



Final Action Report

A Summary of the 2003 Budget Act

(Chapter 157, Statutes of 2003)

Including:

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

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

September 25, 2003

Introduction

When the Governor introduced his Budget on January 10, the State faced an extraordinary budget problem that exceeded estimates and grew to a record \$38 billion.

On February 3, the Legislature passed a package of bills to reduce current-year spending by \$3 billion. The package also clarified that the Director of Finance may revise the Vehicle License Fee (VLF) by \$4 billion during the relevant period. The package included:

- AB 10x Establishes an annual cap on Air Resources Board permit fees.
Chapter 1 – 3/18/03
- AB 11x Makes mid-year reductions in human services. Chapter 2 – 3/18/03
- SB 13x Modifies Basic Correctional Officers Training. Chapter 5 – 4/8/03
- SB 18x Reverts appropriations for Education. Chapter 4 – 3/18/03
- SB 19x Reverts numerous appropriations in the 2002-03 Budget Act.
Chapter 3 – 3/18/03

In May, the Legislature passed another package of bills; made further reductions; authorized a pension obligation bond and various other adjustments totaling \$1.8 billion. The package included Senate bills:

- SB 20x Decreases one payment to the Supplemental Benefit Maintenance Account of the
State Teachers Retirement System. Chapter 6 – 5/5/03
- SB 22x Makes changes in public financing. Chapter 12 – 6/2/03
- SB 24x Makes a series of changes to reduce state expenditures in social services –
Chapter 7 – 5/5/03
- SB 25x Makes General Fund reductions and places limits on supervisory training by CPOST
to the Department of Corrections. Chapter 8 – 5/5/03
- SB 26x Makes substantive changes to health care, primarily Medi-Cal. Chapter 9 – 5/5/03
- SB 28x Makes changes to the 2002-03 Budget Act to reduce Proposition 98 to the level
proposed in the Governor’s January Budget. Chapter 10 – 5/5/03
- SB 29x Authorizes the issuance of pension obligation bonds to fund \$1.8 billion of 2003-04
retirement obligations to California PERS and STRS. Chapter 11 – 5/5/03

In July, the Legislature passed the 2003-04 Budget Bill (AB 1765, Chapter 157 – 8/2/03). Also passed in July, was AB 7x (Chapter 13 – 8/2/03) which enacts a temporary change to local and state

sales taxes to provide a dedicated revenue stream to service the debt on the deficit reduction bond. Sometimes referred to as the “triple flip”.

2003-04 GENERAL FUND CONDITION

On June 30, 2002, the state ended its fiscal year with a deficit. The 2003 budget package along with the mid-year reductions made in the Special Session makes significant adjustments to address the state's ongoing budget shortfalls.

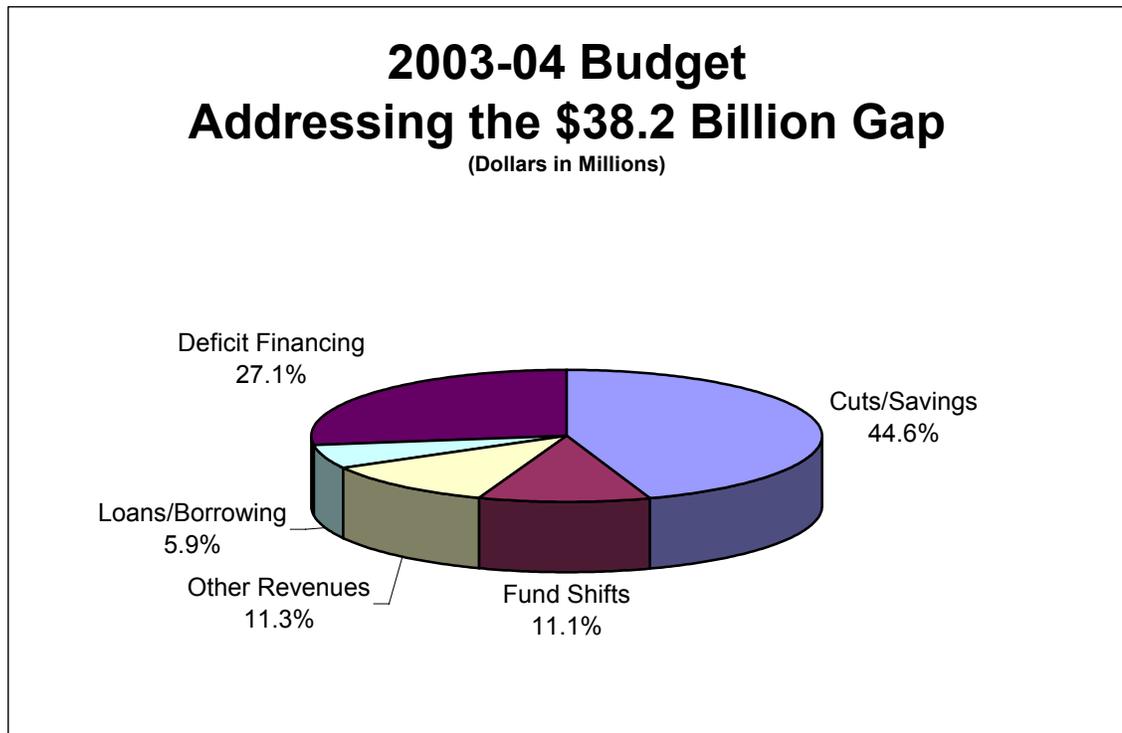
The budget assumes 2003-04 revenues of \$72.8 billion, expenditures of \$1.1 billion, and a year-end reserve of \$2 billion. It also assumes that a deficit-financing bond is issued to eliminate the \$10.7 billion year-end deficit.

