

# MAJOR ACTION REPORT

June 11, 2008

Senate Bill 1067  
2008-09 Budget Bill

Senate Committee  
on  
Budget and Fiscal Review

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



June 9, 2008

The Senate Budget and Fiscal Review Committee has completed its work on the Senate's version of the 2008 budget. This budget represents the work product of 18 full committee hearings and 50 subcommittee hearings.

This budget reflects the honest debate that needs to occur about the kind of State we want, without forgetting that there are segments of our population that need assistance in one form or another. Furthermore, this budget maintains a responsible approach to budgeting by limiting the need for risky revenue proposals, reducing additional borrowing, and with no accounting gimmicks.

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 - Major Action Report 2008

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,

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

# INTRODUCTION

On June 5, the Senate Budget and Fiscal Review Committee and subcommittees completed its work on recommendations for the Senate version of the 2008-09 Budget. The Senate version of the budget is predicated on \$108.4 billion in total available General Fund resources, \$105.9 billion in General Fund expenditures, with an estimated General Fund reserve of \$1.56 billion.

Overall, the Senate version utilized various guiding principles in crafting its budget expenditures that, among other things: (1) rejected the 10 percent across-the-board approach and established priorities, (2) prioritized funding for children and the most vulnerable of the state's population, (3) funded core services before allocating discretionary funded programs, (4) funded direct services over administrative costs, (5) maintained early intervention and prevention services whenever possible, (6) eliminated duplicative, overlapping and unnecessary programs and services, (7) deferred funding of newly initiated programs, and (8) identified whether reductions resulted in a greater loss of federal funding or resulted in an increased cost in another program – thereby making them ineffective and costly to implement.

The Senate version of the budget includes many expenditure reductions, including, but not limited to: (1) suspension of both the October 2008 SSI/SSP state COLA and October 2008 CalWORKs COLA, (2) elimination of funding for several discretionary local subventions, and (3) \$300 million in additional corrections savings above the May Revision.

In addition, the Senate version of the budget rejected numerous revenue proposals by the administration determined to rely on additional borrowing and accounting gimmicks. The Senate budget: (1) rejected special fund loans; (2) made no assumption related to the securitization of future proceeds from the state lottery; and (3) rejected the administration's questionable accrual shift of personal and corporate income taxes from 2009-10 to 2008-09.

As a result of these actions, the Senate version of the budget replaces these revenues with an assumption about additional General Fund revenues in order to have a reserve of \$1.56 billion.

Overall, the Senate Budget Committee adopted a spending plan that protects education and the state's most vulnerable citizens. Highlights include:

### **Education / Higher Education**

- Appropriating \$3 billion more than the Governor's May Revision for Proposition 98 education.
- Restoring \$57 million in money for new competitive Cal Grant awards, the state's primary financial aid for students attending college. The \$57 million funds 22,550 Cal Grant awards.
- Providing funding for UC and CSU at the same level as 2007-08, which includes approximately \$100 million to each segment above the Governor's January proposal.

### **Health**

- Reducing the cut in the Medi-Cal provider rate from 10 percent to 5 percent and rejecting the Governor's proposal to eliminate dental care, optometry, and other Medi-Cal benefits.

### **Human Services**

- Rejecting the Governor's cuts to children's services, foster care, and the salaries for in-home support service workers.
- Rejecting the administration's proposal to take \$109 million from not passing through to SSI/SSP recipients the January 2009 federal cost-of-living adjustment.

### **Transportation**

- Full funding for Proposition 42, approximately \$1.4 billion for public transit, local road maintenance, and highway construction.

### **General Budgeting**

- No borrowing and no accounting gimmicks.
- Protecting the state's vital services and infrastructure.

### General Fund Summary

The following chart – a summary of the General Fund – illustrates how the budget crafted by the Senate Budget and Fiscal Review Committee compares with the Governor's May Revision for both 2007-08 and 2008-09.

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

|  | May<br>Revision  |  | Senate           |  | May<br>Revision  |  | Senate           |
|--|------------------|--|------------------|--|------------------|--|------------------|
|  | <u>2007-08</u>   |  | <u>2007-08</u>   |  | <u>2008-09</u>   |  | <u>2008-09</u>   |
| <b>Prior-year balance</b>                  | \$4,096          |  | \$4,127          |  | \$1,743          |  | \$1,511          |
| Revenues and Transfers                     | \$101,190        |  | \$100,701        |  | \$102,987        |  | \$106,928        |
| <b>Total Resources Available</b>           | <b>\$105,296</b> |  | <b>\$104,828</b> |  | <b>\$104,730</b> |  | <b>\$108,439</b> |
|  |                  |  |                  |  |                  |  |                  |
| <b>Total Expenditures</b>                  | <b>\$103,543</b> |  | <b>\$103,316</b> |  | <b>\$101,836</b> |  | <b>\$105,993</b> |
|  |                  |  |                  |  |                  |  |                  |
| <b>Fund Balance</b>                        | <b>\$1,743</b>   |  | <b>\$1,511</b>   |  | <b>\$2,894</b>   |  | <b>\$2,446</b>   |
| Reserve for Liquidation of<br>Encumbrances | (\$885)          |  | (\$885)          |  | (\$885)          |  | (\$885)          |
| Special Fund for Economic Uncertainties    | \$858            |  | \$626            |  | \$2,009          |  | 1,561            |
| Budget Stabilization Account               | --               |  | --               |  | --               |  | --               |
|  |                  |  |                  |  |                  |  |                  |
| <b>TOTAL AVAILABLE RESERVE</b>             | <b>\$858</b>     |  | <b>\$626</b>     |  | <b>\$2,009</b>   |  | <b>\$1,561</b>   |

Senate Committee  
on  
Budget and Fiscal Review

SUBCOMMITTEE 1  
Education

MAJOR ACTION  
REPORT

June 11, 2008

Senate Bill 1067  
2008-09 Budget Bill

*Members*

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Gloria Romero

*Consultants*

Kim Connor  
Amy Supinger

# SUBCOMMITTEE NO. 1

## EDUCATION

**Org  
Code**

**K-12**

|           |   |     |
|-----------|---|-----|
| 6110      | California Department of Education.....   | 1-1 |
| 0558/0650 | Office of the Secretary of Education..... | 1-4 |

**Higher Education**

|      |  |     |
|------|--|-----|
| 6120 | California State Library.....                      | 1-5 |
| 6420 | California Postsecondary Education Commission..... | 1-5 |
| 6440 | University of California .....                     | 1-5 |
| 6610 | California State University.....                   | 1-5 |
| 6600 | Hastings College of the Law .....                  | 1-6 |
| 6870 | California Community Colleges .....                | 1-6 |
| 7980 | California Student Aid Commission.....             | 1-6 |

## K-12 EDUCATION

### 6110 CALIFORNIA DEPARTMENT OF EDUCATION

#### Proposition 98 – K-14 Education:

- Appropriated **\$59.8 billion** in Proposition 98 funding for K-12 education and community colleges in 2009-09, which provides **\$3.2 billion** in ongoing funds above the 2007-08 budget. This amount reflects an increase of **\$3 billion** in Proposition 98 funding above the Governor's Budget.
- Denied the Governor's Budget Balancing Reductions of more than **\$900 million**, which decreased funding for nearly all K-14 programs, except K-12 revenue limits, and special education.
- Appropriated **\$2.1 billion** to provide a partial cost-of-living adjustment (COLA) of 3.67 percent for K-14 programs. This includes **\$1.8 billion** for K-12 revenue limits and categorical programs and **\$227.8 million** for community college apportionments and categorical programs. A revenue limit deficit factor is established for foregone COLA according to current law rates (5.66 percent).
- Appropriated **\$503.9 million** in one-time Proposition 98 funds for K-14 education, as follows:
  - **\$ 327.8 million** for Child Care and Development programs, including **\$163.1 million** for CalWORKS Stage 2 child care and **\$164.7 million** for CalWORKS Stage 2 and 3 adjustments;
  - **\$101 million** for the Emergency Repair Program in schools in the lowest three deciles of the Academic Performance Index;
  - **\$74.8 million** to backfill property tax losses at community colleges;
  - **\$295,000** for Fiscal Crisis Management Team (FCMAT) to prepare required annual status reports for schools districts with state emergency loans.

#### Other K-12 Education:

- Provides a net increase of **\$14 million** for changes in K-12 average daily attendance (ADA). Savings from an expected decline in ADA at a rate of 0.52 percent (-\$128 million) are offset by a projected increase in the costs of holding district revenue limits harmless for one year from the costs of declining enrollment.
- Captured **\$121 million** in savings for the following K-12 programs, which reflect workload and other technical adjustments:
  - \$45 million – Special Education



- \$29 million – High Priority Schools Program
  - \$23 million – K-3 Class Size Reduction.
  - \$11 million – Home-to-School Transportation
  - \$8 million – Other Programs
  - \$5 million – 9<sup>th</sup> Grade Class Size Reduction
- Provides **\$18 million** in ongoing Proposition 98 funding for Charter Schools Facility Grants to offset rental/lease costs for charter schools serving economically disadvantaged students. This program has been funded with one-time funds.
  - Approved **\$11.5 million** for development of the California Longitudinal Pupil Achievement Data System (CALPADS) funded through a variety of non-General Fund sources. This amount fully funds CALPADS development, including \$1.1 million in additional funds for California Student Information Services (CSIS) support.
  - Provides **\$1.2 million** in federal Title II funds to fully fund development of the California Longitudinal Teacher Integrated Data Education System (CALTIDES).
  - Eliminated the STAR norm-referenced test currently administered to students in grades 3 and 7 for a savings of **\$2.5 million**.
  - Approved **\$78.1 million** in federal School Improvement Grant funds to be allocated for school improvement activities pursuant to legislation. This amount includes \$378,000 and four positions to administer the new federal program.
  - Approved **\$55.2 million** in Title I Set-Aside funds to be allocated for school improvement activities pursuant to legislation. Of this amount, **\$7.8 million** is provided on a one-time basis for LEA data support.
  - Approved **\$6 million** in one-time Title V School Innovation and Improvement funds to be coordinated with other school improvement activities pursuant to legislation.
  - Approved an additional **\$5.1 million** in one-time federal Title II Teacher Quality funds including:
    - **\$3 million** to continue funding for Personnel Management Assistance Teams in their work toward compliance with the Highly Qualified Teacher provisions of the federal No Child Left Behind Act;
    - **\$2.1 million** is provided to backfill General Fund (Non-98) support for the U.C. Subject Matter Projects.
  - Approved **\$3.4 million** in one-time federal Title III funds as follows:
    - **\$1.7 million** in local assistance activities for English learners to be coordinated with federal school improvement activities;
    - **\$1.6 million** to provide monitoring and technical assistance to alternative schools, county court schools, and Division of Juvenile Justice schools on the provision of services for English learner students;

- **\$109,000** to make permanent one position for the English learner component of the Math and Reading Professional Development program.
- Approved **\$2.5 million** in one-time federal Special Education funds as follows:
  - **\$1.25 million** to provide monitoring and technical assistance to alternative schools, county court schools, and Division of Juvenile Justice schools in the provision of services for youth with disabilities;
  - **\$1.25 million** for Family Empowerment Centers, which provide information and training to families of students with disabilities through a network of statewide resource centers.
- Provides **\$92.7 million** for the Reading First program, which reflects a decrease of \$87.6 million in ongoing federal funds for the program. Provisional language limits funding to school districts to no more than six years so that participating school districts will be able to finish out the program with existing funding available.
- Continued deferral of annual mandate payments for K-12 education in 2008-09, estimated to cost **\$180 million** annually.
- Approved an unallocated reduction of **\$5.5 million** (ten percent) in state General Funds (Non-98) for CDE headquarters staff and expenses as a part of the Governor's Budget Balancing Reductions. Denied an additional \$482,000 in General Fund (Non-98) resources for 3.3 new positions and other operating expenses.

### *Child Development*

- Fully funded CalWORKs child care programs using Proposition 98.
- Restored Governor's proposed across-the-board reductions to various child care programs.
- Provided minimal funding for enrollment growth.
- Reinstated a partial Cost-of-Living Adjustment (COLA).
- Approved Governor's proposal to freeze State Median Income (SMI), the income level under which families are eligible to receive subsidized child care services.
- Adjusted child care provider reimbursement rates, pursuant to the new Regional Market Rate survey, effective March 1, 2009.
- Retained reimbursement rate ceilings at the current levels (85th percentile of the Regional Market Rate).
- Codified the current practice of assessing family fees when a family's income reaches 40 percent of the SMI.
- Approved Governor's proposal to "score" approximately \$60 million in savings attributable to the After School Education and Safety Program (Proposition 49) for 2008-09, but adopted

alternative Trailer Bill Language linking the future suspension of Proposition 49 to years when Proposition 98 K-14 spending levels are predicated on the use of "Test 3". The Trailer Bill Language would have to be placed on the ballot for voter approval.

**0558/0650 OFFICE OF THE SECRETARY OF EDUCATION**

- Reduced state General Funds (Non-98) for the Office of the Secretary of Education by 25 percent (**\$494,000**) – an additional 15 percent beyond the Governor's Budget Balancing Reduction -- with intent language to phase-out funding for the office over the next four years.

## HIGHER EDUCATION

### **6120 CALIFORNIA STATE LIBRARY**

- Approved Governor's ten percent reductions to various State Library Programs, including the Public Library Foundation; the Civil Liberties Education Program; and the Interlibrary Loan Program, among others.

### **6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION**

- Adopted a 25 percent reduction to state operations with the goal of phasing out CPEC's General Fund operations by 2011.

### **6440 UNIVERSITY OF CALIFORNIA**

- Partially restored General Fund (\$98.6 million) sufficient to hold funding at the levels provided in the current year.
- Adopted alternative Budget Bill language to:
  - Reinstate academic preparation and research "earmarks" to ensure funding for legislative priorities;
  - Redirect \$15 million from compensation for administrators to pay for increased compensation for low-wage workers;
  - State the intent of the Legislature that, moving forward, budget augmentations in 2009-10 will apply to new workload costs only.
- Denied approval for facility projects and funding associated with a 2008 General Obligation Bond and realigned existing capital outlay projects with existing bond funds to allow current projects to be completed rather than starting new projects.

### **6610 CALIFORNIA STATE UNIVERSITY**

- Partially restored General Fund (\$97.6 million) sufficient to hold funding at the levels provided in the current year.
- Adopted alternative Budget Bill language to:
  - Reinstate academic preparation and student financial aid "earmarks" to ensure funding for legislative priorities;
  - State the intent of the Legislature that, moving forward, budget augmentations in 2009-10 will apply to new workload costs only.

- Denied approval for facility projects and funding associated with a 2008 General Obligation Bond and realigned existing capital outlay projects with existing bond funds to allow current projects to be completed rather than starting new projects.

**6600 HASTINGS COLLEGE OF THE LAW**

- Partially restored General Fund (\$516,000) sufficient to hold funding at the levels provided in the current year.

**6870 CALIFORNIA COMMUNITY COLLEGES**

- Restored Governor's proposed across-the-board reductions.
- Provided approximately \$113 million to fund two percent enrollment growth.
- Reinstated a partial Cost-of-Living Adjustment (COLA) for Apportionments and select categorical programs.
- Adopted "placeholder" Trailer Bill Language expanding the Career Technical Education program to include a "green technology" component. Funding to be appropriated from the Public Interest Research, Development Demonstration Fund (\$12.5 million) and the Alternative and Renewable Fuel and Vehicle Technology Fund (\$12.5 million).
- Backfilled current-year property tax shortfall by providing approximately \$75 million in General Fund resources.

**7980 CALIFORNIA STUDENT AID COMMISSION**

- Denied Governor's proposal to phase-out the Competitive Cal Grant program and augmented by approximately \$57 million for this purpose.
- Extended date by which the Administration has the authority to sell EdFUND; continues to assume the proceeds of a sale in 2009-10 of \$500 million.
- Authorized 8,000 Assumption Program of Loan for Education (APLE) warrants, holding constant the number of warrants authorized for 2008-09.
- Funded the California Student Opportunity and Access Program (Cal-SOAP) with federal funds rather than General Fund and assumed the Governor's ten percent programmatic reduction but partially offset that reduction with a \$500,000 augmentation (from within federal funds).
- Provided a \$500,000 augmentation from federal funds to the Cash for College program.

Senate Committee  
on  
Budget and Fiscal Review

SUBCOMMITTEE 2  
Resources, Environmental Protection, and  
Energy

MAJOR ACTION  
REPORT

June 11, 2008

Senate Bill 1067  
2008-09 Budget Bill

*Members*

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Darrell Steinberg  
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# SUBCOMMITTEE No. 2

## RESOURCES, ENVIRONMENTAL PROTECTION, AND ENERGY

**Org  
Code**

| <b>Org<br/>Code</b> |  |      |
|---------------------|--|------|
|                     | <b>Natural Resources</b>   |      |
| 0540                | Secretary for Resources .....  | 2-1  |
| 3110                | Special Resources Programs.....  | 2-1  |
| 3125                | California Tahoe Conservancy .....                                       | 2-1  |
| 3340                | California Conservation Corps .....                                      | 2-2  |
| 3460                | Colorado River Board .....   | 2-2  |
| 3480                | Department of Conservation.....  | 2-2  |
| 3540                | Department of Forestry and Fire Protection .....                         | 2-3  |
| 3560                | State Lands Commission .....   | 2-3  |
| 3600                | Department of Fish and Game .....  | 2-4  |
| 3640                | Wildlife Conservation Board.....   | 2-5  |
| 3680                | Department of Boating and Waterways.....                                 | 2-5  |
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| 3855                | Sierra Nevada Conservancy.....   | 2-8  |
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| 7300                | Agricultural Labor Relations Board .....                                 | 2-17 |
| 8570                | Department of Food and Agriculture.....                                  | 2-17 |

## NATURAL RESOURCES

### **0540 Secretary for Resources**

- Approved \$28.6 million in Proposition 84 bond funds and two positions for the River Parkways grant program.
- Approved \$1.1 million in Proposition 13 bond funds for the River Parkways grant program.
- Approved \$15.9 million in Proposition 84 bond funds for San Joaquin River Restoration with budget bill language.
- Approved reduction of \$249,000 from special funds for the CALFED Watershed Program. Adopted trailer bill language to transfer this program to the Department of Conservation.
- Approved \$9,568,000 in Federal Trust Funds for various Resources Agency departments' Coastal Impact Assistance Program projects.
- Approved \$110,000 in Federal Trust Funds for implementation of the Coastal Impact Assistance Program.
- Rejected \$177,000 GF for SB 97 implementation.
- Approved \$607,000 GF budget balancing reduction to the CALFED Bay-Delta Program.

### **3110 Special Resources Program**

- Approved \$95,000 from special funds for the Angora Fire rebuilding effort at the Tahoe Regional Planning Agency.

### **3125 California Tahoe Conservancy**

- Approved \$8.2 million from various funding sources (including Proposition 84 bond funds, Proposition 12 bond funds, and special funds) for the Lake Tahoe Environmental Improvement Program.
- Approved \$8.48 million in Federal Trust Fund for the Lake Tahoe Environmental Improvement Program.
- Approved \$558,000 from special funds and bond funds for the Conservancy's support activities.
- Approved \$22,000 GF budget balancing reduction.



### **3340 California Conservation Corps**

- Approved \$26 million in Proposition 84 bond funds, of which \$23 million is for local conservation corps and \$3 million for state operations.
- Approved \$544,000 GF budget balancing reduction to the local corps funding and Headquarters staff.
- Approved \$1 million from the Collins–Dugan Account to replace GF.
- Approved \$6.5 million in additional lease-revenue bond funds for construction of the Delta Service District Center.

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

- Approved as budgeted.

### **3480 Department of Conservation**

- Approved \$10 million in Proposition 84 bond funds for the purchase of permanent agricultural easements.
- Approved \$1 million from special funds for four years for orphan well elimination. These funds are in addition to the current baseline of \$1 million. Adopted trailer bill language making the additional funds transfer possible.
- Approved \$1,043,000 from special funds to transfer the CALFED Watershed Coordinator Grant program from the Secretary for Resources to the Department of Conservation.
- Approved \$945,000 from special funds to make eight existing positions permanent for fraud detection in the Beverage Container Recycling program.
- Approved \$910,000 from special funds to make five existing positions permanent for Williamson Act and the California Farmland Conservancy Program enforcement.
- Approved \$500,000 from special funds for three years to scan oil and gas well records to PDF and TIFF files on DVDs.
- Approved \$473,500 from special funds to implement SB 1021.
- Approved \$350,000 from special funds to map aggregate (sand used for construction) locations.
- Approved \$209,000 from special funds for two limited-term positions for abandoned mine lands unit staffing.
- Approved \$129,000 from special funds for one position to evaluate and update the effective administration of operational Field Rules for California oil and gas fields.
- Approved \$125,000 in Reimbursement for vested rights determinations for mines under Board authority as a lead agency.
- Rejected \$32 million transfer from the Beverage Container Recycling Fund to the Air Pollution Control Account.

- Rejected \$1,167,000 transfer from special funds to the California Integrated Waste Management Board's Education and the Environment Initiative.
- Approved \$512,000 GF budget balancing reduction to the Geologic Hazards and Mineral Resources program.

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

- Approved \$2,475,000 GF for two years for 14 positions to establish a Statewide Fire Suppression Cost-Recovery Unit. The new unit is anticipated to bring in \$12.5 million in additional GF revenue.
- Approved \$2,263,000 GF for 28 positions in the Battalion Chief Classification.
- Approved \$2,221,000 GF for cost increases to fuel and non-discretionary fees.
- Approved \$647,000 from special funds for the State Fire Training program.
- Approved \$1,954,000 from Reimbursements for 15 additional fire marshal positions.
- Adopted trailer bill language allowing the State Fire Marshal to invoice local governments and private entities for services.
- Approved \$147,000 from Reimbursements to conduct accounting of Proposition 40 bond fund spending.
- Approved a new line item number for the Board of Forestry.
- Approved \$176 million in lease-revenue bonds for a number of capital outlay projects.
- Approved \$600,000 GF for minor capital outlay.
- Rejected trailer bill language establishing a firefighting safety fund, which would have placed a fee on insurers for homeowner and renter's insurance policies statewide.
- Rejected \$33.1 million from special funds for 388 new positions to implement the Southern California Wildfire Action Plan recommendations.
- Rejected \$1,119,000 from special funds for a new Arson and Bomb Unit.
- Rejected \$2,953,000 GF budget balancing reduction to Resources Management.
- Rejected \$315,000 GF budget balancing reduction to the State Fire Marshal.
- Approved \$44,652,000 GF budget balancing reduction to fire protection.
- Approved \$4,764,000 GF budget balancing reduction to administration.

### **3560 State Lands Commission**

- Approved \$300,000 from special funds for marine invasive species control.
- Approved \$120,000 from Reimbursements for one position to perform due diligence and property transaction activities on school lands.

