget Bill language was also adopted to capture data related to drug expenditures.
- Reappropriated \$11.1 million (General Fund) to facilitate the initial development of community-based living options for the current residents of Agnews and extended the period to liquidate encumbrances to June 30, 2010.
- Reappropriated \$2 million (General Fund) as requested by the Administration and adopted extensive Budget Bill Language regarding the pending implementation of the California Developmental Disabilities Information System (CADDIS).
- Adopted as proposed by the Administration the following continued cost containment items: (1) extending the amount of time allowed for Regional Center’s to conduct assessment of new consumers from 60 days to 120 days following the initial intake; and (2) elimination of the SSI/SSP pass through to Community Care Facilities.
- Provided an additional \$500,000 (General Fund) for the Best Buddies Program.

### Developmental Centers

- Provided total expenditures of \$702.7 million (\$385 million General Fund) for the Developmental Centers as proposed by the Administration. This level of funding assumes a resident population of 2,828 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.
- Increased by \$1.2 million (General Fund) and 14 positions for the Porterville Developmental Center to staff a new, self-contained Intensive Behavioral Treatment Residence within the secured treatment area.
- Adopted the Administration's proposal to delay the closure of Agnews Developmental Center until June 30, 2008.
- Adopted an increase of \$1.4 million (\$832,000 General Fund) to fund positions at the DDS headquarters and at the Developmental Centers to continue with a restructuring of the Office of Protective Services in order to address safety and security issues identified by the State Attorney General's Office in a 2001 report.
- Approved all capital outlay projects for the Developmental Centers as requested.

## 4440 DEPARTMENT OF MENTAL HEALTH

### Community-Based Services

- Increased by a total of \$118 million (General Fund) to reimburse County Mental Health plans for costs claimed for the 2004-05, 2005-06 and 2006-07 fiscal years for the Services to Handicapped Students (AB 3632) and Seriously Emotionally Disturbed Pupils (Chapter 654, Statutes of 1996). The \$118 million increase reflects funding of: (1) \$33 million for 2004-05 and \$33 million for 2005-06 to assist in paying state mandate claims, and (2) \$52 million for 2006-07 to provide for categorical funding. Counties will also be able to receive state mandate reimbursement for those claims beyond the available \$52 million for 2006-07. The reimbursement for these claims is still subject to audit by the State Controller. In addition, \$69 million (federal funds) is available under the State Department of Education for these services.
- Provided a total of \$19.3 million (Mental Health Services Fund) to the DMH to administer Proposition 63—the Mental Health Services Act (Act). This includes funding for contracts and positions at the DMH. Local assistance funding for the Mental Health Services Act is continuously appropriated and as such, does *not* flow through the annual Budget Act.
- Increased by \$534,000 (Mental Health Services Fund) to support the activities of the Oversight and Accountability Commission.
- Adopted trailer bill legislation that requires the DMH to revise their existing audit methods, specifically use of extrapolation, in their review of the EPSDT Program.

- Provided \$1.2 million (Mental Health Services Fund) for the Governor's initiative on Chronic Homelessness. Specifically, these funds will be used to (1) hire three staff, and (2) hire consultants to do a variety of functions related to housing assistance. All local assistance for this project—about \$75 million—is continuously appropriated and does not flow through the annual Budget Act.
- Approved all technical adjustments for the baseline Mental Health Managed Care Program as proposed by the DMH.
- Increased by \$3.3 million (General Fund) (one-time only) to comply with the requirements of the Conlan Court Order (*Conlan v. Shewry*).
- Concurred with the Administration on needed technical adjustments to the supplemental mental health services provided to children enrolled in the Healthy Families Program.
- Increased by \$456,000 (General Fund) for the Forensic Conditional Release Program to reflect an increase in the number of patients being discharged from the State Hospitals that are expected to be in the Conditional Release Program in 2006-07.
- 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 \$884.9 million (\$771.8 million General Fund) for the support of the State Hospitals. The population of the State Hospitals is now 87 percent Penal Code-related. A total of 5,805 patients (as of June 30, 2007) are estimated to be receiving services at the State Hospitals.
- Enacted several changes related to the *Coleman* court order for the provision of mental health services for incarcerated individuals serving their sentence in state prisons. The DMH contracts with the CA Department of Corrections and Rehabilitation (CDCR) to provide assistance with this population. These actions include: (1) an increase of \$5.7 million (General Fund) and 68 positions to activate 36 Intermediate Care Facility (ICF) beds at Salinas Valley State Prison; (2) an augmentation of \$1.8 million (General Fund) and 19 positions to convert 60 day treatment beds to 36 ICF beds at Vacaville Psychiatric Program; and (3) an increase of \$432,000 (General Fund) to reflect the establishment of a new psychiatrist series classification at Vacaville and Salinas Valley Psychiatric Programs.
- Provided an increase of \$1.8 million and 24 positions for a change in the staffing needs identified in the Sexually Violent Predator Treatment Restructure Program at Coalinga State Hospital. This increase concurs with the Administration's experience in activating residential housing units at Coalinga State Hospital and the need for Level-of-Care staffing.
- Increased by \$341,000 (General Fund) to the Office of Patient Rights within the DMH for the contract that provides patient's rights advocacy services. Due to grave concerns expressed by the federal Department of Justice Civil Rights Division regarding these hospitals, this adjustment serves as a mitigation measure to avoid further federal concerns.

- Augmented by \$9.7 million (General Fund) and decreased by \$7.2 million (Reimbursements) to reflect the permanent shift of General Fund support from the DHS to the DMH for patient generated revenue and eligibility unit contracts at Metropolitan State Hospital and Napa State Hospital.
- Transferred \$3.6 million (General Fund) from the CDCR to the DMH for mental health services provided to juvenile wards receiving treatment at Metropolitan State Hospital.

## HUMAN SERVICES

### 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Approved 16.0 new positions and \$1.3 million Hospital Building Fund to improve the efficiency of the hospital facility seismic safety review functions performed by the department.

### 4170 DEPARTMENT OF AGING

- Increased funding for the Multipurpose Senior Services Program (MSSP) by \$6 million (\$3 million GF). In addition, to align MSSP program management and funding, consolidated all funding for MSSP in the Department of Aging (shifted existing MSSP funding from the Department of Health Services to the Department of Aging).
- Approved \$566,000 (\$174,000 GF) and 4.0 positions to establish post-payment reviews for Adult Day Health Care centers.

### 4180 COMMISSION ON AGING

- Approved as budgeted.

### 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Maintained \$120 million GF for the Substance Abuse and Crime Prevention Act (Proposition 36), as proposed in the Governor's Budget. Adopted trailer bill language (SB 1137) to increase court oversight and provide judges with increased discretion to improve treatment compliance, including limited sentences of incarceration in county jails. The trailer bill language also allows courts to extend drug treatment for an additional 12 months, and exclude offenders from Prop. 36 if they have five or more prior convictions.
- Adopted \$25 million GF in additional funding for Proposition 36 offender treatment, to be allocated by the Department to counties in a manner that promotes the most effective outcomes. Adopted trailer bill language (AB 1808) to establish the Substance Abuse Offender Treatment Program, which authorizes this allocation methodology.
- Increased funding for Adult Drug Courts by \$4 million GF. The LAO estimates an increase of \$4 million in 2006-07 and \$8.9 million in 2007-08 and annually thereafter would result in net savings of \$179,000 in 2007-08 and \$7.9 million in 2008-09, due to reduced prison costs.
- Adopted \$10 million GF to develop and implement a methamphetamine prevention campaign using media, community involvement, and public relations to reach targeted high risk audiences.
- Approved \$5.3 million (\$2.7 million GF) and 4.0 two-year limited term positions to comply with the *Conlan v. Bontá* and *Conlan v. Shewry* lawsuits.

- Adopted \$4.6 million (\$2.3 million GF) to fully restore Drug Medi-Cal rates to the 2003-04 levels. These rates were reduced in the 2004-05 Budget, and partially restored in the 2005-06 Budget. The Governor vetoed the \$4.6 million adopted by the Legislature for 2006-07 to fully restore the rates to 2003-04 levels.
- Approved \$782,000 (\$578,000 GF) and 6.5 positions to improve the licensing and certification of alcohol and drug treatment programs in the state. Approved trailer bill language to require biennial reviews of outpatient-only facilities. Rejected 1.0 position and trailer bill language proposed by the administration which would have expanded the ability of the department to revoke or suspend licenses.
- Approved \$286,000 (\$143,000 GF) and 3.0 positions to establish a Drug Medi-Cal fraud deterrence program.

#### **4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**

- Increased funding for the Naturalization Services Program by \$1.5 million GF, to provide total funding of \$3 million GF for this program.

#### **5160 DEPARTMENT OF REHABILITATION**

- Increased funding by \$7.0 million (\$5.6 million GF) for the Supported Employment Program to reflect a 24 percent increase in the job coaching hourly reimbursement rate, and an increase in the job placement fee from \$1,000 to \$2,000.

#### **5170 STATE INDEPENDENT LIVING COUNCIL**

- Approved as budgeted.

#### **5175 DEPARTMENT OF CHILD SUPPORT SERVICES**

- Approved \$274 million (\$94 million GF) for the continued development of the California Child Support Automation System (CCSAS). In addition to the Child Support Enforcement (CSE) and the State Disbursement Unit (SDU) components, funding and positions would also be provided in 2006-07 for a statewide Customer Service Support Center and a Centralized Financial Management Team to respond to telephone inquiries and resolve exceptions for non-assistance child support cases that will be added to the SDU as it becomes operational.
- Approved \$220 million GF for payment of the federal fiscal year (FFY) 2006 alternative federal penalty in 2006-07. 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 Department indicates that this penalty payment in 2006-07 is anticipated to be the last penalty payment required, as CCSAS is anticipated to be sufficiently operational by October 2006 to avoid further penalty assessments.
- Approved \$28.5 million (\$25.5 million GF) to resolve an issue with creation of arrears (outstanding child support obligations) due to a payment processing change implemented by the state in the development of CCSAS.

- Adopted \$12 million (\$4 million GF) for local child support agencies to implement a performance-based allocation methodology.
- Approved \$608,000 (\$207,000 GF) to maintain 7.5 of 9.0 expiring limited-term positions for the Compromise of Arrears Program (COAP). This program accepts reduced lump sum settlements from non-custodial parents with arrearages in exchange for their commitment to make ongoing payments.

## 5180 DEPARTMENT OF SOCIAL SERVICES

### CalWORKs and Food Programs

- Adopted a series of initiatives and reforms to address changes to CalWORKs required by the federal Deficit Reduction Act of 2005, including reinvestment of \$100 million in federal Temporary Assistance for Needy Families (TANF) funds back into CalWORKs to improve work participation rates and family outcomes. This action also includes reprioritization of \$160 million in existing CalWORKs funds to get more families engaged faster, prevent sanctions, and increase the state's investment in education, training, and child care:
  - **CalWORKs Improvement Funding:** Redirected \$90 million for local efforts to improve work participation, meet federal requirements, and avoid significant federal penalties. Local activities might include new or improved engagement strategies, employment and training collaborative programs, and efforts to prevent and cure CalWORKs sanctions.
  - **CalWORKs in Community Colleges:** Redirected \$9 million to fund work-study employment for CalWORKs clients attending Community Colleges.
  - **CalWORKs Homelessness Prevention and Engagement:** Redirected \$5 million for CalWORKs Homelessness prevention and support to prevent housing instability as a barrier to participation.
  - **CalWORKs Pay for Performance:** Approved \$40 million annually (beginning in 2007-08), as proposed in the May Revision, for the Pay for Performance program.
  - **Increase Accountability:** Adopted trailer bill language to strengthen the 50 percent county share of federal penalties by requiring counties to backfill their share of the penalties. Adopted language to establish a new local planning requirement to tie activities to outcome improvements, and to require quarterly publication of county outcome data. Adopted language to establish a CalWORKs Peer Review program, to share best practices and improve state and county program knowledge.
  - **Restore Basic CalWORKs Program to 2004-05 Level:** Restored \$140 million for county CalWORKs programs to bring funding back to the actual 2004-05 spending level.
  - **Improve CalWORKs Data and Reporting:** Approved \$4 million proposed in the May Revision to develop and use all data sources for data improvement research, analysis, and reporting to understand caseload components, trends, and dynamics.

- **Recognize CalWORKs Grant Savings:** Adopted \$17.2 million in grant savings due to additional participation and client earnings, due to the reforms and funding noted above. Additional savings is expected in 2007-08.
  - **Plan for TANF Regulations:** Maintained \$15 million TANF reserve for automation and implementation activities related to recent federal regulatory changes.
  - **Employment Training Fund:** Shifted \$13 million Employment Training Fund back to the Employment Training Panel. Maintain \$20 million Employment Training Fund for CalWORKs employment services.
  - **Realign Foster Care and Child Welfare Services Funding:** Funded \$100 million Foster Care and Child Welfare with General Fund, rather than TANF.
  - **Shift Exempt Cases:** Beginning April 1, 2007, will fund CalWORKs exempt cases with non-MOE General Fund. Use other countable expenditures to meet the MOE requirement. (No net General Fund cost or TANF/MOE impact.)
- Rejected the Governor's Budget proposal to reduce current year funding for CalWORKs child care by \$114 million TANF/MOE.
  - Adopted \$24 million TANF/MOE savings for an LAO-identified CalWORKs caseload adjustment.
  - Approved the May Revision increase of \$15.6 million TANF to reflect a reduction in savings associated with the 2004-05, SB 1104 welfare reform efforts. Adopted an additional \$5 million TANF to reflect a more conservative savings estimate of SB1104 welfare reform efforts. The Governor vetoed the \$5 million in additional TANF adopted by the Legislature.
  - Increased funding by \$600,000 TANF/MOE for substance abuse treatment services provided by Indian Health Clinics. The Governor vetoed this funding.
  - Approved a May Revision increase of \$44.2 million TANF to reflect a reduction in the CalWORKs eligibility determination savings assumed to result from Quarterly Reporting/Prospective Budgeting (QR/PB). This increase is in addition to a \$25 million placeholder included for this purpose in the Governor's Budget.
  - Increased funding by \$9.6 million (\$3.4 million GF) to reflect a reduction in the Food Stamp eligibility determination savings assumed to result from QR/PB.
  - Adopted \$1 million GF for the Farm to Family and the Donate Don't Dump programs. This funding would be used to help both programs and would "semi-integrate" the programs through shared transportation, handling, storage, and distribution resources. The Governor vetoed this funding.
  - Rejected the Governor's Budget proposal to statutorily freeze county funding to operate health and human services programs, and instead adopted trailer bill language to reestablish a methodology to survey actual costs, and require future budget documents to document the degree to which those costs are reflected in the budget.

## Children and Youth Services

- Increased funding for Foster Care and Child Welfare by \$75 million GF above the May Revision:
  - Increased funding by \$80 million (\$50 million GF) to improve child welfare and foster care outcomes. Funds may be used for local priorities, including hiring additional child welfare social workers to increase contact with children, services such as mental health or substance abuse treatment, prevention and early intervention services, or other investments to better serve children and families.
  - Increased funding for the Transitional Housing Placement Program (THPP) by \$4 million GF and adopted trailer bill language to eliminate the county share of cost for the program.
  - Increased funding for Dependency Drug Courts by \$3 million GF above the May Revision level of \$2.1 million GF, to expand Dependency Drug Courts to additional counties.
  - Increased funding by \$8 million GF to establish the KinGAP Plus program, which will provide a specialized care increment and clothing allowance that is currently only available in the Foster Care program. Extended eligibility for KinGAP Plus to certain probation youth who have been living with a relative for at least 12 months.
  - Increased funding by \$4 million GF above the \$6.3 million GF in the Governor's Budget for efforts to help with the adoption of hard to place foster children.
  - Increased funding by \$5.7 million GF to fund additional financial aid for foster youth attending two-year or four-year colleges under the Chafee Scholarship program.
  - Adopted Budget Bill Language to designate priorities for anticipated federal funds through the Promoting Safe and Stable Families Program. The priorities are the Independent Living Program, Kinship Support Services, and Dependency Drug Courts.
- Approved \$19.6 million (\$11.9 million GF) in the May Revision for the Child Welfare Program Improvement Plan (PIP) but redirected all but \$1 million GF to the CWS Outcome Improvement Project (AB 636 outcome system). Maintained \$1 million in the PIP initiatives to expand the standardized safety assessment statewide.
- Approved \$25.5 million (\$10 million GF) in the May Revision for first year costs for counties that formally commit to participate in 2006-07 in the state's new Title IV-E Child Welfare Waiver Demonstration Project. This waiver proposal will test a "capped allocation" strategy that will block grant federal Title IV-E foster care funds for up to 20 participating counties. Also adopted language to allow these funds to be used for the CWS Outcome Improvement Project.
- Approved an increase of \$16.9 million (\$6 million GF) in the May Revision for additional county social worker training stipulated under the statewide standardized core curriculum for all county child welfare workers.

- Approved \$12.2 million (\$7.1 million GF) in the Governor's Budget to hire additional state and county adoptions caseworkers.
- Approved \$2.5 million GF in the Governor's Budget to expand Kinship Support Services and allow all counties to apply for Kinship program funding.
- Approved \$23 million (\$10 million GF) in the Governor's Budget for the Foster Care Child Relationships Program, to help ensure that older foster youth develop significant and supportive relationships prior to their emancipation.

### **Supplemental Security Income/State Supplementary Payment**

- Rejected the Governor's Budget proposal to delay the 2007 federal Supplemental Security Income/State Supplementary Payment (SSI/SSP) cost-of-living adjustment (COLA) an additional fifteen months, from April 2007 to July 2008, and restored \$43.8 million GF.
- Adopted \$42.3 million GF to restore the federal SSI COLA to January 2007. The 2005-06 Budget shifted the SSI COLA to April 2007.
- Rejected the Governor's proposal to extend the Cash Assistance Program for Immigrants (CAPI) sponsor deeming period from 10 to 15 years, and restored \$12.5 million GF.
- Approved savings of \$20.9 million GF in SSI/SSP to reflect quarterly retroactive benefit payments and more frequent eligibility redeterminations, as required by the federal Deficit Reduction Act of 2005. Most of this savings will be one-time.

### **In-Home Supportive Services**

- Approved \$41.2 million GF to apply Medi-Cal share of cost rules to IHSS consumers. Due to the federal IHSS Plus waiver, IHSS consumers must meet Medi-Cal eligibility guidelines, which in some cases results in a higher share of cost to be funded by the state.
- Approved \$434.5 million (\$141.2 million GF) savings to reflect the IHSS Quality Assurance efforts to improve the consistency of IHSS, prevent fraud, and protect consumer access to services. Also adopted budget bill language to require the department to continue working with stakeholders during the ongoing implementation of Quality Assurance efforts.
- Redirected \$512,000 (\$256,000 GF) to fund programming changes to implement direct deposit functionality for IHSS providers.

### **Community Care Licensing**

- Adopted trailer bill language to clarify that the department shall conduct unannounced visits to at least 20 percent of facilities per year.
- Approved \$6.7 million (\$6 million GF) and 80 new positions proposed by the Governor for Community Care Licensing (CCL) to complete required licensing workload and increase visits to facilities. The most significant components include the following:

- 38 permanent positions to increase the number of random visits from 10 percent of facilities to 20 percent each year.
  - 29 two and a half-year limited-term positions and \$110,000 for overtime to eliminate the significant backlog in licensing visits.
  - 1 one-year limited-term personnel position to assist with hiring the requested licensing positions.
  - 5 permanent positions to operate a training academy for new licensing staff.
  - 2.5 permanent positions to share the DSS database of excluded or abusive employees with other HHS departments.
  - 4.5 permanent positions to handle information regarding convictions after arrest provided by the Department of Justice.
- Adopted 3.0 positions and \$366,000 GF to begin providing CCL facility compliance information on the internet. The Governor vetoed this funding.