The General Fund condition is summarized in the following table.

General Fund Condition **AB 1765 as Amended on July 26th, 2003**

Dollars in Millions

	<u>2002-03</u>	<u>2003-04</u>
Prior-year fund balance	-1,983	1,402
Revenues and transfers	70,852	73,353
Deficit Financing Bond	<u>10,675</u>	<u>0</u>
Total resources available	79,544	74,755
Expenditures	<u>78,142</u>	<u>71,137</u>
Ending fund balance	1,402	3,618
Encumbrances	1,402	1,402
Reserve	0	1,995



Description	Amount	Percentage
Cuts/Savings	\$17,589.5	44.6
Fund Shifts	4,357.0	11.1
Other Revenues	4,466.3	11.3
Loans/Borrowing	2,326.2	5.9
Deficit Financing	10,675.4	27.1
Total (greater than \$38.2 billion, due to increased reserve)	\$39,414.5	100.0%

Budget Package (“Trailer Bills”)

The list below details the budget package passed by the Legislature as part of the 2003 budget.

<u>Vehicle</u>	<u>Status</u>	<u>Author</u>	<u>Subject</u>
AB 296	Enrolled	Oropeza	State and local government
AB 1266	Enrolled	Oropeza	Education budget policy
AB 1485	Enrolled	Firebaugh	English Learners – Federal Reading First Funding
AB 1747	Chapter 240	Budget Cmte	Omnibus Natural Resources
AB 1748	Vetoed	Budget Cmte	Proposition 50
AB 1750	Chapter 223	Budget Cmte	Transportation – Partial Suspension of Prop 42
AB 1751	Chapter 224	Budget Cmte	Transportation – Prop 42 Expenditures and Repayment
AB 1752	Chapter 225	Budget Cmte	Omnibus Social Services
AB 1753	Chapter 226	Budget Cmte	Habilitation Services transfer to Dept. of Developmental Services
AB 1754	Chapter 227	Budget Cmte	Omnibus Education
AB 1755	Held in Senate	Budget Cmte	General Government cleanup
AB 1756	Chapter 228	Budget Cmte	Omnibus General Government
AB 1757	Chapter 229	Budget Cmte	Abolish Office of Criminal Justice Planning and Technology, Trade and Commerce Agency. Transfer some TTCA programs to other agencies
AB 1758	Chapter 158	Budget Cmte	Corrections
AB 1759	Chapter 159	Budget Cmte	Court Fees
AB 1762	Chapter 230	Budget Cmte	Omnibus Health
AB 1763	Chapter 161	Budget Cmte	Healthy Families Program: Rural Demonstration Project Funding
AB 1764	Held in Senate	Budget Cmte	Resources: fees
AB 1765	Chapter 157	Budget Cmte	2003-04 Budget Bill
AB 1766	Chapter 162	Budget Cmte	Property Tax Allocation to Cities and Counties
AB 1767	Held in Senate	Budget Cmte	Vehicles: fees: funding
AB 1768	Chapter 231	Budget Cmte	Provides commitment to reimburse cities and counties for VLF “gap” revenues in 2006
AB 1769	Held in Senate	Oropeza	General Government cleanup
SB 428	Enrolled	Perata	Adult day health care
SB 857	Enrolled	Speier	Medi-Cal: providers
SB 1040	Chapter 26	Budget Cmte	Targeted Instructional Improvement Grant Program: appropriation
SB 1049	Enrolled	Budget Cmte	Resources
SB 1055	Enrolled	Budget Cmte	Vehicles: Fees: funding
SB 1058	Enrolled	Torlakson	Instructional materials/Special Education

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Jack Scott, Chair
John Vasconcellos
Bob Margett

Consultants

Kim Connor
Amy Supinger

SUBCOMMITTEE No. 1

EDUCATION

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K-12 EDUCATION

0650 OFFICE OF THE SECRETARY OF EDUCATION

- Eliminates funding for the Academic Volunteer and Mentor Service Program, which provides \$5.7 million in Proposition 98 savings.
- Shifts funding for the School-to-Career program (\$1.7 million) to the California Department of Education.

0954 GOVERNOR'S SCHOLAR'S PROGRAM

- Eliminates funding for the Governor's Scholars Program for a total savings of \$43.4 million in 2003-04, as compared to the Governor's January budget.