- Approved \$85,000 from Reimbursement for one position to review applications for Liquefied Natural Gas and other energy related projects on state lands.
- Rejected \$335,000 GF budget balancing reduction to the Mineral Resources Management program.
- Rejected \$611,000 GF budget balancing reduction to the Land Management program.

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

- Approved \$10.8 million from Proposition 84 bond funds for Anadromous fish management.
- Approved \$10.75 million from special funds for Salton Sea restoration.
- Approved \$10 million in one-time special fund surplus funds for increased unannounced inspections and drills, boats, booms, and other oil spill related equipment, and improved tracking of equipment to ensure it is available in the event of a spill. Also, approved budget bill language requiring that the equipment purchases be standardized in order to create a consistent system for all California ports.
- Approved \$1.3 million from special funds for on-going oil spill equipment maintenance and equipment purchase.
- Approved \$1 million GF for court ordered suction dredge mining California Environmental Quality Act (CEQA) review.
- Adopted trailer bill language establishing a moratorium on suction dredge mining until the CEQA review of the suction dredge mining regulations is completed.
- Approved \$2,437,000 from special funds to backfill a GF reduction to Fish and Game wardens.
- Approved \$835,000 from special funds for improving public services in fee-funded programs.
- Approved \$507,000 from special funds for meeting public use demands for recreational opportunities, surveys, restoration, and habitat incentive programs.
- Approved \$470,000 from Proposition 12 bond funds for privately owned wetlands habitat restoration.
- Approved \$428,000 from special funds for Quagga Mussel eradication efforts.
- Approved \$141,000 from special funds for two temporary positions to conduct a statewide property and asset inventory in compliance with recent state and federal audits.
- Approved \$120,000 from special funds to provide Internet streaming of Fish and Game Commission meetings.
- Approved \$530,000 from special funds for minor capital outlay projects.
- Approved \$6.3 million in Reimbursement authority for San Joaquin River restoration.
- Approved \$1.3 million in Reimbursement authority for review of CEQA documents for transportation projects.
- Approved \$2.1 million shift from GF to Harbors and Watercraft funding for Quagga Mussel eradication.
- Rejected \$18.9 million in Proposition 84 bond funds for the CALFED Ecosystem Restoration Program.
- Approved \$964,000 GF budget balancing reduction to administration.

- Rejected \$1,189,000 GF budget balancing reduction to Hunting, Fishing, and Public Use program.
- Rejected \$3,580,000 GF budget balancing reduction to Biodiversity Conservation program.

### **3640 Wildlife Conservation Board**

- Approved \$25 million in Proposition 84 bond funds for Natural Communities Conservation Plan capital outlay projects.
- Approved \$1 million from special funds for the Public Access Program.
- Approved \$19.6 million Proposition 1E transfer to the Habitat Conservation Fund.
- Approved two positions from existing resources (\$242,000) to work on bond funded land acquisition.
- Adopted trailer bill language on the Natural Heritage Preservation Tax Credit, with the amendment that “upon appropriation of the legislature” remain in the language.
- Approved \$20,000 GF budget balancing reduction and reduced GF by an additional \$184,000.
- Approved \$204,000 from special funds to fund the positions previously funded with GF.

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

- Approved \$22.2 million from special funds for public small craft harbor loans.
- Approved \$3.7 million from special funds for loans to local governments.
- Approved \$5 million from special funds for loans to private marinas.
- Approved \$6.5 million (\$19.5 million over three years) from special funds for San Diego Association of Governments (SANDAG) regional sand beach project.
- Approved \$2.4 million from Federal Trust Fund for education, enforcement, and trail construction.
- Approved \$500,000 from special funds for abandoned watercraft removal.
- Approved \$1.6 million from special funds for various statewide minor capital outlay projects.
- Approved \$3.8 million from special funds for various capital outlay projects.
- Rejected redirection of funding for a Clean and Green Boating coordinator.

### **3720 California Coastal Commission**

- Approved \$524,000 from special funds for operating expenses and equipment.
- Approved \$248,000 from special funds for coastal education program funding.
- Adopted trailer bill language to establish a new account into which permit fees and penalty revenues collected, after the first \$500,000, are deposited to fund the Commission’s activities.
- Adopted trailer bill language providing the Commission with administrative penalty authority.

- Adopted trailer bill language authorizing the Commission to collect a fee for project-driven Local Coastal Plan amendment reviews.
- Rejected \$956,000 GF budget balancing reduction to the Coastal Management program.
- Rejected \$52,000 GF budget balancing reduction to the Coastal Energy program.
- Rejected \$173,000 GF budget balancing reduction to administration.

### **3760 State Coastal Conservancy**

- Approved \$89 million in Proposition 84 bond funds for capital outlay and local assistance, with budget bill language specifying that \$3 million would be allocated for projects authorized by the San Diego River Conservancy.
- Approved \$26.4 million in Proposition 84 bond funds for the Ocean Protection Council for capital projects and science applications.
- Approved \$700,000 from special funds for public access and education programs.
- Approved \$225,000 (\$100,000 one-time) from special funds for research and programs related to improving the nearshore ocean ecosystems for sea otters.

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

- Rejected \$79,000 GF budget balancing reduction.

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

- Approved \$1.5 million in new fee authority and \$11.8 million GF to prevent park closures.
- Approved \$50 million in Proposition 84 bond funds for Nature Education and Research Facilities, of which \$25 million will be spent by the Department of Parks and Recreation pursuant to recommendations made by the California Cultural and Historical Endowment.
- Approved \$45.6 million in federal funds and special funds for the parks local assistance program.
- Approved \$12.3 million in Proposition 84 bond funds for deferred maintenance.
- Approved \$3 million GF and \$2 million in Proposition 84 bond funds for Empire Mine remediation.
- Approved \$13.9 million from special funds for 76 positions to provide additional staffing for the Off-Highway Motor Vehicle Recreation Program.
- Approved \$5.6 million from special funds for planning and implementation of off-highway vehicle routes.
- Approved \$2 million in Proposition 84 bond funds for the Natural Heritage Stewardship program.
- Approved \$1.4 million in Proposition 84 bond funds for the Interpretive Exhibit program.
- Approved \$1.2 million in Proposition 84 bond funds for cultural stewardship projects.

- Approved \$1.4 million from special funds for Quagga Mussel eradication.
- Approved \$910,000 one-time special funds for retrofitting the department's diesel vehicles.
- Approved \$913,000 from special funds for eight positions to handle the increased volume of grant applications and monitoring for the Off-Highway Motor Vehicle Recreation Program.
- Approved \$5.7 million from special funds to purchase equipment for Off-Highway Motor Vehicle Recreation parks.
- Approved \$5 million in federal funds for general acquisitions.
- Approved \$3,657,000 in Proposition 84 bond funds for park development projects.
- Approved \$2 million in 1976 bond funds for opportunity and inholding purchases for state parks.
- Rejected \$3 million GF for fire prevention activities and 29 positions in high risk fire zones.

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

- Approved \$20 million in Proposition 84 bond funds for land acquisition and local assistance grants.

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

- Approved \$184,000 in Reimbursement authority for one position to review CalTrans permit applications.
- Approved \$457,000 GF budget balancing reduction.

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

- Approved \$8 million in Proposition 84 bond funds for the Urban Lands and River Parkway programs.

### **3830 San Joaquin River Conservancy**

- Approved \$8 million in Proposition 84 bond funds for land acquisition.
- Approved \$4 million (\$2 million in Proposition 84 bond funds and \$2 million Reimbursement authority) for public access, recreation, and environmental restoration projects.

### **3835 Baldwin Hills Conservancy**

- Approved \$3 million in Proposition 84 bond funds for acquisition, restoration, and development.

**3840 Delta Protection Commission**

- Approved \$72,000 from special funds for operations and expenditures to come from member agencies.

**3845 San Diego River Conservancy**

- Approved \$1 million in Reimbursement authority for capital outlay funding.
- Approved language allowing the Conservancy to authorize \$3 million in projects funded through the State Coastal Conservancy.

**3850 Coachella Valley Mountains Conservancy**

- Approved \$11,518,000 in various bond funds for land acquisition.

**3855 Sierra Nevada Conservancy**

- Approved \$17 million in Proposition 84 bond funds for grants and cooperative agreements.

**3860 Department of Water Resources**

- Approved \$126.5 million in Proposition 1E bond funds and 33 positions for levee evaluations and repairs in the State Plan of Flood Control.
- Approved \$9.5 million in Proposition 1E bond funds for various flood control capital outlay projects.
- Approved \$8 million in Proposition 84 bond funds for the CALFED Science Program.
- Approved \$6,449,000 in Proposition 50 bond funds for 14.5 existing positions to work on water conservation and water supply reliability projects.
- Approved \$2,273,000 in Proposition 13 bond funds for local assistance in urban streams restoration.
- Approved \$3 million in Reimbursement authority for the mitigation and conservation concepts and activities developed in the Salton Sea Restoration and Management Program.
- Approved \$1.4 million from State Water Project funds to support the collection, review, and updating of information on an Alternative Delta Conveyance Facility and begin preparation of an Environmental Impact Report for such a facility. Adopted trailer bill language specifying that the positions are authorized to work solely on environmental studies related to delta conveyance and not to work on conveyance design or construction.
- Adopted trailer bill language prohibiting construction of any delta conveyance project without explicit legislative authorization.
- Rejected \$460 million in Proposition 1E bond funds for the FloodSAFE California Program.

- Rejected \$335.6 million in Proposition 1E and Proposition 84 bond funds for Integrated Regional Water Management and Stormwater Flood Management.
- Rejected \$3.7 million in Proposition 50 bond funds for CALFED surface storage feasibility studies.
- Rejected \$3,450,000 in Proposition 13 bond funds for the Franks Tract project.
- Rejected \$1.7 million from various funding sources for 18 new permanent positions and four temporary positions to provide administrative support.
- Approved \$1,583,000 GF budget balancing reduction to continuing formulation of the California Water Plan.
- Approved \$5,373,000 GF budget balancing reduction to the Public Safety and Prevention of Damage program.
- Approved \$136,000 GF budget balancing reduction to the department's Services program.
- Approved \$200,000 GF budget balancing reduction to the Central Valley Flood Protection Board.



## ENVIRONMENTAL PROTECTION

### 0555 Secretary for Environmental Protection

- Approved trailer bill language adding requirements to the Greenhouse Gas Report Card, including a list of the contracts and agreements the administration has entered into with other states or nations.
- Approved \$400,000 in special funds for the Education and the Environment Initiative.
- Approved \$209,000 GF budget balancing reduction.

### 3900 Air Resources Board

- Approved \$1.7 million in special funds for eight positions and contract funds for AB 118 implementation.
- Approved \$40.9 million in financial incentives, such as loan guarantees, for clean-air retrofits of privately owned heavy-duty vehicles.
- Adopted trailer bill language clarifying the provisions of AB 118.
- Rejected \$32 million loan from the Beverage Container Recycling Fund to the Air Pollution Control Fund for AB 32 activities.
- Approved a \$24 million transfer from the Alternative and Renewable Fuel and Vehicle Technology Fund for AB 32 activities.
- Approved \$8 million in additional revenue from Health and Safety Code 38597.
- Adopted trailer bill language authorizing the Air Resources Board to adopt emergency regulations for fees and requiring permanent fee structure within one year.
- Approved \$6.8 million in special funds for 37 positions to implement and enforce the Air Resources Board's new and augmented regulatory programs.
- Approved \$1.85 million in special funds to reimburse the Department of Justice for increased litigation workload and costs associated with Air Resources Board's schedule of regulations to be adopted during 2008.
- Approved \$533,000 in special funds for five positions to work on the Carl Moyer Program.
- Approved \$491,000 in special funds for additional construction costs of the Haagen-Smit Laboratory seismic retrofit.
- Rejected \$6 million in special funds for the hydrogen highways and zero emission vehicle programs.
- Rejected \$145,000 in special funds for the Healthy Heart and Lung Act.
- Approved \$243,000 GF budget balancing reduction.

### 3910 Integrated Waste Management Board

- Approved \$200,000 in federal trust funds for the development of the National Environmental Information Exchange Network.
- Approved budget bill language for a loan for covered electronic waste recycling payments, contingent upon Joint Legislative Budget Committee approval.

- Approved \$1,167,000 in reimbursement authority for the Education and Environment Initiative.
- Rejected \$157,000 in special funds for temporary permitting of non-permitted facilities.
- Rejected \$79,000 in special funds for the development of model programs for the collection of household pharmaceutical drug waste.

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

- Approved \$2,622,000 from special funds for 11 positions to implement regulations that reduce volatile organic compound emissions from pesticides.
- Approved \$48,000 from special funds for 0.5 positions to provide state oversight and support in administering unclaimed gas tax reimbursement to the county agricultural commissioners as specified in AB 1713.
- Approved trailer bill language to take 0.5 mill per dollar of sales for all pesticide sales for use in this state and provide it to counties in air quality nonattainment areas to assist those counties in the administration and enforcement of restrictions on the use of field fumigants.
- Rejected \$65,000 from special funds for legal clerical workload
- Rejected \$188,000 from special funds for information technology.
- Rejected \$175,000 from special funds for administrative services.

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

- Approved \$56.5 million from Proposition 84 bond funds for clean beaches, agricultural water quality grant program, areas of special biological significance, and the Santa Monica Bay Restoration Commission. As part of the same action, rejected \$44 million for the urban stormwater grant program.
- Approved \$10.2 million from special funds for accelerated reimbursement of underground storage tank cleanups.
- Adopted trailer bill language that identifies where funding for permitting, water quality, enforcement and planning activities is spent at each of the nine regional boards. The trailer bill language also downsizes the regional boards and increases accountability among the state and regional water boards.
- Approved new line items in the Budget for each of the Regional Water Boards.
- Approved transfer of \$5.5 million and 32 existing positions from the Water Pollution Control Revolving Fund Administrative Fund to a new State Water Pollution Control Revolving Fund Administration Fund.
- Approved \$961,000 GF for 2008-09 and \$1,211,000 GF for 2009-10 for payment to the Attorney General's Office for defense costs from a lawsuit filed by ARCO regarding the cleanup of mine waste at Leviathan Mine.
- Approved \$1 million from special funds for the development of a program to control the discharge of preproduction thermoplastic resin pellets.
- Approved \$590,000 from special funds for two years for the development and implementation of guidelines for assessing the effectiveness of municipal stormwater programs.

- Approved \$202,000 from special funds for wetlands protection compliance and monitoring.
- Approved \$126,000 from special funds for conditioning grants on water demand management measures.
- Approved \$129,000 from special funds for the California Integrated Water Quality System.
- Approved \$75,000 from Reimbursements to oversee CalTrans project implementation and management activities in the Lake Tahoe Basin.
- Approved \$205,000 from Reimbursements to conduct and follow up on environmental reviews for transportation and water supply projects in San Diego County.
- Approved supplemental report language on the San Diego Bay toxic sediment cleanup.
- Approved supplemental report language on agricultural water runoff into the Sacramento-San Joaquin Delta.
- Rejected \$100,000 GF for planning and regulatory oversight of increased and accelerated fuel reduction activities on federal, state, and private lands in order to reduce the threat of future wildfire in the Lake Tahoe Basin.
- Rejected \$850,000 from special funds for adopting and implementing a general permit for the use of recycled water for landscape irrigation.
- Rejected \$428,000 from special funds for development and implementation of adaptation responses for water quality changes expected to occur due to global climate change.
- Rejected \$316,000 from special funds for 6.5 positions for water rights enforcement.
- Rejected \$1.3 million from special funds for investigation, enforcement, and fraud detection for the water rights and water quality programs.
- Rejected Governor's proposed trailer bill language for a clean-up and abatement account.
- Approved \$3,659,000 GF budget balancing reduction to the Water Quality Program.
- Approved \$390,000 GF budget balancing reduction to the Water Rights Program.
- Approved \$253,000 GF budget balancing reduction to administration.

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

- Approved \$527,000 GF for emergency repairs at the BKK landfill facility.
- Approved \$3.1 million from special funds for reimbursing the Department of Justice for providing litigation support for Department of Toxic Substances Control (DTSC) cost recovery and enforcement activities.
- Adopted trailer bill language to allow DTSC to enter into an interagency agreement with Department of Justice rather than the funds for toxics litigation being directly appropriated to the Department of Justice.
- Approved \$518,000 from special funds for payment to the Board of Equalization for collection of DTSC fees.

- Approved \$104,000 from special funds for enforcement of polluter pays by processing backlog of accounts receivables.
- Approved \$70,000 from special funds for a contract for loan services, including financial analysis and loan underwriting for the CLEAN program.
- Approved \$344,000 from special funds and reverted an equal amount of GF for the biomonitoring program.
- Approved \$338,000 from special funds for the Calexico office move.
- Rejected \$3.2 million GF for the working drawings phase of the Stringfellow Pretreatment Plant, because the preliminary plans phase will last longer than anticipated.
- Rejected \$772,000 from special funds for the Green Chemistry initiative.
- Rejected \$433,000 from special funds for implementing and enforcing the California Lighting Efficiency and Toxics Reduction Act.
- Rejected \$117,000 from special funds for promoting the existing model plating shop.
- Adopted trailer bill language creating the Revolving Loans Fund for Toxics' deposit of funds from the Federal Revolving Loan Fund, as required by federal law.
- Approved \$2,498,000 GF budget balancing reduction to Site Mitigation and Brownfields Use program.
- Approved \$34,000 GF budget balancing reduction to Science, Pollution Prevention, and Technology Program.
- Approved \$96,000 GF budget balancing reduction to administration.

### **3980 Office of Environmental Health Hazard Assessment**

- Approved \$625,000 from Reimbursements for Light Brown Apple Moth eradication efforts.
- Approved \$104,000 from special funds for the development of worker protection regulations relating to pesticides and worker safety.
- Approved \$557,000 from special funds for the biomonitoring program, and reverted the GF for the biomonitoring program.
- Adopted trailer bill language allowing the usage of special funds for the biomonitoring program.
- Approved \$116,000 redirection from special funds for increased information technology staffing.
- Approved \$956,000 GF budget balancing reduction to the Health Risk Assessment program.

## ENERGY AND UTILITIES

### **3360 California Energy Commission**

- Approved \$25.9 million from the Alternative and Renewable Fuel and Vehicle Technology Fund to implement AB 118. The approved funding includes \$891,000 for six positions and \$25 million one-time funding for projects. The Subcommittee approved budget bill language restricting the use of the project funding until after the Legislature reviews the Investment Plan, which will be completed in the fall of 2008.
- Approved \$422,000 from the Natural Gas Subaccount of the Public Interest Research, Development, and Demonstration Fund for three positions to respond to the statutorily mandated increase in the Public Interest Energy Research Natural Gas Program.
- Approved \$2,222,000 from the Public Interest Research, Development, and Demonstration Fund for eight positions and contract funds to provide the technical expertise needed to respond to new legislative directions, provide the administrative infrastructure needed to support the Public Interest Energy Research (PIER) program, and to increase the funds used to support the PIER program.
- Approved \$500,000 from the Renewable Resource Trust Fund for outsourcing the administration of the New Solar Homes Partnership.
- Rejected \$250,000 in one-time funds from the Energy Resources Programs Account for a fuel temperature dispensation analysis.
- Rejected \$303,000 from the Energy Resources Programs Account for implementation of the expanded appliance water efficiency program.
- Rejected \$669,000 from the Energy Resources Programs Account for establishment of guidelines that combined heat and power systems must meet.
- Rejected \$3,265,000 from the Energy Resources Programs Account for 12 positions to work on development of the California Building Energy Efficiency Standards.
- Rejected \$705,000 from the Energy Resources Programs Account for four positions to accelerate and expand the Appliance Efficiency Standards Program.

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

- Approved as budgeted

## 8660 Public Utilities Commission

- Brought the Public Utilities Commission's (PUC) off-budget accounts on-budget.
- Reduced the PUC's administrative budget by \$60 million.
- Adopted budget bill language and trailer bill language directing the PUC to suspend any further activity on the climate institute until or unless authorized under law by the Legislature.
- Approved \$102,000 from the PUC Ratepayer Advocate Account and one position to allow effective, independent analysis, advocacy, and review of alternative reporting and regulatory regimes, alternative market approaches, and the economic effects on markets and ratepayers to comply with AB 32.
- Approved \$300,000 from the PUC Ratepayer Advocate Account for three auditors to perform audits of water company financial records.
- Approved \$102,000 from the PUC Ratepayer Advocate Account to perform evaluations of the design of water conservation rate structures and to evaluate non-price related conservation programs that are consistent with PUC guidelines and the California Urban Conservation Council's best management practices.
- Rejected \$535,000 from the Public Utilities Commission (PUC) Utilities Reimbursement Account for five positions to evaluate the cost effective procurement of electric resources.
- Rejected \$548,000 from the PUC Utilities Reimbursement Account for five positions to work on strategic planning, coordination, and oversight of the utilities' energy efficiency portfolios, as well as work on evaluation, measurement, and verification of energy savings.
- Rejected \$299,000 from the PUC Utilities Reimbursement Account for three positions to meet increased workload in planning for, and review and disposition of, transmission project applications.
- Rejected \$210,000 from the PUC Ratepayer Advocate Account for two positions to accommodate increased workload for the Division of Ratepayer Advocates for the new transmission project applications.
- Rejected \$317,000 from the PUC Utilities Reimbursement Account for three positions to work on the Governor's Bioenergy Action Plan.
- Rejected \$253,000 from the PUC Utilities Reimbursement Account for two positions to monitor the California Independent System Operator (CAISO). Monitoring the CAISO was formerly an Electricity Oversight Board activity.
- Rejected \$396,000 from the PUC Utilities Reimbursement Account for four positions to implement the Waste Heat and Carbon Emissions Reduction Act.
- Rejected \$410,000 from the Public Transportation Account, State Transportation Fund, for four positions to work on the Rail Transit Safety Program, which covers systems like the BART and Sacramento Light Rail.
- Rejected \$62,000 from the PUC Utilities Reimbursement Account (\$31,000) and Federal Trust Fund (\$31,000) for one limited-term position to reduce the backlog in the Mobilehome Park and Propane Gas Safety programs.

- Rejected \$96,000 from the PUC Transportation Reimbursement Account for one position to implement increased enforcement activities against illegal advertising by unlicensed charter party carriers.
- Rejected \$132,000 from the PUC Utilities Reimbursement Account for two positions to work on the PUC bilingual services program.
- Rejected \$199,000 from distributed administration for two positions to establish the Project Management Office in the Information Services Branch.
- Rejected \$236,000 from various special funds for three limited-term positions to consolidate the fine and restitution collection efforts.
- Rejected \$82,000 from various special funds for 13 security guard positions to provide security at the San Francisco headquarters building. The new permanent positions would replace contracted security services.
- Rejected \$1,889,000 from various special funds for an office expansion project.

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

- Approved as budgeted.

### **8770 Electricity Oversight Board**

- The Board received no funding in the budget.