### **Automation Projects**

- Approved \$25.6 million (\$13.7 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.
- Approved \$129.4 million (\$49.0 million GF) for implementation and maintenance of the Statewide Automated Welfare System (SAWS) CalWIN system. This amount includes \$11.4 million (\$4.7 million GF) for replacement of outdated and failing workstations and help desk support. The Governor vetoed the funding for workstations replacement and help desk support.
- Approved \$101.0 million (\$50.3 million GF) for the Child Welfare Services/Case Management System (CWS/CMS). This amount includes \$2.7 million (\$2.4 million GF) for procurement activities associated with the New System to replace CWS/CMS, and \$5.4 million (\$2.7 million GF) for replacement of outdated workstations. The Governor vetoed the funding for workstation replacement.

# LABOR

## **0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY**

- Augmented the Agency's budget by \$85,000 (special fund) to reflect the higher revenue received by the Agency to carry out the purposes of AB 276 (Chapter 329, Statutes of 2003, Koretz) and SB 1809 (Chapter 221, Statutes of 2004, Dunn). Both of these bills direct specified revenue to employer and employee labor-law education.

## **7100 EMPLOYMENT DEVELOPMENT DEPARTMENT**

- Approved Finance Letter adjustments to state operations and benefit payments, to reflect the May 2006 forecast of claims for the Unemployment Insurance Program, the Disability Insurance Program, and the School Employees Fund Program.
- Shifted \$12.9 million in Employment Training Funds budgeted in the Department of Social Services to the Employment Training Panel.
- Approved budget requests to appropriate \$6.7 million in the Employment Development Department Contingency Fund to backfill for reduced federal funds in the areas of reemployment services for unemployment insurance claimants, the Veterans' Program, and the unemployment insurance identification alert process. The funding includes a technical legislative reduction of \$210,000.
- Approved budget-year funding of \$2.9 million (\$2.5 million GF) to begin implementation of the Automated Collection Enhancement System information technology project, which has a multiyear cost of approximately \$93 million. When implemented, this system is expected to increase annual revenue collection by about \$70 million, by enhancing the collection of penalties and back-wages.
- Approved budget-year funding of \$1.8 million (special fund) to implement the Disability Insurance Automation information technology project, which has a multiyear cost of approximately \$28.9 million. When implemented, this system will provide greater access to services for claimants, medical providers, and employers.
- Rejected the request for \$4.5 million GF to establish six clinical simulation laboratories to provide clinical training to nursing students. Funding was provided for three simulation laboratories in 2005-06, and the Administration has not, to date, awarded the grants.
- Added one-time funding of \$5.7 million GF to continue a health care work force development program in Los Angeles County pursuant to a federal Medicaid 115 waiver.

*Budget Bill Language*

1. Added language to require notification to the Legislature if the federal government reduces Workforce Investment Act funds and the Director of Finance reduces related appropriations.
2. Added language to require that the Department continue to use Workforce Investment Act Rapid Response funds to backfill funding for counties that were adversely impacted by the exclusion of mass layoff data for agriculture, fishing, hunting, forestry, and government in the Workforce Investment Act Dislocated Worker allocation formula. The Governor vetoed this language.

**7350 DEPARTMENT OF INDUSTRIAL RELATIONS**

- Added funding of \$1.5 million GF and 16 positions for California Occupational Safety and Health Administration (CalOSHA) enforcement. The Governor vetoed this augmentation.
- Added funding of \$1.5 million GF and 15 positions for wage enforcement staffing. Added budget bill language to direct expenditure to reduce wage claim hearing backlogs and to increase field enforcement in construction, agriculture, garment manufacturing, janitorial, and restaurant employment. The Governor sustained the augmentation but vetoed the budget bill language.
- Increased the Garment Manufactures' Special Account appropriation by \$300,000 – to \$500,000, to recognize the higher-level of claims that have recently been submitted.

*Trailer Bill Language*

1. Modified the Administration's proposed language to require a 60-day wait on filing initial liens on Workers' Compensation claims to ensure that the wait period does not reduce the ability of applicants to recover payments.
2. Amended language to change the amount of the farm labor contractor fee that goes to the Farmworker Remedial Account from \$50 to \$150, without changing the overall fee level. The additional revenue in the Farmworker Remedial Account is expected to be sufficient to pay all valid farmworker wage claims.

## VETERANS AFFAIRS

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

- Adopted budget bill language requiring the Department of Veterans Affairs to work with the Department of Finance to amend its internal fiscal controls and report to the Legislature on related findings and solutions.

#### Budget Bill Language

*The Department of Veterans Affairs shall, in consultation with the Department of Finance, provide a report to the Legislature by January 10, 2007, on the status of its efforts to identify and correct deficiencies in fiscal controls as well as inconsistencies in budget documents. The report shall include a summary of its findings and steps taken to ensure that appropriate processes are in place to produce accurate budget documents that support effective fiscal oversight.*

- Approved the establishment of a contract with private information technology consultants for \$421,000 GF to prepare a feasibility study report for replacing the Veterans Home Information System. This system, now approaching the end of its service life, serves as the secure network to exchange data between veterans' homes.
- Appropriated \$500,000 GF to fund an infrastructure study for the Yountville Veterans Home. This study would assess and prioritize material deficiencies in the 105 year-old facility.
- Appropriated \$8.3 million GF to renovate the recreation building at the Yountville Veterans Home. This project will include measures to improve functionality of the existing facilities, abate hazardous materials, and conform to seismic and fire codes.
- Rejected the Governor's Budget proposal for \$1.7 million GF and 27.8 positions for the costs of exempting nurses and other 24-hour care staff at the Veterans Homes from the salary savings requirement. The Subcommittee instead appropriated \$1.2 million for the identifiable overtime and temporary help funding shortfall.
- Approved \$1 million GF and 11 positions for a new program to establish a baseline behavior wellness program at each Veterans Home. This program will treat veterans with post traumatic stress disorder, among other psychiatric problems.
- Adopted a Governor's Budget proposal for one position and \$250,000 to establish outreach programs to California veterans to ensure they are aware of their eligibility for federal and state benefits.

- Augmented the Governor's Budget by \$50,000 and directed the Department of Veterans Affairs to provide federal benefits eligibility training and outreach materials to volunteer-based Veterans Service Organizations. Budget bill language describes the augmentation:

Budget Bill Language

*Of the funds appropriated in this item, \$50,000 shall be used to provide federal benefits eligibility training and outreach materials to veterans' service organizations.*

- Adopted trailer bill language to require the Department of Veterans Affairs to consult with the Legislature, veteran's service organizations, and the Department of Finance to prepare and submit a report to the Legislature outlining strategies for increasing the number of California veterans receiving federal benefits.

Trailer Bill Language

*SEC. 44. By February 1, 2007, the Department of Veterans Affairs shall submit a report to the fiscal committees of both houses of the Legislature regarding possible strategies for increasing the number of California veterans receiving federal benefits. The department shall consult with county veterans' service officers, veterans' service organizations, the Department of Finance, the Legislative Analyst's office, and legislative staff to develop the report required by this section. The department shall consider the impact of demographics, county of residence, and service records on the attainment of these benefits. The report shall also include an analysis of best practices from other states.*

- Augmented the Governor's Budget proposal to add \$132,000 GF to the annual food budget at the Yountville Veterans Home, by adding an additional \$759,000 GF. This level of increase will bring the average daily food allowance to a level consistent with the Barstow and Chula Vista Veterans Homes.
- Augmented the Governor's Budget proposal by \$115,000 GF to restore funding for a nonprescription drug benefit at the Yountville Veterans Home. Related budget bill language was also added:

Budget Bill Language

*Of the amount appropriated in Schedule (1), up to \$115,000 shall be used to restore the Yountville Veterans' Home's no-cost nonprescription drug benefit to the level provided in the 2004-05 fiscal year. It is the intent of the Legislature that this benefit shall be consistent with that provided at the Chula Vista and Barstow Veterans' Homes.*

- Reduced the \$1.3 million Governor's Budget request for restoration of 20 Intermediate Care Facility beds at the Barstow Veterans Home by \$53,000 to recognize salary savings and operating expense savings.
- Amended the Governor's Budget proposal for \$3.8 million (\$3.4 million GF) and 75.7 positions to operate the new Yountville Alzheimer's/Dementia Unit by restoring a five percent salary savings rate, a savings of \$96,000 GF.

Adopted budget bill language requiring the Department of Veterans Affairs to report on the need for 25 position equivalents related to the realignment of Farm and Home Program funding to GF funding.

Budget Bill Language

*Of the funds appropriated in this item, \$2,117,000 is for the realignment of 25 positions from the Farm and Home Program to other programs supported by Schedule (4). No later than January 10, 2007, the Department of Veterans Affairs shall submit to the Department of Finance and the Joint Legislative Budget Committee a workload justification and budget change proposal to support the ongoing need for these 25 positions and funding.*

# SUBCOMMITTEE 4

# FINAL ACTION REPORT

Senate Budget and Fiscal Review

*Members*

Michael Machado, Chair  
Tom McClintock  
Christine Kehoe

*Consultants*

Brian Annis  
Alex MacBain  
Dave O'Toole

# SUBCOMMITTEE No. 4

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# TRANSPORTATION

## 2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved the requested \$171,000 and 1.0 position increase, and augmented the Commission's budget by an additional \$224,000 and 2.0 positions, all to perform oversight work related to the San Francisco-Oakland Bay Bridge project. All costs will be funded through reimbursements from the Bay Area Toll Authority.

## 2640 SPECIAL TRANSPORTATION PROGRAMS

- Rejected the Governor's proposal to divert spillover revenue from this item to general obligation bond debt service, and revised the statutory allocation formula such that this item will get approximately \$248 million in spillover revenue.
- Revised and augmented the Proposition 42 loan repayment proposal such that this item will receive approximately \$110 million owed from Proposition 42 suspensions in 2003-04 and 2004-05.
- Approved the Finance Letter request to increase the appropriation amount by \$36 million, from the January Governor's Budget estimate of \$235 million, to reflect higher revenue from diesel and gasoline sales tax.

## 2660 DEPARTMENT OF TRANSPORTATION

- Approved full Proposition 42 funding of \$1.42 billion GF in 2006-07, including a May Revision forecast revision, which increased revenue by \$13.6 million. The funding will be allocated, pursuant to the Constitution, as follows:
  - \$678 million for Traffic Congestion Relief Program (TCRP) projects.
  - \$593 million for the State Transportation Improvement Program.
  - \$74 million for Special Transportation Programs.
  - \$74 million for other mass transit programs.
- Increased the proposed early repayment of Proposition 42 loans from \$920 million to a total of \$1.42 billion (GF). The allocation of this repayment will be as follows:
  - \$315 million for Traffic Congestion Relief Program (TCRP) projects.
  - \$424 million plus interest for local streets and roads.
  - \$424 million plus interest for the State Transportation Improvement Program.
  - \$106 million plus interest for Special Transportation Programs.
  - \$106 million plus interest for other mass transit programs.
- Rejected the Governor's proposal to shift \$344 million in 2006-07 "spillover" revenue from the Public Transportation Account and the Special Transportation Program to transportation-related

general obligation bond debt service. The Administration's proposal would have continued this shift in perpetuity, shifting about \$4 billion through 2015-16. Revised the statutory allocation of spillover revenue totaling about \$668 million to provide for the following:

- \$200 million for the Transportation Deferred Investment Fund, as part of the \$1.4 billion Proposition 42 loan repayment.
  - \$125 million for the San Francisco-Oakland Bay Bridge Project – consistent with current law.
  - \$33 million for 2006 Budget Act appropriations, specifically \$13 million for the High Speed Rail Authority and \$20 million for farmworker transportation.
  - \$248 million, or 80 percent of the remaining balance, to Special Transportation Programs.
  - \$62 million, or 20 percent of the remaining balance, to the State Transportation Improvement Program to fully meet revenue projections for the 2006 Fund Estimate.
- Approved a Finance Letter that transfers \$151 million in tribal gaming revenues from the Special Deposit Account to the Traffic Congestion Relief Fund for loan repayment. Approved budget changes to reflect the sale of \$1.0 billion in tribal gaming bonds in 2006-07 instead of 2005-06. The sale of the bonds has been delayed by litigation.
  - Revised the Capital Outlay Support (COS) Finance Letter to shift \$22.5 million, and related staffing, to the Maintenance Program. The applicable workload has historically been budgeted in the Maintenance Program, not the COS Program. Cut the reduction requested by the Administration in half, such that the workload staffing/contract reduction is \$19.6 million instead of \$39.2 million. Adopted Budget Bill language that ties expenditure of \$19.6 million to approval by voters of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 – since workload will increase if the bonds are approved. Adopted supplemental report language to require a long-range staffing plan if the transportation bonds are approved by voters in the November 2006 election. The Governor vetoed the \$19.6 million restored by the Legislature for bond workload.
  - Approved an augmentation of \$105 million for increased highway preservation maintenance, but shifted the funding from the State Highway Operations and Protection Program to the Maintenance Program, which is where the funding has historically been budgeted.
  - Approved two information technology projects that would improve financial reporting and project management: the Integrated Financial Management System and the Construction Management System. The total multi-year costs to complete these projects will be \$42 million.
  - Approved funding of \$44.3 million for the construction phase of the seismic retrofit of the Oakland district office building.
  - Approved funding of \$3.8 million and staffing increases totaling 40 positions to implement new programs created by the recently-enacted federal Safe, Accountable, Flexible, and Efficient Transportation Equity Act – Legacy for Users (SAFETEA-LU).

- Revised a \$40.3 million request for short-term congestion relief projects, to shift \$20 million to the State Highway Operations and Protection Program. Approved funding of \$6.2 million to expand the Freeway Service Patrol Program.
- Restored Environmental Enhancement and Mitigation (EEM) funding to its historic level of \$10 million.

#### Budget Bill Language

1. Added language to specify that no less than \$76 million in Maintenance Program funding be used for preventative pavement maintenance.
2. Added language to direct \$10 million of tribal revenue to loan repayment for the Public Transportation Account, if the tribal bonds are not sold in 2006-07. Additional tribal revenue of about \$90 million would still be available for the State Highway Account pursuant to existing statutory authority.

#### Trailer Bill Language

1. Approved language specifying the allocation of Proposition 42 loan repayments and 2006-07 spillover revenue.
2. Approved language to modify transportation loan repayment provisions for loans repaid with tribal gaming revenue. The language removes certain due dates and updates interest provisions due to litigation which has delayed the sale of tribal gaming bonds.
3. Approved language to change the budgetary accounting treatment of the department's Equipment Program to convert from an internal service fund to a distributed program. Approved language to change the budgetary accounting treatment for the Transportation Investment Fund and the Transportation Deferred Investment Fund.

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

- Augmented funding by \$13 million, Public Transportation Account, to fund the Authority for environmental, right-of-way, and financial planning workload, as specified in Budget Bill language. A policy bill, Assembly Bill 713 (Chapter 44, Statutes of 2006), moved the \$10 billion Safe, Reliable High-Speed Passenger Train Bond Act for the 21<sup>st</sup> Century from the November 2006 to the November 2008 election.

**2720 CALIFORNIA HIGHWAY PATROL**

- Approved funding for a new public safety radio system that will have a five-year total cost of \$494 million (Motor Vehicle Account). The system would enhance the department's internal communications and improve interoperability with local and other state public safety radio users. Reduced the 2006-07 augmentation by \$760,000 due to an estimating error – to a revised total of \$56.3 million.
- Approved a permanent increase of \$41.9 million to augment staffing by 310 positions (240 officers and 70 supervisory and nonuniformed support staff). The increase would be phased in over two years, with 2006-07 funding at \$30.5 million and staffing at 235 positions (165 officers and 70 supervisory and nonuniformed support staff). The CHP indicates that this increase would help address the continual increase in workload associated with population growth throughout the state. The 2006-07 funding reflects a legislative decrease of \$3.2 million to properly budget lower pay for cadets while they attend the academy.
- Approved a permanent increase of \$10.5 million to augment staffing 173 positions (156 dispatchers and 17 supervisory positions). The increase would be phased in over two years, with 2006-07 funding at \$6.3 million and staffing at 93.5 positions (85 Dispatchers and 8.5 supervisory positions). The CHP indicates this increase would help address the continual increase in workload associated with wireless 9-1-1 calls.
- Approved an augmentation of \$5.7 million for six major capital outlay facilities projects – most of the funding is for working drawings and land acquisition. The majority of these projects involve the replacement of existing CHP area offices. Construction costs would be requested in future budgets. When future estimated construction costs are included, the total cost for these projects is \$39.3 million.

*Budget Bill Language*

1. Added language to require annual reporting on the progress of the Enhanced Radio System.

*Trailer Bill Language*

1. Approved language requiring state departments to submit to the Legislature a technical project plan for any future budget requests related to new public safety radio projects. Required review of new public safety radio proposals by the Public Safety Radio Strategic Planning Committee and the Department of General Services to ensure consistency with the Statewide Integrated Public Safety Communications Strategic Plan and technical soundness.

**2740 DEPARTMENT OF MOTOR VEHICLES**

- Approved request for \$18.8 million, special fund, and a net staffing decrease of 32.5 positions for information technology projects related to the federal Real ID Act (Act). Federal regulations implementing the Act are expected in the fall of 2006, and states are required to implement the provisions of the Act by May 2008.
- Approved request for 2006-07 funding of \$2.1 million for year one of the seven-year Information Technology Modernization project, which has a total cost of approximately \$242 million. Out-year funding is not covered with this approval, so the department will have to submit a Budget Change Proposal to receive funding in 2007-08 and beyond.
- Approved request for \$9.3 million to implement SB 1500 (Chapter 920, Statutes of 2004). This legislation requires each insurer that issues private passenger automobile liability policies, to electronically report to the DMV all issued policies, changes, and terminations; and requires DMV to suspend vehicle registrations if insurance is not in force. Ongoing costs in 2007-08 and thereafter are identified at \$13.5 million.

***Budget Bill Language***

1. Added language to specify that the DMV shall not implement the federal Real ID Act before enacting legislation is approved by the California Legislature. Limits expenditure of \$9.3 million to after January 1, 2007, provided a report has been received by the Legislature with a 30-day review period. Requires a separate report on upcoming federal regulations to implement Real ID.
2. Added language requiring annual reporting for the Information Technology Modernization Project, and requiring that the Independent Verification and Validation contractor is in place before release of a Request for Proposals.

## STATE ADMINISTRATION

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

- Rejected the Administration's proposal to increase funding for the Tourism Commission by \$2.7 million GF, which would have increased state funding above the \$7.3 million cited in statute as legislative intent.
- Approved a Finance Letter to provide one-time funding of \$5 million GF for the California Partnership for the San Joaquin Valley. Added Budget Bill language to require a report to the Legislature and specify that no funds can be expended until the Strategic Action Proposal is adopted.

### 0650 OFFICE OF PLANNING AND RESEARCH

- Approved \$5 million GF to reinstate an appropriation to the California Service Corps for the purpose of funding grants to local and state-operated Americorps and California Conservation Corps programs. Legislation enacted in 2003 suspended this appropriation for three years.
- Amended a Finance Letter proposal for \$1.1 million GF to develop and maintain an Internet-based volunteer matching portal by making the funding two-year limited-term and adding budget bill language to require reporting on participation rates and other performance measures.

#### Budget Bill Language

No later than April 1, 2007, the Office of Planning and Research shall report to the committees in each house of the Legislature that consider the budget on performance indicators for the Online Volunteer Matching Program. This report shall provide a status of the program using information available to identify the number and name of volunteer programs that received volunteers referred by this system, Internet Web site hit count by month, posted volunteer activities by month, number of first-time volunteers, number of volunteer hours directly attributable to the statewide system, and other measures to fully disclose the impact of the Online Volunteer Matching Program.

### 0840 STATE CONTROLLER'S OFFICE

- Appropriated \$776,000 (special funds) for a third and final year of funding to overhaul the state's Apportionment Payment System. The existing system has become dangerously

overburdened and prone to breakdown, endangering a timely distribution of apportionments to local agencies.