6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Appropriates \$41.3 billion in Proposition 98 funds for K-12 education programs in 2003-04; this reflects a *decrease* of \$300 million (.7 percent) below the 2002-03 Budget Act and an *increase* of \$2.1 billion (5.4 percent) above the 2002-03 revised budget.
- Includes \$6,887 per pupil in Proposition 98 funding in 2003-04, which is \$180 *below* the 2002-03 Budget Act and \$263 per pupil *above* the revised 2002-03 budget
- Approves \$1.6 billion in funding increases to fund enrollment growth, PERS costs and pay for net program deferrals in the budget year and approves approximately \$2.0 billion in program reductions and savings. Many of these adjustments and reductions are highlighted below.
- Rejects the Governor's proposal to consolidate more than 64 categorical programs into a single K-12 Instructional Improvement Block Grant and restores 97 positions and \$6.7 million in state operations funding to CDE associated with the block grant proposal.
- Adopts the Governor's May Revision proposal to restore the \$612.4 million reduction (2.15 percent) for Revenue Limits, and instead reduces Revenue Limits by \$350 million (1.2 percent).
- Adopts the Governor's May Revision proposal to (1) restore \$835 million in across-the-board reductions to categorical programs and (2) makes approximately \$448 million in funding reductions and eliminations to specific programs that were included in the Governor's Block Grant proposal:
 - Targeted reductions include: Instructional Materials (\$75 m),^{1/} Supplemental Grants (\$80 m); School Improvement Program (\$42 m); Peer Assistance and Review (\$25 m); School Library Materials (\$19 m); Gifted and Talented Education (\$10 m); Adult Education and ROC/P programs (\$7 m); National Board Teacher Incentive Incentives (\$4.2 m); College

^{1/} Total savings equal \$202 million for instructional materials including elimination of \$145 million in one-time funding.

- Preparation Partnership (\$5 m); Advanced Placement Teacher Training (\$4.1 m); and Education Technology Grants and California Technology Assistance Project (\$1 m).
- Restores reductions for two categorical programs included in the Governor’s May Revision:
 - Local Education Art Partnerships (\$6 million) and Civics Education (\$250,000).
 - Targeted eliminations include: Teaching-as-a-Priority (\$88.7 m); Miller-Unruh Reading Program (\$28.9 m); Teacher Recruitment Centers (\$9.4 m); Administrator Training (\$5.3 m); 7th and 8th Grade Math Academies (\$12.8 m); K-4 Intensive Reading Program (\$30.5 m); and the Institute for Computer Technology (\$574,000).
 - Adopts the May Revision proposal to eliminate \$250 million for revenue limit “equalization,” including \$203 million appropriated by Chapter 1167, Statutes of 2002, and \$47 million in additional funding initially proposed in the Governor’s January Budget.^{2/}
 - Reduces Deferred Maintenance funding by \$128.7 million below the 2002-03 level, but maintains funding for hardship.
 - Adopts the May Revision proposal to defer payment of all education mandates in 2003-04 for a savings of \$125 million.
 - Reduces funding for supplemental instruction (summer school) by \$97.9 million, including:
 - \$85 million for “core” supplemental instruction -- \$25 million for lower program participation and \$60 million from lowering the enrollment cap from 7 to 5 percent;
 - \$12.9 million for “remedial” instruction from lowering the enrollment cap from 7 to 5 percent.
 - Provides \$69 million in new federal IDEA funds available for special education to fund mental health related services for students with disabilities pursuant to state law – AB 3632 – and federal law.
 - Continues funding for the K-3 Class Size Reduction program at the program’s base funding level for the 2002-03 fiscal year.
 - Restores \$35 million for the PERS Mitigation Offset in order to assist school districts in making retirement contributions for classified employees.
 - Adopts the Governor’s May Revision proposal for the state’s school accountability –Immediate Intervention/Underperforming Schools Program (II/USP) and High Priority (HP) Schools programs – to fully fund all 86 schools that have applied; and includes \$164 million in program savings primarily from schools that have exited the II/USP program (\$85 m) and the elimination of the rewards program for improving schools (\$77 m).
 - Approves two separate actions that reduce funding for Basic Aid districts by \$27.6 million, including:
 - \$17.8 million to eliminate Basic Aid funding (\$120 per ADA) and satisfy the constitutional obligation to provide state Basic Aid through the provision of categorical funds to these districts; and
 - \$9.9 million to further reduce funding for Basic Aid districts whose property taxes exceed their revenue limits and therefore do not receive any revenue limit funding from the state. Reductions are allocated on the basis of each district’s calculated revenue limit.
 - Reduces funding for the Principal Training program by \$22.5 million, which will push completion of the program into 2004-05.

^{2/} SB 1046, pending in the Senate, proposes to increase equalization funding by \$50 million. See section below entitled *Trailer Bill Language – SB 1046*.

- Adopts \$15.7 million in savings to student assessment programs, including \$5.7 million for the Golden State Exam and \$10 million in unallocated reductions.
- Provides \$13.6 million in new federal NCLB Title I funds for the Reading First program to cover students in bilingual programs that do not currently have access to these federal K-3 supplemental reading funds.
- Rejects the Governor’s proposal to limit ROC/P funds to students under age 16 years and restores \$12 million to conform to this action.
- Restores \$13.5 million for Adult Education to eliminate reductions tied to audit results for concurrent enrollment from the early 1990’s.
- Restores \$5.15 million in Non-Prop 98 funding for the Advancement Via Individual Determination (AVID) program.
- Restores \$418,000 in funds to the Ed-Data website that provides easy-to-access financial, demographic and academic information for K-12 public schools.
- Restores \$50,000 in state operations funding to continue the state physical education assessment report.
- Utilizes funding from the Peer Assistance and Review program – approximately \$36.7 million – as a “balancer” to meet appropriation levels reflected in the Governor’s May Revision Budget.
- Restores budget control language that allows for the limited transfer of funds among categorical programs.