## FOOD AND AGRICULTURE

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

- Approved a \$515,000 GF budget balancing reduction to the Board.

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

- Approved \$2,774,000 from the Motor Vehicle Account for the border protection stations, including the Needles pilot project. As part of the border protection stations, approved 17 permanent positions and 23 temporary positions. The Subcommittee expressed that the approved funds were the first phase of a phased-in approach for the border protection stations, but the department is expected to return with a new funding request for the second phase.
- Approved a Quagga Mussel eradication program funding shift of \$2,492,000 from GF to Harbors and Watercraft funding. Approved changing this funding from a pass-through from the Department of Fish and Game to the California Department of Food and Agriculture (CDFA) to a direct appropriation to CDFA.
- Approved 18 positions as five-year limited-term positions for the eradication of the Light Brown Apple Moth. These positions are paid for from the department's GF baseline.
- Approved \$43.1 million in lease-revenue bonds for the construction of a new laboratory in Tulare. This project will consolidate two laboratories currently located at Tulare and Fresno into one new, full-service laboratory.
- Rejected \$2.5 million GF for the working drawings of the Turlock laboratory replacement. The project is delayed for one year due to the GF condition.
- Approved \$2 million from the Agricultural Building Fund for the replacement of a heating, ventilation, and air conditioning system at the Center for Analytical Chemistry.
- Approved \$2.3 million from the Agricultural Building Fund for acquisition of three acres on which the San Bernardino laboratory is currently located. The loan will have to be paid back by the GF beginning in 2009-10.
- Rejected a \$4,945,000 GF budget balancing reduction to the Agricultural Plant Health and Pest Prevention Services program. This reduction would have eliminated the department's Diaprepes Root Weevil eradication program, and a portion of the Pierce Disease Control and Red Fire Ant programs.
- Rejected a \$1,329,000 GF budget balancing reduction to the Animal Health and Food Safety Services program. This reduction would have eliminated the National Animal Health Monitoring and Reporting System, the biologics program, and the Animal Care Program. This reduction would also have led to a reduction in meat inspection.



- Accepted a \$222,000 GF budget balancing reduction to the Marketing, Commodities, and Agricultural Services program.
- Accepted a \$1,475,000 GF budget balancing reduction to the General Agricultural Activities program.
- Accepted a \$664,000 GF budget balancing reduction to the Executive and Administrative Services program.

Senate Committee  
on  
Budget and Fiscal Review

SUBCOMMITTEE 3  
Health, Human Services, Labor,  
and Veterans Affairs

MAJOR ACTION  
REPORT

June 11, 2008

Senate Bill 1067  
2008-09 Budget Bill

*Members*

Elaine Alquist, Chair  
Alex Padilla  
Mark Wyland

*Consultants*

Brian Annis  
Eileen Cubanski  
Bryan Ehlers  
Diane Van Maren

# SUBCOMMITTEE No. 3

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

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# HEALTH

## **0530 Secretary of Health & Human Services**

- Adopted the Governor's 10 percent across-the-board reduction, or \$209,000 (General Fund) for the CHHS Agency, Office of the Secretary. Under this reduction two Associate Governmental Program Analysts will be eliminated, along with \$69,000 in operating expenses.
- Adopted the Governor's reduction of \$380,000 (\$325,000 General Fund), or 10 percent, for the Office of HIPAA. The Office of Health Insurance Portability and Accountability Act (HIPAA) notes that the effect from this reduction should be minimal.
- Eliminated a redirection of \$327,000 (General Fund) from operating expenses to establish three new positions within the Office of HIPAA. The proposed positions—Staff Counsel III, Staff Services Manager II, and Office Technician—would have been used to develop expansion of electronic health information exchange. Due to the fiscal crisis, it was important to claim the General Fund savings and not expand state administration.
- Rejected the Administration's proposal to cancel the Interim Statewide Automated Welfare System (ISAWS) Migration Project. Adopted an alternative to continue the Project using maintenance and operations savings from the existing ISAWS and Child Welfare Services/Case Management System, GF savings due to increased federal funding for the Case Management Information and Payrolling System Replacement Project, and savings from negotiated contract changes with the ISAWS Migration Project vendor. The alternative proposal will result in GF savings of \$14.4 million in the ISAWS Migration Project.

## **4120 Emergency Medical Services Authority**

- Approved the Administration's proposal to reduce by \$242,000 (General Fund), or by 10 percent, the multi-county Emergency Medical Services Agencies. Total funding remaining would be \$2.18 million (General Fund).
- Adopted the Governor's proposal to reduce by \$690,000 (General Fund), or 10 percent, the CA Poison Control Center, and reduced by another \$310,000 (General Fund) for a total reduction of \$1 million (General Fund). Also adopted Budget Bill Language to require the Director of the Emergency Medical Services Authority (EMSA) to provide assistance to the CA Poison Control Center to seek other sources of funding than state General Fund support, including from the CA Children and Families Commission and other relevant entities. Total funding remaining would be \$5.9 million (General Fund). Funding for the CA Poison Control Center is discretionary.

- Approved the Governor's 10 percent reduction, or \$36,000 (General Fund), for support of Regional Disaster Medical Health specialists.
- Denied the EMSA's request to augment by \$310,000 (General Fund) and three new state positions to staff the Medical Assets Program. The EMSA presently has five positions for this purpose.
- Adopted an increase of \$242,000 (General Fund) as proposed by the EMSA for the on-going maintenance and calibration of all biomedical equipment contained in the three Mobile Field Hospitals. It is important to maintain this state asset.
- Denied the Administration's request to increase by \$448,000 (General Fund) to fund pharmaceutical cache supplies for the Mobile Field Hospitals due to the fiscal crisis. Further, in the event of an emergency the Governor can authorize increased funding for medical supplies if it is warranted.
- Approved the Administration's proposal to revert \$99,000 (General Fund) from the Budget Act of 2006. Of this amount, \$24,000 is from local assistance and \$75,000 is from state support.

## **4260 Department of Health Care Services**

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

- Rejected the Administration's proposal to restore Quarterly Status Reporting for parents for a reduction of \$7.6 million (\$3.8 million General Fund). Instead, the Semi-Annual reporting process for parents was maintained.
- Modified the Administration's proposal to implement Quarterly Status Reporting for children and instead, adopted a Semi-Annual Reporting process for a reduction of \$51.2 million (\$25.6 million). Children enrolled in Medi-Cal presently have an annual renewal process.
- Modified the Administration's proposal to stop paying the federal Medicare Part B Premium for individuals enrolled in Medicare and in Medi-Cal with a "share-of-cost" and do not meet their Medi-Cal "share-of-cost" every month. Under the Senate action, the state will continue to pay the Part B Premium of individuals with a "share-of-cost" under \$500 dollars. A reduction of \$48.4 million (General Fund) would be achieved from this action, which is \$5.4 million (General Fund) less than the Administration's.
- Rejected the Administration's proposal to roll back Medi-Cal eligibility for working families enrolled in the 1931 b category of eligibility. This proposal by the Administration would have denied coverage to over 433,000 people on an annual basis. The Administration had assumed savings of \$62.3 million (\$31.1 million General Fund) from their proposal.
- Rejected the Administration's proposal to restrict Medi-Cal services for "Newly Qualified Immigrants" (about 73,400 people) who have been in the country for less than five years to

“restricted-scope” services, versus the full-scope services as presently provided under Medi-Cal. Also rejected the Administration’s proposal to restrict Medi-Cal services for individuals “Permanently Residing Under the Color of Law” (PRUCOL) and “Amnesty Alien” individuals. These individuals (about 17,200) also would have been placed on a “month-to-month” eligibility cycle under the Administration’s proposal.

- Rejected the Administration’s proposal to establish a “month-to-month” Medi-Cal eligibility for immigrants on “restricted-scope” Medi-Cal enrollment.
- Provided a partial restoration to the rates reimbursed under Medi-Cal by providing a 5 percent across-the-board restoration to the 10 percent reduction as proposed by the Governor and taken in Special Session through AB3X 5. In the Medi-Cal Program, this resulted in an increase of about \$597 million (\$302 million General Fund).
- Rejected the Administration’s proposal to eliminate funds for new caseload growth in the Medi-Cal Program which is historically allocated to counties for Medi-Cal eligibility processing.
- Rejected the Administration’s proposal to reduce the base allocation provided to counties for Medi-Cal eligibility processing.
- Adopted the Administration’s proposal to reduce by \$64.6 million (\$32.3 million General Fund) to eliminate a 5.26 percent increase in the cost-of-doing-business which would have been provided to counties for Medi-Cal eligibility processing. In addition, adopted placeholder trailer bill language to suspend the county performance standard penalty since counties would not be funded to appropriately meet the performance standards.
- Rejected the Administration’s proposals to eliminate ten benefits provided under the Medi-Cal Program, including Adult Dental, Optometry services, Optician and Optical Laboratory Services, Audiology Services, Speech Therapy, Incontinence Creams and Washes, Acupuncture Services, Podiatry Services, Chiropractor Services, and Psychology Services.
- Adopted the Administration’s proposal to reduce by \$1 million (\$500,000 General Fund) by pursuing a “pay-for-performance” option for the purchase of durable medical equipment. This proposal can be done administratively.
- Rejected the Administration’s proposal to redirect funds from the Hospital Financing Waiver to backfill for General Fund support within the overall Medi-Cal Program. This proposal would have violated the existing agreement as contained within the Waiver and within statute.
- Modified the Administration’s request to have the state pay \$9 million General Fund for the impermissible Intergovernmental Transfer made by Fresno Community Medical Center by using the Private Hospital Supplemental Fund instead of General Fund support.
- Approved the Administration’s proposal to reduce by \$22.5 million (\$11.2 million General Fund) to change how Non-Contract Hospitals are to be reimbursed under Medi-Cal. Specifically, this would limit Non-Contract Hospital rates to the lower of: (1) Interim per diem rate minus 10 percent; (2) the regional CA Medical Assistance Commission (CMAC) rate for

Non-Tertiary Hospitals less five percent; or (3) a statewide rate for Tertiary Hospitals minus five percent. Also adopted placeholder trailer bill language to send the issue to Budget Conference Committee.

- Adopted placeholder trailer bill language as proposed by the Administration to limit the amount Medi-Cal Managed Care health plans must pay hospitals that refuse to contract with them. The DHCS states this language would serve three purposes: (1) it provides an incentive for hospitals to enter into contracts with Medi-Cal Managed Care plans; (2) it will reduce the costs that health plans pay to Non-Contract Hospitals; and (3) the limitations imposed
- Modified the DHCS proposal regarding reimbursement rates paid by Medi-Cal for nursing homes using the AB 1629, Statutes of 2004, methodology. Specifically, the Senate adopted the Administration's proposal to implement a five percent cap going forward (beginning in 2009-2010), and to extend the AB 1629 methodology for two years. In addition, the Senate required the DHCS to provide the Legislature with an analysis by no later than February 1, 2009 on the rate methodology and quality assurance measures, and required the Department of Public Health to report on certain outcomes. This trailer bill language is intended to provide for a policy deliberation process and to facilitate the implementation of quality assurance measures.
- Adopted the Administration's May Revision for Medi-Cal Managed Care including caseload adjustments, payment of the hold harmless which was owed from 2007-08, and plan-specific data based rates. The Senate also provided for a five percent backfill for the 10 percent rate reduction enacted in AB3X 5. In addition, the Senate adopted trailer bill language to require the DHCS to provide all plans with preliminary rates by no later than June 30th of each year.
- Adopted the Governor's proposal to defer for one-year the implementation of Senate Bill 437 (Escutia), Statutes of 2006, to implement two pilot projects for streamlining the enrollment of children into the Medi-Cal Program and the Healthy Families Program.
- Adopted placeholder trailer bill language to move Geographic Managed Care Plan rate negotiations from CMAC to be under the auspices of the DHCS.
- Rejected the Governor's 10 percent reduction in Medi-Cal funding for the management of children enrolled in the California Children's Services (CCS) Program.
- Modified the Administration's proposal to contract for blood factor product and other specialty drugs, including immunizations. Specifically, the Senate adopted placeholder legislation that would: (1) contain a three-year sunset to enable review; (2) delete any reference to exclusive contracts; (3) provide for consumer quality of care factors; (4) ensure a network of pharmacies; and (5) make clear that blood factor product choice will not be limited.
- Modified the Administration's proposal to obtain supplemental rebates for blood factor products by adopting placeholder language in an effort to obtain a compromise. The same savings level of \$522,000 (\$261,000 General Fund) was approved.

- Rejected the DHCS trailer bill language in which they were seeking authority to implement any program changes and changes in the level of funding for health care services by posting information on their website and not doing any provider bulletins or public regulations.
- Adopted the DHCS adjustments for Adult Day Health Care to reflect implementation of reforms that will tighten medical necessity criteria within the program. Also adopted the Administration's trailer bill legislation clarifying that individuals residing in Intermediate Care Facilities for the Developmentally Disabled (ICF-DD-H and ICF-DD-N) are eligible for Adult Day Health Care services.
- Approved only one position, in lieu of the DHCS request for 20 new positions, to proceed with activities related to reforms to be implemented in the Adult Day Health Care Program as identified in Senate Bill 1775, Statutes of 2006. A total of 33 new positions were provided last year for this purpose.
- Denied the Administration's proposal to increase by \$1.6 million (\$800,000 General Fund) to add new reimbursement codes to Medi-Cal to allow medical providers to screen patients suspected of non-dependent substance abuse to receive services. This was denied due to the fiscal crisis and the fact that the Administration was proposing significant reductions to existing treatment programs focused on drug and alcohol treatment.
- Adopted the Administration's interim rate payment process for Public Hospitals in Medi-Cal which reflects a correction of how federal funds and General Fund moneys are reflected for accounting purposes and saves \$102.7 million General Fund in the current-year.
- Adopted the Child Health Disability Prevention reduction to case management as proposed by the Governor.
- Approved various reductions as proposed by the Governor regarding state staff support, the Medi-Cal Fiscal Intermediary, information processing, and consultant contracts.
- Adopted the Administration's proposal to provide Medi-Cal for Kinship children.
- Rejected the Administration's proposal to extend for another year the HIV/AIDS Pharmacy Pilot Project.

## **4260 DEPARTMENT OF HEALTH CARE SERVICES**

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

- Provided \$24.8 million (Proposition 99 Funds) for emergency physicians who provide uncompensated care provided in hospital emergency rooms. Adopted trailer bill language which designates how these funds will be appropriated and expended.



- Deferred implementation, for one-year, the California Discount Prescription Drug Program (AB 2911, Nunez, Statutes of 2006) for savings of \$8.8 million (General Fund).
- In lieu of extending the California Working Disabled Program for only one-year as proposed by the Administration, the Senate removed the sunset date. This program has been in operation since 1999 and has been cost-beneficial to the state.
- Rejected the Governor's proposed 10 percent General Fund reductions for the various clinic programs, including Seasonal Agricultural Migratory Worker, Rural Health Services Development, American Indian Health, and Expanded Access for Primary Care (EAPC). Also eliminated the Grants-In-Aid Program and used the \$397,000 General Fund amount to backfill for the reductions. In addition, redirected \$339,000 (Proposition 99 Funds) from the Children's Hospitals to the EAPC to assist in the backfill.
- Adopted the Governor's reduction to the Child Health & Disability Prevention (CHDP) Program pertaining to case management.
- Restored, by 5 percent, the rate reduction taken through AB3X 5 for the California Children's Services (CCS) Program, the Genetically Handicapped Persons Program (GHPP), and the CHDP. The affect of this action is that a five percent rate reduction will be in place, versus the 10 percent reduction proposed by the Governor. In addition, General Fund support was used for these programs in lieu of the Administration's proposal to use additional Safety Net Care Pool Funds from the Hospital Financing Waiver.
- In lieu of the Governor's reduction of 10 percent to medical therapy services provided under the CCS Program, adopted a 5 percent reduction and used \$1 million of unexpended federal Maternal and Child Health Title V Funds for this purpose.

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

- Rejected the Governor's proposal to reduce by \$2.7 million (General Fund) the amount provided to domestic violence shelters under the Battered Women Shelter Program.
- Fully funds the AIDS Drug Assistance Program using special Rebate Funds in lieu of certain General Fund support. Also adopted Budget Bill Language to ensure that the ADAP formulary will be maintained as presently done. This action conforms to the Assembly.
- Provided a \$4.3 million backfill for the Therapeutic Monitoring Program using special Rebate Funds. This action conforms to the Assembly.
- Modified the Governor's reduction of \$1.6 million (General Fund) to the HIV Education and Prevention Program by redirecting \$1.35 million (General Fund) from the Department of Mental Health's AIDS Counseling Program to the Office of AIDS. Therefore, the HIV Education and Prevention Program within the Office of AIDS is reduced by only \$150,000 (General Fund). Also adopted Budget Bill Language to require the DPH to continue to fund the \$300,000 (General Fund) contract with the Hemophilia Association as part of this transition.

- Adopted the Governor's reductions to state support within the Office of AIDS.
- Adopted the Governor's reductions to (1) Home and Community-Based Care for HIV/AIDS at \$400,000 (General Fund); (2) AIDS Housing at \$122,000 (General Fund); (3) Early Intervention Program at \$200,000 (General Fund); and (4) HIV Counseling and Testing at \$600,000 (General Fund).
- Modified the Governor's proposal to substantially increase the fees paid by various health care facilities within the Licensing and Certification Program to considerably reduce fees and to save over \$2.3 million General Fund.
- Approved the DPH's proposal to increase by \$732,000 (Licensing and Certification Fund) and 7 positions to investigate complaints against Certified Nurse Assistants, Home Health Aids and Certified Hemodialysis Technicians.
- Approved a modified implementation of Senate Bill 1312 (Alquist), Statutes of 2006, by requiring the Licensing & Certification Program to budget positions at a 1700 hour productivity per employee level, as used by other state departments, and adopted trailer bill language to ensure a statewide implementation of the program.
- Adopted trailer bill language regarding oversight of the Department of Public Health.
- Adopted the Legislative Analyst's Office recommendation to delete \$8.5 million (General Fund) from local assistance for emergency preparedness since these funds were vetoed by the Governor in the Budget Act of 2007 and there are federal funds from prior years which are not being fully expended.
- Modified the Governor's proposal to reduce by \$235,000 (General Fund) from the Vector Borne Control Program by (1) deleting \$141,000 General Fund as recommended by the DPH; (2) increase the fees paid to fully support the Certification Program from \$36 to \$120; and (3) increase the special fee fund by \$108,000 which is to be generated by the new fee.
- Deleted a \$1.3 million (General Fund) augmentation to begin implementation of Senate Bill 739 (Speier), Statutes of 2006, as it pertains to community-based infections and increasing state staff at the Richmond Laboratory. The Senate did provide an augmentation for implementation of this legislation within the Licensing and Certification Program and conducting surveys of hospitals.
- Rejected the Administration's proposal to implement the federal Real ID Program since it is unclear exactly what the DPH would be doing and the federal government has not yet provided California with a federal grant.
- Eliminated funding for the Preventive Health Care for Adults Program which provides a \$1.25 million (General Fund) subsidy to 11 counties to provide health screens. This is a discretionary program in which the state does not need to participate and the program is not means tested.

- Rejected the Administration's proposals to reduce the Adolescent Family Life Program (AFLP), Teen Smart Projects, and the Male Involvement Program. Used both federal Maternal and Child Health Title V funds for a portion of this restoration as well as General Fund support. The Governor's ten percent reduction of \$159,000 (General Fund) regarding the Information and Education Projects was adopted due to the fiscal crisis.
- Eliminated the \$150,000 General Fund support for the Fatal Child Abuse and Neglect Surveillance Program and backfilled it using federal Maternal and Child Health Title V funds. The federal Maternal and Child Health Title V funds are being taken from state support.
- Adopted the Governor's reduction of \$365,000 (General Fund) from the Prostate Cancer Program. Of this amount, \$88,000 (General Fund) is from DPH state support and the remaining amount would be reduced from a contract with UCLA.
- Adopted the Governor's reduction to the Dental Prevention Program of \$326,000 (General Fund) to reflect a 10 percent reduction.
- Adopted all of the Administration's proposed 10 percent reductions for state support, including environmental health, chronic disease prevention, cancer surveillance, food and drug, beach safety, sanitation and radiation, drinking water, health information, communicable disease, West Nile Virus, maternal and child health, administrative services and several others.
- Deleted \$1.03 million (General Fund) support from the Biomonitoring Program and increased by the same level the Toxic Substance Control Account to fund this program in 2008-09. Also adopted placeholder trailer bill legislation for this purpose.
- Approved the Genetic Disease Screening Program as adjusted at the May Revision.
- Rejected a \$2.5 million (General Fund) increase for the construction of modifications at the Viral and Rickettsial Disease Laboratory which is part of the Richmond Laboratory complex. This expenditure is not necessary at this time due to the fiscal crisis.
- Provided an increase of \$430,000 (Safe Drinking Water) to fund 4 positions to continue the oversight and implementation of the Small Water Program for Fresno County. The Senate approved these positions on a two-year limited-term basis and adopted trailer bill language to require the DPH to provide the Legislature with a synopsis of key issues regarding the program and options for addressing the sustainability of the Small Drinking Water Program to meet drinking water standards.
- Approved the DPH's enterprise-wide online licensing project which will be used to improve the DPH's fee collection process.
- Approved trailer bill legislation to permanently eliminate the state's obligation to provide \$20.2 million General Fund annually to the County Medical Services Program (CMSP) and technical changes as proposed by the DPH regarding the administration of the CMSP Account.

- Reduced by \$219,000 (General Fund) the food microbiology and foodborne illness investigation as requested by the DPH due to the fiscal crisis. This reduction would still leave 6 staff within the branch to respond to these issues.
- Reduced by \$501,000 (General Fund) and five positions in the Sexually Transmitted Disease Control Program.

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

- Adopted the Governor's 10 percent reduction for savings of \$143,000 (General Fund).
- Adopted placeholder trailer bill legislation regarding the future structure of the CA Medical Assistance Commission (CMAC).
- Adopted placeholder trailer bill language to move Geographic Managed Care Plan rate negotiations from CMAC to be under the auspices of the DHCS.

#### **4280 Managed Risk Medical Insurance Board**

- Reduces by five percent the rate paid to health, dental and vision plans participating in the Healthy Families Program as proposed by the Governor. The action results in a savings of \$40.6 million (\$14.4 million General Fund). It assumes a November 1, 2008 implementation date.
- Increases the premiums paid by certain families for enrollment of their children in the Healthy Families Program. The approved increases were less than half of that proposed by the Governor and result in a reduction of \$38.9 million (\$14.5 million General Fund).

Specifically, subscribers with incomes from 151 to 200 percent of poverty will have their monthly premium increased by \$4 dollars to be \$13 per child. This is the first time these families have had their premiums increased since inception of the program in 1998. Subscribers with incomes over 200 percent of poverty will have their monthly premium increased by \$2 to be \$17 per child. These families had their premiums increased in 2005. Subscribers with incomes from 100 to 150 percent of poverty remain at their existing premium level with no increase.