- Approved \$710,000 (\$308,000 GF) to replace the State Controller's existing bank reconciliation system. This system, used to track and issue bank warrants, is approaching obsolescence and the availability of skilled technicians to repair the system is diminishing.
- Adopted a Finance Letter proposal to augment the Human Resource Management System project (HRMS) by \$35.1 million and 77.6 two-year limited-term positions to implement the design, development, and initial implementation phases of the HRMS. This workload is part of a multi-year project to replace existing employment history, payroll, leave accounting, and position control systems. New information generated by this system will greatly enhance the Administration and Legislature's fiscal oversight abilities.
- Adopted trailer bill language to require statewide implementation (with exceptions) of the California Automated Travel Expense Reimbursement System (CalATERS) by January 1, 2009.

Trailer Bill Language

Section 19822.3 is added to the Government Code, to read:

19822.3. All state agencies shall implement and use the California Automated Travel Expense Reimbursement System (CalATERS) to automate processing of employee travel claims by July 1, 2009, unless the Controller recommends, and the Department of Finance approves, an exemption request. To request an exemption, a department or agency shall submit documentation to the Controller no later than July 1, 2007, to substantiate that the implementation of CalATERS is not feasible or cost-effective for that department or agency. The Department of Finance and the Controller shall jointly report to the Joint Legislative Budget Committee, not later than February 1, 2008, on the exemptions that have been approved and the basis for the exemptions.

- Reduced the budget proposal for increased Unclaimed Property Program staffing by \$197,000 and 2.5 positions, restricting the staffing increases to safe deposit box and unclaimed property notice processing.
- Amended the Finance Letter proposal for 15 two-year limited-term positions and \$1.4 million GF for field examinations of various corporate holders of unclaimed property, by making the positions permanent. The following Supplemental Reporting Language was also adopted:

Supplemental Report Language

1. Unclaimed Property Audits. On or before October 1 of each year,

the State Controller's Office shall submit a report to the Joint Legislative Budget Committee that contains information about unclaimed property audits conducted in the prior fiscal year. The report shall include the following information:

- a. Number of unclaimed property audits conducted broken out by industry type,
  - b. Summary of unclaimed property audit findings broken out by industry type,
  - c. Amount of unclaimed property audit collections,
  - d. Number of individuals reunited with their property, and
  - e. (e) Amount the department disbursed to property owners.
- Approved \$252,000 and one position to meet workload associated with the preparation of various annual retirement reports required by the Governmental Accounting Standards Board.
  - Adopted budget bill language related to the methodologies used to calculate the state's post-employment benefits.

#### Budget Bill Language

The Controller's estimate of the state's liability for post employment benefits prepared to comply with Governmental Accounting Standards Board (GASB) Statement 45 shall include, in addition to all other items required under the accounting statement: (a) an identification and explanation of any significant differences in actuarial assumptions or methodology from any relevant similar types of assumptions or methodology used by the California Public Employees' Retirement System to estimate state pension obligations; and (b) alternative calculations of the state's liability for postemployment benefits using different long-term rates of investment return consistent with a hypothetical assumption that the state will begin to deposit 100 percent or a lesser percent, respectively, of its annual required contribution under GASB Statement 45 to a retiree health and dental benefits trust fund beginning in the 2007-08 fiscal year. This provision shall not obligate the state to change the practice of funding health and dental benefits for annuitants currently required under state law.

- Approved \$3.4 million (\$2.1 million GF) and five two-year limited-term positions to replace the existing unclaimed property system. Subsequent expenditures for the replacement project are expected to be \$1.57 million in 2006-07 and \$536,000 in 2007-08, while cost savings are expected to be approximately \$440,000 in 2007-08 and \$1 million ongoing thereafter.

**0845 DEPARTMENT OF INSURANCE**

- Amended the budget proposal for implementing the Patient and Provider Protection Act (2005), by reducing the position augmentation from ten positions to eight positions and adopting Supplemental Report Language requiring the DOI to report annually for three years on its workload and staffing requirements related to implementing the Act.

Supplemental Report Language

1. Patient and Provider Protection Act Unit. The California Department of Insurance (CDI) shall submit calendar-year annual reports on or before July 1, 2007, July 1, 2008, and July 1, 2009, to the Senate Health Committee, the Assembly Health Committee, and the Joint Legislative Budget Committee concerning the number, types, and status of health care provider, consumer, and other complaints processed each year under the provisions of Chapter 441, Statutes of 2005 (SB 634, Speier), and Chapter 723, Statutes of 2005 (SB 367, Speier). To the extent possible, CDI should provide this report in a format similar to that used by the Department of Managed Health Care in similar reports.
- Appropriated \$837,728 (Insurance Fund) for increased costs associated with a higher administrative hearing workload encountered by the Department's legal office.
  - Approved \$1 million (Insurance Fund) for a study to measure the extent of workers' compensation insurance fraud and to identify emerging fraud trends. The information gleaned from this research would be used to focus investigative and prosecution efforts, as well as identify areas where resources should be directed.
  - Amended a \$1.3 million (Insurance Fund) ongoing annual appropriation for workers' compensation fraud activity to be one-time only, based on the new strategies and funding priorities expected to be recommended in the aforementioned workers' compensation insurance fraud study.

**0850 STATE LOTTERY COMMISSION**

- Approved as budgeted--\$113.4 million for operating costs.

**0860 BOARD OF EQUALIZATION**

- Augmented the Governor's Budget proposal for \$1.6 million and 15 positions for a one-city pilot project to identify and register businesses that operate without paying applicable sales and use taxes, by adding \$1.9 million and 18.5 positions. This additional funding will enable a two city rollout of this retail licensing enforcement activity and generate additional revenues of \$12.6 million. The following supplemental report language was also adopted:

Supplemental Report Language

No later than April 1, 2007, BOE shall report to the budget committees of both houses on the performance of this program. This reporting shall include the number of businesses contacted through this program; the overall noncompliance rate at both study locations; the amount of tax associated with the unpermitted businesses identified; an analysis of noncompliance by industry type, including the size of businesses found out of compliance; the number of disputed assessments; number of personnel transferred from other BOE programs to this unit; hiring timelines for all new staff; and a description of the methods used to conduct retail licensing enforcement and their effectiveness.

- Approved \$811,000 GF, \$632,000 in special funds, and 16 positions for the Board of Equalization (BOE) to identify property that is brought into the state without the payment of sales and use taxes. Revenues of \$7.4 million are projected, a six-to-one benefit-cost ratio.
- Approved \$1.8 million and 20 positions to establish a program to recoup state tax revenues on cigarette and tobacco sales on the Internet and through mail orders. Revenues of \$33.8 million are projected in the budget year, an 18-to-1 benefit-cost ratio.
- Approved a one-year extension, as proposed by the administration, of the requirement that use tax be paid if a vehicle, vessel, or aircraft is brought into the state within 12 months of purchase. Approximately \$28 million in GF revenues are attributed to this extension. If this statute were not extended or made permanent, out-of-state purchases of vehicles, vessels, or aircraft brought into the state only after 90 days would be exempt from use tax.
- Added \$260,000 GF and four positions for two-years limited-term to expand the department's U.S. Customs data mining activity. Additional revenues of \$4.8 million GF are anticipated from this augmentation.
- Adopted trailer bill language simplifying the methodology developed by the Board of Equalization and recommended by the Legislative Analyst to allocate Sales and Use Tax (SUT) administrative costs among the state, the local Bradley-Burns tax, and special taxing jurisdictions. The simplified methodology results in annual General Fund savings of \$5.7 million. Charges to Special Taxing Jurisdictions will decrease and charges against the Bradley-Burns uniform local SUT will increase slightly.
- Adopted Supplemental Report language directing the Legislative Analyst's Office to report on BOE tax expenditures as follows:

Supplemental Report Language

The Legislative Analyst's Office (LAO) shall report to the chairs of the Senate Committee on Revenue and Taxation, the Assembly Committee on Revenue and Taxation, and the JLBC no later than March 15, 2007,

and October 1, 2007, regarding tax expenditure programs (TEPs). The report shall provide information on selected individual TEPs such as credits, deductions, and other special tax provisions, and be based, in part, on data provided by BOE, Employment Development Department, FTB, and other applicable state agencies, as requested by the LAO. The report shall also provide information, when available, on all newly enacted credits, deductions, exclusions, and exemptions. The number and nature of the individual TEPs reviewed in each report shall be determined by the LAO, taking account of workload considerations and in consultation with the Revenue and Taxation Committee of each house of the Legislature. To the extent possible, the reports shall, for each TEP involved: (a) describe the TEP; (b) discuss the program's rationale or objective; (c) identify the statutory, constitutional, or other authority for the program; (d) identify the program's cost in terms of forgone revenues; (e) describe the program's distributional impact on taxpayers by income, gross receipts, or other suitable measure; (f) assess the program's effectiveness and cost-efficiency in meeting its original intent; (g) evaluate the program's impact on taxpayer behavior; and (h) provide recommendations for repealing, modifying, establishing a sunset, or continuing indefinitely, each tax expenditure. If no clear statutory objective exists, the report shall include suggested legislative changes to establish an objective for the tax expenditure program.

- Adopted Supplemental Report Language directing the BOE to report on audit selection improvements as follows:

Supplemental Report Language

Audit Selection Improvements. The BOE shall provide to the chairs of the Joint Legislative Budget Committee (JLBC) and the fiscal committees of both houses of the Legislature a report on the outcomes of each of the following audit selection enhancements:

1. Utilizing new software called Clementine, which will enhance the department's audit selection capabilities by improving data sorting capabilities.
2. Putting U.S. Customs data into the audit selection database for local district use.
3. Extending the time allowed for audit selection, in order to facilitate more careful selections.
4. Sharing information with local districts on the deductions claimed by taxpayers on their returns.
5. Making greater use of data from the Franchise Tax Board's (FTB's) Integrated Nonfiler Compliance (INC) database to identify taxpayers who may be underreporting sales and use tax liabilities.

6. Utilizing North American Industry Classification System data to identify tax underreporters.

The report shall, in addition to describing the above methods and the outcomes associated with them, also discuss the additional revenues generated and costs incurred through using these methods, and identify other audit selection improvements where additional resources would aid in closing the tax gap further.

The report shall be provided annually as part of the department's existing supplemental report requirement regarding audit and collections activities.

## **0890 SECRETARY OF STATE**

- Amended the Administration's proposal to spend \$6.3 million in federal funds for specified activities related to carrying out provisions of the federal Help America Vote Act (HAVA). Additionally, the Legislature specified in budget bill language how the additional funds will be spent and limited spending to those designated amounts. Key components of the recently approved spending plan will be replacement of outmoded voting equipment, voter education, voting system source code review, poll monitoring, and poll worker training.

### Budget Bill Language

1. Funds shall be expended for the purposes approved in the April 11, 2006, Help America Vote Act spending plan. The amounts spent on each activity shall not exceed the maximum specified in the spending plan. In addition, that spending plan is amended to include \$760,000 for source code review in 2006-07, as described in the March 11, 2005, expenditure plan and consistent with Chapter 813 of the Statutes of 2004.
2. Notwithstanding any other provision of law, any funds not needed for an activity authorized in the spending plan shall not be redirected to other activities and are not authorized for expenditure.
3. The Secretary of State shall forward to the Chairperson of the Joint Legislative Budget Committee copies of quarterly reports sent to the Department of Finance. The quarterly reports shall provide, at a minimum, the level of expenditures by scheduled activity.
4. The Secretary of State shall forward to the appropriate legislative committees, each year prior to January 15, until the Statewide Voter Database is fully implemented, a report on the status of all of the

following:

(a) Election system security measures, including , all of the following:

- (1) Source Code Review.
- (2) Parallel Monitoring.
- (3) Poll Monitoring, including a review of who conducted the monitoring and where they were located.

(b) Expected General Fund exposure for completion of HAVA compliance, including expected costs of administration.

(c) Completion of the CalVoter database, including information on the costs associated with the use of contractors and consultants, the names of the contractors and consultants used, and the purposes for which contractors and consultants were used.

5. The Department of Finance may authorize an increase in the appropriation of this item, up to the total amount of the program reserve. Any such approval shall be accompanied by the approval of an amended spending plan submitted by the Secretary of State providing detailed justification for the increased expenses. An approval of an augmentation or of spending plan amendments shall not be effective sooner than 30 days following the transmittal of the approval to the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may determine.

6. Notwithstanding any other provision of law, any primary vendor contract for the development of a new statewide voter registration database shall be subject to the notification and other requirements under Section 11.00. The validity of any such contract shall be contingent upon the appropriation of funds in future budget acts.

- Amended the budget proposal to add \$3.1 million (Business Fees Fund) and 30 positions for processing notary applications and conduct background checks by reducing the request to 12 permanent positions and 4 two-year limited-term positions.
- Appropriated \$625,000 (Business Fees Fund) to conduct a forensic leak assessment and replace the security monitoring system at the Secretary of State and Archives Building complex. The Secretary of State building has encountered water intrusion problems during heavy weather, resulting in concerns about mold-related illnesses.
- Approved \$2.21 million (Business Fees Fund), including \$1.83 million ongoing to fund the maintenance and operation costs of data services and programming of the Uniform Commercial

Code (UCC) automated system, the system through which the Secretary of State files and shares certain financing statements.

- Approved trailer bill language directing the Secretary of State to implement the Online Disclosure Act (Longville, Chapter 917, Stats. 2001), including enabling the online filing of lobbying registration forms, no later than June 30, 2007. The Secretary of State is required to report periodically on the implementation and development of other online and electronic filing capabilities and the development of a means to submit all such filings free of charge.

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

- Approved as budgeted—\$22.8 million and 222 positions.

## **0954 - 0985 STATE TREASURER'S BOARDS AND COMMISSIONS**

- Approved as budgeted.

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

- Approved funding of \$10.7 million, special fund, over four years, for the iLicensing information technology project to allow Boards and Bureaus within the Department to accept applications and exam appointments online. Added budget bill language to require a Department-wide budget reduction of \$500,000 in 2009-10, and ongoing, to recognize expected efficiency gains from the project.
- Added funding for the Medical Board of \$225,000, special fund, to reflect the full cost of audits required by SB 231 (Chapter 674, Statutes of 2005, Figueroa). Reclassed 10.0 two-year limited-term positions to permanent, consistent with the recommendations of the Independent Monitor.
- Added funding for the Bureau of Security and Investigative Services of \$283,000, special fund, and 3.0 positions, to improve enforcement and licensing activity.

## **1700 FAIR EMPLOYMENT AND HOUSING**

- Approved budget request to increase GF by \$1.0 million and 13.0 positions to improve enforcement.
- Added funding of \$250,000 GF to restore the mediation program, which was discontinued in 2002-03 due to budget cuts. Adopted budget bill language that requires the Department to redirect \$250,000 in existing resources to the mediation program, such that the program will receive \$500,000 in total funding. The Governor vetoed the augmentation and the budget bill language.

## 1730 FRANCHISE TAX BOARD

- Appropriated \$3.84 million (Court Collections Fund) and 31 positions to support the Court Ordered Debt (COD) Expansion Project, pursuant to Chapter 380, Statutes of 2004 (Escutia). The bill requires the Franchise Tax Board (FTB) to expand collection activities on delinquent court-imposed debts referred by state and local agencies.
- Approved a reduction to the California Child Support Automation System (CCSAS) project of \$33.8 million (\$10.2 million GF) to reflect a revised implementation and management plan for the CCSAS. Savings are attributable to revised printing, training, and consultant service needs.
- Subsequent to the prior action, approved a series of CCSAS-related project cost augmentations resulting from schedule revisions, totaling \$13.0 million.
- Adopted the Governor's Budget proposal to extend the suspension of the Teacher Retention Tax Credit for one year, generating a savings of \$165 million GF. The tax credit provides up to \$1,500 to credentialed teachers, depending on their years of service, with teachers with more tenure receiving a larger credit. This credit was suspended in 2002 and again in 2004 and 2005.
- Reduced the Franchise Tax Board budget by \$338,000 to recognize savings achieved through electronic tax return and remittance processing efficiencies and the associated reduction in paper filings.
- Adopted trailer bill language requiring reporting on tax expenditures by the Department of Finance. The Department of Finance will provide the Legislature with an annual tax expenditure report to the Legislature by September 15th, starting in 2007. The report will include a comprehensive list of tax expenditures (such as credits, exclusions, or deductions) exceeding \$5 million in annual revenue loss. Information about each tax expenditure will include a statutory citation, any available expression of legislative intent for the provision and any sunset date, a description of the beneficiaries of each tax expenditure and the number of taxpayers affected, a three-year estimate of revenue loss, whether there is a comparable federal tax benefit, and information about any recent evaluation of the tax expenditure.
- Adopted supplemental report language directing the Legislative Analyst's Office to provide annual reporting and recommendations related to FTB tax expenditure programs.

### Supplemental Report Language

- The Legislative Analyst's Office (LAO) shall report to the chairs of the Senate Committee on Revenue and Taxation, the Assembly Committee on Revenue and Taxation, and the Joint Legislative Budget Committee no later than March 15, 2007 and October 1, 2007 regarding tax expenditure programs (TEPs). The report shall provide information on selected individual TEPs such as credits, deductions, and other special tax provisions, and be based, in part,

on data provided by the Board of Equalization, Employment Development Department, Franchise Tax Board, and other applicable state agencies, as requested by the LAO. The report shall also provide information, when available, on all newly enacted credits, deductions, exclusions, and exemptions. The number and nature of the individual TEPs reviewed in each report shall be determined by the LAO, taking account of workload considerations and in consultation with the Revenue and Taxation Committee of each house of the Legislature. To the extent possible, the reports shall, for each TEP involved: (a) describe the TEP; (b) discuss the program's rationale or objective; (c) identify the statutory, constitutional, or other authority for the program; (d) identify the program's cost in terms of forgone revenues; (e) describe the program's distributional impact on taxpayers by income, gross receipts, or other suitable measure; (f) assess the program's effectiveness and cost-efficiency in meeting its original intent; (g) evaluate the program's impact on taxpayer behavior; and (h) provide recommendations for repealing, modifying, establishing a sunset, or continuing indefinitely, each tax expenditure. If no clear statutory objective exists, the report shall include suggested legislative changes to establish an objective for the tax expenditure program.

- Approved an increase to reimbursements of \$256,000 (\$87,000 GF, \$169,000 Federal Trust Fund) to establish eight staff to enter child support wage withholding information in the Child Support Enforcement system for parents who do not receive public assistance and have not requested enforcement services of the state.
- Appropriated \$21.61 million GF, \$101,000 Motor Vehicle Account, \$188,000 Motor Vehicle License Fees, \$282,000 Court Collection Account, \$1.85 million reimbursements, and \$82,000 from the Political Reform Act budget (for a total of \$24.1 million) to fund increased rental costs and service expenses at the FTB's main office in Sacramento.

## **1760 DEPARTMENT OF GENERAL SERVICES**

- Approved \$14.1 million GF to pay for the settlement of the case *Williams et al. v. State of California, et al.* (County of San Francisco Superior Court, Case Number 312236). Pursuant to Chapter 124, Statutes of 2005 (AB 351, Chu), the state must abide by the judgment in that case by providing public school students with equal access to instructional materials, safe and decent school facilities, and qualified teachers.
- Amended the budget proposal for \$3.7 million GF for preliminary plans and working drawings necessary to implement the structural retrofit of nine state facilities. The Subcommittee acted to recognize funding for work that would be completed in the budget year only (preliminary plans) and reduced the request by \$1.9 million GF.