Trailer Bill Language—AB 1754 (Chapter 227; Statutes of 2003)

1. Provides K-12 local education agencies (LEAs) with additional, limited-term flexibility in accessing education reserves and permits LEAs to use these reserves to backfill revenue limit reductions in 2003-04. Specifically, the trailer bill:
 - Reduces the standards for minimum reserves for economic uncertainty for school districts to half of their required levels as of May 1, 2003, thereby lowering the reserve requirement to a range of .5 to 2.5 percent effective in 2003-04 and 2004-05.
 - Reduces school district maintenance reserves from 3 to 2 percent in 2003-04.
 - Permits LEAs to access the 2002-03 ending balances for categorical programs – excluding Economic Impact Aid, Special Education, Targeted Instructional Improvement Grants, Instructional Materials, and Public School Accountability Act programs and deferred funding from 2001-02 to 2003-04. These reserves may only be used to offset revenue limit reductions and foregone COLA in 2003-04.
2. Calculates a deficit factor for LEA revenue limit reductions and foregone COLA’s in 2003-04 so that in 2005-06 these factors are restored to revenue limit calculations, as if revenue limit losses had not occurred.

Trailer Bill Language—SB 1046 (In Senate)

1. The Assembly took action to add \$50 million in the 2003-04 budget for school district revenue limit equalization. This increase is offset by \$50 million in reductions for the following programs: Deferred Maintenance (\$18.5 m); Educational Technology (\$14.8 m); Math and Reading Professional Development (\$14.3 m); and Principal Training (\$2.5 m).:

PRE-K

4220 CHILD DEVELOPMENT POLICY ADVISORY COMMITTEE (CDPAC)

- Denied the Governor's request to eliminate CDPAC by providing \$367,000; however, the Governor vetoed these funds thereby eliminating CDPAC.

6110 CALIFORNIA DEPARTMENT OF EDUCATION – CHILD DEVELOPMENT

- Reversed the original January child care realignment proposal, which would have shifted child care services to the counties. This resulted in an increase in the Proposition 98 guarantee of \$879 million.
- Adopted a series of caseload adjustments, fund transfers, and programmatic reforms (with accompanying Budget Bill Language) in order to reduce expenditures and increase the amount of funding available for child care services in the Budget Year to the levels proposed in the Governor's May Revision. Specifically, the committee:
 - Eliminated subsidized child care services to child over the age of 13;
 - Eliminated subsidized care to "grandfathered" families who are earning over 75 percent of the State Median Income;
 - Clarified and reformed regulations related to provisions of the Regional Market Rate which address hourly and full day care as well as premium care;
 - Reduced the administrative and support services rate for Alternative Payment Providers by one percent (1%);
 - Reduced the ceiling to which child care costs are reimbursed to the 85th percentile of the rates charged by providers offering the same type of care within the same region.
 - Increased the amount of funding available for child care services from TANF and federal child care funds.
- Fully-funded the Before and After School Program and appropriated \$34.6 million in additional federal dollars for the 21st Century Learning Centers Program. Combined, the budget provides more than \$197 million to serve approximately 208,000 children.
- Decreased funding for state Preschool by \$10 million which assumes \$6 million more in program savings that originally proposed by the Governor.
- Eliminated funding for the Home Instruction Program for Preschool Youngsters (HIPPY).

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Provided an additional \$14.8 million to the Public Library Foundation, bringing the total appropriation level for 2003-04 to \$15.8 million (which is the amount originally proposed in the Governor's January Budget).
- Appropriated \$250,000 to retain the core operations of the Civil Liberties Education Program.
- Retained funding (\$12.2 million) for the Transaction-Based Reimbursement Program, which helps cover the costs associated with interlibrary loans.
- Allocated \$128.4 million from Proposition 40 funds for the new California Cultural and Historical Endowment.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

- Denied the Governor's May Revision proposal to merge the California Postsecondary Education Commission with the California Student Aid Commission.
- Appropriated an additional \$1.5 million to bring funding for CPEC back to current-year levels (\$2.2 million General Fund).

6440 UNIVERSITY OF CALIFORNIA

- Adopted all of the funding reductions proposed by the Governor in January and made the additional reductions, as follows:
 - Further reduced funding to the UC by \$98.5 million (in the form of an "unallocated reduction"). Of this amount, \$80.5 million represents a one-time reduction pursuant to an agreement reached by all four Legislative Caucuses related to the approval of the Pension Obligation Bonds.
 - Deferred the opening of the UC Merced Campus for one year (from Fall 2004 to Fall 2005) for a General Fund savings of \$4 million.
 - Eliminated funding for the Community Teaching Fellowships for Mathematics and Science.
 - Reduced funding for K-12 Internet2 connectivity by \$6.6 million.
 - Adopted language specifying that cuts to the Cooperative Extension Program should be proportional to reductions sustained in other programmatic areas.
- Approved funding for a variety of Student Outreach programs and activities at the levels proposed by the Governor in his January Budget (which represents a 50 percent reduction from the amounts appropriated in the prior year).
- Reductions in General Fund approved by the Governor and the Legislature since 2002-03 have resulted in student fee increases of approximately 30 percent, as approved by the UC Board of

Regents. As is customary practice, one-third of the new fee revenue will be used by the UC to provide aid to financially-needy students.