- Rejected the Governor's proposal to increase co-payments for certain services in the Healthy Families Program from \$5 to \$7.50 for families with incomes over 150 percent.
- Adopted an annual limit for dental coverage within the Healthy Families Program for a reduction of \$4 million (\$1.1 million General Fund) effective as of November 1, 2008. The annual limit would be \$1,500. The Governor had proposed a \$1,000 annual cap.

- Increased by \$3.7 million (\$960,000 Proposition 99 Funds, Unallocated Account) the Rural Health Demonstration Projects within the Healthy Families Program. The total appropriation is \$6.3 million (total funds).
- Adopted the Governor's proposal to defer for one-year the implementation of Senate Bill 437 (Escutia), Statutes of 2006 to implement two pilot projects for streamlining the enrollment of children into the Healthy Families Program and the Medi-Cal Program.
- Adopted placeholder legislation to delete photo chromatic lens from the Healthy Families Program vision package as requested by the Governor since these lens are for adults, not children, and can be costly.

#### **4300 Department of Developmental Services**

##### **Community-Based Services provided Under Regional Centers**

- Provided a total of \$3.9 billion (\$2.4 billion General Fund) for the Regional Centers to provide community-based services and appropriate case management services as required by the Lanterman Act for 2008-09.
- Continued "cost containment" measures in the Purchase of Services area as proposed by the Governor for a reduction of \$311.4 million (\$214.6 million General Fund). These cost containment measures include (1) freezing non-community placement start-up; (2) freeze rates for Day Program, Work Activity, and In-Home Respite; (3) freeze rates for Community Care Facilities and eliminate the SSI/SSP pass-through to these facilities; (4) freeze the rates for contract services negotiated by the Regional Centers; and (5) freeze rates for habilitation services. These actions are effective as of July 1, 2008, and were implemented in AB3X 5, Statutes of 2008.
- Extended the cost containment measures to also include the freezing of new programs and services negotiated by the Regional Centers for a reduction of \$38.3 million (total funds) as proposed by the Governor. This action is effective as of July 1, 2008, and were implemented in AB3X 5, Statutes of 2008.
- Continued "cost containment" measures in the Operations area as proposed by the Governor for a reduction of \$36.9 million (\$20.9 million General Fund). This includes (1) having the Regional Centers conduct intake and assessment activities of consumers from 60-days to 120-days; and (2) using a caseload ratio of 1:66 (worker to consumer). These actions are effective as of July 1, 2008, and were implemented in AB3X 5, Statutes of 2008.
- Reduced by 10 percent the rates paid to Supported Employment Programs, effective as of July 1, 2008, as proposed by the Governor. This action saves \$9.3 million (\$7.5 million General Fund). Therefore the job coaching rate would be \$30.82 per hour versus \$34.24 an hour as

presently provided. This action also affects programs operated by the Department of Rehabilitation.

- Reduced by 10 percent the amount of funding for Regional Center Operations functions related to community placement planning as proposed by the Governor. A reduction of \$2 million (General Fund) was adopted for 2008-09 and can be done administratively.
- Modified the Family Cost Participation Program as proposed by the Governor to include Early Start consumers (i.e., under three years of age) as of October 1, 2008. This results in a reduction of \$773,000 (General Fund). This action was implemented in AB3X 5, Statutes of 2008.
- Provided for about \$137 million (\$71.8 million General Fund), along with 76 positions, related to the Agnews Developmental Center closure. This expenditure figure includes \$31.1 million (\$4.2 million General Fund) in expenditures in the Developmental Center item and \$105.3 million (\$67.6 million General Fund) in expenditures in the Regional Center item.
- Continued to provide Optional Benefits to all individuals receiving health care services through the Medi-Cal Program.
- Eliminated the supplemental rate for the Devereux facility as proposed by the Governor for a reduction of \$1.2 million General Fund.
- Eliminated the special contract arrangement for the Best Buddies Program for a reduction of \$1.5 million (General Fund). This program can receive reimbursement through the Purchase of Services funding provided to Regional Centers; this is how all other programs which serve individuals with developmental disabilities are reimbursed for services.
- Reduced by \$512,000 (General Fund), or 10 percent, the amount appropriated for the client's rights advocacy contract as proposed by the Governor. A total of \$4.6 million remains for this purpose.

### **State-Operated Developmental Centers and Headquarters Support**

- Provided \$537.5 million (\$357.4 million General Fund) for the operation of the state-administered Developmental Centers.
- Provided for reappropriation authority for the Developmental Centers item and the Regional Centers item to provide for the closure of Agnews Developmental Center in 2008-09. This authority will enable funding to be shifted between the two items to ensure consumer health and safety as individuals transfer from Agnews to the community.
- Deferred any population expansion at Porterville Developmental Center for the Secure Treatment Program beyond the existing 300 beds for savings of \$11.7 million (General Fund) in 2008-09 as proposed by the Governor. Trailer bill legislation was also adopted for this purpose.

- Deferred for one year the \$18.3 million (General Fund) request for the construction phase of the 24 satellite kitchens and dining rooms at Porterville.
- Reduced by \$1.1 million (\$663,000 General Fund) as proposed by the Governor to reflect the elimination of two “off-site” Regional Resource Development Projects which results in a reduction of 12 state positions and related operating expenses.
- Reduced by \$10.2 million (\$5.9 million General Fund) from the operating expenses and equipment area of the Developmental Center’s budget as proposed by the Governor. This reduction is to focus on equipment, staff travel, delaying certain purchases, and on non-critical operating expenses.
- Denied the DDS request for \$600,000 (General Fund) for external security cameras for the Secure Treatment Program and the 96-bed expansion at Porterville since the expansion was deferred for one-year.
- Reduced by \$204,000 (\$119,000 General Fund), or 10 percent, the amount provided for client’s rights advocacy as proposed by the Governor.
- Reduced by \$913,000 (Proposition 98 General Fund) in education funds used by the Developmental Centers. This reduction would happen on the natural due to the closure of Agnews Developmental Center.
- Eliminated 13 state positions as proposed by the Governor at Porterville Developmental Center for savings of \$938,000 (\$547,000 General Fund).
- Reduced by \$4.2 million (\$2.3 million General Fund) the amount of fees paid by the DDS for licensing and certification purposes. This reduction amount occurs on the natural with the Administration’s closure of Agnews Developmental Center.
- Eliminated six positions at the DDS who conduct audits for savings of \$362,000 (General Fund) as proposed by the Governor.
- Eliminated a Psychologist and Physician from the DDS headquarters for savings of \$255,000 (\$128,000 General Fund) as proposed by the Governor.
- Eliminated two Community Program Specialist II’s for savings of \$158,000 (\$80,000 General Fund) as proposed by the Governor.
- Reduced by \$1.42 million (General Fund) operating expenses and equipment as proposed by the Governor.

**4440 Department of Mental Health****Community-Based Services**

- Adopted the Governor's proposals to reduce the Early Periodic Screening, Diagnosis and Treatment (EPSDT) Program by \$14.6 million (General Fund) for 2008-09 by (1) not providing a home health market basket cost-of-living-adjustment (COLA) and through increased oversight by the Department of Mental Health (DMH) of this program which is expected to reduce the cost per child. These actions are consistent with action taken in AB3X 5.
- Rejected the DMH proposal to significantly reduce the Schedule of Maximum Allowances for all Medi-Cal programs, including the EPSDT Program and the Mental Health Managed Care Program.
- Rejected the DMH proposal to implement a Six-Month Reauthorization Program for the EPSDT Program since the proposal was unclear and would have eliminated over 2,500 children from treatment.
- Adopted an "alternative" EPSDT proposal to implement a statewide performance improvement project to implement strategies and interventions that are data driven to determine the effectiveness of the quality of services provided to certain children enrolled in EPSDT. This action is estimated to save \$29.1 million (\$12.15 million General Fund). Trailer bill legislation was adopted for this purpose.
- Rejected the Administration's proposal to reduce by \$23.8 million (General Fund), or 10 percent, the amount the state provides to counties for Mental Health Managed Care. Instead, a reduction of \$5.35 million (General Fund) was adopted to delete state support for federal regulations. The Administration is beginning the process to renegotiate the state's Mental Health Waiver with the federal government and has the opportunity to streamline these requirements.
- Increased the local assistance allocation for Mental Health Services Act Funds (Proposition 63 Funds) by a total of \$37.15 million for certain special statewide projects, including Suicide Prevention, to be implemented as designated by the Mental Health Services Oversight and Accountability Commission (Oversight Commission). Also adopted trailer bill legislation for the DMH to provide data to the Oversight Commission regarding the statewide projects.
- Adopted Budget Bill Language to require the DMH to provide the DOF and Legislature with a Fund Condition statement regarding the Housing Support account and expenditures related to the Housing Initiative under the Mental Health Services Act.



- Rejected the Governor's proposed reduction of \$1.6 million (Proposition 98 General Fund), or 10 percent, to the Early Mental Health Initiative.
- Provided \$750,000 (General Fund) in support of providing a supplemental rate for Community Treatment facilities, in lieu of the Administration's proposal to eliminate all funding. The \$750,000 will support those beds that are still in operation and will fund them at the existing rate.
- Approved funding for the San Mateo Pharmacy and Laboratory project, including past-year payments, and adopted the Governor's 10 percent reduction of \$464,000 (General Fund).
- Adopted the caseload adjustments for the supplemental mental health services provided to children enrolled in the Healthy Families Program but rejected the Administration's 10 percent reduction to these services.
- Adopted the Administration's proposal to reduce by 10 percent, or \$1.2 million (General Fund), the Caregiver Resource Centers.
- Approved an increase of \$600,000 (General Fund) as requested by the DMH for the community placement of forensic individuals being released from the State Hospital system into the community as directed by the courts.
- Fully funded the Early Mental Health Initiative within the DMH by rejecting the Governor's 10 percent reduction of \$1.6 million (Proposition 98 General Fund).
- Adopted the Governor's 10 percent reduction of \$150,000 (General Fund) for the AIDS Counseling Program and transferred the remaining amount of \$1.35 million (General Fund) to the Office of AIDS within the Department of Public Health to operate. Also adopted Budget Bill Language to require the DPH to continue to fund the \$300,000 (General Fund) contract with the Hemophilia Association as part of this transition.

### **State Hospitals and Headquarters Support**

- Adopted the Administration's May Revision for the State Hospital patient population to reflect reductions in caseload, as originally identified by the Legislative Analyst's Office.
- Adopted Budget Bill Language to have the Office of State Audits and Evaluations conduct an analysis of the methodology used by the DMH in developing its budget estimate for the State Hospitals.
- Approved resources as adjusted at the May Revision to meet federal Civil Rights for Incapacitated Persons Act (CRIPA) compliance requirements.
- Approved the continued activation of Coalinga State Hospital as proposed by the Administration as adjusted at the May Revision.
- Approved, as requested, an increase of \$3.04 million (General Fund) to fund initial evaluations in the department's Sexually Violent Predator (SVP) Program. This increased funding will

provide for 545 initial evaluations. Total 2008-09 expenditures for initial evaluations is \$23 million (General Fund) for 5,742 initial evaluations.

- Approved as requested the 64-bed expansion of the psychiatric program at Salinas Valley Prison. This program is administered by the DMH.
- Eliminated the state General Fund subsidy for county-purchased State Hospital beds for a savings of \$9.8 million (General Fund). This state subsidy had been in place since the mid-1990s to facilitate the purchase of State Hospital beds by County Mental Health Plans. However with the further development of community-based resources, counties now have more options for treating patients and should therefore pay the customary rate for a State Hospital bed when one is deemed necessary.
- Increased by \$5.8 million (Mental Health Services Act Funds) for state support
- Reduced state administration by \$1.9 million (General Fund) as requested by the Administration to reflect a 10 percent reduction.
- Approved as requested a Mental Health Specialist position on an 18-month limited-term basis to implement Senate Bill 785 (Steinberg), Statutes of 2007 regarding foster care youth and mental health services. Appropriated \$94,000 in Mental Health Services Act Funds for this purpose in lieu of General Fund support.

## HUMAN SERVICES

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

- Removed \$5.04 million GF from the Song-Brown Program and replaced it with \$5.04 million in funding from the California Health Data and Planning Fund (CHDPF). Of the total, \$497,000 will be permanently replaced with CHDPF funding and the remaining \$4.5 million is a one-time shift in 2008-09.
- Approved the following funding and positions to increase the number of mental health providers in California:
  - > \$260,000 from the mental health Practitioner Education Fund for the Licensed Health Service Provider Education program to provide 17 additional loan repayment grants beginning July 1, 2008.
  - > \$500,000 in Mental Health Services Act (MHSA) funding from the Department of Mental Health to train physician assistants to provide mental health care services in public mental health settings and/or in areas of unmet priority need.
  - > \$117,000 in MHSA funding and one position for the Office of Statewide Health Planning and Development (OSHPD) to increase the number of counties or Medical Services Study Areas designated as mental health professional shortage areas.
  - > Approved \$2.8 million in MHSA funding and two positions to establish the Mental Health Loan Assumption Program. This program will augment the existing Licensed Mental Health Services Provider Education Program, which provides loan repayment awards to mental health professionals in California who enter into a contractual agreement with OSHPD to provide a two-year, full-time service obligation in a designated mental health professional shortage area or qualified facility.
- Approved \$439,000 from the California Health Data and Planning Fund and four positions to implement the Health Care Workforce Clearinghouse Program established by Chapter 522, Statutes of 2007 (SB 139). The Clearinghouse will serve as the central source of health care workforce and educational data in the State.
- Approved \$614,000 in one-time funding from the Hospital Building Fund and one limited-term position to provide health impact assessments for hospitals requesting a seismic safety deadline extension pursuant to Chapter 642, Statutes of 2007 (SB 306).
- Approved \$329,000 and two positions for OSHPD's Pre-Approval Program and Contracts Management Function to reduce plan turnaround time for healthcare facility construction projects.

**4170 California Department of Aging**

- Rejected a \$629,000 GF reduction to the following senior nutrition programs: Home-Delivered Meals (\$316,000 GF); Congregate Nutrition (\$253,000 GF), and the Brown Bag Program (\$60,000 GF).
- Rejected a \$416,000 GF reduction to the Alzheimer's Day Care Resource Center (ADCRC) Program. The ADCRC Program provides day care to persons 18 years or older with Alzheimer's disease and other related dementias who are often unable to be served by other programs due to their advanced dementia.
- Adopted the following ten percent budget balancing reductions as proposed by the Administration for savings of \$6.04 million (\$3.51 million GF):
  - > \$5.05 million (\$2.53 million GF) reduction to the Multipurpose Senior Services Program.
  - > \$544,000 GF reduction to the Linkages Program.
  - > \$250,000 GF reduction to the Long-Term Care Ombudsman Program.
  - > \$99,000 GF reduction to the Area Agencies on Aging funding for administration.
  - > \$35,000 GF reduction to the Respite Purchase of Service Program.
  - > \$35,000 GF reduction to the Senior Companion Program.
  - > \$25,000 GF to the Senior Legal Hotline.
- Adopted a \$1.5 million GF reduction to the Senior Community Services Employment Program (SCSEP) to reflect a \$1.5 million increase in federal funding received for the program.
- Adopted a \$222,000 (\$76,000 GF) reduction to the administration and operating expense and equipment funding of the California Department of Aging (CDA) and eliminated 2.5 positions.
- Approved \$514,000 in additional federal fund authority for the existing Health Insurance Counseling and Advocacy Program to enable the CDA to implement additional program elements added by the federal Centers for Medicare and Medicaid Services.

**4180 Commission on Aging**

- Approved as budgeted.

**4185 California Senior Legislature**

- Approved as budgeted.

**4200 Department of Alcohol and Drug Programs**

- Rejected the following ten percent budget balancing reductions as proposed by the Administration:
  - > \$25 million reduction to the Substance Abuse and Crime Prevention Act (\$20 million GF) and the Substance Abuse Offender Treatment Program (\$5 million GF).
  - > \$3.1 million GF reduction to drug court programs (the Comprehensive Drug Court Implementation, Drug Court Partnership, and Dependency Drug Court).
  - > \$3.1 million GF reduction to Non-Drug Medi-Cal Regular (\$733,000 GF) and Non-Drug Medi-Cal Perinatal (\$2.3 million) programs.
  - > \$8.9 million GF reduction to Drug Medi-Cal rates.
- Adopted a \$10 million GF reduction to the California Methamphetamine Initiative (CMI). The CMI is a three-year \$30 million GF statewide marketing and outreach campaign to reduce and prevent abuse of methamphetamine among gay men, women of childbearing years, and teens. The funding for 2008-09 would have been the last year of funding for the initiative.
- Approved the following budget requests related to problem and pathological gambling prevention and treatment services:
  - > \$5 million from the Indian Gaming Special Distribution Fund and two limited-term positions to develop and implement treatment programs for problem and pathological gamblers. Of the total, \$4 million will be allocated, via a competitive grant application process, to local governments, public universities, and community organizations for treatment programs. The remaining \$1 million will be used for counselor training, training materials, campaigns to raise public awareness about the availability of treatment, surveys and evaluations, and state staff.
  - > \$400,000 to expand research and prevention services for problem and pathological gamblers. Of this, \$150,000 is from the Gambling Addiction Program Fund and \$250,000 (\$190,000 one-time) is reimbursement from the California State Lottery. The ADP will take over responsibility on an on-going basis for the toll-free helpline currently operated by the Lottery by merging it with the toll-free helpline already operated by the ADP.
- Approved \$4.83 million in federal funds and four limited-term positions to maintain and expand the existing California Access to Recovery Effort (CARE) Program. In October 2007, California was awarded a second, three-year grant for the CARE Program, which provides vouchers to youth between 12 and 20 years of age seeking substance abuse treatment.
- Shifted \$2.1 million General Fund and one position from ADP to the Department of Social Services (DSS) to transfer responsibility for the administration and oversight of the Indian Health Care Clinic program back to DSS. This will streamline the administrative process by having only one department approve and submit claims for payment, issue instructions to the clinics, and provide technical assistance.

- Rejected the redirection of \$575,000 in federal Substance Abuse Prevention Treatment (SAPT) Block Grant funding and three positions to establish a new state-level office to develop standards for women's substance abuse treatment services.
- Rejected \$250,000 in one-time SAPT funding for a contract to conduct a baseline business analysis and feasibility study and to prepare a feasibility study report to develop a system to track local assistance spending throughout ADP's entire business process and to link cost information to client outcomes.
- Approved the redirection of \$173,000 in federal SAPT funding and two positions to address expanded planning and reporting requirements to maintain SAPT funding.

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

- Adopted a \$300,000 GF budget balancing reduction to the Naturalization Services Program as proposed by the Administration.
- Approved \$957,000 (\$19,000 GF) to provide funding for expenses associated with the Department of Community Services and Development's (CSD's) anticipated move. The CSD recently received notification from the owner of their building that they would have to vacate their office space in the spring of 2009.
- Shifted \$50,000 in federal fund authority from 2007-08 to 2008-09 to reflect delayed implementation of the Prisoner Reentry Initiative Program, a federal grant to provide services to probationers and parolees to ensure their successful reentry into society.

#### **5160 Department of Rehabilitation**

- Authorized \$1.1 million of increased federal fund authority to support the second year procurement, system development, and system integration activities related to the Electronic Records System project to replace the existing field computer system.
- Adopted the following budget balancing reductions as proposed by the Administration for savings of \$6.18 million (\$3.22 million GF):
  - > \$3.6 million (\$638,000 GF) to DOR's operating expenses and equipment budget by reducing expenditures on printing, postage, travel, training, consultant services, data center services, and equipment. As part of this action, rejected the closure of district offices in 2009-10.
  - > \$728,000 GF reduction to the Supported Employment Program to reflect a ten percent rate reduction. The \$2.7 million in federal funds associated with this GF cut will be redirected to cooperative programs where the partner agencies will provide the required matching funds.

- > \$700,000 GF reduction to the Department of Rehabilitation's headquarters budget by eliminating \$4.5 positions and associated operating expenses.
- > \$416,000 GF reduction (\$1.7 million GF annualized) to base program case services by shifting consumers to cooperative programs for services.
- > \$350,000 GF reduction (\$700,000 GF annualized) to contract funding to service providers by shifting services to a fee-for-service basis.
- > \$350,000 GF reduction (\$700,000 GF annualized) to cases services expenditures by eliminating the purchase of non-federally mandated services and reducing expenditures for other services by using comparable and no cost services. The \$4.1 million in federal funds associated with this and the previous two GF cuts will be redirected to cooperative programs where the partner agencies will provide the required matching funds.
- > \$40,000 GF reduction to the Independent Living Centers by eliminating one-half a position and associated operating expenses.
- Rejected \$884,000 GF in rate reductions to Community Rehabilitation Providers, Individual Service Providers, and Contract Providers as these providers have not received rate increases in over six years.

#### **5170 State Independent Living Council**

- Approved as budgeted.

#### **5175 Department of Child Support Services**

- Reduced funding for the California Child Support Automation System (CCSAS) project by \$38.7 million (\$18.6 million General Fund) to reflect cost changes identified in various approved special project reports and budget Control Section 11.0 notification letters to the Legislature.
- Approved the transfer of \$44.5 million GF and 146 positions from the Franchise Tax Board (FTB) to DCSS for CCSAS and associated budget bill and trailer bill language. The FTB originally had responsibility for developing CCSAS, but this responsibility has been transitioning to DCSS over the past few years. This final transfer of funding and positions will consolidate development and ongoing administration of CCSAS in DCSS.
- Reappropriated \$5.7 million (\$1.9 million GF) to allow the CCSAS business partner to continue to provide maintenance and support for the Enterprise Customer Service Solution (ECSS) until September 30, 2010. The ECSS is a central self-service interactive voice response system, central call routing engine, and standardized hardware and software for Local Child Support Agencies (LCSAs) and the state call center.