- Adopted trailer bill language extending for one year the authority for state departments to contract with nonstate entities to perform certain publishing jobs that might otherwise be performed by the Department of General Services' Office of State Publishing.
- Adopted trailer bill language enabling the Director of the Department of General Services to exercise the option to purchase on an existing lease-purchase agreement for the Board of Equalization building at 450 N Street in Sacramento. The State Publics Works Board would issue bonds to finance the acquisition of the building. This purchase is anticipated to save several million dollars over the term of the bond, relative to the current lease payments.
- Adopted Supplemental Report Language requiring the Department of General Services to report on mobile equipment purchases as follows:

Supplemental Report Language

Mobile Equipment Purchases. On or before January 10, 2007, DGS shall provide a report to the Legislature (including budget and fiscal committees from both houses) on its expenditures for mobile equipment and, in conjunction with DGS, on recommended changes to the DGS procurement process to improve the timeliness of its mobile equipment purchases. In particular, the report shall include the following:

- (a) A comparison of budgeted and actual expenditures for mobile equipment, by type of equipment (such as fire engines, transports, trailers, et cetera), for fiscal year 2005-06.
  - (b) Actual expenditures in 2006-07 for mobile equipment, by type of equipment, as of December 1, 2006, and expenditure plans for the portion of the 2006-07 equipment appropriation and reappropriation which is unencumbered.
  - (c) Proposed expenditures, by equipment type, included in the 2007-08 Governor's Budget.
  - (d) Recommendations on changes that could be made to the DGS procurement process to improve the timeliness of the department's mobile equipment purchases, including statutory changes that would be necessary to implement these recommendations.
- Approved the programmatic transfer of \$6.9 million (Service Revolving Fund) and 54.6 positions from the Procurement Division to the Interagency Support Division. The affected positions work with property reutilization, surplus property sales, transportation management, transit storage, and federal surplus property programs.
  - Approved a budget reduction of \$7.8 million (special funds) to recognize operating expense savings resulting from recent personnel reduction measures, including Control Section 31.60 of the Budget Act of 2002 and Control Section 4.10 of the Budget Act of 2003.

- Appropriated \$32 million in expenditure authority for a local assistance appropriation to provide enhanced wireless services for 911 calls. This service will mean better identification of callers and improved cooperation between the CHP (who currently receives the most 911 calls) and the local Public Safety Answering Points. The rollout of enhanced 911 services has been delayed for years due to evolving technology, regulatory issues, and scheduling problems.
- Reduced the budget request for \$185,000 to establish a baseline equipment budget for new properties to \$73,000, ongoing, by recognizing one-time purchases that did not require an ongoing augmentation.
- Adopted budget bill language to require the Department of General Services to report no later than March 15, 2007, on building security measures adopted since the 2000-01 budget year.

### Budget Bill Language

The Department of General Services shall collect information from all state departments in the executive branch on all state-owned buildings (office space) with a minimum of 50,000 square feet to determine the nature and level of security expenditures for fiscal years 2000-01 to 2005-06, inclusive. Information collected shall include the following, for each building meeting the above criteria: (a) annual expenditures on facility security, (b) annual expenditures on nonstate security personnel, (c) identification of any security-related budget augmentation requested during that period, (d) indication of whether a California Highway Patrol security assessment was performed on the facility, (e) identification and cost of any building security-related equipment purchased costing more than \$5,000 during this period, (f) facility location, (g) description of programmatic activities performed at the facility, and (h) a narrative explanation for increased costs during that period. The department shall provide this information to the Department of Finance, the Legislative Analyst's Office, and the budget committees of each house of the Legislature no later than March 15, 2007.

- Appropriated \$885,000 Service Revolving Fund to reflect the addition of eight positions in the department's budget for operations and maintenance at several CalTrans Sacramento-area buildings.
- Approved \$128,000 Service Revolving Fund to pay for water quality monitoring and permit fees for the DGS Central Services Plant at 628 Q Street in Sacramento.
- Approved the conversion of two real estate officer positions from limited-term to permanent that are responsible for Due Diligence workloads required of the department for all lease-revenue bond-funded projects.

- Appropriated \$852,000 and 10 positions ongoing to perform maintenance and custodial duties at the new Traffic Management Center in Los Angeles.
- Approved 2.2 positions and \$250,000 Service Revolving Fund in 2006-07 to provide maintenance and custodial services at the new office building. This building had been vacated and renovated and will now be occupied by the Department of Rehabilitation.

### **1880 STATE PERSONNEL BOARD**

- Approved Finance Letter to augment the board's budget by \$2.5 million GF and 2.0 positions for an information technology project, with a multiyear total cost of \$5.3 million, which would replace the State's 30-year old exam and certification system.

### **1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

- Approved Finance Letter to add \$489,000, special fund, and 5.5 positions to implement the processing of Medicare Part D eligibility files, reconciliation files, and subsidy requests. Added budget bill language to require CalPERS to apply directly for the maximum possible amount of Medicare Part D drug subsidies in 2006 and 2007, and to require the Board to report to the Legislature if it decides to change its approach to Part D subsidies.

### **1920 STATE TEACHERS' RETIREMENT SYSTEM**

- Approved Finance Letter to reduce the State's CalSTRS contribution by \$119.5 million GF, on a one-time basis, to correct for overpayments in past years due to errors recently discovered in the CalSTRS accounting system.

### **1955 DEPARTMENT OF TECHNOLOGY SERVICES**

- Reduced the Department of Technology Services (DTS) budget by \$1,091,000 and 8.7 Positions to reflect staff savings achieved as a result of Data Center Consolidation. This request represents the first year of budget savings created by data center consolidation. The department estimates they will achieve \$45.6 million in savings over a four-year period.
- Appropriated \$4.0 million (DTS Revolving Fund) to enable the department to move this system from an IBM data center in Colorado to a state data center. This move is necessary to comply with a federal directive and protect the system in-state.
- Appropriated \$5.7 million (DTS Revolving Fund) to purchase mainframe processing capacity in order to meet projected workload increases and upgrade software. This capacity growth need is primarily driven by population growth and the corresponding impact on departments' IT needs.
- Approved \$4.1 million (DTS Revolving Fund) to facilitate the replacement of 45 UNIX and 70 Windows servers with 120 new Windows servers and 10 UNIX servers.

**2100 ALCOHOLIC BEVERAGE CONTROL**

- Approved an augmentation of \$1.7 million, special fund, to permanently increase the Grant Assistance Program, which provides funding to local law enforcement to enforce the state's alcohol laws.
- Rejected an augmentation of \$1.7 million, special fund, to augment the Department's overtime budget.

**2150 DEPARTMENT OF FINANCIAL INSTITUTIONS**

- Shifted four of six positions added to the Department in 2004-05 for workload associated with the California Financial Information Privacy Act (SB1, Chapter 241, Statutes of 2004, Speier), to workload associated with the Bank Security Act and the money transmitter industry. A Department report had suggested that SB 1 workload was significantly less than what was anticipated in 2004.

**2180 DEPARTMENT OF CORPORATIONS**

- Shifted nine of ten positions added to the Department in 2004-05 for workload associated with the California Financial Information Privacy Act (SB1, Chapter 241, Statutes of 2004, Speier), to general enforcement workload, including the reclassification of three positions to reestablish the investigation function.

**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

- Restored the \$864,000 GF cut proposed by the Governor to the Emergency Housing Assistance Program (EHAP) – to bring funding back to the 2005-06 level of \$4.0 million.
- Approved funding of \$3.4 million GF to support ongoing operations and the reconstruction of two migrant childcare centers operated by the Office of Migrant Services.
- Approved the Finance Letter to transfer funds in the Adaptive Reuse Component of the Downtown Rebound Program to the GF. Made technical changes to the transfer that did not change the net gain of \$7.5 million to the GF.
- Added one-time funding of \$500,000 GF to support the Self-Help Housing Program. The Governor vetoed this augmentation.

***Trailer Bill Language***

1. Approved language to allow \$15 million in Proposition 46 bond funds to be shifted from the Adaptive Reuse Component of the Downtown Rebound Program to the Transit-Oriented Housing Component of the same program.

2. Adopted language, which was requested by the Administration, to delete the sunset date for Enterprise Zone (EZ) fees. The fees, not to exceed \$10 per application, fund the Department's cost of administering the program.

## **2320 DEPARTMENT OF REAL ESTATE**

- Approved an augmentation of \$2.7 million, special fund, to add 33 new positions for the Enforcement Program. Added budget bill language requiring a report to the Legislature by January 2008 to assess the needed for further staff adjustments to recognize the cyclical nature of the real estate industry.
- Approved a permanent augmentation of \$2.3 million, special fund, for specified operating expense and equipment costs.
- Approved multiyear funding, special fund, for three information technology projects: Information Technology Replacement Project (\$2.2 million); Interactive Voice Response Replacement (\$1.9 million); and Electronic Examinations Project (\$3.9 million).

## **2400 DEPARTMENT OF MANAGED HEALTH CARE**

- Approved a permanent augmentation of \$3.8 million, special fund, and 17.0 positions to implement the Provider Oversight Program to carry out the requirements of SB 260 (Chapter 529, Statutes of 1999, Speier) and AB 1455 (Chapter 827, Statutes of 2000, Scott).
- Revised a Finance Letter request to approve 11 of 12 new positions in the Health Plan Oversight Division. The Department indicated it could absorb the cost of these positions within existing budget authority. The rejected position was a supervisory position, which the Legislative Analyst indicated was unnecessary given the supervisory / staff ratios of the Division.

## **8260 CALIFORNIA ARTS COUNCIL**

- Approved as budgeted, which includes approval of a \$1.8 million augmentation in local assistance grants. The augmentation is supported by increased revenue from the arts car-license-plate program.

## **8320 PUBLIC EMPLOYEE RELATIONS BOARD**

- Approved as budgeted.

**8380 DEPARTMENT OF PERSONNEL ADMINISTRATION**

- Reduced a requested one-time \$1.0 million GF augmentation to \$640,000, which will fund classification and selection reform in the information technology area. Rejected \$360,000 for reform of undesignated classifications.
- Approved a \$1.7 million special fund augmentation for third-party administrator fees related to the Savings Plus Program.
- Approved an increase in reimbursement authority of \$1.3 million due to rate increases and separately approved an increase of \$852,000 and 6.0 positions due to workload growth – both for the Legal Services Division.
- Rejected a request for \$100,000 GF to implement a consolidated State Personnel Board and Department of Personnel Administration website.

*Budget Bill Language*

1. Added language to require that future salary survey reports be submitted to the Legislature.

**8620 FAIR POLITICAL PRACTICES COMMISSION**

- Amended the Governor's Budget proposal for \$700,000 GF and 12.2 positions to meet workload requirements stemming from new Legislative mandates and the Political Reform Act, by shifting \$43,000 in personal services funding to operating expense. The new positions will be assigned to enforcement, investigations, legal counsel, legal support, and administrative support.

**8855 BUREAU OF STATE AUDITS**

- Augmented the budget by \$1.2 million GF to address recruitment and retention challenges at the Bureau of State Audits (BSA) and also allow the BSA to contract out of portions of the annual federal audit.

**8885 COMMISSION ON STATE MANDATES**

- Appropriates \$83 million for the first year of a 15-year repayment cycle for past due state mandate claims.
- Appropriates \$86.9 million for the second year of a 15-year repayment cycle for past due state mandate claims.

- Rejected a Governor's Budget proposal to appropriate \$50 million in funding for the AB 3632 children's mental health mandates in the Commission on State Mandates budget. This funding was shifted to the Department of Mental Health budget.
- Adopted a cost savings calculation of \$44 million related to the State Controller's findings of reduced or disallowed mandate claims in the budget year.
- Augmented the budget by \$16.6 million to recognize the 2005-06 costs for the Peace Officers Bill of Rights mandate.
- Augmented the budget by \$16.6 million to recognize the 2006-07 costs for the Peace Officers Bill of Rights mandate.
- Appropriated \$90.3 million for the payment (in arrears) of the cost of 2005-06 mandates.
- Augmented the budget by \$109.0 million for funding of the following 35 mandates in the budget year.

#### Budget Bill Language

- (a) Crime Victim Rights (Ch. 411, Stats. 1995) (CSM-96-358-01)
- (b) Threats Against Peace Officers (Ch. 1249, Stats. 1992 and Ch. 666, Stats. 1995) (CSM-96-365-02)
- (c) Custody of Minors-Child Abduction and Recovery (Ch. 1399, Stats. 1976; Ch. 162, Stats. 1992; and Ch. 988, Stats. 1996) (CSM-4237)
- (d) Stolen Vehicle Notification (Ch. 337, Stats. 1990) (CSM-4403)
- (e) Absentee Ballots (Ch. 77, Stats. 1978) (CSM-3713)
- (f) Permanent Absent Voters (Ch. 1422, Stats. 1982) (CSM-4358)
- (g) Voter Registration Procedures (Ch. 704, Stats. 1975) (04-LM-04)
- (h) Absentee Ballots-Tabulation by Precinct (Ch. 697, Stats. 1999) (00-TC-08)
- (i) Brendon Maguire Act (Ch. 391, Stats. 1988) (CSM-4357)
- (j) Medi-Cal Beneficiary Death Notices (Chs. 102 and 1163, Stats. 1981) (CSM-4032)
- (k) Pacific Beach Safety (Ch. 961, Stats. 1992) (CSM-4432)
- (l) Perinatal Services (Ch. 1603, Stats. 1990) (CSM-4397)
- (m) AIDS/Search Warrant (Ch. 1088, Stats. 1988) (CSM-4392)
- (n) Mentally Retarded Defendants Representation (Ch. 1253, Stats. 1980) (04-LM-12)
- (o) Judicial Proceedings (Ch. 644, Stats. 1980) (CSM-4366)
- (p) Conservatorship: Developmentally Disabled Adults (Ch. 1304, Stats. 1980) (04-LM-13)
- (q) Developmentally Disabled Attorneys' Services (Ch. 694, Stats. 1975) (04-LM-03)
- (r) Coroners Costs (Ch. 498, Stats. 1977) (04-LM-07)

- (s) Not Guilty by Reason of Insanity (Ch. 1114, Stats. 1979) (CSM-2753)
- (t) Mentally Disordered Offenders' Extended Commitments Proceedings (Ch. 435, Stats. 1991) (98-TC-09)
- (u) Sexually Violent Predators (Chs. 762 and 763, Stats. 1995) (CSM-4509)
- (v) Mentally Disordered Sex Offenders' Recommitments (Ch. 1036, Stats. 1978) (04-LM-09)
- (w) Domestic Violence Treatment Services (Ch. 183, Stats. 1992) (CSM-96-281-01)
- (x) Police Officer's Cancer Presumption (Ch. 1171, Stats. 1989) (CSM-4416)
- (y) Firefighter's Cancer Presumption (Ch. 1568, Stats. 1982) (CSM-4081)
- (z) Domestic Violence Arrest Policies (Ch. 246, Stats. 1995) (CSM-96-362-02)
- (aa) Animal Adoption (Ch. 752, Stats. 1998) (98-TC-11)
- (bb) Unitary Countywide Tax Rates (Ch. 921, Stats. 1987) (CSM-4355 and CSM-4317)
- (cc) Senior Citizens Property Tax Deferral (Ch. 1242, Stats. 1977) (CSM-4359)
- (dd) Allocation of Property Tax Revenues (Ch. 697, Stats. 1992) (CSM-4448)
- (ee) Photographic Record of Evidence (Ch. 875, Stats. 1985) (98-TC-07)
- (ff) Rape Victim Counseling (Ch. 999, Stats. 1991) (CSM-4426)
- (gg) Health Benefits for Survivors of Peace Officers and Firefighters (Ch. 1120, Stats. 1996) (97-TC-25)
- (hh) Postmortem Examinations (Ch. 284, Stats. 2000) (01-TC-18)
- (ii) False Reports of Police Misconduct (Ch. 590, Stats. 1995) (00-TC-26)

- Approved the suspension of the following 28 mandates during the budget year.

*Budget Bill Language*

- (a) Grand Jury Proceedings (Ch. 1170, Stats. 1996) (98-TC-27)
- (b) Sex Crime Confidentiality (Ch. 502, Stats. 1992, Ch. 36, Stats. 1994, 1st Ex. Sess.) (98-TC-21)
- (c) Deaf Teletype Equipment (Ch. 1032, Stats. 1980) (04-LM-11)
- (d) Sex Offenders: Disclosure by Law Enforcement Officers (Chs. 908 and 909, Stats. 1996) (97-TC-15)
- (e) Missing Persons Report (Ch. 1456, Stats. 1988, and Ch. 59, Stats. 1993) (CSM-4255, CSM-4484, and CSM-4368)
- (f) Handicapped Voter Access Information (Ch. 494, Stats. 1979)

(CSM-4363)

- (g) Substandard Housing (Ch. 238, Stats. 1974) (CSM-4303)
- (h) Adult Felony Restitution (Ch. 1123, Stats. 1977) (04-LM-08)
- (i) Very High Fire Hazard Severity Zones (Ch. 1188, Stats. 1992) (97-TC-13)
- (j) Local Coastal Plans (Ch. 1330, Stats. 1976) (CSM-4431)
- (k) SIDS Training for Firefighters (Ch. 1111, Stats. 1989) (CSM-4412)
- (l) SIDS Contacts by Local Health Officers (Ch. 268, Stats. 1991) (CSM-4424)
- (m) SIDS Autopsies (Ch. 955, Stats. 1989) (CSM-4393)
- (n) Inmate AIDS Testing (Ch. 1597, Stats. 1988) (CSM-4369)
- (o) SIDS Notices (Ch. 453, Stats. 1974) (04-LM-01)
- (p) Guardianship/Conservatorship Filings (Ch. 1357, Stats. 1976) (04-LM-15)
- (q) Victims' Statements-Minors (Ch. 332, Stats. 1981) (04-LM-14)
- (r) Extended Commitment, Youth Authority (Ch. 267, Stats. 1998) (98-TC-13)
- (s) Prisoner Parental Rights (Ch. 820, Stats. 1991) (CSM-4427)
- (t) Structural and wildland firefighter safety clothing and equipment (8 Cal. Code Regs. 3401 to 3410, incl.) (CSM-4261-4281)
- (u) Personal Alarm Devices (8 Cal. Code Regs. 3401(c)) (CSM-4087)
- (v) Law Enforcement Sexual Harassment Training (Ch. 126, Stats. 1993) (97-TC-07)
- (w) Elder Abuse, Law Enforcement Training (Ch. 444, Stats. 1997) (98-TC-12)
- (x) Redevelopment Agencies Tax Disbursement Reporting (Ch. 39, Stats. 1998) (99-TC-06)
- (y) Mandate Reimbursement Process (Ch. 486, Stats. 1975) (CSM-4204, CSM-4485)
- (z) Filipino Employee Surveys (Ch. 845, Stats. 1978) (CSM-2142)
- (aa) Domestic Violence Information (Ch. 1609, Stats. 1984) (CSM-4222)
- (bb) Pocket Masks (Ch. 1334, Stats. 1987) (CSM-4291)

- Adopted trailer bill language to clarify the state's procedures for including funds for new mandates in the annual state budget and established a cut-off date of March 31 for mandates to be funded in the budget year. Existing law specifies that mandates "determined in a preceding fiscal year to be payable by the state" means mandates for which the Commission on State Mandates (or its predecessor agency) adopted a statewide cost estimate during a preceding fiscal year, unless the mandate has been repealed or otherwise eliminated. The new statutory language ensures that mandate costs will be determined at a reasonable time for budgeting purposes.

- Adopted trailer bill language to require the Commission on State Mandates to reconsider its 1984 and 1992 statements of decision that the workers' compensation cancer presumptions for firefighters and peace officers constitute reimbursable mandates. The Legislative Analyst recommended this reconsideration on the basis that the state may no longer be required to reimburse these costs under subsequent decisions by the courts and the commission, and, even if determined still to be reimbursable mandates, changes in workers' compensation law may have reduced the amount of reimbursable cost to local governments (currently about \$4 million annually). Regardless of the outcome of the reconsideration, there would not be any reduction in the rights of firefighters or peace officers to the presumption or to benefits.
- Rejected a budget proposal to execute a \$370,000 contract with the Center for Collaborative Policy at California State University Sacramento to facilitate mandate process reforms.