- Approved all Capital Outlay projects as proposed by the Administration.

6610 CALIFORNIA STATE UNIVERSITY

- Adopted all of the funding reductions proposed by the Governor in January, with the following exceptions:
 - Further reduced funding to the CSU by \$84.5 million (in the form of an “unallocated reduction”). Of this amount, \$69.5 million represents a one-time reduction pursuant to an agreement reached by all four Legislative Caucuses related to the approval of the Pension Obligation Bonds.
 - Allocated additional funds (\$1.2 million) for the Legislative, Executive and Judicial Fellows program to bring the reduction level from 50 percent to 10 percent. This reduction results in the loss of one fellow per fellowship program.
- Approved funding for a variety of Student Outreach programs and activities at the levels proposed by the Governor in his January Budget (which represents a 50 percent reduction from the amounts appropriated in the prior year).
- Reductions in General Fund approved by the Governor and the Legislature since 2002-03 have resulted in student fee increases of approximately 40 percent, as approved by the CSU Board of Trustees. As is customary practice, one-third of the new fee revenue will be used by the CSU to provide aid to financially-needy students.
- Approved all Capital Outlay projects as proposed by the Administration.

6870 CALIFORNIA COMMUNITY COLLEGES

- Approved the May Revision proposal to increase student fees from \$11 per unit to \$18 per unit. Originally, the Governor’s January Budget proposed increasing fees to \$24 per unit.
- Retained spending level for community colleges as it was proposed in the May Revision.
- Approved the May Revision augmentation of the community colleges budget, which provided an additional \$305 million in General Fund support.
- Provided additional support to the community colleges by shifting \$200 million in June 2004 General Apportionments and Partnership for Excellence payments to July 2005.

7980 CALIFORNIA STUDENT AID COMMISSION

- Shifted all operating expenses for the Student Aid Commission from the General Fund to the Student Loan Operating Fund, for a General Fund savings of \$7.7 million.
- Retained the current maximum Cal Grant award level (\$9,708) for students attending private institutions; the Governor proposed to reduce the amount of the grant by \$880.
- Accepted the May Revision proposal to make baseline reductions to the Cal Grant program by \$20 million, due to the over-estimation of awards that has been occurring in recent years.

- Denied the Governor's request to reduce the Cal Grant C program.
- Eliminated the Cal Grant T program and converted existing awards to the Assumption Program of Loans for Education (APLE).

SUBCOMMITTEE 2

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson

Consultants

Jon Barnato
Alex MacBain
Frank Vega

SUBCOMMITTEE No. 2

RESOURCES, ENVIRONMENTAL PROTECTION, PUBLIC SAFETY, AND ENERGY

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NATURAL RESOURCES

0540 SECRETARY FOR RESOURCES

- Deleted all General Fund support from the Secretary's budget.

3340 CALIFORNIA CONSERVATION CORPS

- Restored funding for corps member health benefits and for local corps contracts.

3460 COLORADO RIVER BOARD

- Deleted all General Fund support from the board's budget.

3480 DEPARTMENT OF CONSERVATION

- Approved a \$98 million loan from the Beverage Container Recycling Account to the General Fund.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

- Approved new fire protection fees for landowners on state responsibility areas (SRAs).
- Reduced \$5 million from the Timber Harvest Plan review and enforcement program and approved a 2 percent timber yield fee.

3600 DEPARTMENT OF FISH AND GAME

- Rejected the Governor's proposal to reduce funding for the department's Timber Harvest Plan (THP) review.

3640 WILDLIFE CONSERVATION BOARD (WCB)

- Redirected Proposition 50 bond funds for the River Parkway and Sierra Nevada-Cascade Mountain programs to the WCB.
- Approved \$32.5 million from Proposition 50 for the Colorado River Regulatory Program.

Trailer Bill Language

1. Requires the WCB to provide information on appraisals and purchase agreements for conservation land acquisitions.

Budget Bill Language

1. Requires the Department of Finance to provide notification to the Joint Legislative Budget Committee for all projects that will receive Proposition 50 bond funds.

3790 DEPARTMENT OF PARKS AND RECREATION

- Redirected all Proposition 40 Cultural and Historical funds to the Cultural and Historical Endowment.
- Approved \$49 million (Off Highway Vehicle funds) to purchase additional land and buffer zones for State Vehicular Recreation Areas (SVRAs).

Trailer Bill Language

1. Waives the 30 percent nonstate match requirement for the Roberti-Z'berg-Harris Urban Park and Murray-Hayden Grant program.
2. Renames Sugar Pine Point State Park, "Ed Z'berg Sugar Pine Point State Park."