- Reduced the State Disbursement Unit Service Provider contract by \$5.5 million (\$1.6 million GF) to reflect lower costs due to decreased transaction volume.
- Approved \$5.6 million GF (\$11.2 million annualized) to increase the monthly child support pass-through from the current \$50 to \$100 for all welfare families beginning January 2009. Pursuant to the Deficit Reduction Act, the federal government will begin sharing in the one-half of the cost of the child support that is passed through to welfare families up to \$100 for families with one child and up to \$200 for families with two or more children beginning October 2008. This will enable California to increase the pass-through from \$50 to \$100 per family.
- Rejected the budget balancing reduction to the child support state hearings. As an alternative, adopted trailer bill language requiring DCSS to provide comprehensive data from the state hearing pilot project that demonstrates that the pilot has reduced state hearings, a breakdown of how the pilot's revised process results in savings to state hearings costs, and trailer bill language that puts the specific new hearing process in statute. Also adopted \$183,000 in GF savings and reappropriated an equal amount of GF from unspent prior year DCSS funding for one more year to cover the costs of the current state hearing process.
- Approved \$700,000 (\$230,000 GF) and 7.5 positions, and trailer bill language to make the Compromise of Arrears Program (COAP) permanent. COAP offers reduced lump-sum payments of child support arrearages to parents in exchange for their commitment to make on-going child support payments.
- Approved the following budget balancing reductions proposed by the Administration for savings of \$12.19 million (\$4.10 million GF):
  - > \$193,000 (\$66,000 GF) reduction to the Public Inquiry and Response Team and elimination of 2.5 positions.
  - > \$530,000 (\$180,000 GF) reduction to the Quality Assurance and Performance Improvement unit and elimination of 6.5 positions.
  - > \$133,000 (\$45,000 GF) reduction to the contract performance support.
  - > \$307,000 (\$104,000 GF) reduction to information technology support.
  - > \$4.84 million (\$1.64 million GF) reduction to DCSS' administrative overhead and elimination of 19 positions for various administrative functions and contracts.
  - > \$4.3 million (\$1.5 million GF) reduction to the contract with the Judicial Council. The GF cut will be backfilled by the Judicial Council and, in turn, the Judicial Council will receive directly an additional \$5.5 million in federal matching funds.
  - > \$781,000 (\$175,000 GF) reduction to contracts with various state agencies to locate non-custodial parents and their assets, and for the intercept of these assets resulting from administrative and workload savings in the contracts.



- > \$1.1 million (\$383,000 GF) reduction and elimination of 14 positions for DCSS' customer services operations.
- Transferred a total of \$12.99 million (\$4.43 million GF from local assistance to state operations for DCSS to perform the following functions which are shifting from the LCSAs to DCSS under the statewide CCSAS system:
  - > \$12.6 million (\$4.3 million GF) for DCSS to print and mail child support forms and notices through the Office of State Publishing. In the event that actual costs are less than projected, the Legislature approved budget bill language requiring the extra funds to be transferred back to local assistance.
  - > \$194,000 (\$66,000 GF) and two limited-term positions for DCSS to maintain the CCSAS reference data and review it for duplicate, conflicting or missing data elements.
  - > \$196,000 (\$67,000 GF) and two positions to analyze changes to and ensure proper completion of the required federal Office of Child Support Enforcement reports and the state child support reports.
- Reverted \$14.8 million GF in unspent funding provided in 2006-07 for one-time payments of non-custodial parents' arrearage balances created by the transition to a new payment processing method resulting from the implementation of CCSAS.
- Approved \$881,000 (\$299,000 GF) to cover the increased costs for fees charged for the Federal Income Tax intercepts related to an increased number of intercepts. Intercepts are anticipated to increase as a result of the one-time Economic Stimulus Act and because intercepts may now be done for non-minors.

## **5180 Department of Social Services**

### *CalWORKs*

- Rejected the Administration's proposals to impose graduated full-family sanctions, restrict safety-net grants, eliminate grants for children of CalWORKs-ineligible parents, require CalWORKs families not meeting federal work participation requirements to attend an in-person semi-annual self-sufficiency review, cut CalWORKs grant levels by five percent, and provide a Work Incentive Nutritional Supplement to eligible working families.
- Adopted a semi-annual, in-person self-sufficiency review for cases that have been in sanction status for at least six months as a condition of continued eligibility and allow the 60-month lifetime benefit clock to tick for cases on sanction status.
- Adopted a change in the earned income disregard to provide that \$300 of earned income and 50 percent of each additional dollar earned would not be counted for purposes of determining a family's grant amount if the family is meeting federal work participation requirements. Those

families not meeting federal requirements would receive only 50 percent of their earned income as a disregard. Under current law, the first \$225 of earned income and 50 percent of each additional dollar are not counted in determining the grant level.

- Adopted placeholder trailer bill language to establish a pre-assistance employment program that would meet federal requirements for TANF pre-assistance programs.
- Approved the suspension of the 2008 CalWORKs COLA as of October 1, 2008 for savings of \$121.5 million. (The Legislature already took action to suspend the 2008 COLA from July to October during the special session.)
- Rejected the Administration's proposal to limit the maximum reimbursement rates for alternative payment programs to the 75<sup>th</sup> percentile. Approved net savings of \$19.4 million (\$139,000 GF) for CalWORKs Stage 1 child care provider costs resulting from delaying the implementation of the 2007 revised regional market rate ceiling from January 2009 to March 2009. Approved a \$16.8 million decrease in the child care holdback to reflect the removal of Stage 2 child care, which is being funded with Proposition 98 rather than TANF.
- Provided \$10 million TANF/MOE to counties for employment services. Adopted a \$10.3 million reduction to the single allocation to be backfilled with unspent county performance and fraud recovery incentive funds and language specifying that the reduction will be the lesser of \$10.3 million or what is available in unspent county performance and fraud recovery incentive funds.
- Approved \$50 million in TANF funding to be set aside for the TANF reserve.
- Approved \$5 million in TANF funding for the California Alliance of Boys and Girls Club to fund youth programs emphasizing education, health, safety, leadership, skill development, job readiness, pregnancy prevention and drug avoidance in exchange for counting at least \$88 million in Boys and Girls Club expenditures as excess MOE and conditioned on federal approval.
- Rejected the Administration's proposal to exchange \$447.4 million in federal TANF funds for GF that is currently expended in the following TANF-qualifying programs: CalGrants (\$223 million); Juvenile Probation (\$151.8 million); Emergency Assistance Foster Care (\$50.4 million); and increased Title XX transfer to the Department of Developmental Services (\$22.2 million).
- Adopted trailer bill language to delay implementation of the Temporary Assistance Program from the current date of April 1, 2009 to April 1, 2010.
- Approved \$1.15 million in TANF funding and ten positions for DSS to support data collection for federal work participation in each county, including verification of data and reporting procedures, and to perform oversight and field monitoring of county procedure and case

documentation for verification for recipient participation hours at the county level. These resources are necessitated by recent federal changes to work verification requirements.

### ***Food Programs***

- Rejected the Administration's proposals to reduce funding provided to counties for the administration of the Food Stamp Program by \$34.9 million and to reduce California Food Assistance Program (CFAP) benefits by ten percent.
- Approved \$1.8 million (\$992,000 GF) for implementation of a waiver of the face-to-face interview requirement for Food Stamp Program applicants where a single head of household is working at least 30 hours per week and where couples are working at least 30 hours per week. The funding would cover additional CFAP grant costs and additional administration costs resulting from increased participation.

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

- Adopted the suspension of the October 2008 State Supplementary Program (SSP) cost-of-living adjustment (COLA) for \$198.3 million GF savings. (The Legislature already took action to suspend the 2008 SSP COLA from June to October during the special session.) Rejected the suspension of the June 2009 SSP COLA.
- Rejected the Administration's proposals to retain the January 2009 federal Supplemental Security Income (SSI) COLA rather than pass it through to recipients and to eliminate the Cash Assistance Program for Immigrants (CAPI), which provides benefits equivalent to SSI/SSP to aged, blind, and disabled legal immigrants.
- Adopted trailer bill language to extend the CAPI advocacy program sunset from June 30, 2009 to July 1, 2011. Adopted supplemental report language to require DSS to report by July 1, 2010, by county, on the number of SSI applications filed by CAPI recipients through the advocacy program, the number of those SSI applications approved, and the amount of savings resulting from the program.

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

- Rejected the Administration's proposals to limit the state's participation in the cost of IHSS provider wages and benefits to the minimum wage (\$8.00 per hour) plus \$0.60 per hour for benefits, to change the criteria for IHSS recipients to qualify for domestic and related services based on their functional index score, and to eliminate the IHSS share of cost buy-out for those recipients with a functional index score below four.
- Approved \$1.7 million (\$836,000 GF) to make the 16 existing limited-term positions that administer and monitor the IHSS Quality Assurance program permanent. Approved \$439,000

(\$220,000 GF) to make the five existing limited-term positions that implement, administer, and monitor the IHSS Plus Waiver permanent.

### *Children and Family Services Programs*

- Rejected the Administration's proposal to impose a ten percent cut to the Basic Care, Specialized Care, and Clothing Allowance rates for the Foster Care, Kin-GAP, and Adoption Assistance programs.
- Rejected the Administration's proposal to cut the Child Welfare Services allocation by 11.4 percent for savings of \$129.6 million (\$83.7 million GF).
- Rejected the Administration's proposal to cut the Adult Protective Services program by 10 percent for savings of \$11.4 million (\$6.1 million GF).
- Rejected the Administration's budget balancing reduction proposal to privatize the Independent Adoption Program (IAP). As an alternative, adopted fee increases for IAP activities, and provided \$100,000 and one position and adopted trailer bill language to strengthen the ability of DSS to collect IAP fees. Also adopted noncodified trailer bill language requiring DSS to continue to work with stakeholders on IAP improvements and to report back during the 2009 budget subcommittee hearings.
- Provided \$9.4 million GF to enable DSS to pay a Program Improvement Plan (PIP) penalty assessed by the federal government for California's failure to meet performance requirements during the first federal Child and Family Services Review (CFSR). Although California is still appealing the penalty, payment will avoid the further accrual of interest charges of approximately \$100,000 per month. If DSS is successful in the appeal, the penalty and any interest paid will be repaid to the State. Also approved \$300,000 (\$188,000 GF) for a county contractor to coordinate the implementation of the PIP resulting from the second, recently completed CFSR.
- Approved an increase of \$10.2 million (\$3.4 million GF) in foster care funding due to delayed implementation of program enhancements to the Kinship Guardianship Assistance Payment (Kin-GAP) Program resulting from programmatic issues relating to Medi-Cal and child support collections and the length of time it taking cases to move through the dependency court.
- Adopted an \$8.8 million (\$3.8 million GF) decrease in funding for children who are regional center consumers and in receipt of either Aid to Families with Dependent Children-Foster Care (AFDC-FC) or Adoption Assistance Payments (AAP) benefits (also called "dual agency" children) due to a 31 percent reduction in the estimated Dual Agency foster care population.
- Adopted trailer bill language to delay implementation, for two years, the following recently enacted statutes resulting in savings of \$2.6 million (\$1.5 million GF): Chapter 286, Statutes of 2006 (AB 2488) regarding the disclosure of sibling contact information by adoption agencies;

Chapter 65, Statutes of 2007 (AB 1462) regarding board and care costs for for-profit group home foster care facilities; Chapter 464, Statutes of 2007 (AB 340) regarding a pilot project to consolidate three separate processes for licensing foster parents, approving relative caregivers, and approve families to adopt children in foster care. Rejected \$407,000 (\$258,000 GF) in state operations funding and four positions for implementation of Chapter 465, Statutes of 2007 (AB 1331) regarding screening foster youth for SSI eligibility and applying for SSI benefits on their behalf and Chapter 466, Statutes of 2007 (AB 1453) regarding restructuring the current group home foster care system to a residentially-based services system.

- Adopted an on-going \$127,000 GF reduction and a one-time \$2.8 million GF reduction to the Foster Family Home and Small Family Home Insurance Fund.
- Approved the continuation of two limited-term positions to support administrative oversight of the Title IV-E Child Welfare Waiver Capped Allocation Project (CAP), but rejected transfer of \$807,000 in local assistance funding from the CAP counties to state operations to fund the state administrative oversight.

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

- Rejected the Administration's proposals to reduce the required number of annual random visits from 30 percent of facilities to 14 percent of facilities and to cut 33 positions from the Community Care Licensing (CCL) Division. Approved \$1.1 million (\$1.0 million GF) and continuation of 29 limited-term positions for an additional 18 months to enable the CCL Division to clear a backlog of facilities that have not been visited in more than five years as required by law.
- Approved trailer bill language to extend the moratorium for two years on the statutory trigger language that requires annual visits for an additional ten percent of facilities if citations increase by 10 percent or more and requiring DSS to submit a revised statutory trigger proposal by February 1, 2010.
- Approved \$316,000 in special fund authority and three positions to meet the increased volume and complexity of workload in the Continuing Care Contracts Branch within the CCL Division. The Continuing Care Contracts Branch is responsible for the approval and oversight of Community Care Retirement Communities.
- Rejected \$176,000 GF and two positions to implement Chapter 686, Statutes of 2007 (AB 949), which would require Residential Care Facilities for the Elderly (RCFEs) to submit closure plans to DSS for review and approval within a specified amount of time. RCFE's would still be required to prepare and submit the closure plans to DSS.

### ***Department Administration***

- Rejected the Administration's proposed ten percent reductions to the Deaf Access Program, the State Hearings Division, and the Disability Determination Service Division.

# LABOR

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

- Approved one 2-year limited-term position for supervision and coordination of Economic and Employment Enforcement Coalition (EEEC) activities under the Employment Development Department (EDD), the Department of Industrial Relations (DIR), the Department of Consumer Affairs, and the United States Department of Labor.

## **7100 EMPLOYMENT DEVELOPMENT DEPARTMENT**

- Approved Budget-Balancing Reductions totaling \$246,000 General Fund (GF), including \$56,000 for the California Unemployment Insurance Appeals Board and \$190,000 for administrative support.
- Approved 25 two-year limited-term positions and \$2.5 million (\$1.25 million EDD Contingent Fund and \$1.25 million Unemployment Compensation Disability Fund) to continue EEEEC efforts to combat employment tax and labor law non-compliance in the “underground economy.”
- Approved 18 positions and \$2.8 million (\$2.6 million GF) to fund year three of the Automated Collection Enhancement System, which will utilize state-of-the-art tax collection, storage, account management, and data retrieval technologies to maximize the effectiveness of the EDD tax collection operations.
- Approved one-time funding of \$1.1 million (Disability Insurance Fund) to continue support of 6.6 positions previously approved (beginning in Fiscal Year 2006-07) for implementation of the Disability Insurance Automation Project.
- Reallocated \$9.3 million in federal Workforce Investment Act Discretionary Funds to parolee services to generate \$9.3 million GF savings (by supplanting existing GF).
- Approved Finance Letter adjustments to state operations and benefit payments, to reflect the May 2008 forecast of increased claims for the Unemployment Insurance Program, the Disability Insurance Program, and the School Employees Fund Program.
- Approved \$5.3 EDD Contingent Fund and \$3.1 federal Reed Act funds to partially backfill a \$39.7 million federal funding shortfall in Unemployment Insurance Program Administration. Additionally, adopted Budget Bill Language authorizing the Administration to increase state support of program activities by up to \$23.8 million EDD Contingent Fund in order to maintain current service levels if additional federal funds do not materialize.

**7350 DEPARTMENT OF INDUSTRIAL RELATIONS**

- Approved Budget-Balancing Reductions worth \$1.3 million GF, including elimination of 2 State Mediation and Conciliation Service staff members, and 2 positions in the Division of Occupational Safety and Health.
- Approved 29 two-year limited-term positions and \$3.5 million (various special funds) to continue EEEEC efforts to combat employment tax and labor law non-compliance in the “underground economy.”
- Adopted Budget Bill Language authorizing the Administration to increase the funding available for the Electronic Adjudication Management System should the project encounter problems with stakeholder access to the system during the “go-live” phase.
- Approved redirection and reclassification of 22 existing positions within the Rehabilitation Unit to the newly-created Return-to-Work Unit. Additionally, adopted Supplemental Report Language requiring the department to verify that the projected workload materializes in the new program (which has been underutilized heretofore).
- Denied \$432,000 (including \$130,000 GF) for relocation of the department’s San Francisco headquarters. The request was deemed premature given the lack of sufficient evidence to suggest that the Department of Justice and the Administrative Office of the Courts require the space currently occupied by the department.
- Approved 1 position and \$143,000 (Workers’ Compensation Administration Revolving Fund—WCARF) to carry out the worker’s compensation insurance coverage program requirements of Chapter 662, Statutes of 2007 (SB 869). The costs of the bill’s requirements are to be offset by penalties assessed as the program is implemented.
- Approved 2.6 positions and \$311,000 (Elevator Safety Account) to increase oversight of non-permanent and portable amusement rides under Chapter 478, Statutes of 2007 (SB 783).

*Trailer Bill Language*

1. Approved language to establish a Occupational Safety and Health Fund to be supported by a new assessment on workers’ compensation premiums. The new assessment would fund current California Occupational Safety and Health Act shortages, and, along with the restructuring of the Targeted Inspection and Consultation Fee (TICF) proposed by the Governor and approved by the Senate, would enable repayment of a \$13 million loan made in Fiscal Year 2007-08 from the WCARF to the TICF.

## VETERANS AFFAIRS

### 8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved Budget-Balancing Reductions (BBRs) totaling \$19.4 million GF, including \$18.7 million associated with care of sick and disabled veterans at state veterans homes. The majority of the reductions reflect a delay in the previously planned/approved expansion of beds and services at existing and new veterans homes.
- Approved 100.7 positions and \$9.4 million for construction, pre-activation, and the beginning of business operations at the Greater Los Angeles/Ventura Counties veterans homes. The BBR described above subsequently delayed the opening of the Adult Day Health Care units at Ventura and Lancaster until Fiscal Year 2009-10.
- Approved 8 positions and \$580,000 for the pre-activation phase of the Redding and Fresno veterans homes. The BBR described above subsequently delayed these activities until Fiscal Year 2009-10.
- Approved 9 positions and \$736,000 GF to improve fiscal oversight within the department. Denied 5 positions and \$494,000 GF that was unjustified at the current time.
- Approved 14 positions and \$2.5 million GF to provide oversight of capital assets, facilities management, and construction. Denied 5 positions and \$528,000 GF that was not justified at the current time.
- Approved 24.5 positions and \$1.9 million GF for the Veterans Home of California (VHC)—Chula Vista to implement nurse staffing ratios required by emergency draft regulations associated with AB 1705 (2001).
- Approved \$2.9 million GF to correct a funding deficit within the Chula Vista Operating Expenses and Equipment budget. The correction was necessary due to years of inept budgeting by the department. The necessary adjustment was validated by the Department of Finance's Office of State Audits and Evaluations.
- Approved a Finance Letter including 7.5 positions and \$380,000 GF to address health and safety risks associated with the disabled residents who dine in the main dining room at the VHC—Yountville. The United States Department of Labor has demanded that the resident employees currently assigned to assisting in the dining room be reassigned to less stressful, less physically demanding jobs.

#### *Trailer Bill Language*

1. Approved language requiring the department to provide the Legislature each year with an estimate package containing the assumptions and methodologies used in developing the Governor's Budget.



Senate Committee  
on  
Budget and Fiscal Review

**SUBCOMMITTEE 4**  
State Administration, General Government,  
Judicial, Public Safety,  
and Transportation

**MAJOR ACTION  
REPORT**

June 11, 2008

Senate Bill 1067  
2008-09 Budget Bill

*Members*

Mike Machado, Chair  
Tom Harman  
Christine Kehoe

*Consultants*

Daniel Alvarez  
Brian Annis  
Keely Martin Bosler  
Bryan Ehlers  
Jacqueline Wong-Hernandez

# SUBCOMMITTEE No. 4

## LEGISLATIVE, EXECUTIVE, JUDICIAL BRANCH, TRANSPORTATION, PUBLIC SAFETY, and GENERAL GOVERNMENT

**Org  
Code**

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# SUBCOMMITTEE No. 4

## LEGISLATIVE, EXECUTIVE, JUDICIAL BRANCH, TRANSPORTATION, PUBLIC SAFETY, and GENERAL GOVERNMENT

(continued)

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# TRANSPORTATION

## 2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved \$37,000 (special funds) to support the addition of two Commissioners as mandated by AB 1672 (Chapter 717, Statutes of 2007).
- Approved \$100,000 (special funds) to pay for consulting services related to High-Occupancy-Toll (HOT) lanes. Assembly Bill 1467 (Chapter 32, Statutes of 2006) sets out procedures that could result in up to four new HOT lanes in the state.

## 2640 STATE TRANSIT ASSISTANCE

- Augmented funding proposed by the Governor from \$306 million to \$494 million. This funding level corresponds to full “non-spillover” funding for State Transit Assistance. Most of the “spillover” funding, which is gasoline sales taxes above Proposition 42 revenue, is directed to GF relief totaling \$1.1 billion.
- Approved Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding of \$350 million.

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

Added placeholder trailer bill language to implement the PTMISEA Prop 1B program in 2008-09.

## 2660 DEPARTMENT OF TRANSPORTATION

- Approved Prop 1B bond funding of \$3.6 billion for the following bond categories that are budgeted directly in the California Department of Transportation (Caltrans) budget (figures include state operations, local assistance, and capital outlay):
  - \$1,555 million for Corridor Mobility Improvement Account (CMIA)
  - \$996 million for the State Transportation Improvement Program (STIP)
  - \$417 million for Trade Corridors Improvement Fund
  - \$214 million for State Highway Protection and Preservation Program (SHOPP)
  - \$200 million for State Local Partnership
  - \$64 million for Grade Separation
  - \$103 million for State Route 99
  - \$21 million for Local Bridge Seismic
  - \$72 million for Intercity Rail

This funding level ties to what the Administration requested for allocations in 2008-09, adjusted for legislative changes in the areas of administration and engineering support. Other Prop 1B bond

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

Budget Bill Language(Proposition 1B)

1. Added budget bill language stating legislative intent that Proposition 1B funds for Intercity Rail be spent prudently and expeditiously, and requiring Caltrans to report progress no later than January 1, 2009.

Trailer Bill Language(Proposition 1B)

1. Added placeholder trailer bill language to implement the State Local Partnership Prop 1B program.
  - Approved full Proposition 42 funding of \$1.432 billion in 2008-09. The budget also includes a \$83 million Prop 42 loan repayment per the requirements of Proposition 1A of 2006.
  - Augmented transit funding for Caltrans by \$129 million, relative to that proposed by the Governor. With this higher funding level, Caltrans should be able to move forward on \$65 million in State Transportation Improvement Program (STIP) transit capital projects and avoid the necessity for a \$60 million loan from the Traffic Congestion Relief Fund (TCRF) to the Public Transportation Account (PTA). This loan would place TCRF-funded projects at risk.
  - After the legislative transit restorations of \$188 million in the State Transit Assistance budget and \$129 million in the Caltrans budget, the budget retains \$1.1 billion in GF relief from “spillover” funds. The spillover revenue, which is gasoline sales taxes above Proposition 42 revenue, is directed to GF relief as follows:
    - \$607 million to reimburse the GF for transportation-related general obligation bond debt.
    - \$276 million to reimburse the GF for Home-to-Schools transit.
    - \$147 million for regional center transportation budgeted in the Department of Developmental Services.
    - \$83 million to reimburse the GF for the Proposition 42 loan repayment.

Conforming action included an amendment to Control Section 24.85 that implements the Home-to-Schools transit reimbursement, and implementing trailer bill language.