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

- Approved Governor's Budget, including expenditures of \$2.7 million and 21 positions.

### **8940 DEPARTMENT OF THE MILITARY**

- Approved a budget augmentation of \$3.5 million to allow the Department of the Military to address their armory infrastructure needs by making repairs, modernizing facilities, and ensuring compliance with environmental laws and building codes. The Administration estimates a total deferred maintenance backlog of \$35 million in the state's armories.
- Amended the budget proposal for \$182,000 GF and two auditor positions to allow the Military Department to establish an Internal Control Office. The Legislature adopted Budget Bill language to require performance reporting to the Legislature by the new office.

#### *Budget Bill Language*

On or before April 10, 2007, the Military Department shall provide to the Legislature a report on the findings of the Internal Control Office. This information shall include, at a minimum, the following: (a) identified control deficiencies based on the initial risk analysis, (b) any improvements made to date, and (c) a work plan for addressing the remaining deficiencies as well as the criteria for prioritizing the subject and scope of ongoing internal reviews.

- Adopted budget bill language specifying that up to \$20,000 shall be spent for a direct communications outreach program to California National Guard service members and their family on the benefits of the California Military Family Relief Fund.

#### *Budget Bill Language*

Of the amount appropriated in Schedule (3), up to \$20,000 shall be expended for a comprehensive direct communications initiative to reach

each California National Guard service member and his or her family. This initiative shall include, but not be limited to, quarterly mailings of eligibility information and applications for California Military Family Relief Fund funds to service members and families of deployed service members.

- Appropriated \$1 million GF to acquire a two-year purchase option on 30 acres of land at the former Mather Air Base to build a new headquarters complex.
- Revised the department's budget by requiring the department to utilize excess operating expense funding to implement a targeted outreach plan to spouses and families of deployed guard members, in order to improve applications for California Military Relief Fund support.
- Appropriated \$1.6 million (\$1.177 million Federal Funds, \$391,000 GF) to renovate kitchens and latrines at selected armories in California.
- Reduced the Governor's Budget request for \$261,000 GF and two personnel years for the State Military Reserve (SMR) in order to address increased workload associated with recruitment and support travel and per diem costs for professional training. The Subcommittee approved the augmentation of only one position.
- Approved \$2.5 million GF to implement the construction phase of the Roseville Armory expansion and renovation project. The federal government will contribute \$881,000 to this phase of the project.
- Adopted a Finance Letter proposal for \$3.9 million (\$900,000 GF) and 17.8 positions to establish a second Youth Challenge Program that will serve "at-risk" 16–18 year-olds who have dropped out of school, are unemployed, and meet other at-risk criteria.

## **9100 TAX RELIEF**

- Appropriated \$39.6 million to fully fund the Williamson Act subventions for open space preservation.
- Appropriated \$5.6 million in adjustments to the Senior Citizens' Property Tax Assistance Program and Renters' Tax Assistance Program, including a decrease of \$420,000 in the Senior Citizens' Property Tax Assistance Program and an increase of \$5.98 million in the Senior Citizens' Renters' Tax Assistance Program. These adjustments are based on revised participation estimates from the Franchise Tax Board.

## **9210 LOCAL GOVERNMENT FINANCING**

- Approved funding of \$119 million GF for the Citizen's Option for Public Safety (COPS) program.

- Approved \$119 million for the Juvenile Justice Crime Prevention Act (JJCPA) grant program.
- Approved \$18.5 million GF for grants to rural and small county sheriffs for law enforcement activities.
- Approved \$35 million for cities and other entities for jail booking and processing fees.
- Adopted trailer bill language authorizing a new state subvention of \$35 million annually (subject to appropriation) for the operation, maintenance or construction of local detention facilities, starting in 2007-08, and prohibiting counties and cities from charging general booking fees in any fiscal year during which the subvention is fully funded. Existing law authorizes counties to charge cities and other local entities up to half of their costs associated with booking most arrested persons into county jails.
- Approved disaster relief funding of \$1.6 million for subventions to communities affected by mudslides and severe storms in 2005. This funding is pursuant to legislation enacted in the 2005 session.

#### **9600 REVISED GENERAL OBLIGATION BOND DEBT SERVICE ESTIMATE**

- Appropriated \$32 million to prepay general obligation bond debt payable in 2007-08.

#### **9620 INTEREST PAYMENTS ON GENERAL FUND LOANS**

- Approved a \$21 million interest payment on the \$177 million in outstanding special fund loans that will be paid one year early.

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

- Approved as budgeted, which represents an increase of \$124.2 million GF or 14 percent above the amount budgeted in the 2005 Budget Act. The Legislative Analyst indicates that the increase reflects growth of 4.7 percent in enrollment and growth of 9.5 percent in health care inflation.

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

- Approved Governor's Budget and Finance Letter increases related to the *Plata v. Schwarzenegger* lawsuit which total \$82.4 million GF.
- Approved Governor's Budget and Finance Letter increases related to State bargaining units with contractually specified increases for 2006-07.

## **CONTROL SECTIONS**

### **3.45 STATEWIDE GENERAL FUND REDUCTIONS RELATED TO SALARIES AND WAGES**

- Rejected the Governor's Budget proposal to reduce all GF appropriations by one percent to achieve \$58 million in primarily salaries and benefits-related savings.

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

- Adopted revised rates for the six retirement classes, pursuant to the CalPERS Board adoption of new rates on May 17, 2006. The new rates will increase the State's 2006-07 retirement contributions by approximately \$43 million GF.

### **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.

### **4.05 UNALLOCATED GENERAL FUND REDUCTIONS**

- Revised the Governor's Budget proposal to achieve up to \$200 million in unallocated budget reductions by enhancing the Department of Finance's reporting requirements and restricting unallocated reductions to up to 20 percent of state operations appropriations and 5 percent of local assistance appropriations.

### **4.06 MID-YEAR CORRECTION AUTHORITY**

- Rejected budget bill language which would have, if enacted, enabled the Governor to make mid-year reductions to GF appropriations.

### **4.75 STATEWIDE SURCHARGES**

- Approved budget bill language to allow the Director of Finance to adjust appropriations to reflect the appropriate statewide surcharges approved in the Budget Act.

### **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.

### **8.50 FEDERAL FUND RECEIPTS**

- Revised Control Section 8.50 to exempt the receipt of Temporary Assistance for Needy Families (TANF) funds from the provisions of this item requiring automatic substitution of federal funds.

### **14.00 SPECIAL FUND LOANS: DEPARTMENT OF CONSUMER AFFAIRS**

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

### **31.00 ADMINISTRATIVE PROCEDURES FOR SALARIES AND WAGES**

- Revised Control Section 31.00 to clarify intent regarding reporting to the Legislature on administratively-established positions.

#### *Trailer Bill Language*

1. Added language to require annual reporting by the Department of Finance to the Legislature on the number of permanent employees, by department, appointed as full-time or part-time tenure in the “blanket” positions for more than six consecutive months.

### **33.50 STRATEGIC SOURCING REPORTING**

- The Legislature adopted budget bill language—and the Governor subsequently vetoed—which would have required reporting to the Legislature on the amount of strategic sourcing savings achieved, detail on the nature of those savings, and information regarding the extension of the current contract.

#### *Budget Bill Language*

SEC. 33.50. (a) Notwithstanding any other provision of law, the Department of Finance may periodically reduce items of appropriation in this act for the 2006-07 fiscal year for savings tied to the California Strategic Sourcing Initiative. The Director of Finance shall report quarterly to the Chairperson of the Joint Legislative Budget Committee on payments made to the contractor hired for the California Strategic Sourcing Initiative and at least 30 days prior to reducing any item of appropriation. The quarterly report and notice on reducing appropriations shall include, but is not limited to, the following: (1) identifying which department received the savings; (2) identifying when and how the savings were achieved; (3) identifying the types of goods and services as to which savings were achieved; and (4) describing the methodology used to calculate the savings. The report shall also include all savings summary reports provided by the Department of General

Services to the Department of Finance.

(b) Any joint partnership contracts in support of the California Strategic Sourcing Initiative shall be executed no sooner than 30 days after written notification has been provided to the Joint Legislative Budget Committee.

### **35.60 BUDGET STABILIZATION ACCOUNT TRANSFER TO THE GF**

- Rejected the Governor's Budget proposal to permit the Director of Finance to make transfers from the Budget Stabilization Account to the GF reserve whenever s/he determines that a shortfall will occur in the GF reserve.

## JUDICIARY

### 0250 JUDICIAL BRANCH

- Approved a one-time increase of \$1.3 million from the Appellate Court Trust Fund to support non-capital furniture, fixtures, and moving costs for the new Fifth Appellate District Courthouse in Fresno.
- Approved \$3.3 million GF on a three-year limited-term basis for increased information technology costs supporting the Administrative Office of the Courts (AOC), Supreme Courts, and the courts of appeal.
- Approved \$1.2 million and 12 positions to create four new case teams for capital habeas corpus appointments, in order to be able to accept more capital habeas cases from the California Supreme Court.
- Approved \$18.7 million GF to provide an additional 97 entrance screening stations in superior court facilities, and to establish a five-year replacement cycle for new and existing entrance screening equipment.
- Approved \$57.5 million to restore a one-time reduction in the amount of General Fund appropriated to the Trial Court Trust Fund.
- Approved a proposal for \$5.5 million GF to set aside one month of funding for 50 new superior court judgeships. The judgeships will be authorized in separate Legislation. Adopted budget bill language that restricted funds for the purpose of adding new judgeships and accompanying staff and directs the Judicial Council to report on the filling of the new judicial positions and accompanying staffing.
- Approved withdrawal of a proposal for an augmentation of \$12.3 million for development and implementation of several information technology systems for the trial courts. The funding was no longer needed due to an updated implementation and expenditure date.
- Approved a proposal of \$31.6 million from the State Court Facilities Construction Fund and augmented by \$29.7 million to facilitate the conversion of the Sisk federal courthouse in Fresno County to a state trial court facility.
- Approved an augmentation of \$113.1 million for the trial courts based on the State Appropriations Limit (SAL) increase of 4.96 percent. Approved trailer bill language to formalize the calculation methodology for calculating SAL for the trial courts, removed judicial compensation from the base for the purpose of calculating the SAL, and removed continuous appropriation language from the proposal. Adopted Supplemental Report Language which designates the allocation of the SAL funding. The language designates up to \$5 million from the SAL amount for Judicial Council priorities – identified as additional funding for self-help

centers, and staff and equipment for new courthouses, and includes allocations for inflation and workforce, as well as for workload growth.

- Approved an increase of \$14.7 million to provide an 8.5 percent increase for judicial compensation, effective January 1, 2007.
- Approved an augmentation of \$10 million to provide funding for interpreters in civil cases. Adopted budget bill language that specifies the priorities for use of these funds. The Governor deleted this augmentation by veto and deleted the budget bill language, indicating that the Judicial Council would identify efficiencies and best practices and will, to the extent possible, expand the use of interpreters in civil cases using existing resources.

#### **0280 COMMISSION ON JUDICIAL PERFORMANCE**

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

#### **0390 CONTRIBUTIONS TO JUDGES' RETIREMENT SYSTEM**

- Approved as budgeted.

## PUBLIC SAFETY AND CRIMINAL JUSTICE

### **0552 OFFICE OF THE INSPECTOR GENERAL**

- Approved as budgeted

### **0690 OFFICE OF EMERGENCY SERVICES**

- Approved a Finance Letter augmentation of \$23.7 million to fund the estimated costs of response to and recovery from disasters, including the recent federally-declared disaster known as the 2006 Winter Storms.
- Approved budget bill language to designate funds from federal homeland security grants for the Office of Emergency Services (OES) to contract for an independent gap analysis of the state's preparedness for a large-scale catastrophic disaster.
- Approved a reduction of two positions and \$125,000 to the State Warning Center proposal for increased staffing.
- Approved a proposal to fund \$1.1 million from the Victim Witness Fund on a two-year basis, to provide services to victims and witnesses at parole revocation hearings.
- Approved an augmentation of \$20 million on a two-year limited-term basis to provide funding from the California Multi-jurisdictional Methamphetamine Enforcement Team (Cal-MMET) program. Approved budget bill language that allows up to 5 percent of the funds to be used for an independent study on the effectiveness of the program.
- Rejected the proposal to provide \$6 million for the Sexual Assault Felony Enforcement (SAFE) team grant program. This level of funding for the SAFE program is contained in SB 1128 that is currently before the Legislature.
- Approved the budget display for the Law Enforcement and Victim Services (LEVS) budget and adopted budget bill language that requires a special display in the Governor's budget and annual reporting on the grant programs.
- Approved a reappropriation of \$10.4 million in previously frozen federal funds.
- Rejected a proposal to create the Office of Homeland Security (OHS) as an independent entity, and approved funding for OHS as a separate program within the OES budget.
- Rejected a proposal to create a Science and Technology Unit (\$465,000 federal funds) within OHS.
- Rejected a proposal to provide \$5 million from the Antiterrorism fund for the Mass Transportation Security Grant program.

- Approved an increase of \$147,000 from federal funds and Antiterrorism funds to increase funding for administrative services for the OHS through the OES.
- Approved \$8 million GF for the Vertical Prosecution Block Grant Program.
- Approved augmentations of \$400,000 GF for the Innocence Project and \$50,000 GF for the Youth Crisis Hotline Program. The Governor deleted the augmentations for the Innocence Project and for the Youth Crisis Hotline.
- Approved an augmentation of \$500,000 for the Central Coast Rural Crime Prevention Program.

## **0820 DEPARTMENT OF JUSTICE**

- Approved a proposal for \$5 million GF for handling workload increases associated with the Armed Prohibited Persons System database, which cross-references persons who possess or own a firearm and who have been subsequently prohibited from owning or possessing a firearm.
- Approved a proposal for \$3.3 million GF to establish an annual plan of vehicle replacement.
- Approved a proposal for \$4.6 million GF to establish an ongoing equipment baseline to replace forensic equipment.
- Approved a proposal for \$4.2 million GF to continue funding the underwriter's litigation.
- Approved \$3 million from federal funds and special funds to prosecute pharmaceutical manufacturers for violations of the False Claims Act.
- Approved \$1.2 million from special funds to provide additional funding for the missing persons DNA program.
- Approved \$1.3 million GF to handle increased workload in the area of complex financial crimes and identity theft.
- Approved an augmentation of \$6 million GF for the California Methamphetamine Strategy (CALMS) program, and approved budget bill language providing that up to 5 percent of the increase could be used to perform an independent analysis of the program.
- Approved an augmentation of \$6.5 million GF on a two-year limited-term basis to establish four Gang Support Enforcement Teams (GSET) across the state.
- Approved a proposal to provide \$2.8 million GF to replace DOJ's radio communications system infrastructure.
- Adopted trailer bill language regarding the DNA Fingerprint, Unsolved Crime and Innocence Protection Act (Proposition 69) to add an assessment on criminal fines and reduced GF by \$7.3 million due to the increased revenues from the assessment.
- Approved \$1 million GF for climate change litigation.

**0855 GAMBLING CONTROL COMMISSION**

- Approved \$1 million from the Special Distribution Fund and the Gambling Control Fund to address workload at the Gambling Control Commission. The augmentation includes funding for additional licensing workload and field inspection positions on a two-year limited-term basis. No new auditor positions were part of this augmentation.
- Approved \$732,000 from the Special Distribution Fund on a two-year limited-term basis to develop a technical services program to support the field inspection program.

**1870 VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD**

- Approved a proposal for an increase of \$607,000 from the Restitution Fund to expand the criminal restitution compact contracts to include four new counties.
- Approved a Finance Letter request for a one-time increase of \$2 million from the Restitution Fund due to relocation costs for the board.

**5225 DEPARTMENT OF CORRECTIONS & REHABILITATION**

- Approved a proposal for \$22.8 million GF to fund recidivism reduction strategies. Including \$30 million approved in the 2005 Budget Act, the funding provides \$21.1 million for enhancement to inmate education and vocational education programs; \$7.7 million for community partnerships; \$7.8 million for parole service expansions; \$9.9 million for institution based rehabilitative and treatment programs; and \$6.2 million to research the effectiveness of correctional programs. Adopted budget bill language requiring the Department of Corrections and Rehabilitation (CDCR) to report to the Legislature in September with an implementation and evaluation plan including projected implementation timelines, program outcome targets and baseline outcome data for each program that is part of the strategies. Adopted budget bill language that designated \$900,000 from the funding for three comprehensive evaluations by correctional experts of adult prison and parole programs designed to reduce recidivism.
- Approved proposals totaling \$273 million GF based on projected increases to the adult inmate and parole populations. For 2006-07, the May Revise reflects an estimated average daily inmate population of 175,617 and an estimated average daily parole population of 117,754. The estimated average daily inmate population for 2006-07 is about 7,600 inmates higher than the estimated average daily inmate population in the current year.
- Approved \$4.8 million GF for statewide implementation of in-cell integration as required in the settlement agreement for the *Johnson v. State* lawsuit.
- Approved proposals to increase adult local assistance by \$21.9 million GF to reimburse the locals for the costs associated with housing state inmates, including increasing the daily jail rate from \$68.22 to \$71.57.
- Approved a proposed increase of \$56 million GF to provide a 3.1 percent price increase, consistent with the price increase for other state agencies.
- Approved a one-time augmentation of \$11 million GF to address special repair projects.

- Approved a proposal to provide \$4.1 million GF to purchase new protective vests and to establish a replacement schedule for vests.
- Approved Supplemental Report Language directing the CDCR to report to the Legislature on its efforts to create a new custody assistant classification.
- Approved \$54.5 million to expand the number of cadets to be trained in the Basic Correctional Officer Academy.
- Approved \$5.1 million GF to add 500 Global Positioning System (GPS) devices to track and monitor high risk parolees, as part of a four-year plan to add 2,000 GPS devices by 2009-10.
- Deleted budget bill language that would have authorized CDCR to contract with private providers to build contract bed capacity of up to 8,500 beds for 2007-08.
- Adopted Supplemental Report Language directing CDCR to create new displays to be included in the Governor's budget and to include certain performance measures for its major programs.
- Approved \$36.8 million GF to begin preliminary plans for an additional 695 intermediate care facility mental health treatment beds pursuant to a court order in the *Coleman* case, and to provide additional treatment space for an existing 650 Enhanced Outpatient Program beds.
- Approved \$20.2 million GF to establish 254 positions to comply with recent court orders that require implementation of new program guidelines for the Mental Health Delivery System and requires CDCR to increase the level of headquarters oversight of the Mental Health Program.
- Approved \$12.7 million GF to provide psychiatrists who meet the qualifications specified by the *Coleman* court to receive a 10 percent salary increase, as well as to establish a recruitment bonus for new employees coming from outside state service.
- Approved \$6 million GF to assist in the recruitment of healthcare staff.
- Approved \$21.5 million GF and 326 positions to implement the first year of a three year rollout of improvements to inmate dental services in response to the *Perez v. Hickman* court case. Also approved \$2.8 million for additional supervisory staff for dental offices. The Governor vetoed budget bill language that would have limited the expenditure of the funds pending the submission of a court required staffing study to the Legislature. The veto message indicates that the study will be provided to the Legislature when it is available, but that the language could have limited the department's ability to implement the plans and meet court requirements.
- Approved budget bill language requiring CDCR to establish guidelines for use of telemedicine and to establish performance targets.
- Approved an augmentation of \$250.5 million GF to increase the base funding for medical services and to fund projected shortfalls in the areas of contract medical, pharmaceuticals, and medical guarding.
- Appropriated \$100 million GF in unallocated funds for additional healthcare expenditures to be requested by the federal receiver in the *Plata* case. Created a stand alone budget item for the healthcare services program.