3860 DEPARTMENT OF WATER RESOURCES

- Approved \$38 million reversion of unencumbered funds from the Colorado River Management Account. These funds were originally appropriated in 1998 for the lining of the Coachella Branch of the All American Canal.

Trailer Bill Language

1. Implements various programs within Proposition 50.

3870 CALFED BAY-DELTA AUTHORITY

- Approved the Governor's proposal to develop a broad based user fee for water users. This proposal is consistent with the CALFED Record of Decision (ROD).

ENVIRONMENTAL PROTECTION

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

- Approved a General Fund reduction of \$879,000 to the Office of the Secretary.

3900 AIR RESOURCES BOARD

- Approved an additional \$4.4 million increase in stationary source fees above the Governor's proposed \$10 million increase for the Stationary Source Program.

Supplemental Report Language

1. Requires the board to report on benefits and detriments on new power plant emission control technology.
2. Requires the Board to report on the final stationary source fee structure adopted by the board.

3910 INTEGRATED WASTE MANAGEMENT BOARD

- Approved as budgeted with the following trailer bills.

Trailer Bill Language

1. Reduces support staff of each board member for total savings of 11 positions.
2. Prohibits the board from subsidizing tire incineration research or promotion with public funds.
3. Prohibits board members from collecting per diem when traveling to or from the board headquarters for meetings.

3930 DEPARTMENT OF PESTICIDE REGULATION

- Provided a General Fund savings of \$3.6 million in the budget year and \$8.6 million in 2004-05 through an increase in the mill assessment, an additional assessment on restricted use pesticides, and an increase in registration and other pesticide-related fees on January 1, 2004.*
- Removed all General Fund from the department by 2004-05 through a total increase in fees of \$11.6 million in the budget year and \$30.8 million in 2004-05.*
- Increased funding for County Agricultural Commissioners by \$8 million in 2004-05 and set aside \$3.6 million from the mill assessment for a pesticide worker outreach and education program in 2004-05.*

Trailer Bill Language

1. Amends the Food and Agriculture Code to do the following: *
 - Increases the mill assessment from 17.5 mills to 27 mills.
 - Increases registration fees from \$200 to \$700 per product, as well as various other licensing fees so that these programs are fully funded through fees.
 - Establishes a higher mill assessment (an additional 18 mills on top of the base mill assessment) on “restricted use” pesticides.
 - Increases the portion of the mill assessment going to County Agriculture Commissioners from 6 to 7 ¼ mills and dedicates all revenues received from the higher mill assessment on restricted use pesticides to County Agriculture Commissioners.
 - Allocates two mills of the mill assessment to a pesticide worker outreach and education program to be administered by the department.

* Details of the Department’s budget and trailer bill may change due to continued negotiations..

3940 STATE WATER RESOURCES CONTROL BOARD

- Reduced \$3.6 million GF from the board’s Water Rights Program. The subcommittee also increased water rights fees by \$4.4 million to offset the reduction and provide one-time funding for establishment of a fee collection system.
- Approved the Governor’s proposal to shift \$13.6 million GF support to special funds for the board’s core regulatory program through a corresponding increase in the waste discharge permit fee.
- Restored a proposed \$6.8 million GF reduction in water quality monitoring and assessment activities through an additional increase in the waste discharge permit fee.
- Allocated \$7 million in Prop. 50 (Clean Beaches) funds to match \$7 million from the Coastal Conservancy for coastal contaminants monitoring equipment in the California Ocean Data Observing System.
- Allocated \$10 million in Prop. 50 funds for a grant program to reduce agricultural discharges to surface or groundwater.
- Rejected the elimination of the Chromium 6 Program.

Trailer Bill Language

1. Amends the Water Code to direct the State Water Resources Control Board to establish a Water Rights Fee for the support of the Water

Rights Division as appropriated by the Legislature.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

- Approved as budgeted.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

- Approved the May Revision proposal to restore \$3.5 million of a proposed \$3.6 million GF reduction to various environmental and research programs through special funds and redirected GF.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0550 YOUTH AND ADULT CORRECTIONAL AGENCY

- Approved as budgeted.

0552 OFFICE OF THE INSPECTOR GENERAL

- Approved trailer bill language related to \$1.7 million in proposed reductions.
- Approved an additional \$5 million in reductions, leaving a total of \$2.7 million to continue the functions of the office.

0820 DEPARTMENT OF JUSTICE

- Approved an increase of \$3.2 million GF to restore funding for the Spousal Abuser Prosecution Program.
- Rejected the proposed \$4.3 million GF for the Youth Authority class action suit and approved Budget Bill language to allow DOJ to receive funding through the Section 27 process should current negotiations not result in a settlement of the case.
- Approved an increase of \$3.5 million GF to prevent charging local law enforcement user fees for the state's forensic labs.
- Approved an increase of \$2 million (\$500,000 General Fund and \$1.5 million federal funds) for investigation and prosecution of Medi-Cal Fraud.
- Approved trailer bill language to provide additional legislative oversight for energy settlement funds.