- Shifted a portion of Capital Outlay Support (COS) engineering workload from contractors to state staff for a savings of \$10 million. The final allocation of COS workload is 90 percent state staff and 10 percent contractors. Directed the savings be applied to the State Highway Account (SHA), to the extent possible, so that the SHA would have additional resources for maintenance and State Highway Protection and Preservation Program (SHOPP) work.
- Approved the use of Clean Renewable Energy Bonds (CREBs) for \$20 million to fund 70 photovoltaic projects on Caltrans building facilities. CREBs are a federal energy program to encourage solar energy. The bonds have a zero-percent interest rate and energy cost savings are expected to be sufficient to fund debt service.

- Approved the use of Grant Anticipation Revenue Vehicle (GARVEE) bond funding of \$141 million to move forward on critical State Highway Operations and Protection Program (SHOPP) projects. GARVEEs are a federal program and the bonds are repaid with future federal funds.
- Approved \$19.6 million (special funds) over three years to implement the Pavement Management Program, which will improve data and forecasting of pavement deficiencies and allow Caltrans to make better investment decisions. Over a 8-year period, cumulative savings from better pavement planning and investments are expected to be \$118 million.
- Approved new appropriations or reappropriations for the following information technology projects (total multi-year cost is indicated): Integrated Financial Management System (\$40.4 million); Construction Management System (\$20.4 million); Project Resourcing and Schedule Management System (\$16.6 million); and Roadway Design Software (\$10.4 million). Rejected new funding for information technology acquisition staff, and added Supplemental Report Language related to the discontinued Transportation Permits Management System project.
- Approved \$15.1 million (special funds) to replace and retrofit equipment to conform to air quality mandates.
- Rejected funding of \$1.1 million (special funds) and 5.0 positions for the Office of Strategic Planning and Performance Measures – planning and performance measures should be part of any department’s base activities.
- Approved funding of \$2.7 million (special funds) for Americans with Disability Act (ADA) compliance transition plan and complaint resolution / investigation. Rejected \$800,000 for litigation contract costs, because Caltrans should be able to absorb this cost in its \$80.4 million Legal Program budget.
- Approved \$5.0 million (special funds) for additional litter cleanup along state highways. Rejected \$2.0 million (special funds) for an anti-litter media campaign.
- Approved \$2.3 million (special funds) for worker safety equipment and added Supplemental Report Language related to the use of the equipment.
- Approved multiple budget requests related to State Personnel Board (SPB) decisions. The SPB found that Caltrans was contracting for services beyond what statute allows. The budget changes reduced contract services and increased state staff by 75.5 positions in the areas of equipment and building maintenance – net budget savings of \$1.7 million (special funds) result.
- Approved the Caltrans public safety radio budget request for \$32.2 million (special funds) over five years to expand the high-band radio system into the three Caltrans districts that still operate with the low-band legacy radio system. The new system would improve radio operability within Caltrans and improve inter-operability with public safety entities such as the California Highway Patrol.
- Approved funding of \$179,000 (special funds) and 2.0 new positions to fully implement the federally-mandated Disadvantaged Business Enterprise (DBE) Race-Neutral Measures Program for construction contracting.
- Reduced budget funding by \$7.8 million (special funds) for three pilot projects approved in prior years, but for which statutorily-required reports were overdue at the time of the hearing. These pilot projects were: Owner-Controlled Insurance Program; Virtual Traffic Monitoring Stations; and Corridor System Management Plans.

- Rejected a \$100.0 million reduction in the State Highway Operations and Protection Program (SHOPP) appropriation that was requested due to declining gasoline excise tax revenue. To the extent possible, Caltrans should direct saving from legislative budget reductions in other areas, and direct efficiency gains and other internally-produced savings, to the SHOPP program so activities can be continued at the budgeted level.
- Approved new funding of \$21.3 million (special funds) for the increased price of fuel.
- Approved a total funding of \$14.9 million (a \$3.5 million increase) for rail heavy equipment overhall and total funding of \$86.3 million (a \$6.6 million increase) for operating costs related to the three intercity passenger rail services that Caltrans operates in cooperation with Amtrak. These activities are funded from the Public Transportation Account.
- Rejected a Public Transportation Account (PTA) augmentation for University of California research that would increase the funding amount from \$980,000 to \$6.0 million, due to the existing strain on transit revenues.
- Approved funding of \$10 million for the Environmental Enhancement and Mitigation Program.
- Approved funding of \$7.2 million for Bicycle Transportation Account grants.
- Approved authority for the Aeronautics Division to obtain a loan of \$1.2 million to replace the 1969 Beechcraft Bonanza model “E-33” Debonair aircraft with a new aircraft. Caltrans operates two aircraft in support of its mission to inspect general aviation airports and make related safety evaluations.
- Rejected proposal for \$238.1 million in loans from transportation funds to the GF. Loans were proposed from the State Highway Account (\$200.0 million); the Bicycle Transportation Account (\$6.0 million); the Local Airport Loan Account (\$14.9 million); Motor Vehicle Fuel Account (\$8.0 million); Environmental Enhancement and Mitigation Program Fund (\$4.4 million); Historic Property Maintenance Fund (\$3.0 million); and Pedestrian Safety Account (\$1.8 million).

#### Trailer Bill Language

1. Approved placeholder language to implement the transit funding allocations.
2. Approved placeholder language to continue and expand Caltrans’ ability to manage cashflow issues through short-term loans.
3. Approved language to shift federal funds for new Caltrans staff to conform to new federal reporting requirements.

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

- Approved total funding of \$46.4 million for the Authority, but decreased Public Transportation Account funding by \$6.1 million and increased High Speed Rail Bond funding by \$6.1 million. The approved budget includes \$29.1 million from the High Speed Rail Bond, which will only be available for expenditure if voters approve the bond act on the November 2008 ballot.
- Deleted proposed budget bill language to earmark \$8.2 million in expenditures for the Sacramento / Fresno segment.

**2700 OFFICE OF TRAFFIC SAFETY**

- Approved as budgeted – expenditures of \$96.3 million federal funds.

**2720 CALIFORNIA HIGHWAY PATROL**

- Approved the Governor’s request to increase vehicle registration fees by \$11 to bring the Motor Vehicle Account into balance and support the existing and expanding number of California Highway Patrol (CHP) Officers.
- Approved 120 new Officer positions, but shifted the new positions authority to 2009-10 because existing vacancies, and constraints on the size of new academy classes, will not allow the CHP to fill any of the new positions in 2008-09.
- Rejected funding of \$3.4 million (special funds) and 35 new positions related to the new officer positions or to base deficiencies. These were determined to not be critical given existing officer vacancies and the number of support positions added in the past two years.
- Approved 2008-09 funding of \$103.5 million for the five-year \$500 million public safety radio system approved with the 2006 Budget Act. Reverted \$3.7 million in current year funding, and decreased funding for 2008-09 by \$12.8 million to conform to the revised project plan.
- Shifted funding for tactical alerts from \$10 million in the main CHP item of appropriation to a new emergency “non-add” appropriation also of \$10 million. This action separately schedules this expenditure for improved transparency and also treats it as an “emergency” authority versus a planned expenditure. Tactical alerts involve placing Officers on 12-hour shifts to enhance CHP presence in times of emergency or high security risk.
- Approved various budget requests for new facility leases or construction of new state-owned CHP facilities.

**2740 DEPARTMENT OF MOTOR VEHICLES**

- Approved the Governor’s request to increase vehicle registration fees by \$11 to bring the Motor Vehicle Account into balance and support the existing and expanding number of California Highway Patrol Officers.
- Shifted \$120 million in Vehicle License Fee (VLF) revenue to local governments to support In-Home Supportive Services (IHSS) funding realignment. The VLF is a local in-lieu property tax that DMV collects on behalf of local governments. The DMV’s cost recovery is more appropriately set at 10 percent of revenue instead of the current 15 percent (DMV would still retain VLF funding of \$240 million). The shift provides GF relief. Additionally, increased Motor Vehicle Account (MVA) funding by \$120 million to keep DMV whole. The MVA expenditures come out of the reserve in 2008-09, but a registration fee increase of about \$4 would likely be necessary in 2009-10 to backfill for the revenue shift.



- Approved year three funding of \$32.6 million (special funds) for the Department of Motor Vehicles (DMV) Information Technology Modernization project. The DMV reported that the primary vendor contract cost was \$76 million below estimates, resulting in total project costs being revised down to about \$166 million.
- Rejected a funding request for \$6.5 million (federal funds) for Real ID demonstration projects. No federal grants were awarded to DMV at the time of the request, and no legislation has been approved in California to implement Real ID.
- Approved \$3.9 million and 10 positions in 2008-09 and \$17.5 million and 136 positions in 2009-10 to move in-house the information technology solution related to SB 1500 (Chapter 920, Statutes of 2004). This legislation requires each insurer that issues private passenger automobile liability policies to electronically report to the DMV all issued policies, changes, and terminations; and requires DMV to suspend vehicle registrations if insurance is not in force.
- Approved various budget requests for new facility leases or construction of new state-owned DMV facilities.
- Rejected a proposal for a \$8.0 million loan from the Motor Vehicle fuel Account to the GF.

### **8530 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN**

- Approved \$367,000 and 0.5 positions to support increased legal expenses and conduct a comprehensive review of current practices and processes related to incident review, navigation technology, and pilot fitness. The Board has been in the news recently due to the November 2007 collision of the COSCO BUSAN tanker with the tower of the Bay Bridge, which resulted in an oil spill.

## STATE ADMINISTRATION

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

- Approved the Office of the Chief Information Officer budget, including the use of the Administration's Central Services Cost Recovery plan to support agency costs.

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

- Approved a 10-percent GF budget reduction, which was \$191,000 and no reduction to positions after the central-services funding realignment.

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

- Approved a 10-percent GF budget reduction, which totaled \$776,000. The reduction was spread proportionally across several programs as follows: Film Commission \$120,000; Tourism \$110,000; Small Business Loan Guarantee \$481,000; Office of Military and Aerospace Support \$55,000; and Technology, Trade and Commerce Agency closure costs \$10,000.
- Rejected funding of \$162,000 GF and one new position for broadband promotion.
- Rejected funding of \$2 million GF and 0.5 positions for the San Joaquin Valley Partnership.
- Approved funding of \$446,000 (special fund) and 5 new positions for the Infrastructure Bank. These numbers incorporate a legislative reduction of \$219,000 and 2 positions. Approved trailer bill language to improve the existing Infrastructure Bank report requirement.
- Approved a request to transfer dormant housing and childcare-facility special funds back to the General Fund, but directed the Administration to score the related \$2.7 million in the revenue system. These programs were originally funded with GF appropriations in 1997-98 and 2001-02, but the deteriorating GF condition in 2001-02 lead to the discontinuation of the programs.
- Rejected a request for trailer bill language to allow the use of dormant childcare-facility loan guarantee funds for administration of the Small Business Loan Guarantee Program. Instead directed that the dormant funds of approximately \$1.0 million be transferred back to the GF.
- Eliminated the Office of Office of Military and Aerospace Support (formerly the Office of Military Base Retention and Reuse) for GF savings of \$502,000. The primary mission of this Office, when created, was to fight California military base closures in the federal Base Realignment and Closure (BRAC) process. There are currently no new BRAC rounds scheduled.

**0650 OFFICE OF PLANNING AND RESEARCH**

- Approved a \$431,000 GF Budget-Balancing Reduction (BBR) for the State Planning and Policy Development Program, whose major activities include: (1) policy research for the Governor and Cabinet; (2) recommending and implementing state policies with regard to land-use and growth planning, including joint use land planning with the military; (3) providing technical advice to local governments with regard to planning; and (4) advising permit applicants and government agencies on provision of the California Environmental Quality Act (CEQA) and operates the State Clearinghouse for environmental and federal grant documents.
- Denied the proposed \$127,000 GF BBR for the California Volunteer Matching Network (CVMN), and instead denied continuation of the CVMN altogether, including 3.0 positions and \$766,000 GF.
- Denied 4 positions and \$537,000 GF for preparation of draft guidelines (state regulations) for the mitigation of greenhouse gas emissions pursuant to CEQA and Chapter 185, Statutes of 2007 (SB 97). The Administration was encouraged to carry out the intent of the legislation using existing resources.
- Deleted 1 position and \$107,000 GF transferred from the Governor's Mentoring Partnership in the Department of Alcohol and Drug Programs to the Office of Planning and Research.

*Trailer Bill Language*

1. Approved language to suspend the Cesar Chavez Grant Program for two years, resulting in annual savings of \$5 million GF. The program was previously suspended for three years in bad budgetary times beginning in Fiscal Year 2002-03.

**0690 OFFICE OF EMERGENCY SERVICES**

- Approved \$1.9 million General Fund to backfill Mutual Aid Program reduction proposed in the Governor's budget, keeping the program whole to 2007-08 funding level. The Governor's budget proposed to backfill the reduction with the Wildland Firefighting Initiative.
- Denied request for \$10.2 million in 2008-09 and \$9.7 million ongoing from the Insurance Fund, which would have provided 11 positions, 131 new fire engines, increased maintenance baseline, and backfilled only the \$1.9 million reduction to Mutual Aid. The Insurance Fund was never established.
- Approved \$1,291,600 federal funds, as part the Public Safety Interoperable Communication (PSIC) Grant to double the amount of bandwidth for the Operational Area Satellite Information System (OASIS), a satellite system that provides redundant voice communications in the event that the Public Switch Telephone Network fails. Approved \$209,000 General Fund for the required 20% match.
- Approved \$2,184,000 federal funds, as part of the PSIC Grant to replace failing or obsolete telecommunications equipment used to respond to, and coordinate in, emergencies. Approved \$546,000 General Fund for the required 20% federal match.

- Approved \$4,018,000 federal funds for state operations, related to an increase in the Emergency Management Performance Grant (EMPG). Existing resources will be used for the match.
- Approved \$3,967,000 one-time federal funds for emergency preparedness programs, related to an EMPG supplement.
- Approved \$3,647,000 federal funds for one-time local assistance related to an increase in the EMPG.
- Denied request for \$1,647,000 General Fund and 19 permanent positions in the 3 regional offices, for administrative oversight and coordination of mutual aid, and direct service delivery.
- Approved \$786,000 in 2008-09 and 7 permanent positions, as well as \$772,000 in 2009-10 federal funds from an increase in the Mitigation Grant.
- Denied \$20.1 million of ongoing funding for the California Multi-jurisdictional Methamphetamine Enforcement Teams (Cal-MMET) local assistance grants. Approved the original program baseline of \$9.5 million, and made grants competitive.
- Denied the May Revision Letter proposing the creation of the Emergency Response Initiative (ERI). This May Revision proposal was in lieu of the initial Wildland Firefighting Initiative. The ERI would establish a two-tier fee structure on residential and commercial insurance policies based on hazard zone designations, and create an Emergency Response Account administered by OES.
- Denied request for \$963,000 General Fund in 2008-09 and \$23.6 million General Fund in 2009-10 for new Southern California Regional Operation Facility.
- Denied request for \$230,000 General Fund to continue the Alert and Warning system and bring its management in-house.
- Denied \$173,000 General Fund to increase headquarters maintenance baseline and equipment purchases. Approved \$25,000 General Fund for a dedicated A/C unit in the IT server room.
- Denied request for \$1.1 million from the Victim/Witness Assistance Fund to permanently continue the Parole Revocation Victim Advocacy Program.
- Denied request for \$1 million ongoing from the Restitution Fund for a local assistance grant program focused on the investigation and prosecution of Internet crimes against children.
- Denied \$1,278,000 General Fund and 7 positions to expand the Office of Gang and Youth Violence Policy (OGYVP). OGYVP would be responsible for identifying and evaluating state, local, and federal gang and youth violence suppression, intervention, and prevention programs and strategies.
- Approved \$57 million in Proposition 1B funds to provide grants to assist ports in preparing for, responding to, and protecting against acts of terrorism. In addition, for purposes of clarity, budget language was adopted to insure funding is allocated in a manner consistent with Chapter 181, Statutes of 2007 (SB 88).
- Approved \$100 million in Proposition 1B funds to provide grants to assist transit operators, as specified, for security and disaster response, and in preparing for, responding to, and protecting against acts of

terrorism. In addition, for purposes of clarity, budget language was adopted to insure funding is allocated in a manner consistent with Chapter 181, Statutes of 2007 (SB 88).

#### **0840 STATE CONTROLLER**

- Accepted the Governor's revised \$1.1 million GF Budget-Balancing Reduction. The savings will be achieved by reducing expenditures for Operating Expenses and Equipment.
- Reduced by \$7.9 million GF the Governor's request to fund the sixth year of the Human Resources Management System (HRMS)/21<sup>st</sup> Century Project. Based on a revised project plan, the HRMS is now anticipated to require an additional year and \$40 million (\$21.3 GF) to complete. Under the new plan, costs originally scheduled for Fiscal Year (FY) 2008-09 will not be incurred until the out years. Therefore, the Senate approved a final funding level of \$30.4 million (including \$10.9 GF). Additionally, the Senate approved \$969,000 GF to reimburse unallowable HRMS costs that were charged to the federal government in FYs 2005-06 and 2006-07. The state may only receive reimbursement for those costs after the system is fully operational.
- Approved conversion of GF appropriations for Unclaimed Property Program (UCP) functions to Unclaimed Property Fund (UPF) appropriations. If unclaimed by the rightful owner, monies in the UPF are ultimately revenue to the GF. Therefore, this conversion neither helps nor harms the state's bottom line, but will serve to "insulate" the UCP from any future GF reductions.
- Approved 4.5 two-year limited-term positions and \$444,000 GF to support the maintenance and operations of the Local Government E-Claims system.
- Approved a total of 19 positions and \$2.3 million (reimbursements from various funds) for the SCO to conduct audits of: (1) the California Department of Transportation's expenditure of Proposition 1B funds and (2) the local trust accounts of various California State University campuses.

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

- Denied the Governor's proposed Trailer Bill Language to create a Firefighting Safety Account within the Insurance Fund and to require the CDI to impose on insurers an annual assessment of 1.25 percent of the premium for each commercial and residential insurance policy.
- Denied a one-time increase of \$4 million (Insurance Fund) to assist district attorneys (DAs) in combating workers' compensation fraud. Although the increase is fully funded by an additional assessment on insurers, there was insufficient evidence that the local assistance is being put to its highest and best use (to address the most egregious fraud) by the DAs.
- Approved 5 positions and \$475,000 (Insurance Fund) to address workload stemming from revised automobile rating regulations associated with Proposition 103.
- Denied proposed Trailer Bill Language to delete the January 1, 2010, sunset of the Life and Annuity Consumer Protection Program. The request was deemed premature because it was supported by only one year of data on the program.

- Approved a Finance Letter request of \$2.8 million (Insurance Fund) to support the first year of a three-year procurement of an enterprise electronic management “paperless” workflow system.
- Approved \$137,000 (Insurance Fund) to extend the term of 3 limited-term positions for the Telecommunications Infrastructure Replacement Project. This extension will allow ample time to collect empirical data to determine the ongoing resources required to support the Voice Over Internet Protocol/Call Center systems.

#### *Trailer Bill Language*

- 1. Adopted placeholder language requiring the department to provide a full accounting to the Legislature of the activities of the Conservation and Liquidation Office.

### **0850 STATE LOTTERY COMMISSION**

- Did not hear the Governor’s proposal to modernize the Lottery and securitize the anticipated increased revenue.

### **0860 STATE BOARD OF EQUALIZATION**

- Approved various “tax-gap” proposals that will result in a net revenue gain of \$53.4 million to the General Fund and a net revenue gain of \$56.4 million to special funds. The revenue gain for these proposals also grows in 2009-10. Included in these proposals are the following:
  - Statewide Compliance and Outreach – approved an augmentation of \$11.6 million (\$7.5 million GF) and 112 positions to identify and register non-compliant sellers. A revenue gain of \$60.2 million (\$37.9 million GF) results.
  - Various Tax-Gap Measures – approved an augmentation of \$13.9 million (\$8.8 million GF) and 134.5 positions to collect more taxes that are due but not paid. A revenue gain of \$43.0 million (\$27.7 million GF) results. Rejected two research positions and \$232,000 related to this request.
  - Cigarette and Tobacco Programs - approved an augmentation of \$3.0 million (\$238,000 GF) and 33 positions for enhanced enforcement and compliance activities for cigarette and tobacco product tax programs. A revenue gain of \$30.1 million (\$1.5 million GF) results.
  - Agricultural Inspection Station Program - approved an augmentation of \$1.4 million (\$800,000 GF) and 16 positions for enhanced enforcement and compliance activities at inspection stations located at the state’s borders. A revenue gain of \$6.4 million (\$3.6 million GF) results.
- Approved \$4.7 million (\$1.7 million GF), and 3 positions to expand electronic filing options. This is a multi-year proposal and the six-year cost is expected to be \$16.5 million with a six-year revenue benefit of \$27.6 million.
- Reduced funding by \$1.4 million GF to reflect anticipated efficiency savings from electronic filing initiatives.

**0890 SECRETARY OF STATE**

- Approved and allocated the Governor's proposed \$3.5 million GF Budget-Balancing Reduction by reducing printing and mailing costs associated with the Voter Information Guide (see trailer bill language below).
- Approved \$42.3 million (federal funds) under the revised spending plan for the Help America Vote Act (HAVA). Additionally, consistent with the HAVA plan, approved 10 positions and \$38.8 million federal funds to replace the existing CalVoter statewide voter database with a more centralized and technologically advanced VoteCal database. The new system is currently anticipated to be deployed in December 2009.
- Subject to Budget Bill Language and Trailer Bill Language (see below), approved a Finance Letter request for \$89.6 million GF to fund the counties' costs to conduct the early presidential primary required under Chapter 2, Statutes of 2007 (SB 113).
- Approved \$101,000 GF to carry out parallel monitoring of direct recording electronic voting systems (consistent with Chapter 501, Statutes of 2007—SB 917).
- Denied 1 position and \$92,000 GF for archival planning and management of California Supreme Court and Appellate Court records. Without prejudice to the need, this proposal did not rise to the level of priority necessary to receive new funding given current fiscal constraints.
- Denied \$167,000 GF for voter registration costs associated with implementation of Chapter 481, Statutes of 2007 (SB 854). Without prejudice to previous legislative intent, this proposal did not rise to the level of priority necessary to receive new funding given current fiscal constraints. The department was encouraged to resubmit the request in the future under improved fiscal conditions.

*Trailer Bill Language*

1. Adopted language permitting the Secretary of State to alter the format of the Voter Information Guide and to mail only one guide per address.
- 2. Adopted placeholder language requiring the SCO to audit the counties' early presidential primary costs.

**0950 STATE TREASURER'S OFFICE**

- Approved a 10-percent GF budget reduction, which was \$506,000 and 5 positions after the central-services funding realignment.
- Approved two budget requests that increased funding by \$216,000 and 2 positions to generate additional earnings through better management of investments. The expected GF revenue gain is \$6.3 million in 2008-09.
- Approved two budget requests that increased funding by \$318,000 (reimbursements) and 4 positions to address increased workload for services provided to local agencies and other State departments.
- Approved \$269,000 (reimbursements) for 2.5 new information technology support positions to improve security and develop new applications and enhancements.