- Approved an increase of \$19.5 million to reimburse local correctional agencies for the costs of providing sheriffs' deputies and probation officers with training consistent with training standards developed by the Correctional Standards Authority.
- Approved \$6.7 million GF to fund positions at Board of Parole Hearings in response to the *Rutherford* lawsuit regarding hearings for lifer inmates.
- Adopted budget bill language which allows reimbursement of district attorney costs for representing the state at parole revocation hearings in certain circumstances.
- Approved a proposal for \$7.5 million GF and 90 positions to implement the Division of Juvenile Justice (DJJ) Health Care Remedial Plan.
- Approved a proposal for \$14.8 million GF and 186 positions to implement the DJJ Mental Health Remedial Plan.
- Approved \$38.4 million GF for the Ward Safety and Welfare Remedial Plan and adopted budget bill language directing DJJ to focus implementation of the rehabilitation plans on one institution in the budget year, and requiring DJJ to report on implementation of the remedial plans, including information on performance measures, and short and long term outcome targets.
- Approved an augmentation of \$10 million GF to establish the Juvenile Justice Community Reentry Challenge Grant program. The purpose of the program is to improve the performance and cost-effectiveness of post-custodial supervision of juvenile parolees, reducing the recidivism rate for juvenile offenders, and piloting innovative re-entry programs consistent with DJJ's focus on a rehabilitative treatment model. The program will award grants on a competitive basis to local government and non-profit applicants that demonstrate a collaborative and comprehensive approach to the successful reintegration of juvenile parolees through the provision of wrap-around services to juvenile parolees.
- Approved \$45 million for the Mentally Ill Offender Crime Reduction (MIOCR) program.

#### **8120 COMMISSION ON PEACE OFFICERS STANDARDS AND TRAINING**

- Approved as budgeted -- \$57.5 million from special funds.

#### **8140 STATE PUBLIC DEFENDER**

- Approved as budgeted -- \$11.3 million GF.

#### **8180 PAYMENTS TO COUNTIES FOR THE COSTS OF HOMICIDE TRIALS**

- Approved as budgeted -- \$3.5 million GF.

#### **8550 CALIFORNIA HORSE RACING BOARD**

- Approved proposal to increase expenditures by \$851,000 from the Racetrack Security Fund for increased costs for equine drug testing with budget bill language which requires the Board to provide a comprehensive plan that details its equine testing program.

**8690 SIESMIC SAFETY COMMISSION**

- Approved as budgeted -- \$1.1 million from special funds and adopted trailer bill language that extends the sunset for the fee revenues for two years.

**8830 CALIFORNIA LAW REVISION COMMISSION**

- Approved as budgeted -- \$706,000 – GF and reimbursements.

**8840 COMMISSION ON UNIFORM STATE LAWS**

- Approved as budgeted -- \$149,000 GF.

**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, \$9.8 million to the Corrections 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.

# APPENDIX 1

EXECUTIVE ORDER REDUCTIONS  
CONTROL SECTION 4.10

## GOVERNOR'S VETOES

## AB 1801 VETOES

**State of California**  
Governor's Office

I object to the following appropriations contained in Assembly Bill 1801.

Item 0530-001-9732—For support of Secretary of California Health and Human Services Agency. I reduce this item from \$220,022,000 to \$214,622,000 by reducing:

- (1) 30-Office of Systems Integration from \$220,022,000 to \$214,622,000.

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

Item 0540-001-0001—For support of Secretary for Resources. I reduce this item from \$5,924,000 to \$5,824,000.

I am deleting the \$100,000 legislative augmentation for creation of a conservation easement registry at the Resources Agency. This information is already maintained and available at the county level.

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

- (1) 10-Administration of Resources Agency from \$8,318,000 to \$8,218,000, and
- (2.5) Amount payable from the General Fund (Item 0540-001-0001) from -\$5,924,000 to -\$5,824,000.

I am revising this item to conform to the action I have taken in Item 0540-001-0001.

Item 0860-001-0001—For support of the Board of Equalization. I reduce this item from \$208,522,000 to \$206,531,000 by reducing:

- (1) 100000-Personal Services from \$279,795,000 to \$276,329,000;
- (3) Reimbursements from -\$111,169,000 to -\$110,190,000;
- (4) Amount payable from the Breast Cancer Fund (Item 0860-001-0004) from -\$377,000 to -\$374,000;
- (5) Amount payable from the State Emergency Telephone Number Account (Item 0860-001-0022) from -\$581,000 to -\$575,000;
- (6) Amount payable from the Motor Vehicle Fuel Account, Transportation Tax Fund (Item 0860-001-0061) from -\$19,549,000 to -\$19,366,000;
- (7) Amount payable from the Occupational Lead Poisoning Prevention Account (Item 0860-001-0070) from -\$644,000 to -\$638,000;

- (8) Amount payable from the Childhood Lead Poisoning Prevention Fund (Item 0860-001-0080) from -\$469,000 to -\$464,000;
- (9) Amount payable from the Cigarette and Tobacco Products Surtax Fund (Item 0860-001-0230) from -\$4,812,000 to -\$4,767,000;
- (10) Amount payable from the Oil Spill Prevention and Administration Fund (Item 0860-001-0320) from -\$238,000 to -\$236,000;
- (11) Amount payable from the Integrated Waste Management Account, Integrated Waste Management Fund (Item 0860-001-0387) from -\$413,000 to -\$408,000;
- (12) Amount payable from the Underground Storage Tank Cleanup Fund (Item 0860-001-0439) from -\$2,112,000 to -\$2,092,000;
- (13) Amount payable from the Energy Resources Programs Account (Item 0860-001-0465) from -\$234,000 to -\$232,000;
- (14) Amount payable from the California Children and Families First Trust Fund (Item 0860-001-0623) from -\$7,457,000 to -\$7,388,000;
- (15) Amount payable from the Federal Trust Fund (Item 0860-001-0890) from -\$1,167,000 to -\$1,156,000;
- (16) Amount payable from the Timber Tax Fund (Item 0860-001-0965) from -\$2,168,000 to -\$2,148,000;
- (17) Amount payable from the Gas Consumption Surcharge Fund (Item 0860-001-3015) from -\$406,000 to -\$404,000;
- (18) Amount payable from the Water Rights Fund (Item 0860-001-3058) from -\$417,000 to -\$412,000;
- (19) Amount payable from the Electronic Waste Recovery and Recycling Account (Item 0860-001-3065) from -\$4,950,000 to -\$4,904,000; and
- (20) Amount payable from the Cigarette and Tobacco Products Compliance Fund (Item 0860-001-0367) from -\$7,043,000 to -\$6,977,000.

With this reduction, the Board of Equalization's (BOE) estimated salary savings will conform to the standard 5 percent level generally required of all state agencies. I understand BOE proposed to use part of the additional funding for auditor recruitment and retention initiatives and to increase hiring. However, the collective bargaining agreement negotiated between the state and the respective exclusive representatives provides significant incentives to encourage auditor recruitment and retention for all state agencies. I believe this issue is best addressed on a statewide basis, instead of through the actions of individual departments.

Item 0860-001-0004—For support of State Board of Equalization. I reduce this item from \$377,000 to \$374,000.

I am reducing this item by \$3,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0022—For support of State Board of Equalization. I reduce this item from \$581,000 to \$575,000.

I am reducing this item by \$6,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0061—For support of State Board of Equalization. I reduce this item from \$19,549,000 to \$19,366,000.

I am reducing this item by \$183,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0070—For support of State Board of Equalization. I reduce this item from \$644,000 to \$638,000.

I am reducing this item by \$6,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0080—For support of State Board of Equalization. I reduce this item from \$469,000 to \$464,000.

I am reducing this item by \$5,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0230—For support of State Board of Equalization. I reduce this item from \$4,812,000 to \$4,767,000.

I am reducing this item by \$45,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0320—For support of State Board of Equalization. I reduce this item from \$238,000 to \$236,000.

I am reducing this item by \$2,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0387—For support of State Board of Equalization. I reduce this item from \$413,000 to \$408,000.

I am reducing this item by \$5,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0439—For support of State Board of Equalization. I reduce this item from \$2,112,000 to \$2,092,000.

I am reducing this item by \$20,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0465—For support of State Board of Equalization. I reduce this item from \$234,000 to \$232,000.

I am reducing this item by \$2,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0623—For support of State Board of Equalization. I reduce this item from \$7,457,000 to \$7,388,000.

I am reducing this item by \$69,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0890—For support of State Board of Equalization. I reduce this item from \$1,167,000 to \$1,156,000.

I am reducing this item by \$11,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-0965—For support of State Board of Equalization. I reduce this item from \$2,168,000 to \$2,148,000.

I am reducing this item by \$20,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-3015—For support of State Board of Equalization. I reduce this item from \$406,000 to \$404,000.

I am reducing this item by \$2,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-3058—For support of State Board of Equalization. I reduce this item from \$417,000 to \$412,000.

I am reducing this item by \$5,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-3065—For support of State Board of Equalization. I reduce this item from \$4,950,000 to \$4,904,000.

I am reducing this item by \$46,000 to conform with the action taken in Item 0860-001-0001.

Item 0860-001-3067—For support of State Board of Equalization. I reduce this item from \$7,043,000 to \$6,977,000.

I am reducing this item by \$66,000 to conform with the action taken in Item 0860-001-0001.

Item 1700-001-0001—For support of Department of Fair Employment and Housing. I reduce this item from \$15,487,000 to \$15,237,000 by reducing:

(1) 50-Administration of Civil Rights Law from \$20,995,000 to \$20,745,000,

and by deleting Provision 1.

I am deleting the legislative augmentation of \$250,000 for a mediation program. The Department has indicated that this amount is insufficient to implement such a program. The Department implemented a mediation program several years ago at an approximate annual cost of \$1,000,000. Though this program was discontinued due to budget cuts, it is unclear whether a program could be implemented at a lower cost with any likelihood of success.

I am also deleting Provision 1, which would require the department to redirect \$250,000 from other program areas to help institute the mediation program. The Department cannot redirect this money without negatively impacting the mandated services it provides under the Fair Employment and Housing Act.

Item 2240-104-0001—For transfer, as an expenditure, by the Controller to the Self-Help Housing Fund. I delete this item.

I am deleting the \$500,000 legislative augmentation to provide funding for construction management grants in the Self-Help Housing Program. Notwithstanding the merits of the program, this reduction is necessary to limit program expansions and provide for a prudent General Fund reserve. In addition, if approved by voters in November, the Strategic Growth Plan housing bond will provide \$10,000,000 in new bond funding for this program.

I am deleting Provision 1 to conform to this action.

Item 2240-105-0001—For transfer, as an expenditure, upon order of the Director of Finance, to the Emergency Housing and Assistance Fund.

I am sustaining \$864,000 General Fund for the Emergency Housing Assistance Program in this item to continue shelter beds during a transition period while new beds are developed under my Initiative to End Chronic Homelessness. Over the past two years, \$110,000,000 has been made available to construct permanent housing with supportive services for individuals with mental illness who are chronically homeless, with \$75,000,000 available ongoing.

Item 2660-001-0890—For support of Department of Transportation. I reduce this item from \$547,224,000 to \$539,054,000.

I am deleting the \$8,170,000 legislative augmentation to increase funding in the Capital Outlay Support Program to conform to my action in Item 2660-001-0042.

Item 2660-002-3007—For support of Department of Transportation. I reduce this item from \$29,001,000 to \$28,929,000 by reducing:

- (1) 20.10—Highway Transportation Capital Outlay Support from \$28,275,000 to \$28,203,000.

I am deleting the \$72,000 legislative augmentation to increase funding in the Capital Outlay Support Program to conform to my action in Item 2660-001-0042.

Item 3110-101-0001—For support of Special Resources Program. I delete this item.

I am deleting the \$148,000 legislative augmentation that would increase funding for employee compensation and price increases in the Tahoe Regional Planning Agency (TRPA). This funding is unnecessary because trailer bill language associated with this Budget Act provides authority to make baseline salary and price increase adjustments for TRPA in the same manner as for other state agencies. Any necessary funding will be provided through that mechanism once the appropriate amounts are known.

Item 3720-001-0001—For support of California Coastal Commission. I reduce this item from \$11,145,000 to \$10,795,000 by reducing:

- (2) 20-Coastal Energy Program from \$1,069,000 to \$719,000.

I am deleting the \$350,000 legislative augmentation for the review of Liquefied Natural Gas proposals and directing that any necessary reviews be accomplished within existing resources. With this reduction, \$791,000 still remains in the Commission's coastal energy program for these activities.

Item 3760-001-0565—For support of State Coastal Conservancy. I revise this item by reducing:

- (2) 25-Coastal Resource Enhancement from \$5,114,000 to \$4,614,000, and
- (5) Reimbursements from -\$621,000 to -\$121,000.

I am revising this item to conform to the action I have taken in Item 3600-001-0001.

Item 3900-101-0044—For local assistance, State Air Resources Board. I reduce this item from \$20,111,000 to \$10,111,000 by reducing:

- (1) 35-Subvention from \$20,111,000 to \$10,111,000.

I am deleting the \$10,000,000 legislative augmentation for subventions to local air districts. This action is necessary because planned and anticipated expenditures limit the resources available in the Motor Vehicle Account to support new expenditures. With this action, \$10,111,000 still remains for local air districts. Furthermore, local communities will benefit from numerous air quality augmentations, including \$3,998,000 to enhance existing air pollution enforcement efforts, and \$1,665,000 to reduce air pollution related to goods movement.

Item 4120-115-0001—For transfer, as an expenditure, by the State Controller to the Trauma Care Fund. I delete this item.

I am deleting the \$10,000,000 legislative augmentation for trauma care services and provisional language within this item. I sustained a similar augmentation in the Budget Act of 2005 and noted the funding was available on a one-time basis in order to provide temporary financial relief. This Budget includes resources that will benefit the hospital system broadly, including an additional \$154.7 million for surge capacity, approximately \$671 million in additional funding for financially distressed hospitals for five years as part of the new Hospital Financing Waiver, and an additional \$36.8 million in realignment funding for county public health services, including services for indigent patients. Finally, local governments will retain an additional \$1.3 billion in property tax revenue in 2006-07 with the expiration of the Educational Revenue Augmentation Fund III shifts, and will receive \$700 million more in property tax revenue due to the Vehicle License Fee swap than they otherwise would have. Cities and counties have the discretion to commit a portion of this funding to local trauma systems.

I am also deleting Provision 8 of Item 4260-001-0001 to conform to this action.

Item 4200-101-0001—For local assistance, Department of Alcohol and Drug Programs. I revise this item by reducing:

- (1) 15-Alcohol and Other Drug Services Program from \$439,936,000 to \$439,336,000, and
- (2) Reimbursements from -\$18,995,000 to -\$18,395,000.

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

Item 4200-102-0001—For local assistance, Department of Alcohol and Drug Programs. I reduce this item from \$3,431,000 to \$3,317,000 by reducing:

- (1) 15-Alcohol and Other Drug Services Program from \$6,863,000 to \$6,634,000;
- (2) Reimbursements from -\$3,432,000 to -\$3,317,000;

and by revising Provision 5.

I am reducing the legislative augmentation which would have provided funding to increase Drug Medi-Cal rates by a total of \$2,299,000. Of this total amount, \$114,000 is reduced from Item 4200-102-0001, and \$2,185,000 is reduced from Item 4200-103-0001. This program received a rate increase in 2005-06. With the reduction to Item 4200-102-0001, \$6,634,000 remains to support the Perinatal Drug Medi-Cal Program.

I am revising the dollar amount specified in Provision 5 to conform to the actions taken in this item and Item 4200-103-0001.

"5. Of the combined amounts appropriated in Items 4200-102-0001 and 4200-103-0001, ~~\$2,300,000~~ \$1,000 from the General Fund, and corresponding reimbursements, are for the purpose of augmenting Drug Medi-Cal rates above the rates that were authorized in regulation for the 2005–06 fiscal year. The department shall establish increases in maximum Drug Medi-Cal reimbursement rates during the 2006–07 fiscal year to reflect the General Fund moneys and reimbursements specified in this item."

Item 4200-103-0001—For local assistance, Department of Alcohol and Drug Programs. I reduce this item from \$68,775,000 to \$66,590,000 by reducing:

- (1) 15-Alcohol and Other Drug Services Program from \$131,431,000 to \$127,062,000;
- (2) Reimbursements from -\$62,656,000 to -\$60,472,000;

and by revising Provision 6.

I am reducing this legislative augmentation to conform with my actions in Item 4200-102-0001. These funds would have provided funding to increase the Drug Medi-Cal rates by \$2,185,000. With this reduction, \$127,062,000 remains to support the regular Drug Medi-Cal program.

I am revising the dollar amount specified in Provision 6 to conform to the actions taken in this item and Item 4200-102-0001.

"6. Of the combined amounts appropriated in Items 4200-102-0001 and 4200-103-0001, ~~\$2,300,000~~ \$1,000 from the General Fund and corresponding reimbursements are for the purpose of augmenting Drug Medi-Cal rates above the rates that were authorized in regulation for the 2005–06 fiscal year. The department shall establish increases in maximum Drug Medi-Cal reimbursement rates during the 2006–07 fiscal year to reflect the General Fund and reimbursement moneys specified in this item."

Item 4260-101-0001—For local assistance, Department of Health Services. I reduce this item from \$13,444,722,000 to \$13,432,571,000 by reducing:

- (1) 20.10.010-Eligibility (County Administration) from \$2,330,731,000 to \$2,326,927,000;
- (3) 20.10.030-Benefits (Medical Care Services) from \$30,140,437,000 to \$30,116,882,000;
- (8) Amount payable from the Federal Trust Fund (Item 4260-101-0890) from -\$19,215,038,000 to -\$19,199,830,000;

and by deleting Provisions 12, 13, and 15.

I am deleting the legislative augmentation of \$9,349,000 to provide funding for Medi-Cal managed care plans in the event of financial distress. My May Revision proposal provides rate increases to six managed care plans at risk of falling beneath 200 percent of their tangible net equity. My proposal was based upon a comprehensive financial review of plans by the Department of Health Services.

I am deleting Provision 15 and the legislative augmentation of \$9,351,000 in Item 4260-101-0890 to conform to this action.

I am deleting the legislative augmentation of \$300,000 to fund a study of the impact that the Federal Deficit Reduction Act (DRA) may have on pharmacy reimbursement. A rate study is premature at this time since it is unknown when the DRA changes will be implemented. As part of next year's budget development process, the Department of Health Services will evaluate whether a pharmacy reimbursement rate study is necessary.

I am deleting Provision 13 and the legislative augmentation of \$300,000 in Item 4260-101-0890 to conform to this action.

I am deleting the legislative augmentation of \$2,502,000 that was provided to increase the rates paid to Medi-Cal non-emergency transport providers. With this reduction, approximately \$82,900,000 still remains to compensate the providers of non-emergency transport services.

I am deleting the legislative augmentation of \$2,353,000 in Item 4260-101-0890 to conform to this action.

I am deleting Provision 12 because counties are not anticipated to have increased costs related to the *Conlan v. Shewry* settlement agreement.

I am deleting the legislative augmentation of \$3,204,000 in Item 4260-101-0890 to conform to the action taken in 5180-141-0001 regarding workstation replacement and help desk support of the Statewide Automated Welfare System.

I am sustaining the \$100,000 legislative augmentation for podiatry services related to eliminating the Treatment Authorization Request (TAR) process. I am directing the Department of Health Services to monitor and audit these podiatry services so that there will not be an inappropriate utilization of Medi-Cal Services.

I am sustaining the \$12,127,000 legislative augmentation for county administration reimbursement. However, I welcome the opportunity to work with the Legislature to develop a new county reimbursement methodology for programs funded through the Department of Health Services, Department of Alcohol and Drug Programs, Department of Child Support Services, and the Department of Social Services, that will provide the ability to contain county reimbursement to a reasonable level.

Item 4260-101-0890—For local assistance, Department of Health Services. I reduce this item from \$19,215,038,000 to \$19,199,830,000.

I am reducing this item by \$15,208,000 to conform to my action in Item 4170-101-0001, Item 4260-101-0001, and Item 5180-141-0001.