5240 DEPARTMENT OF CORRECTIONS

- Rejected Finance Letter requesting \$10.8 million in lease revenue bonds to convert NCWF to a male reception center.
- Approved \$3.6 million GF to change the Basic Correctional Officer Academy from 16 weeks to 12 weeks at the Academy and 4 weeks on-the-job.
- Approved \$58.5 million due to increased projections for the inmate and parole populations.
- Approved funding from lease revenue bonds for a death row facility at San Quentin State Prison.

- Approved a reduction of \$5.4 million to delay activation of 500 substance abuse beds.
- Approved a reduction of \$8.8 million to delay activation of Delano II until April 2005.
- Approved a reduction of \$13 million for various healthcare services programs to reflect improved pharmacy protocols and reduced referrals to outside emergency care facilities.
- Approved a reduction of \$4.8 million and 53 positions to reflect a reduction in management positions at institutions statewide. The positions include 24 correctional captains, 19 facility captains, 8 associate wardens, and 2 chief deputy wardens.
- Approved a reduction of \$1.6 million and 15.5 positions to increase the span of control for Parole Administrators from supervision of five parole offices to eight offices.
- Approved a reduction of \$2.3 million and 32 positions through the elimination of Correctional Sergeant positions associated with the 7k training program.
- Approved a net reduction of \$27.5 million from the expansion and restructuring of education, vocational education, and arts programs to maximize state savings. This action includes restoring \$10.9 million for education programs and the arts-in-corrections from the proposed \$37.4 million reduction for these programs, and expanding education programs by \$10 million in reception centers.
- Approved savings of \$400,000 from the elimination of three Community Correctional Facilities.
- Approved a net reduction of \$4.5 million from increasing the number of correctional academy graduates by 640 and establishing more correctional officer positions.
- Approved a reduction of \$20.1 million through a drug treatment furlough program which would place nonviolent, nonserious inmates in the drug treatment program into a supervised, community residential drug treatment program for the final 120 days of the inmate's sentence.
- Approved a net reduction of \$10.3 million from fully funding the existing program that provides pre-release planning and enhanced community services for mentally ill parolees.
- Approved a net reduction of \$7.9 million from reduced recidivism through (1) improved pre-release planning, (2) development of a new risk assessment tool to ensure parole supervision is effectively targeted, and (3) expansion of the PACT (Police and Corrections Teams) program.
- Approved a net reduction of \$50.4 million from implementing policies that would employ appropriate sanctions for low-level parole violators, based on the offense and the underlying public safety risk of the parolees. The Substance Abuse Treatment Control Units (SATCUs) and Community Detention alternatives would be available to low-level parolees who commit parole violations of a technical nature.
- Approved a reduction of \$9.6 million from the expansion of Felony Drug Courts.
- Approved \$62.3 million to fund the local assistance deficiency for the department.
- Approved \$147,000 for the Sexually Violent Predators (SVPs) Conditional Release Program. This amount was vetoed by the Governor. These funds were intended to fund this program through the Department of Corrections. The veto message indicates that the Governor will

instruct the departments to explore the most effective and least costly way to provide supervision for these SVPs.

5430 BOARD OF CORRECTIONS

- AB 1765 and budget trailer AB 1758 approved the elimination of the program that reimburses local correctional agencies for partial costs for training and approved a transfer of \$9.6 million from the Corrections Training Fund to the GF. Senate Bill 1042 and SB 1044, pending before the Senate, would restore funding of \$16 million for this program.

5440 BOARD OF PRISON TERMS

- Approved a reduction of \$3.5 million from revised workload projections.

5460 DEPARTMENT OF THE YOUTH AUTHORITY (YA)

- Approved an increase of \$1.3 million in the YA due to the consolidation of the duties of the Youthful Offender Parole Board (YOPB) the YA as of January 2004. The budget for YOPB was reduced by \$1.6 million.
- Approved a reduction of \$3.6 million from savings due to closure of the Holton facility and closure of the male portion of the Ventura facility.
- Approved a reduction of \$6.1 million from adjusting for inflation the sliding scale fee charged to counties.

5480 COMMISSION ON CORRECTIONAL PEACE OFFICERS STANDARDS AND TRAINING

- Approved a reduction of \$1.1 million, or 50 percent of the budget.

8100 OFFICE OF CRIMINAL JUSTICE PLANNING

- Eliminated 10 management positions for a savings of an estimated \$1.8 million GF and federal funds. Savings from the federal funds were directed to local assistance grants.
- Approved consolidation of the Elder Abuse Vertical Prosecution, Child Abuser Vertical Prosecution, Vertical Prosecution of Statutory Rape, Major Narcotic Vendor Vertical Prosecution, and the Career Criminal Vertical Prosecution programs into a vertical prosecution

block grant, and approved a 50 percent reduction in the total amount for a savings of \$8.2 million.

- Reduced funding from \$15 million to \$9.5 million GF for the War on Methamphetamine program.
- Approved elimination of the OCJP. The budget contains half-year funding for the office and provides for the Department of Finance to submit a plan for continuing funding of OCJP programs in the fiscal year and for a Governor's Restructuring Plan to permanently transfer and consolidate the functions of OCJP.

8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

- Approved a Finance Letter to restore \$25.5 million in funding for the program that reimburses local law enforcement agencies for the costs of training. These funds were originally proposed to be transferred to the GF.