- Rejected loans totaling \$24.0 million from various special funds to the GF.
- Approved \$108,000 GF and 1 position to better manage cash disbursements and therefore reduce borrowing and interest costs.
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### **1100 CALIFORNIA SCIENCE CENTER**

- Approved a 10-percent GF budget reduction for the Science Center, which was \$1.5 million and 11 positions.
- Approved a 10-percent GF budget reduction for the California African American Museum (CAAM), which was \$249,000 and no change in positions.
- Rejected \$2.1 million GF for working drawings for the CAAM facility renovation and expansion project, due to the GF shortfall.
- Approved various budget changes related to the new coliseum lease with the City of Los Angeles, including an augmentation of \$115,000 (lease revenue) for maintenance and security improvements. Additionally, shifted \$655,000 from GF expenditures to new lease revenue funds on a one-time basis, to continue the same level of activity but generate one-time GF savings of \$655,000.

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

- Rejected funding of \$1.3 million (various special funds) for a media campaign to educate consumers on the risks of conducting business with unlicensed practitioners and service providers.
- Rejected loans totaling \$116.5 million from various special funds to the GF.

### **1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING**

- Partially approved the Governor's proposed \$1.9 million GF Budget-Balancing Reduction. Restored 9.5 positions and \$1 million in order to maintain current discrimination-complaint processing capabilities and to mitigate an increased backlog.

### **1705 FAIR EMPLOYMENT AND HOUSING COMMISSION**

- Approved the Governor's proposed \$117,000 GF Budget-Balancing Reduction.

### **1730 FRANCHISE TAX BOARD**

- Approved various "tax-gap" proposals that will result in a net revenue gain of \$118 million to the General Fund. The revenue gain from these proposals also grows in 2009-10. Included in these proposals are the following:



- Board-Adopted Request – approved an augmentation of \$6.5 million GF and 68.5 positions to collect more taxes that are due but not paid. A revenue gain of \$22.0 million GF results. The new staff are directed to activities in the areas of fraud prevention and detection, audit workload growth, and compliance behavior analysis.
- Administration January Request – approved an augmentation of \$9.9 million GF and 138.7 positions for various tax-gap initiatives. A revenue gain of \$71.0 million GF results. The new staff are directed to activities in the areas of automobile registration data analysis, non-filer identification, IRS data analysis, and collection program workload. Additionally included is statutory change to require mandatory electronic payment for high-income taxpayers (annual tax liabilities in excess of \$80,000) and to require FTB to accept payment by phone for affected individuals.
- Administration April Finance Letter - approved an augmentation of \$2.6 million GF and 38.5 positions for analysis of IRS Revenue Agent's Reports and collection of inactive accounts receivable. A revenue gain of \$35.0 million GF results.
- Administration May Finance Letter - approved an augmentation of \$1.1 million GF and 16.25 positions to contact an additional 60,000 non-filers. A revenue gain of \$9.0 million GF results.
- Legislative Analyst Alternatives – approved an augmentation of \$600,000 and 10 positions to address out-of-state audit workload and modify statute in the area of group filing for non-residents. A revenue gain of \$2.0 million results.
- Approved \$3.9 million (Court Collection Fund) and 56.5 positions to support the continuation and expansion of the Franchise Tax Board's program to collect court-ordered debt. The cost of this program is fully paid out of the collections (no GF). The collection of court-ordered debt supports county accounts, the State Restitution fund, Victims-Witness Assistance fund, and in some cases the GF.
- Approved April Finance Letter to shift the California Child Support Automation System funding and staff from the Franchise Tax Board (FTB) to the Department of Child Support Services (DCSS). This information technology project was implemented by FTB on behalf of DCSS, and the project plan has always included a shift to DCSS upon project completion.
- Approved \$1.2 million (\$1.1 million GF) to replace three existing encoders, which process checks and money orders.
- Approved multi-year funding of \$7.3 million GF for the Withhold at Source System information technology project, that will replace a system that processes non-wage withholding payments.
- Approved new funding of \$27,000 (\$14,000 GF) and redirected funding of \$440,000 GF for information technology data security improvements.
- Approved funding of \$178,000 GF and 3.0 limited-term positions to process refunds related to a lawsuit on Limited Liability Corporation fees.
- Took no action (rejected) May Finance Letter proposal to accelerate the fee payment due date for Limited Liability Corporation. The proposed acceleration would increase 2008-09 GF revenue by \$360 million on a one-time basis.

**1760 DEPARTMENT OF GENERAL SERVICES**

- Accepted deferral of Capitol maintenance and repair by approving the Governor's \$794,000 GF Budget-Balancing Reduction.
- Approved 7 positions and \$740,000 (Schools Facilities Fund) for the Office of Public School Construction (OPSC) to address increased School Facilities Program workload associated with school bond dollars provided under Propositions 1D, 55, 47, and 1A. The approved funding will also enable the OPSC to establish an automated and integrated audit information system for school bond expenditures.
- Denied 2 positions and \$217,000 GF for the Emergency Repair Program (ERP) due to concern that Williams Settlement funding in the immediate future will be insufficient to justify additional positions. Additionally, denied Trailer Bill Language to shift ERP audit responsibilities to the counties.
- Approved various "earthquake safety" capital outlay projects funded from the Earthquake Safety Public Buildings Rehabilitation Fund of 1990. Denied Trailer Bill Language that would have authorized a new, \$800 million earthquake safety bond measure to be put before the voters, and denied the capital outlay projects that were to be funded from the proposed bond proceeds.
- Approved \$3.3 million GF to refund federal unallowable costs that were incurred in FYs 2002-03, 2003-04, and 2004-05 when the GF appropriation that covers certain services and costs of the Legislature and the Governor's Office was eliminated.
- Re-appropriated \$43.7 million (Service Revolving Fund) and augmented funding by \$16 million for Library and Courts Building Renovation. Due primarily to the unanticipated need to relocate staff from the building during renovation, the project will take longer and cost more than originally anticipated.
- Adopted a new control section (see Control Section 4.70 below) to address a \$27.2 million Architecture Revolving Fund deficit.

**1880 STATE PERSONNEL BOARD**

- Approved a 10-percent GF budget reduction, which was \$201,000 and 1 position after the central-services funding realignment.
- Approved multiple budget requests that related to the State Personnel Board's role in qualifying candidates for peace officer jobs. Funding of \$1.3 million (reimbursements) and 13 positions were approved, but Supplemental Report Language was added to monitor the workload.
- Rejected multiple budget requests that related to staffing deficiencies in the general administrative area, due to the budget situation. Funding of \$1.0 million (reimbursements) and 9.5 positions were rejected to reduce pressure on GF departments that would have to partially fund the costs.
- Approved \$234,000 (reimbursements) and 2 positions for information technology support to gain efficiencies in testing and management for state hiring.
- Approved \$242,000 (reimbursements) and 3 positions to support training performed under agreement with other state departments.

**1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

- Approved multiple budget requests totaling \$1.9 million (Contingency Reserve Fund) and 13 positions to improve the CalPERS oversight and management of healthcare contracts for public employees. These proposals are expected to result in cost savings or cost avoidance in excess of the cost.
- Rejected multiple budget requests totaling \$704,000 (Contingency Reserve Fund) and 6 positions for various administrative functions that were not expected to result in any direct cost savings or avoidance. About one-third of the Contingency Reserve Fund comes from the GF.

**1920 STATE TEACHERS' RETIREMENT SYSTEM**

- Approved placeholder trailer bill language to revise the purchasing power projection benefit for retired teachers. An actuarial analysis suggests the benefits could be increased from 80 percent to 85 percent of purchasing power protection and the state GF contribution can be reduced by \$66 million. This proposal was supported by the California Retired Teachers' Association. As part of this package, annual state contributions to CalSTRS were scheduled for November and April to aid cash management, and payment of interest related to a lawsuit were deferred until after 2008-09. State contributions to CalSTRS will total \$1.1 billion GF.

**1955 DEPARTMENT OF TECHNOLOGY SERVICES**

- Approved provisional language requested in a Finance Letter to authorize the Department of General Services to enter into a long-term lease with purchase option for a new Central California data center. The Department of Technology Services (DTS) plans to move a portion of its operations from the current Cannery location to a more secure, state-of-the-art facility that lies outside the Sacramento area and the 100-year floodplain. The new location would provide back-up to the existing Gold Camp data center.
- Approved the Governor's proposal to decrease expenditures by \$23.4 million in the budget year to align appropriations with the ongoing costs of related projects.
- Approved 9 positions and \$8.7 million (DTS Revolving Fund) to purchase and upgrade existing enterprise data storage capacity and safeguard customer data in order to meet the anticipated growth needs of more than 450 customers.
- Approved \$3.2 million (DTS Revolving Fund) to replace phased-out hardware and accommodate network growth.
- Approved 4 positions and \$4.3 million (DTS Revolving Fund) to purchase mainframe processing capacity in order to meet projected workload increases and upgrade software.
- Approved 11 positions and \$14.7 million (DTS Revolving Fund) to replace aging servers and expand capacity to address customer needs.

**2100 ALCOHOLIC BEVERAGE CONTROL**

- Approved a fee increase of 3.28 percent that ties to the Consumer Price Index. The department has a structural deficit that requires correction.
- Approved an April request to reappropriate funds for the Licensing and Compliance System information technology project, but reduced 2008-09 funding by \$1.2 million (special fund) to conform to the Special Project Report.
- Rejected a \$1.0 million reduction (special fund) in the Grant Assistance Program (GAP), which supports local law enforcement of alcoholic beverage laws. The Administration's request related to the aforementioned structural deficit, but the Legislature believed the \$1.2 million in budget savings related to the information technology project would allow for full GAP funding.

**2150 DEPARTMENT OF FINANCIAL INSTITUTIONS**

- Approved multiple requests totaling \$2.2 million (special funds) and 22 new positions in the Credit Union Program to improve examinations with respect to reviewing subprime lending, electronic financial services, and business loans.
- Approved \$128,000 (special funds) and 1 new position in the Banking Program to implement SB 385 (Chapter 301, Statutes of 2007) that requires financial institutions to comply with the federal guidance on nontraditional and subprime mortgage products.
- Approved \$1.0 million (special funds) and 9 new positions to address workload growth in the Money Transmitter Program.
- Approved \$1.1 million (special funds) for relocation of the San Francisco office.
- Rejected a loan of \$1.5 million from the special fund to the GF.

**2180 DEPARTMENT OF CORPORATIONS**

- Approved request for \$500,000 (special funds) and 4 new positions in the Lender-Fiduciary Program to improve the oversight of financial institutions in the areas of sub-prime lending, but the Legislature changed the positions from limited-term to permanent.
- Approved request for \$500,000 (special funds) and 4 new positions in the Investment Program to improve the oversight of broker dealers and investment advisors that sell collateralized mortgage obligations to the investing public, but the Legislature changed the positions from limited-term to permanent.
- Rejected a loan of \$1.5 million from the special fund to the GF.

**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

- Approved Proposition 1C (Housing and Emergency Shelter Trust Fund Act of 2006) bond funding for the following bond categories that are budgeted directly in the Department of Housing and Community Development's budget (excluding support costs):
  - \$50 million for the CalHome Program.
  - \$40 million for the California Homeownership Program (BEGIN).
  - \$3 million for the Self-Help Housing Program.
  - \$95 million for the Affordable Housing Innovation Fund.
  - \$101 million for the Multifamily Rental Housing Program.
  - \$78 million for Supportive Housing.
  - \$15 million for Homeless Youths.
  - \$40 million for Serna Farmworker Loans/Grants.
  - \$24 million for Emergency Housing Assistance.
  - \$300 million for Infill Incentive Grants.
  - \$140 million for Transit-Oriented Development.
  - \$30 million for Housing Urban-Suburban and Rural Parks

The funding levels indicated above include two legislative adjustments: funding for the Infill Incentive Grant Program was increased from \$200 million to \$300 million; and Transit-Oriented Development was increased from \$95 million to \$140 million. Additionally, the Senate deleted both the Governor's January 10 and May Revise Trailer Bill Language proposals for the Housing Urban-Suburban and Rural Parks Program, and adopted its own language instead (see below). The Senate also approved 5 two-year limited-term positions and \$559,000 to implement new Proposition 1C Affordable Housing Innovation Fund programs authorized by Chapter 652, Statutes of 2007 (SB 586).

- Approved Budget-Balancing Reductions totaling \$508,000 GF affecting the following areas: (1) Employee Housing; (2) Community Development Block Grants; (3) Enterprise Zone Program; (4) Administration and Program Support; (5) State Housing Law; and (6) Housing Element.
- Denied the following Budget-Balancing Reductions: (1) Emergency Housing Assistance Program (\$401,000 GF); and (2) Office of Migrant Services (\$343,000). Approved Budget Bill Language to enable the Administration to decrease Office of Migrant Services GF support commensurate with the level of any federal funding received for the same purpose.
- Approved 2 two-year limited-term positions and \$222,000 (bond funds) to address increased workload in the Housing Element Law program resulting from the passage of Proposition 1C.
- Approved 3 two-year limited-term positions and \$351,000 (various special funds) to perform workload associated with Chapter 658, Statutes of 2007 (SB 707) and certain changes in regulation associated with extension of loan terms for affordable housing loans.
- Approved 1 two-year limited-term positions and \$111,000 (special fund) to implement a new senior-restricted housing component of the Multifamily Housing Program, as authorized by Chapter 618, Statutes of 2007 (AB 927).
- Denied 3 two-year limited-term positions and \$343,000 GF for implementation of Chapter 537, Statutes of 2007 (AB 1406), Chapter 532, Statutes of 2007 (AB 1560), and Chapter 369, Statutes of 2007 (AB

162). Without prejudice to previous legislative intent, these proposals did not rise to the level of priority necessary to receive new funding given current fiscal constraints. The department was encouraged to resubmit the requests in the future under improved fiscal conditions.

*Trailer Bill Language*

- 1. Adopted language to implement a competitive Housing Urban-Suburban and Rural Parks Program that would award Proposition 1C funds to localities that issue permits for low-income housing and are “parks underserved.”

**2400 DEPARTMENT OF MANAGED HEALTH CARE**

- Approved as budgeted, including continuation of \$196,000 (special fund) to support 2 expiring limited-term positions in the area of Health Plan Oversight.

**8260 CALIFORNIA ARTS COUNCIL**

- Approved as budgeted, including 10-percent GF budget reduction.

**8320 PUBLIC EMPLOYEE RELATIONS BOARD**

- Approved a portion of the requested budget reduction including trailer bill language to shift fact-finding costs from the Public Employee Relations Board (PERB) to negotiating parties. Total approved reductions were \$170,000 GF and 3 positions. Reject the proposed consolidation to eliminate one of the three service offices (restored the related \$140,000 to the PERB budget).

**8380 DEPARTMENT OF PERSONNEL ADMINISTRATION**

- Approved a 10-percent GF budget reduction, which was \$1.0 million and no change in positions after the central-services funding realignment.
- Approved the Administration’s request to eliminate the Rural Health Care Equity Program supplemental payment to annuitants for savings of \$5.5 million GF.
- Reduced the funding and positions requested for processing anticipated position reductions and/or layoffs from \$3.0 million GF (and 28.5 positions) to \$1.2 million GF (and 10 positions). This was intended as placeholder funding, so the appropriate staffing could be further refined in Conference Committee.
- Approved requested funding of \$2.9 million (special funds) for 9 positions and contract services for the Human Resources Modernization Project. This funding mechanism adds special funds to base GF revenue to continue this important modernization without incurring an addition GF cost. Added Supplemental Reporting Language.
- Approved funding of \$263,000 (reimbursements) to fund higher external laboratory testing costs for drug tests related to peace officer hiring.

- Approved multiple requests totaling \$1.2 million (special fund) for contractor costs related to the Savings Plus Program and the Alternative Retirement Program. These costs are fully paid by program participants.

#### **8500 BOARD OF CHIROPRACTIC EXAMINERS**

- Approved \$503,000 (special funds) and 4 new positions to convert investigative workload from contractors to state staff, and to expand the scope of investigative work to enhance consumer protection.
- Conformed to Assembly reporting language to require the Board to report to the Legislature by March 1, 2009, regarding implementation of Bureau of State Audit recommendations.

#### **8620 FAIR POLITICAL PRACTICES COMMISSION**

- Denied the Governor's proposed \$825,000 GF Budget-Balancing Reduction due to concerns that the resulting decrease in oversight could adversely affect public confidence in a political process that is free of improper influence of public officials.

#### **8640 POLITICAL REFORM ACT OF 1974**

- Denied the Governor's proposed \$275,000 GF Budget-Balancing Reduction due to concerns that the resulting decrease in oversight could adversely affect public confidence in a political process that is free of improper influence of public officials.

#### **8780 MILTON MARKS "LITTLE HOOVER" COMMISSION**

- Approved a 10-percent GF budget reduction for the Commission, which was \$98,000 and no change in positions.

#### **8820 COMMISSION ON THE STATUS OF WOMEN**

- Approved a 10-percent GF budget reduction for the Commission, which was \$59,000 and 0.6 positions.

#### **8855 BUREAU OF STATE AUDITS**

- Denied the Governor's proposed \$1.6 million GF Budget-Balancing Reduction due to concerns that constraining the bureau's ability to conduct discretionary and follow-up audits could cost the state more money than it saves by significantly reducing fiscal oversight of state agencies and programs.

**8860 DEPARTMENT OF FINANCE**

- Approved \$1.5 million (\$1.2 million GF) to fund a 15 percent increase in compensation for staff in Budgets and a 10 percent increase in compensation for staff in the Office of State Audits and Evaluations and the Fiscal Systems Consulting Unit.
- Rejected \$35.7 million GF and 238 permanent positions to support a revised special project report for a comprehensive statewide financial system named the Financial Information System for California (Fi\$Cal). Ultimately, the projected total cost of this project is \$1.3 billion (of which \$788 million GF).
- Denied the transfer of \$3.3 million GF and 29 positions from the Office of Technology Review, Oversight and Security (OTROS) to a newly created Office of the Chief Information Officer (OCIO).
- Approved \$132,000 GF and one position to provide oversight to the Department of Corrections and Rehabilitation and coordination within the Administration on Corrections litigation issues.
- Approved \$696,000 (non-GF) and five additional positions for the Fiscal Systems and Consulting Unit (FSCU). In addition, the funding for FSCU will be realigned to reflect the statewide service it provides. The proposal results in a General Fund savings of \$249,000.
- Approved \$654,000 GF to support the Public Employee Post-Employment Benefits Commission.
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**8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA**

- Approved the LAO recommendation for implementing the Financial Information System for California (Fi\$Cal), a “Next Generation” Enterprise Resource Planning (ERP) System. The purpose of this project is to create and implement a new statewide financial system which will encompass the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, and human resources management.
- The funding for this multi-year project would come from a combination of Bond Anticipation Notes (BANs) and Certificates of Participation (COPs). Issuing BANs, would fully fund Fi\$Cal through 2011-2012. In 2012, state departments and agencies benefiting from Fi\$Cal would begin to “purchase” COPs out of their appropriated budgets. Initial borrowing is limited to \$277 million, which will fund the project through its first three years. In 2012-13, there will be a year-long pause for legislative review.
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**8885 COMMISSION ON STATE MANDATES**

- Approved a 10-percent GF budget reduction, which was \$168,000 and 1 position.
- Rejected a proposal to defer payment of \$75 million GF for old mandate claims (pre-July 2004 claims) to 2009-10. Note, this proposal is separate from a proposal adopted in the Special Session to defer payment of 2007-08 claims, also at \$75 million GF, to 2009-10.



- Reduced the requested funding for 2006-07 mandate claims from \$64 million GF to \$11 million. The revised funding levels ties to an updated estimate of the State obligation for these claims.

## **8910 OFFICE OF ADMINISTRATIVE LAW**

- Approved the Governor's revised \$165,000 GF Budget-Balancing Reduction. In order to achieve the savings, the office will reduce spending on services, printing, communications, postage, repairs, maintenance of equipment, and purchase of new equipment.

## **8940 MILITARY DEPARTMENT**

- Approved Budget-Balancing Reductions totaling \$4.5 million GF affecting the following areas: (1) Army National Guard; (2) Air National Guard; (3) Office of the Adjutant General; (4) Military Support to Civil Authority; (5) Military Retirement; (6) State Military Reserve; and (7) Youth Programs. The Senate denied an \$119,000 Budget-Balancing Reduction to the California Cadet Corps, and instead denied a proposed increase of 1 position and \$185,000 GF for the program.
- Denied 1 position and \$1.8 million GF (and \$3.6 million ongoing) to establish a new California National Guard Education Benefit Program. The Senate also denied the Governor's proposed Trailer Bill Language to implement the program, and instead directed the department to pursue the program through SB 1752 (Wyland) and the policy process. At the time the item was heard, SB 1752 contained language identical to that proposed by the Administration in the Governor's Budget.
- Denied 43 positions and \$9.2 million (Insurance Fund) for 24/7 Aviation Response Staffing and aerial firefighting equipment (including helicopters). This proposal was part of the Governor's Wildland Firefighting Initiative (see also the Department of Insurance for the funding mechanism), and was subsequently withdrawn by the Administration in the May Revise and replaced by the Emergency Response Initiative (ERI). The ERI did not contain a FY 2008-09 component for the Military Department.
- Approved approximately \$600,000 GF for Joint Operations Center Staffing to maintain 24/7 response capability in the event of a disaster or special security event. Denied 8.0 positions and \$717,000 GF due to limited GF. The original request would have completely backfilled expiring federal funding that has allowed the state to maintain a historic-high response capability.
- Approved 6 limited-term positions and \$800,000 (reimbursement authority) for planning, training, and all-hazard emergency planning in support of the Governor's Office, Office of Emergency Services, and Office of Homeland Security (OHS). Additionally, approved 13.0 limited-term positions and \$7.5 million (reimbursement authority) to execute a continuing interagency agreement with the OHS to provide homeland security terrorism training and exercise activities. Also, approved 14.0 limited-term positions and \$2.1 million (reimbursement authority) to execute an interagency agreement with OHS to establish two Critical Infrastructure Protection Teams to assess designated sites and develop recommendations to mitigate vulnerabilities.

**9100 TAX RELIEF**

- Rejected the Administration's 10-percent GF cut to the Senior Citizen Renters' Tax Assistance Program. The proposed cut would have reduced all benefit payments by 10 percent and resulted in total GF savings of \$15.0 million.
- Rejected the Administration's 10-percent GF cut to the Senior Citizen Property Tax Deferral Program. The proposed cut would have reduced payments by 10 percent and resulted in total GF savings of \$2.6 million.
- Modified the Administration's 10-percent GF cut to the Senior Citizens' Property Tax Assistance Program by rejecting the 10-percent across-the-board payment reduction and instead lowering the maximum income from \$42,800 to \$33,000 and reducing grants by 45 percent. This approach saves \$18.5 million versus the Administration's approach that would save \$4.1 million. The overall action on this issue and the above two bullets correspond to a Legislative Analyst recommendation on these three programs, which would maintain the existing benefit levels for the lowest income and lowest asset group of taxpayers, but achieve a similar savings level to the Administration. Approved implementing trailer bill language.
- Reduced Subventions for Open Space / Williamson Act grants from the \$34.7 million GF proposed by the Administration (after a \$3.9 million GF 10-percent proposed reduction) to a total new funding level of \$1,000 to place the issue in the Conference Committee.