Item 4440-011-0001—For support of the State Hospitals, Department of Mental Health. I delete Provision 8.

Provision 8 would require the department to provide an update by January 10, 2007 on the status of the operation of the adolescent unit at Metropolitan State Hospital (MSH), including whether construction of the onsite school is warranted. On May 8, 2006, the Legislature was notified of the termination of the school building project because the number of youths in the MSH's Children's Program has declined significantly, making construction of the school unnecessary. The department will provide information regarding the operation of the adolescent unit at MSH with the release of the 2007-08 Governor's Budget.

Item 5175-101-0001—For local assistance, Department of Child Support Services.

I am sustaining on a one-time basis the \$4,000,000 General Fund augmentation for local child support agency administration. The Department of Child Support Services, in consultation with local child support agencies, is in the process of developing a new funding allocation methodology intended to improve overall child support program performance. I am sustaining this funding to allow the department to evaluate the effectiveness of distributing funding according to this new allocation methodology in order to improve performance on state and federal child support program measures. If this augmentation and associated allocation methodology proves to directly improve performance, then I direct the department to consider options to utilize a performance-based methodology on a broader scale.

Item 5180-001-0001—For support of Department of Social Services. I reduce this item from \$88,889,000 to \$87,569,000 by reducing:

- (1) 16-Welfare Programs from \$64,579,000 to \$63,579,000;
- (2) 25-Social Services and Licensing from \$146,826,000 to \$146,470,000; and
- (10) Amount payable from the Federal Trust Fund (Item 5180-001-0890) from -\$345,298,000 to -\$345,262,000.

I am deleting the \$1,000,000 legislative augmentation for the Farm to Family and Donate/Don't Dump programs. Though I share the Legislature's desire to improve the statewide distribution of donated produce, these programs currently are operating without General Fund resources and should continue to pursue private investments.

I am also deleting the legislative augmentation of \$356,000 (\$320,000 General Fund and \$36,000 Federal Trust Fund) which would provide funding to make Community Care Licensing facility and compliance data available to the public on the Internet. I am fully supportive of efforts in this area, but the department must complete the necessary information technology planning process and should evaluate the possibility of using existing resources for this purpose.

Item 5180-001-0803—For support of Department of Social Services. I reduce this item from \$218,000 to \$208,000.

I am deleting the \$10,000 legislative augmentation which would provide funding to make Community Care Licensing facility and compliance data available to the public on the Internet. I am fully supportive of efforts in this area. Consistent with my action in Item 5180-001-0001, I am directing the Department of Social Services to complete the necessary information technology planning requirements and evaluate the possibility of using existing resources for this purpose.

Item 5180-001-0890—For support of Department of Social Services. I reduce this item from \$345,298,000 to \$345,262,000.

I am reducing 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 \$4,946,754,000 to \$4,941,154,000, and
- (6) Amount payable from the Federal Trust Fund (Item 5180-101-0890) from -\$3,833,619,000 to -\$3,828,019,000.

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 \$3,833,619,000 to \$3,828,019,000 and delete Provision 5.

I am deleting the \$5,000,000 legislative augmentation in federal Temporary Assistance for Needy Families (TANF) Block Grant funds for the CalWORKs program to reflect the level of savings in the May Revision for ongoing welfare reform efforts initiated in 2004-05. The Legislature increased funding for this program based on concerns that estimated savings in prior subventions have not materialized. However, the May Revision already adjusted the savings from my January Budget as the result of a revised welfare reform methodology and implementation schedule. As welfare reform efforts continue, additional adjustments, if necessary, will be appropriately reflected in my proposed January Budget for 2007-08.

I am deleting the \$600,000 legislative augmentation in TANF Block Grant funds for CalWORKs Indian Health Clinics. The Legislature's augmentation did not reflect an analysis of data or outcome measures indicating that the current funding level is insufficient. This veto maintains funding for Indian Health Clinics at the level proposed in the May Revision.

I am deleting Provision 5, as this language is unnecessary. The Legislature included language with the same effect in the social services budget trailer bill. Having language in both the Budget Act and the trailer bill is duplicative and may cause confusion related to compliance.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from \$437,339,000 to \$432,625,000 by reducing:

- (1) 16.75-County Administration and Automation Projects from \$1,055,060,000 to \$1,043,686,000;
- (2) Reimbursements from -\$57,397,000 to -\$54,203,000; and
- (3) Amount payable from the Federal Trust Fund (Item 5180-141-0890) from -\$560,324,000 to -\$556,858,000.

I am deleting the legislative augmentation of \$11,374,000 (\$4,714,000 General Fund, \$3,194,000 Reimbursements, and \$3,466,000 Federal Trust Fund) for workstation replacement and help desk support of the Statewide Automated Welfare System, including the CalWORKS Information Network. Although I understand that workstations need to be replaced on a regular basis, workstation replacement costs should be paid from funds provided for general county administration. In addition, the Budget already provides increased funding for county help desk staff.

I am also reducing \$3,204,000 in Item 4260-101-0890 to conform to this action.

Item 5180-141-0890—For local assistance, Department of Social Services. I reduce this item from \$560,324,000 to \$556,858,000.

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 \$912,253,000 to \$909,599,000 by reducing:

- (1) 25.30-Children and Adult Services and Licensing from \$2,392,442,000 to \$2,387,042,000;
- (3) Reimbursements from -\$99,626,000 to -\$99,173,000; and
- (6) Amount payable from the Federal Trust Fund (Item 5180-151-0890) from -\$1,399,979,000 to -\$1,397,686,000.

I am deleting the legislative augmentation of \$5,400,000 (\$2,654,000 General Fund, \$453,000 Reimbursements, and \$2,293,000 Federal Trust Fund) for Child Welfare Services/Case Management System (CWS/CMS) county workstation replacement. Although I understand that workstations need to be replaced on a regular basis, workstation replacement costs should be paid from funds provided for general county administration. In addition, since many workstations include functionalities that are not related to the CWS/CMS program, this augmentation is unnecessary.

I am also deleting the legislative augmentation of \$5,400,000 in Item 0530-001-9732 to conform to this action.

Item 5180-151-0890—For local assistance, Department of Social Services. I reduce this item from \$1,399,979,000 to \$1,397,686,000.

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

Item 5225-002-0001—For support of Department of Corrections and Rehabilitation. I delete Provision 6.

I am deleting Provision 6, which would limit the expenditure of funds appropriated for the Inmate Dental Plan required by the *Perez v. Tilton* lawsuit pending the submission of the court required staffing study to the Joint Legislative Budget Committee (JLBC). The Administration will provide this report to the JLBC when it is available; however, I am vetoing this language because it could limit the Department's ability to implement this plan and meet court requirements.

I am sustaining Provision 7, which will require the Department to establish guidelines for the use of telemedicine, establish performance targets, and provide the Legislature with a written report regarding meeting the performance targets. The Administration is supportive of establishing appropriate guidelines and performance measures. However, compliance will be at the discretion of the Receiver appointed by the federal court in *Plata v. Schwarzenegger* to oversee the provision of medical services to inmates.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$48,902,000 to \$47,816,000 by reducing:

- (1) 10-Instruction from \$58,451,000 to \$57,831,000,
- (2) 20-Instructional Support from \$100,127,000 to \$99,661,000;

and by deleting Provisions 27 and 30.

I am reducing this item by \$320,000 for increased compensation for Administrative Law Judges concerning dispute resolution services for special education. This legislative augmentation is unnecessary, as funding is already included in a separate item for employee compensation adjustments.

I am deleting Provision 30 to conform to this action.

I am reducing this item by \$300,000 for a study of the special education funding formula's Special Disabilities Adjustment. I note that a similar study funded in the 2002 Budget Act failed to update the adjustment factors in a satisfactory manner, and I see no compelling reason to believe that a second study will bring greater clarity to the issue.

I am deleting Provision 27 to conform to this action.

I am reducing a legislative augmentation by \$466,000 and 5.0 positions to oversee management teams and trustees of state-sanctioned schools. Instead, I am sustaining \$130,000 and 1.0 position for these purposes. I believe an increase in staff to the higher level is unnecessary because there are very few schools that will be subject to oversight by a management team or a trustee. Further, these oversight responsibilities can be absorbed within existing resources because the department's staffing levels were never reduced to reflect the phase-out of the Immediate Intervention/Underperforming Schools Program.

Item 6110-126-0890—For local assistance, Department of Education. I reduce this item from \$158,937,000 to \$143,837,000 and delete Provisions 10, 11, 12, and 13.

I am reducing \$15,100,000 in federal Reading First carryover expenditure authority from prior years and deleting the provisional language associated with it. I am concerned that this language both proposes to initiate a new cohort of grant recipients, and would require subsequent legislation to define the criteria by which currently participating districts are determined to be making progress in the program and thus, whether current grant recipients continue to receive funding. This language is an attempt to enact substantive law in the Budget Act rather than in a single subject bill as required by the Constitution.

Further, this proposal is inconsistent with the approved federal Reading First State Plan which appropriately gives the authority to define "significant progress" to the State Board of Education (SBE) as the State Educational Agency responsible for implementation of the federal No Child Left Behind Act. The SBE has been working with constituents to develop a fair and meaningful definition of "significant progress" and should be allowed to continue their work. Finally, the addition of a new cohort in the fifth year of a six-year

program may serve to undermine the overall performance of the state's Reading First program and, therefore, jeopardize future funding for this program if it is reauthorized at the federal level. I am willing to support a substantive bill that maintains the authority of the SBE to define "significant progress", extends availability of funding for existing cohorts for the 5<sup>th</sup> and 6<sup>th</sup> years, and avoids creation of a new cohort of grant recipients.

Item 6110-203-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from \$130,892,000 to \$93,092,000 by reducing:

(1) 30.20.010-Child Nutrition Programs from \$131,234,000 to \$93,434,000,

and by deleting Provision 6.

I am deleting \$37,800,000 legislative augmentation because the Legislature did not link this funding to legislation that would require schools to improve the nutritional quality of meals served to California students. With the progress we have made thus far in limiting "junk food" on school campuses and placing greater emphasis on student consumption of fruits and vegetables, I believe that improved nutritional quality is a critical additional step to battling childhood obesity and improving our students' health. I am therefore setting these funds aside for appropriation in subsequent legislation.

I am deleting Provision 6 to conform to this action.

Item 6360-001-0001—For support of the Commission on Teacher Credentialing. I delete this item.

I am deleting this item to eliminate the \$227,000 legislative augmentation to support the rate increase for the Paraprofessional Teacher Training Program in Item 6360-101-0001 because a rate increase does not drive any substantive additional workload.

Item 6600-001-0001—For support of Hastings College of the Law. I reduce this item from \$10,924,000 to \$10,671,000.

I am reducing the one-time legislative augmentation for relocation costs related to a capital outlay project to correct code deficiencies in an academic facility from \$776,000 to \$523,000. Pursuant to the compact for Higher Education, the Budget includes \$253,000 which may be spent for this purpose at the discretion of the College. This action is necessary to limit program expansions and provide for a prudent General Fund reserve.

Item 6610-002-0001—For support of California State University. I reduce this item from \$3,121,000 to \$2,991,000 by reducing:

- (3) Assembly Fellows from \$601,687 to \$565,287;
- (4) Senate Fellows from \$601,687 to \$565,287;
- (5) Executive Fellows from \$601,687 to \$565,287; and
- (6) Judicial Fellows from \$422,939 to \$402,139.

I am reducing the \$230,000 legislative augmentation for the Capital Fellows Programs by \$130,000. Given the 3 percent increase that was already included in the January Budget for this program, the remaining \$100,000 augmentation would reflect a 6.6 percent increase for inflationary pressures. This should be sufficient to effectively maintain the program. Should the Chancellor of the California State University believe this amount to be insufficient, he may allocate funds for this purpose from Item 6610-001-0001.

Item 6610-004-0001—For support of California State University. I delete this item.

I am deleting this item which reflects a legislative augmentation of \$112,000 to support California's membership in the Western Interstate Commission for Higher Education (WICHE). When acting on the 2004 Budget, the Legislature deleted funding for membership dues for WICHE, as well as other state membership dues because of the fiscal condition of the state. This reduction continues to be necessary to provide for a prudent General Fund reserve. Both the University of California and the California State University may elect to provide funding for this purpose to the extent the benefits of membership in this organization are worthwhile.

Item 6870-001-0001—For support of Board of Governors of the California Community Colleges. I reduce this item from \$9,472,000 to \$9,397,000 by reducing:

(2) 20-Special Services and Operations from \$16,392,000 to \$16,317,000.

I am reducing Schedule (2) to eliminate the \$75,000 legislative augmentation for additional staffing at the Chancellor's Office. Three positions were added to the Chancellor's Office in the Budget Act of 2005 for the same purposes and remain available in the budget year for these purposes. These resources are sufficient for supporting local assistance programs in 2006-07.

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98). I reduce this item from \$3,772,712,000 to \$3,763,712,000 by reducing:

(11) 20.20.050-Part-time Faculty Health Insurance from \$6,000,000 to \$1,000,000, and

(13) 20.20.055-Part-time Faculty Office Hours from \$11,172,000 to \$7,172,000.

I am reducing schedule (11) by \$5,000,000 and schedule (13) by \$4,000,000 to delete the legislative augmentations for both the respective Part-time Faculty Health Insurance and Part-time Faculty Office Hours Programs. However, I am setting these amounts aside for legislation that restores these funds for the Career Technical Education Program.

The part-time faculty programs were established to provide incentive grants to districts to increase their investments in part-time faculty benefits and were not intended to require additional state contributions. Given the significant increases in general purpose funding in this budget, districts have more than adequate resources to support these programs at local discretion. Moreover, I am committed to increasing the \$20,000,000 ongoing funding remaining in the budget for Career Technical Education, after the Legislature's

\$30,000,000 reduction to my proposed budget. Given the magnitude of work that remains to be done to reinvigorate and align career technical education programs in our high schools and community colleges, I am setting these funds aside for appropriation for that purpose in subsequent legislation.

Item 7980-001-0784—For support of California Student Aid Commission. I reduce this item from \$15,379,000 to \$15,279,000 by reducing:

(1) 15-Financial Aid Grants Program from \$13,848,000 to \$13,748,000,

and by deleting Provision 5.

I am deleting the \$100,000 legislative augmentation for 1.0 position for purposes of administering the Public Interest Attorney Loan Repayment Program to conform to my action on item 7980-101-0001.

I am deleting Provision 5 to conform to this action.

Item 7980-101-0001—For local assistance, California Student Aid Commission. I am revising Provision 1(d) and deleting Provision 10.

I am reducing the number of loan assumption warrants authorized in Provision 1(d) for the Assumption Program of Loans for Education by 600 and setting aside this amount of new warrants for authorization in subsequent legislation that would specify their use exclusively for students participating in the Science and Math Teacher Initiative as proposed in my January Budget. Given the significant shortage of highly talented science and math teachers in our public school system, my January Budget contained a modest, but important component of the initiative that has been funded in the last two budgets for the University of California and the California State University systems. I continue to propose assumption of loans for these students in order to provide greater certainty of securing the most proficient science and math teachers possible which is critical to California's future economic well being.

I am revising Provision 1(d) to conform to this action as follows:

“1(d). The purchase of loan assumptions under Article 5 (commencing with Section 69612) of Chapter 2 of Part 42 of the Education Code. The Student Aid Commission shall issue ~~8,000~~ 7,400 new warrants.”

Additionally, I am deleting the legislative language augmentation included in Provision 10 that authorizes 100 new warrants for the Public Interest Attorney Loan Repayment Program. Because the education trailer bill would delete the provisions of current law that authorize donations for the purpose of funding this program, these warrants would require General Fund repayment in future years. Therefore, this action is necessary to limit program expansions.

I am deleting Provision 10 to conform to this action.

Item 7100-101-0869—For local assistance under Workforce Investment Act (WIA), Employment Development Department. I delete Provision 2 of this item.

This language would have the effect of unilaterally augmenting the formula allocations for some Local Workforce Investment Areas (LWIAs), while decreasing the total funding available for other LWIAs that may need additional assistance as a result of recent worker dislocations.

I agree that the concern addressed by this language has merit, but it would not solve the underlying issue of fairness with regard to the division of funds based on mass layoff data. The California Workforce Investment Board is currently working on a report that will address the distribution of the federal Workforce Investment Act funds. Additionally, until the report is finalized, the Employment Development Department already has a process for LWIAs to apply for and receive additional funding when the formula allocation does not adequately reflect the demand for services. This process has been successfully used by LWIAs in the past to quickly receive additional funding when necessary. Consequently, for these reasons I am vetoing this language.

Item 7350-001-0001—For support of Department of Industrial Relations. I reduce this item from \$65,603,000 to \$64,103,000 by reducing:

(5) 40-Division of Occupational Safety and Health from \$88,966,000 to \$87,466,000, and by deleting Provisions 2 and 3.

I am deleting the legislative augmentation that provided \$1,500,000 and 15.2 personnel years to improve the ratio of Cal/OSHA inspectors to the civilian workforce. The Legislative Analyst's Office provided a study on Cal/OSHA inspections which demonstrates that the levels of workplace injuries and fatalities in California are well below the national average. Furthermore, Cal/OSHA has a number of inspector positions that are vacant and have been historically difficult to fill. With this reduction, \$87,466,000 still remains to support Cal/OSHA.

I am deleting Provision 2 which would require \$1,500,000 of the amount scheduled in Program 50 to be expended solely to reduce wage claim hearing backlogs and to increase field enforcement in specified industries. This language is unduly restrictive and could undermine the Division's targeted enforcement efforts.

I am deleting Provision 3 that would redirect the revenues collected from Farm Labor Contractor license fees. This provision would increase the amount directed to the Farmworker Remedial Account from \$50 to \$150, and would decrease the amount of funds directed to the General Fund from \$450 to \$350 for the 2006-07 fiscal year. This language is unnecessary because proposed budget trailer bill language will redirect the funds in a similar manner on an ongoing basis.

Item 8570-001-0001—For support of Department of Food and Agriculture. I reduce this item from \$76,457,000 to \$75,457,000 by reducing:

- (1) 11-Agricultural Plant and Animal, Pest and Disease Prevention from \$107,877,000 to \$106,877,000.

I am reducing the legislative augmentation for the Noxious Weed Management Program by \$1,000,000. While I understand that this program is to protect and enhance the economy and natural environment of California and that current activities are not sufficient to adequately address the problems associated with noxious and invasive weeds, the remaining funds will provide a sufficient level of funding to leverage local and federal funds to continue efforts in this area.

Item 8570-101-0001—For local assistance, Department of Food and Agriculture.

I am sustaining the \$3,000,000 legislative augmentation related to high-risk pest exclusion and the language requiring a specific allocation methodology for the distribution of these funds. Further, I am directing the Department to convene the High Risk Pest Exclusion Working Group and determine the distribution of these funds within 45 days of signature of this bill with contracts awarding these funds to immediately follow.

Item 8660-001-0461—For support of Public Utilities Commission. I reduce this item from \$9,292,000 to \$8,725,000.

I am reducing this item by \$567,000 to conform to the action I have taken in Item 8660-001-0462.

Item 8660-001-0462—For support of Public Utilities Commission. I reduce this item from \$74,778,000 to \$73,198,000 by reducing:

- (1) 10-Regulation of Utilities from \$108,830,000 to \$106,827,000;
- (3) 20-Regulation of Transportation from \$17,358,000 to \$16,791,000;
- (10) Amount payable from the Public Utilities Commission Transportation Reimbursement Account (Item 8660-001-0461) from -\$9,292,000 to -\$8,725,000; and
- (18) Amount payable from the Public Utilities Commission Ratepayer Advocate Account (Item 8660-001-3089) from -\$20,175,000 to -\$19,752,000.