**9210 LOCAL GOVERNMENT FINANCING**

- Eliminated funding for discretionary local law enforcement grant programs because these programs represented a small portion of the total law enforcement budget, and the GF condition does not allow for continued funding of discretionary local grant programs. Total GF saving of \$263 million, as follows:
  - Eliminated funding for the Citizens' Option for Public Safety / Juvenile Justice Crime Prevention grant programs for GF savings of \$214 million.
  - Eliminated funding for the Small and Rural Sheriffs Grant Program for GF savings of \$17 million.
  - Eliminated funding for the Booking Fee Program for GF savings of \$32 million.
- Reduced funding for Redevelopment Agency Special Supplemental Subventions to \$500,000 for GF savings of \$300,000 (including the \$100,000 10-percent reduction proposed by the Administration). This was based on an updated analysis of likely costs.
- Reduced funding for Property Tax Disaster Relief Funding to \$789,000 for GF savings of \$88,000 (conforming to the \$88,000 10-percent reduction proposed by the Administration). This reduction was based on an updated analysis of likely costs.
- Approved a Legislative Analyst recommendation to recover \$98 million in GF overpayments to school districts that were revealed by a recent State Controller's audit. The audit revealed that certain Redevelopment Agencies withheld required property tax transfers to schools and that certain schools underreported property tax revenue to the State.

**9350 SHARED REVENUES**

- Reduced funding for Trailer Vehicle License Fees (VLF) Backfill to \$10.7 million for GF savings of \$1.2 million (conforming to the \$1.2 million 10-percent reduction proposed by the Administration). This funding flows to the Local Revenue Fund to support county-provided healthcare.
- Eliminated funding for discretionary Tideland Oil Revenue payments to local governments because the GF condition does not allow for continued funding of discretionary local grant programs. Total GF saving of \$462,000 results (including the \$46,000 10-percent reduction proposed by the Administration).

**9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS**

- The budgeted amount for General Obligation Bond debt service is \$4.3 billion GF. However, the GF is partially reimbursed from special funds – receiving \$378 million from the Transportation Debt Service Fund.

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

- Approved funding of \$1.2 billion GF for the 2008-09 cost of health and dental benefits provided to annuitants. Note, about \$560 million of this GF cost is recovered from special funds and federal funds through the pro-rata / SWCAP process.
- Approved funding of \$36.5 million in federal subsidies from the prescription-drug, Medicare Part-D benefit, to offset state costs for retiree healthcare.

**9800 AUGMENTATION FOR EMPLOYEE COMPENSATION**

- Pursuant to an Administration May Revision request, deleted budget funding totaling \$420 million GF over 2007-08 and 2008-09 to implement the Last, Best, and Final Offer (LBFO) to the California Correctional Peace Officers' Association (CCPOA). The Legislature additionally deleted \$70 million over the same two years to remove funding for the health-care inflation component of the LBFO. To date, no policy bill has been introduced to implement the LBFO.
- Approved May Revision adjustments to the cost estimates for this item.

**9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIES**

- Reduced funding for contingencies to \$44.1 million for GF savings of \$4.9 million (conforming to the \$4.9 million 10-percent reduction proposed by the Administration).

## **CONTROL SECTIONS**

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

- Adopted revised rates for the six retirement classes, pursuant to the California Public Employees' Retirement Board adoption of new rates in May 2008. The final estimates for the State's retirement contributions in 2008-09 are \$2.8 billion, including GF costs of \$1.5 billion.

### **4.44 BUDGET REDUCTIONS**

- As requested by the Administration, deleted this control section and approved the scheduling of the \$9.1 billion in proposed GF reductions to individual department budgets. Each individual reduction was then acted upon separately by the Legislature.

### **4.70 ARCHITECTURE REVOLVING FUND DEFICIT RECOVERY**

- Added a control section to implement the Governor's plan to recover the \$27.2 million deficit in the DGS Architecture Revolving Fund (ARF). At least half of the deficit is to be collected directly from departments that incurred the costs, while the remainder would be collected as part of a surcharge on specified new ARF projects over the next five fiscal years. The control section requires the DGS to report annually on progress toward recovering the deficit and prohibits the Administration from establishing a reserve in the ARF (for the purpose of funding otherwise "unfunded" projects).

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

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

### **35.20 ACCRUAL ACCOUNTING**

- Rejected the proposal to accrue \$1.8 billion of September 2009 revenue to June 2009 to increase 2008-09 revenues by \$1.8 billion. This was proposed as a permanent accounting change. It would not accelerate the actual receipt of cash, but would produce a one-time accounting shift that reflects on paper as a revenue gain in 2008-09.

**35.50 BUDGET STABILIZATION ACCOUNT (BSA)**

- Via Executive Order S-05-08, dated May 28, 2008, the Governor suspended the September 30, 2008, transfer from the General fund to the Budget Stabilization Account. Absent this suspension, \$3.0 billion would be transferred from the GF to the BSA with half of that amount used for early repayment of Economic Recovery Bonds. The Constitution grants the Governor authority to suspend this transfer by executive order. The Legislature approved this control section that provides technical definition of the BSA.

**35.80 CASH MANAGEMENT**

- Approved placeholder control section language to continue discussion of the Administration's cash management proposal in Conference Committee. The Administration proposes to defer certain cash allocations within the 2008-09 fiscal year to reduce the Revenue Anticipate Note (RAN) borrowing. Full payment would still be made by the end of the fiscal year, and reduced RAN borrowing would reduce GF interest costs by \$54.8 million.

## JUDICIARY

### 0250 Judicial Branch

- Approved \$70 million to fund growth to the trial courts in the budget year based on the California Consumer Price Index instead of the State Appropriation Limit (SAL). Approved funding this growth on a one-time basis from the trial court reserves.
- Approved reduction of \$71 million GF to reflect savings from deferring the appointment of 50 new judgeships until 2009-10. The action to defer the appointment of these judgeships by one year to June 2009 was approved as part of Chapter 6, Third Extraordinary Session, Statutes of 2008 (AB 8, Budget) in the Special Session on the budget called by the Governor. The Subcommittee took an additional action to defer the appointment of the 50 new judgeships by one additional month for additional savings.
- Approved reduction of \$17.4 million GF to defer by an additional year full implementation of the Conservatorship and Guardianship Reform Act of 2006 to increase court oversight over the conservatorship and guardianship system for elderly and dependent adults.
- Approved augmentation of \$20 million GF to address current funding shortfall for court security. Approved trailer bill language to: (1) establish statewide staffing standards; (2) base court security costs on average staffing costs; (3) create uniformity court-to-court for the cost of deploying a sheriff deputy by clarifying court-sheriff responsibility and standardizing costs, including making it clear that retiree health is not a state funding responsibility; and (4) establish a separate item for tracking and accounting for court security funding.
- Approved trailer bill language to authorize limited use of electronic reporting in family court, probate court, mental health court, and in laws and motions proceedings. Also authorized the courts to use electronic reporting for limited administrative purposes such as monitoring performance of subordinate judicial officers.
- Rejected \$1.5 million unallocated reduction to the Supreme Court. Rejected \$1 million in workload budget proposals for the Supreme Court. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Rejected \$10.6 million unallocated reduction to the Courts of Appeal. Rejected \$700,000 in workload budget proposals for the Courts of Appeal. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Rejected \$778,000 unallocated reduction to the Habeas Corpus Resource Center. Approved \$139,000 to provide additional litigation support for the legal defense of death row prisoners.

- Approved \$4.5 million unallocated reduction to the budget for the Judicial Council/Administrative Office of the Courts (AOC). Rejected \$2.8 million in workload budget proposals for the Judicial Council/AOC. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Approved \$1.2 million unallocated reduction to the AOC's Office of Court Construction and Management and approved budget bill language to authorize additional expenditures from the Trial Court Facilities Construction Fund of up to \$1.2 million in the budget year after notification of the Joint Legislative Budget Committee.
- Approved \$6 million GF to continue the deployment of the Phoenix Project, which is the new statewide employment and financial information technology system being implemented by the Judicial Branch.
- Approved \$23 million unallocated reduction to the trial courts and authorized the courts to use reserve funding on a one-time basis to backfill this reduction. This unallocated reduction was needed to ensure that the combined actions taken by the Subcommittee resulted in savings of approximately \$246 million in the budget year, which is equivalent to what was proposed by the Governor.
- Approved \$113.4 million from the Court Facilities Construction Fund to fund preliminary plans, working drawings, and/or construction of 11 new courthouse projects in the following counties: Contra Costa, joint facility for Plumas and Sierra, Mono, Madera, San Bernardino, San Joaquin, Riverside, Tulare, San Benito, Calaveras, and Lassen. Approved trailer bill language to ensure the courthouse facilities being replaced transfer to the state before funding for construction of new courthouses is released.
- Rejected \$62 million from a new general obligation bond for acquisition of 4 new courthouse projects in the following counties: Tehama, Yolo, Butte, and Los Angeles.

**0280 Commission on Judicial Performance**

- Approved as budgeted, including a \$453,000 unallocated reduction.

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

- Approved as budgeted.

## PUBLIC SAFETY AND CRIMINAL JUSTICE

### 0820 Department of Justice

- Approved \$11.9 million GF reduction to eliminate vacancies at DOJ.
- Approved \$32 million GF reduction and commensurate increase in reimbursements to support the state forensic labs. Also approved budget bill language to direct the development of a fee schedule that (1) mitigates the high costs of complex investigations; (2) reflects the actual cost of providing the service; and (3) generates \$32 million. The budget bill language also allows the department to request that the Controller transfer a portion of the sales tax revenue allocated to local governments to pay outstanding bills not paid by local government entities.
- Approved \$2.3 million to increase staffing to defend the state in various correctional class action and civil lawsuits.
- Approved \$2.5 million GF to support additional staffing to defend the state in federal habeas corpus cases.
- Approved \$2.9 million GF to continue a class action lawsuit against insurance companies referred to as the *Underwriters* litigation. This litigation is against insurance companies that renege on insurance coverage held by the state on the Stringfellow hazardous waste dump.
- Eliminated \$5.3 million GF for four Gang Suppression Enforcement Teams and approved budget bill language to allow the department to redirect internal law enforcement resources to continue to support this activity.
- Reduced by \$4.5 million GF support for the California Methamphetamine Strategy (CALMS) program, thereby reducing this program to its pre-2006 level. Also approved budget bill language to allow the department to redirect internal law enforcement resources to continue to support this activity.
- Eliminated \$3 million GF for the Spousal Abuse Protection Program and approved trailer bill language to transfer this program to the Office of Emergency Services and consolidate it with other vertical prosecution grants.
- Eliminated \$5 million GF for various executive programs including, Crime Violence Prevention Center, Office of Victim Services, and Office of Native American Affairs.
- Approved \$8 million transfer to the General Fund from the False Claims Act Fund.
- Approved \$1 million transfer to the General Fund from the Sexual Habitual Offender Program



Fund.

- Approved \$69 million transfer to the General Fund from settlement monies received from the Williams Energy Company.
- Replaced \$11.2 million GF supporting the DNA Program with increased revenues from the DNA Identification Fund.
- Approved reduction of \$3 million from the Restitution Fund for the Witness Protection Program and approved trailer bill language to increase the local match requirement for this program.

### **0855 Gambling Control Commission**

- Approved \$1 million from the Special Distribution Fund to support the Commission's electronic gaming device inspection program.
- Rejected \$10 million loan from the Gambling Control Fund.

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

- Approved as budgeted.

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

- Approved \$80 million transfer to the General Fund from the Restitution Fund.

### **8120 Commission on Peace Officer Standards and Training**

- Approved \$6 million unallocated reduction to the Commission by reducing the allocations from the Drivers Training Penalty Assessment Fund to the Peace Officers Training Fund.

### **8140 State Public Defender**

- Approved \$591,000 GF reduction to the State Public Defender. This action restored \$623,000 that the Governor had proposed eliminating.

**8180 Payments to Counties for Costs of Homicide Trial**

- Reduced funding for this program to \$1,000 and direct that funding for warranted claims be paid through the supplemental appropriations process.

**8550 California Horse Racing Board**

- Rejected \$430,000 from the Fairs and Exposition Fund for support of pay increases to stewards and veterinarians.

## CORRECTIONS AND REHABILITATION

### 5225 Department of Corrections and Rehabilitation

#### ***Corrections Reform Highlights***

- Rejected Governor's budget balancing reduction proposal to release non-violent, non-serious, non-sex offenders up to 20-months early from prison. This proposal would have saved the state \$256.4 million GF in the budget year.
- Rejected the Governor's budget balancing reduction proposal to place non-violent, non-serious, non-sex offenders on summary parole. Offenders on summary parole would not be supervised in the community and could not be sent back to prison unless they were convicted of a new felony offense. This proposal would have saved the state \$173.6 million GF in the budget year.
- Approved trailer bill language to directly discharge non-violent, non-serious, non-sex offenders with no serious or violent priors from prison. Offenders directly discharged from prison would not be supervised in the community and could not be sent back to prison unless they are convicted of a new felony offense. This policy change could save the state \$249 million GF in the budget year, including operational savings related to jail beds, records staff, and parole revocation hearings.
- Approved trailer bill language to implement a policy of earned discharge from parole. Under this policy non-violent, non-serious, non-sex offenders with serious or violent priors would be eligible for parole after five months of clean time and violent and serious offenders would be eligible after 17 months of clean time. This policy change could save the state \$34.7 million GF in the budget year.
- Approved \$55 million to reduce parole ratios from 70:1 to 50:1 to reflect the change in the mix of offenders that will remain on parole if a policy of direct discharge is implemented.
- Approved trailer bill language to implement a diversion program in ten trial courts using a drug/mental health court model. This policy change could save the state \$20 million GF in the budget year.
- Approved budget bill language to direct the department to discharge early, from prison, non-violent, non-serious, non sex offenders that are infirmed consistent with existing law. Implementation of existing law could save the state \$15 million GF in the budget year.
- Approved trailer bill language to implement comprehensive credit reform that will: (1) establish consistent day-for-day credit earning status for offenders currently eligible for earning day-for-day credit; (2) authorize the department to reward enhanced credits up to four months total to

offenders that complete education, vocation, and rehabilitation programs; and (3) authorize the department to provide one month credit for every four months discipline free. This policy change could save the state \$150 million GF in the budget year.

- Approved trailer bill language to update thresholds for various property crimes to reflect inflation. This policy change could save the state \$100 million in the budget year.

### ***Adult Population Highlights***

- Approved reduction of \$11.4 million GF to support the projected decline in the adult inmate and parolee population for 2008-09. The average daily inmate population is projected to be 177,021 in the budget year. The average daily parolee population is projected to be 133,061 in the budget year.
- Approved \$2.2 million GF to fund the In-Custody Drug Treatment Program and Drug Treatment Furlough program in the budget year. These programs provide drug treatment in community facilities for parolees and inmates, respectively. Funding approved is \$6.8 million less than proposed by the Governor's May Revision to reflect a technical budgeting error.
- Approved \$12.8 million GF for the pre-activation and activation of the Northern California Reentry Facility in San Joaquin County. The department estimates that this facility will be activated in May 2009 and the first inmates will arrive in July 2009.
- Approved \$2.4 million GF for a contract with San Francisco County to provide re-entry services to 48 non-violent state prison inmates in the San Francisco County Jail. This contract will also provide for the provision of re-entry programming and support once the inmates are paroled.
- Approved \$29.9 million GF to place additional low-level female offenders in community correctional centers, expand the Female Offender Treatment and Employment Program, and activate additional residential multi-service centers and beds in smaller Sober Living Environments consistent with the Female Offender Master Plan.

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

- Approved reduction of \$69.1 million GF to reflect the lower juvenile ward and parolee population expected in the budget year. The ward population is estimated to be 1,703 at the end of the budget year. The parolee population is estimated to be 2,175 at the end of the budget year. This total includes savings of \$4.3 million in the budget year to reflect a delay in contracting for secure placements for the female offenders currently residing in state Division of Juvenile Justice (DJJ) facilities. The total reduction is approximately \$7.8 million more than what was included in the Governor's May Revision reflecting the LAO's lower population estimate.
- Approved reduction of \$3.2 million Proposition 98 GF to support education at the DJJ facilities in the budget year. This item is contained in the population estimate.

- Approved \$3 million GF to fund a settlement reached in the *LH* lawsuit related to the due process of parole violators under DJJ jurisdiction.
- Approved \$1.6 million GF to continue implementation of the Safety and Welfare Remedial plan as directed under the *Farrell* lawsuit.
- Approved trailer bill language to extend the sunset date of the Commission on Juvenile Justice and budget bill language to reappropriate funding included in the 2007 Budget Act to support the Commission in the development of a Juvenile Justice Operational Master Plan.
- Approved \$2 million GF to support capital outlay to provide additional treatment space needed to comply with the *Farrell* lawsuit.

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

- Approved \$5.4 million GF appropriated in AB 900 to start training prison staff that play key roles in the rehabilitation process for offenders.
- Approved \$8.1 million GF appropriated in AB 900 to expand substance abuse treatment services to an additional 2,000 inmates and aftercare services to an additional 1,200 parolees.
- Approved \$6 million GF appropriated in AB 900 to expand the continuum of treatment services available to parolees with mental illness.
- Approved \$5.2 million GF appropriated in AB 900 to expand the department's initiative to assess inmates at intake and assign inmates to individualized treatment case plans based on their risks and needs.
- Approved \$3.6 million GF (\$681,000 GF appropriated in AB 900) to provide additional program support infrastructure for implementing the rehabilitation efforts directed by AB 900 and the recommendations made by the Expert Panel.
- Approved \$5 million GF appropriated in AB 900 to develop and implement the Proof Project to demonstrate full implementation of the California Logic Model at California State Prison, Solano.
- Approved \$1 million GF to augment the Office of Research to enhance collection, validation, and reporting of data associated with AB 900.
- Approved \$961,464 GF to implement the Education for Inmates Reporting and Statewide Tracking System.
- Approved reduction of \$9.3 million GF to reflect the redirection of \$9.3 million in Workforce Investment Act funds to parolee employment programs.

**Health Care Highlights**

- Approved \$110 million GF for health care access units directed by the Receiver. This funding will mainly support additional custody positions to ensure inmates are escorted to appointments within the prison.
- Approved \$89.3 million GF for medical guarding and transportation directed by the Receiver. This funding will support additional custody positions and overtime to ensure access to medical care outside state prison.
- Approved \$45.8 million GF for additional pharmaceutical and medical supplies directed by the Receiver.
- Approved \$8.6 million GF to support the operation and start-up of a central fill pharmacy directed by the Receiver.
- Approved \$2.3 million GF to support a pilot medical oversight program established by the Receiver to provide oversight of the performance of prison clinical staff.
- Approved \$1.6 million GF to establish a new Third Level Health Care Appeals Unit under the direction of the Receiver to review all third-level appeals related to health care.
- Approved \$12.5 million GF to establish supervising nurse positions directed by the Receiver.
- Approved \$22 million GF to support the California Prison Health Care Receivership Corp.
- Approved the budget proposal to establish 408 additional positions and reclassify existing staff to implement the workload study completed for the Mental Health Services Delivery System Revised Program Guide. This workload study was court-ordered to comply with the *Coleman* lawsuit. This proposal was modified to redirect three positions to the Department of Mental Health to help plan for the provision of additional acute mental health care in CDCR institutions.
- Approved \$5 million GF for ongoing lease costs and one-time tenant improvements to relocate and consolidate the Division of Correctional Health Care to a new office facility.
- Approved \$2.6 million GF to support 19 dental positions and training for CDCR nurses and doctors in recognizing major dental-related issues. The majority of these positions are court ordered in the *Perez* lawsuit.

**Local Assistance Highlights**

- Approved reduction of \$2.7 million GF to reflect the Governor's proposal to not provide an increase to the daily jail rate paid to counties in the budget year.
- Approved \$2.1 million GF to increase the funding to cover all county claims for county coroners, district attorney costs, and other local costs related to the state prison system.

- Deleted \$41 million GF for the Mentally Ill Offender Crime Reduction Grants to local law enforcement.
- Deleted \$181 million GF for the Juvenile Probation and Camps Funding to local law enforcement.
- Approved trailer bill language to require counties to submit annual reports on expenditure of the Youthful Offender Block Grant.

### **Other Highlights**

- Approved \$8.2 million GF to ensure more efficient and timely parole suitability hearings for inmates sentenced to life terms and to comply with the *Lugo* lawsuit. Approved trailer bill language to add three additional commissioners to the Board of Parole Hearings.
- Approved reduction of \$2.5 million GF that will result from increased case records positions needed to ensure the correct calculation of prison release dates. The additional case records positions will cost the state \$5.2 million, but they are expected to save the state approximately \$7.8 million as a result of correcting the prison release dates which in most cases result in reducing days served.
- Approved \$3.5 million GF to establish a new contract to provide CDCR staff with TB and Hepatitis B vaccinations. This function is no longer being provided by CDCR clinical staff per the Receiver.
- Approved \$14.1 million GF to comply with the *Armstrong* lawsuit related to compliance with the Americans with Disabilities Act.
- Approved revision to the Consolidated Information Technology Project that results in \$37.4 million GF savings in the budget year.
- Approved reduction of \$40 million to correctional officer recruitment and training, mainly due to the deactivation of the Correctional Training Center Annex.
- Approved trailer bill language to authorize the Prison Industry Authority to sell its products to statutorily recognized not-for-profit organizations.

### **Infrastructure Highlights**

- Approved trailer bill language to clarify that expenditures made to prepare pre-planning capital outlay budget proposals for projects authorized by AB 900 should be reimbursable from AB 900 lease revenue bond financing.
- Approved \$3 million GF for advance planning and budget packages for future capital outlay projects and budget bill language to allow these funds to be used for developing AB 900-funded projects.

- Approved \$6 million GF for due diligence activities for potential re-entry sites and approved budget bill language to authorize the acquisition of an option to purchase real property with these funds. Also approved trailer bill language that requires counties to reimburse the state for due diligence expenditures on properties that cannot be used for re-entry if the county should have reasonably known the site was unsuitable.
- Approved \$136 million lease-revenue bonds to provide additional funding needed to complete construction of the Condemned Inmate Complex at San Quentin State Prison.

**0552 Office of the Inspector General**

- Approved net increase of \$1.5 million GF to support additional workload for the Bureau of Audits and Investigations.
- Approved \$1.8 million GF for new court ordered functions related to the *Madrid* and *Plata* lawsuits.