The Legislature augmented the Public Utilities Commission's budget by \$5,607,000 and 58.5 positions to meet increased workload demands. I am sustaining \$3,037,000 and 33.0 positions to perform critical climate change activities and to meet workload demands in the Energy Division, Water Division, Telecommunications Division, and the Division of Ratepayer Advocates. However, I am vetoing \$2,570,000 and 25.5 positions of the augmentation because they are not justified on a workload basis.

Item 8660-001-3089—For support of Public Utilities Commission. I reduce this item from \$20,175,000 to \$19,752,000.

I am reducing this item by \$423,000 to conform to the action I have taken in Item 8660-001-0462.

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 \$(20,175,000) to \$(19,752,000).

I am reducing this item by \$423,000 to conform to the action I have taken in Items 8660-001-0462 and 8660-001-3089.

Item SEC. 24.55—California Research and Education Network. Specified Use of Funds and Reporting Requirements for the California Research and Education Network (CalREN). I revise this Control Section to eliminate requirements related to assets purchased primarily with state funds because they are overly restrictive and inequitable to other entities that have contributed funds for this equipment.

Participants in the Corporation for Education Network Initiatives in California (CENIC) and CalREN include private colleges and educational institutions from other states. Therefore, the language in this control section that requires that any assets purchased primarily with state moneys be transferred to the state if CENIC no longer manages the network is inappropriate. Disposition of jointly purchased and shared assets should be determined by all affected parties, including California educational institutions, in the unlikely scenario that CENIC no longer manages the Network. Further, this section appears to violate the separation of powers provision of the California Constitution in that it impairs the ability of the University of California, the California State University, and the Executive Branch to administer the program and determine the appropriate allocation of assets. Also, it appears to violate the prohibition against the impairment of the obligation of contracts in that it impairs the existing agreements among the members of CENIC.

I am revising Control Section 24.55 to conform as follows:

"SEC. 24.55. (a) For the purposes of this section, "educational institutions" means the University of California (UC), upon the approval of its Board of Regents, the California State University (CSU), the California Community Colleges (CCC), and the State Department of Education (SDE), or their designees, as part of their participation on the Board of the Corporation for Education Network Initiatives in California (CENIC).  
(b) To expend General Fund, student fee revenue, or any other monies for the California Research and Education Network (CalREN) or the K–12 High Speed Network (HSN), state educational institutions shall do all of the following:  
(1) Ensure that any interest earned on state monies is used for operating CalREN serving the UC, CSU, CCC, and K–12 segments. Any segment-specific cash reserves held by CENIC for an individual segment shall be held separately and accrue interest to that segment.  
(2) ~~Ensure that any assets purchased primarily with state monies are transferred to the state if CENIC no longer manages CalREN.~~  
(3) Approve an agreement that designates specific levels of service to be provided by CalREN and HSN to all public education segments.

(4) Establish fee payment schedules that neither result in significant prepayments nor require additional administrative costs to implement. If the Board of CENIC determines that certain prepayments are necessary, individual segments may prepay to avoid additional costs to themselves.

(5) Ensure that CENIC reports to the Legislature and the Governor, not later than December 1, 2006, the following minimum information:

(A) For the 2005–06 fiscal year, revenues from each public education segment and from other sources whose annual revenues are \$100,000 or more, and expenditures of \$100,000 or more by major category.

(B) A financial accounting of all primarily state-funded assets associated with CalREN and HSN.

(C) A copy of the 2006–07 service level agreement approved by the Board of CENIC.

(D) A list of all prepayments made in the 2005–06 fiscal year and in the first quarter of the 2006–07 fiscal year, and a detailed explanation of the savings resulting from each prepayment.

(E) A list of all in-state private educational institutions and out-of-state educational institutions that have used CalREN and the fee amounts they have been charged.

(F) A detailed revised budget for CalREN and HSN for the 2006–07 fiscal year."

Item SEC. 33.50—Strategic Sourcing. I delete this Control Section.

I am deleting this Control Section, which authorizes the Department of Finance to reduce appropriations to capture savings resulting from the California Strategic Sourcing Initiative and requires the Director of Finance to provide quarterly reports to the Legislature on any payments made to a Strategic Sourcing contractor at least 30 days prior to reducing any item of appropriation.

To the extent departments experience savings due to Strategic Sourcing, these savings will either create flexibility within departments' budgets or be counted toward the \$200,000,000 savings requirement in Control Section 4.05. However, consistent with the intent of Control Section 33.50, I am directing the Department of General Services to continue to provide quarterly reports to the Legislature identifying the Strategic Sourcing savings by departments and amounts paid to contractors.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 1801.

/s/ ARNOLD SCHWARZENEGGER

## AB 1811 - VETOES

**State of California**  
Governor's Office

I object to the following appropriations contained in Assembly Bill 1811.

Item 0250-101-0932—For local assistance, Judicial Branch. I reduce this item from \$2,802,900,000 to \$2,792,900,000 by reducing:

- (4) 45.45-Court Interpreters from \$96,126,000 to \$86,126,000.

I am deleting the \$10,000,000 legislative augmentation to provide interpreters in civil cases. I believe it is essential to provide non-English speaking litigants with interpreters in order to provide meaningful access to our justice system, and as such, I expect that the Judicial Council will identify efficiencies and best practices, and will, to the extent possible, expand the use of interpreters in civil cases using existing resources. This is consistent with the agreement I have with the Chief Justice regarding funding for the Courts, which provides a stable funding level for the Judicial Branch and allows the Judicial Council to prioritize programs within that annual augmentation, as is appropriate for an independent branch of government.

I am deleting Provision 11 to conform to this action.

Item 0250-111-0001—For transfer by the Controller to the Trial Court Trust Fund. I reduce this item from \$1,612,357,000 to \$1,602,357,000.

I am deleting the \$10,000,000 legislative augmentation to provide interpreters in civil cases to conform to the action taken in Item 0250-101-0932.

Item 0690-102-0001—For local assistance, Office of Emergency Services. I reduce this item from \$56,699,000 to \$56,249,000 by reducing:

- (1.5) 50.20-Victim Services from \$9,317,000 to \$9,267,000;

- (2.5) 50.30-Public Safety from \$52,953,000 to \$52,553,000;

and by deleting Provision 8.

I am deleting the \$450,000 legislative augmentation for the California Innocence Protection Program and the Youth Emergency Telephone Referral Hotline.

I am confident that these programs will be able to obtain private funding as they have in the past. With these reductions, \$127,000 still remains to support the Youth Emergency Telephone Referral Hotline.

I am deleting Provision 8 to conform to this action.

Item 2660-001-0042—For support of Department of Transportation. I reduce this item from \$2,322,131,000 to \$2,310,701,000 by reducing:

- (2) 20.10-Highway Transportation—Capital Outlay Support from \$1,394,844,000 to \$1,375,244,000;
- (17) Amount payable from the Federal Trust Fund (Item 2660-001-0890) from -\$547,224,000 to -\$539,054,000;

and by deleting Provision 13.

I am deleting the \$11,430,000 legislative augmentation to increase funding in the Capital Outlay Support Program. The Legislature augmented this item in order to provide funding for workload associated with the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 on the November 2006 ballot, as provided by Chapter 25, Statutes of 2006. However, this funding is unnecessary, because all of the capital outlay support work related to the bond act in 2006-07 will have already been completed within existing resources. Any future bond-related work should be funded out of the bond proceeds instead of using these scarce State Highway Account resources that are needed for ongoing maintenance of state highways.

I am deleting Provision 13 to conform to this action.

I am also revising Items 2660-001-0890 and 2660-002-3007 to conform to the revision in this item.

Item 3600-001-0001—For support of Department of Fish and Game. I reduce this item from \$101,813,000 to \$100,813,000 by reducing:

- (3) 30-Management of Department Lands and Facilities from \$67,020,000 to \$66,020,000,

and by deleting Provision 15.

I am deleting the legislative augmentation of \$1,000,000 and 8.0 positions for land management activities. With this reduction, \$66,000,000 still remains to support the management of department-owned lands and facilities, including wildlife areas, ecological reserves, and fish hatcheries.

I am deleting Provision 15. The Budget Act of 2006 includes \$10,000,000 for salmon restoration projects on the Klamath River. The proposed provisional language would shift \$4,000,000 from Klamath River restoration projects to the Fisheries Restoration Grant Program, subjecting these funds to a lengthy grant process. The intent of the Budget Act appropriation is to restore critical salmon habitat on the Klamath River as soon as possible through projects administered directly by the Department of Fish and Game. With this action, the Budget Act still provides \$4,000,000 to support the Fisheries Restoration Grant Program.

Item 3790-001-0001—For support of Department of Parks and Recreation. I reduce this item from \$377,959,000 to \$377,784,000 by reducing:

- (1) For support of the Department of Parks and Recreation from \$605,378,000 to \$605,203,000.

I am reducing this item by \$175,000 and 2.0 positions for the Main Street Program. Existing law specifies a funding mechanism for this program and providing a General Fund augmentation would be inconsistent with those provisions.

Item 3900-001-0044—For support of Air Resources Board. I reduce this item from \$160,579,000 to \$135,579,000 by reducing:

- (1) 15-Mobile Source from \$272,255,000 to \$257,255,000, and
- (2) 25-Stationary Source from \$51,210,000 to \$41,210,000.

I am deleting the \$25,000,000 legislative augmentation to reduce emissions from locomotives, construction equipment, and dairy equipment. Notwithstanding the merits of the funding, this reduction is necessary because planned and anticipated expenditures limit the resources available in the Motor Vehicle Account to support new expenditures. Furthermore, the Budget already provides \$90,000,000 for the Carl Moyer Program to fund cost-effective emission reduction projects, \$25,000,000 to replace pre-1977 school buses with new clean buses that meet federal safety standards, and \$25,000,000 to develop clean alternative fuels and promote zero emission vehicles.

Item 4260-001-0001—For support of Department of Health Services. I delete Provisions 7 and 8.

I am deleting Provision 7 because exempting all clinical positions within the Department of Health Services Licensing and Certification Division from unallocated reductions is an infringement on the Executive Branch's budget development process and restricts my authority to prepare a budget which reflects my spending priorities within available fiscal resources.

I am deleting Provision 8 to conform to the action I took in Item 4120-101-0001.

Item 4260-111-0001—For support of Department of Health Services. I reduce this item from \$569,157,000 to \$560,157,000 by reducing:

- (5) 10.30.040-Chronic Diseases from \$187,890,000 to \$185,890,000;
- (6) 10.30.050-Communicable Disease Control from \$74,711,000 to \$68,711,000;
- (9) 20.40-Primary Care and Family Health from \$1,536,864,000 to \$1,535,864,000;

and by revising Provision 4.

I am deleting the \$2,000,000 legislative augmentation for the California Children's Dental Disease Program (CDDPP). With this reduction, \$3,300,000 still remains to support 33 programs statewide, serving over 1,200 schools and 326,000 children. In addition, this

Budget includes \$1,500,000 in the Medi-Cal and \$500,000 in the Healthy Families programs for dental services related to my proposal to ensure dental screenings are available for California's school children.

I am sustaining \$3,000,000 and deleting \$6,000,000 of the \$9,000,000 legislative augmentation for West Nile Virus (WNV). Last year I provided \$12,000,000 in one-time funding to enhance mosquito control efforts and reduce death and illness from WNV. That funding should continue to have an effect this year. Local mosquito and vector control agencies and other local governmental entities should continue to utilize local government revenue to support their ongoing efforts. Furthermore, the Budget contains an additional \$1,000,000 in ongoing funding to support an effective, long-term, strategic plan for WNV, including a multifaceted surveillance program, extensive public education, and assistance to local agencies and the medical and veterinary communities. In the event unforeseen circumstances result in the depletion of funds to fight this infectious disease, I will consider administrative remedies to provide funding to the extent appropriate. I am revising Provision 4 to conform to this action as follows:

"4. (a) Of the amount appropriated in this item, the Department of Health Services shall, at the discretion of the director, allocate ~~\$9,000,000~~ \$3,000,000 to local mosquito and vector control agencies or other governmental entities, or contract with other entities to supplement resources for local mosquito control efforts to mitigate the threat of West Nile Virus transmission. In allocating these funds, the director shall first address high priority areas and "hot spots," based on epidemiological studies and related information to mitigate the spread of the disease. These funds shall not be used to supplant existing local vector control agency funds.

(b) In response to the public health implications of the West Nile Virus, and in order to expedite the implementation of mosquito control efforts funded by no more than ~~\$9,000,000~~ \$3,000,000 appropriated in this item, the department may make and receive grants and enter into contracts and interagency agreements. The department shall be exempt from competitive bidding requirements and shall be exempt from the requirements of Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code."

I am sustaining the legislative augmentation to provide \$272,000 AIDS Drug Assistance Program Rebate Fund and 3.0 positions to support expansion of the Ryan White Comprehensive AIDS Resources Emergency Health Insurance Premium Payment (CARE/HIPP) Program. There is likelihood that cost avoidance may materialize in future years due to this program expansion.

I am sustaining the legislative augmentation to provide \$20,000,000 federal funds, anticipated from the second federal award for pandemic influenza, to purchase medical supplies and equipment to strengthen the state's health care surge capacity needs.

I am deleting the \$1,000,000 legislative augmentation which would increase resources for Indian Health Clinics. With this reduction, \$6,900,000 still remains in the Department of Health Services for this purpose.

Item 6360-101-0001—For local assistance, Commission on Teacher Credentialing (Proposition 98). I revise Provision 2.

While I am sustaining the \$1,267,000 legislative augmentation for increasing the per participant funding rate for the Paraprofessional Teacher Training Program, I am making a technical

revision to the language in this item because it is inconsistent with the intent of the augmentation.

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

"2. The funds appropriated in Schedule (2) are for school districts and county offices of education participating in the California School Paraprofessional Teacher Training Program established pursuant to Article 12 (commencing with Section 44390) of Chapter 2 of Part 25 of the Education Code. Of these funds, \$1,267,000 is available to increase the per participant rate and to address participant waiting lists pursuant to the enactment of legislation during the 2005-06 Regular Session."

Item 6440-001-0001—For support of University of California. I reduce this item from \$2,835,604,000 to \$2,834,604,000 by reducing:

(1) Support from \$2,752,108,000 to \$2,751,108,000,

and by revising Provision 13 and deleting Provision 24.

I am deleting the \$1,000,000 legislative augmentation for research on obesity and diabetes. This reduction exceeds the level of funding provided under the Higher Education Compact and is necessary to limit program expansions and to provide for a prudent General Fund reserve.

I am deleting Provision 24 to conform to this action.

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

I am revising Provision 13 to conform as follows:

"13. Of the funds appropriated in Schedule (1), \$50,980,000 is to fund 5,149 additional state-supported full-time equivalent (FTE) students at the University of California, based on a marginal General Fund cost of \$9,901 per additional student. ~~This funding rate is based on a new methodology for determining the marginal cost of each additional state-supported student. This methodology calculates a total marginal cost (including operation and maintenance costs and faculty costs based on the salaries of recently hired professors) and then subtracts from this cost the fee revenue the university anticipates from each additional student (after adjusting for financial aid), in order to determine the amount of General Fund support needed from the state. It is the intent of the Legislature that enrollment growth funding provided to the university in subsequent budgets be based on this new methodology.~~ The Legislature expects the University of California to enroll a total of 193,455 state-supported FTE students during the 2006-07 academic year. This enrollment target does not include nonresident students and students enrolled in non-state-supported summer programs. The University of California shall report to the Legislature by March 15, 2007, on whether it has met the 2006-07 enrollment goal. For purposes of this provision, enrollment totals shall only include state-supported students. If the University of California does not meet its total state-supported enrollment goal by at least 257 (FTE) students, the Director of Finance shall revert to the General Fund by April 1, 2007,

the total amount of enrollment funding associated with the total share of the enrollment goal that was not met.”

Item 6610-001-0001—For support of California State University. I revise Provisions 7.5 and 13.

I am sustaining the \$371,000 legislative augmentation for the full cost associated with supporting an additional 35 undergraduate nursing students. While the Administration supports increases in undergraduate nursing slots, enrollment growth funding from the higher marginal cost included in the Budget Bill should be sufficient to support the intended expansion as it reflects average costs for both high and low cost programs. Therefore, I will not support additional costs for undergraduate enrollments in the future.

I am revising Provision 13. While I am sustaining the one-time legislative augmentation of \$1,000,000 for faculty recruitment and start-up costs to prepare for the enrollment of 340 undergraduate nursing students in 2007-08, I object to the language that intends that these students be funded in 2007-08 at a higher level than would be provided with marginal cost growth funding. Similar to my concerns expressed above, I believe that the future costs associated with undergraduate nursing enrollments can be fully accommodated within the funding provided for enrollment growth under the Higher Education Compact.

I am revising Provision 13 to conform as follows:

“13. Of the amount provided in Schedule (1), \$2,000,000 is appropriated on a one-time basis for startup costs associated with the expansion of nursing programs. Specifically, the Legislature intends that these funds be used to prepare for the enrollment in the 2007-08 academic year of 340 additional undergraduate full-time-equivalent nursing students above enrollment levels in the 2006-07 academic year. The Legislature intends that these additional nursing students be funded out of the California State University's enrollment funding for the 2007-08 academic year, ~~with additional funding to be provided to recognize the higher costs imposed by nursing students.~~”

Finally, I am revising Provision 7.5 to delete language that describes a new methodology for determining the marginal cost of each additional state-supported student in the future. The new formula is not transparent, is too difficult to either replicate or verify allowing for potential manipulation in future years, and does not properly reflect the full mix of new faculty associated with the system-wide growth in students.

I am revising Provision 7.5 to conform as follows:

“7.5. Of the amount appropriated in Schedule (1), \$61,340,000 is to fund 8,490 additional state-supported full-time-equivalent students (FTES) at the California State University (CSU), based on a marginal General Fund cost of \$7,225 per additional student. ~~This funding rate is based on a new methodology for determining the marginal cost of each additional state-supported student. This methodology calculates a total marginal cost (including operation and maintenance costs and faculty costs based on the salaries of recently hired professors) and then subtracts from this cost the fee revenue the university anticipates from each additional student (after adjusting for financial aid), in order to determine the amount of General Fund support needed from the state. It is the intent of the Legislature that enrollment growth funding provided to the university in subsequent budgets be based on this new methodology. The~~

Legislature expects CSU to enroll a total of 332,395 state-supported FTES during the 2006-07 academic year. This enrollment target does not include nonresident students and students enrolled in nonstate supported summer programs. The CSU shall provide a preliminary report to the Legislature by March 15, 2007, and a final report by May 1, 2007, on whether it has met the 2006-07 enrollment goal. For purposes of this provision, enrollment totals shall only include state-supported students. If CSU does not meet its total state-supported enrollment goal by at least 425 FTES, the Director of Finance shall revert to the General Fund by May 15, 2007, the total amount of enrollment funding associated with the total share of the enrollment goal that was not met.”

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 1811.

/s/ ARNOLD SCHWARZENEGGER

## AB 1805 – SIGNING MESSAGE

To the Members of the California State Assembly:

I am signing Assembly Bill 1805 because it is critical to the enactment of the state budget.

However, there are still technical issues relating to Sections 2, 3 and 4 of the bill that still must be resolved and may require subsequent legislation. Therefore, I am convening a working group that includes members of my Administration and representatives from local law enforcement and local governments to review and address issues relating to the implementation of local detention facility revenue accounts and any modifications to the current method of collecting fees for the reimbursement of city or county expenses when an arrested person is brought to the jail for booking or detention. The discussion will include, but not be limited to, the roles and responsibilities of local entities, appropriate overall funding totals, and multi-year contracting issues with the objective of concluding discussions prior to December 1, 2006.

In addition, I am asking the working group to consider and make recommendations regarding the detail, scope and timeline for a study of booking and arrest patterns by California law enforcement agencies by December 15, 2006. In making these recommendations the working group should consider the type and amount of data currently available and necessary to evaluate the policy and fiscal implications of the implementation of Government Code Section 29550, 29551 and 29552 and related issues on all affected public agencies.

Sincerely,

Arnold Schwarzenegger