8180 PAYMENTS TO COUNTIES FOR THE COSTS OF HOMICIDE TRIALS

- Approved Budget Bill language that allows Stanislaus County to be reimbursed for 100 percent of its costs associated with the homicide trial of the *People v. Scott Peterson*. This language was vetoed by the Governor, noting that there is an existing procedure by which counties can get reimbursed for costly homicide trials.

8700 VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

- Approved Budget Bill language authorizing a short term loan from the GF to meet the cash flow needs of the Restitution Fund.

9210 LOCAL GOVERNMENT SUBVENTIONS (CRIMINAL JUSTICE)

- The provisions of AB 1765 suspend the subventions for the Rural and Small County Law Enforcement grants for two years (savings of \$18.5 million GF). SB 1044, pending before the Senate, would restore the funding for this program.
- The provisions of AB 1749 eliminate the counties' authority to charge booking fees and delete the subventions to cities for savings of \$32 million. AB 1749 was not approved in the Assembly.

CONTROL SECTION 24.10

- Approved Budget Bill language that would transfer \$14 million from the Driver Training Penalty Assessment Fund to the Peace Officer Training Fund, and would transfer \$3 million from the Driver Training Penalty Assessment Fund to the Witness Protection Program.

ENERGY

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

- Approved a \$20 million loan with a repayment date of June 30, 2005 from the Public Interest Research, Development, and Demonstration Fund to the GF.
- Reverted \$4.943 million of unencumbered, uncommitted funds that the Legislature appropriated to the commission through energy crisis legislation.
- Transferred a total of \$9.365 million from the Energy Resources Programs Account to the GF.

Trailer Bill Language

1. Assesses (a) a siting fee on developers of large power plants in the amount of \$100,000, plus \$250 per MW of generating capacity up to \$350,000 and (b) a \$15,000 annual compliance fee on power plant owners to cover the commission's ongoing compliance activities.

8660 PUBLIC UTILITIES COMMISSION

- Approved a May Revision proposal to increase the Commission's expenditure authority by \$4.5 million (special funds) for Pacific Gas and Electric-related litigation activities.
- Approved a \$150 million loan from the Commission's Teleconnect Fund to the GF. The subcommittee also adopted trailer bill language requiring partial or whole repayment of the loan if the fund were to become deficient because of the loan.
- Adopted the May Revision proposal for 8 additional positions to increase bilingual services in the Commission's Consumer Affairs Branch.

Trailer Bill Language

1. Amends the Public Utilities Code to prohibit the Commission from establishing any office or department whose purpose is to evaluate the economic consequences of the Commission's decisions.
2. Prohibits the Commission from raising the surcharge rate for the Teleconnect Fund due to deficiencies in the fund resulting from the above-mentioned loan, unless the Commission first request the Director of Finance for a partial or whole repayment of that loan from the GF.

Supplemental Report Language

1. Requires the Public Utilities Commission, the Energy Commission, and the Power Authority to report on their progress in reaching goals stated in the Energy Action Plan.
2. Requires the Commission to report on the programmatic problems associated with the Teleconnect Fund program and possible solutions to address those issues.

8665 CALIFORNIA POWER AUTHORITY

- Approved as budgeted.

Budget Bill Language

1. Required the Authority to repay \$1 million of its loan from the Energy Resources Program Account by June 30, 2004.

8770 ELECTRICITY OVERSIGHT BOARD*Supplemental Report Language*

1. Requires the Electricity Oversight Board to coordinate and develop a report on current state representation activities before the Federal Energy Regulatory Commission by the Electricity Oversight Board and various other state agencies.

GENERAL GOVERNMENT

0690 OFFICE OF EMERGENCY SERVICES

- Approved the May Revision proposal to restore \$663,000 to the Disaster Service Worker's Volunteer Program.

3780 NATIVE AMERICAN HERITAGE COMMISSION

- Approved the May Revision proposal to augment its budget by \$247,000 and three positions for Timber Harvest Plan review.

8550 CALIFORNIA HORSE RACING BOARD

- Approved as budgeted.

8570 DEPARTMENT OF FOOD AND AGRICULTURE

- Suspended the Animal Adoption Mandate.

Supplemental Report Language

1. Requires the department to develop a report detailing a means of funding the Department's invasive pest and disease exclusion, eradication, and control efforts, including those for the Mediterranean Fruit Fly Exclusion Program, that reduces the State's General Fund costs.

8690 SEISMIC SAFETY COMMISSION

- Shifts \$884,000 in funding for the Commission from the GF to a new Seismic Safety Account within the Department of Insurance Fund which would be funded through a fee on insurers.

Trailer Bill Language

1. Establishes an assessment on insurers as a prorated percentage of premiums earned on commercial and residential earthquake policies in the state for the Commission's activities.

8830 CALIFORNIA LAW REVISION COMMISSION

- Rejected the elimination of the Commission and adopted a reduced budget of \$550,000 GF.

8840 COMMISSION ON UNIFORM STATE LAWS

- Rejected the elimination of the Commission and adopted a reduced budget of \$122,000 GF.

SUBCOMMITTEE 3

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Wesley Chesbro, Chair

Gilbert Cedillo

Tom McClintock

Bruce McPherson

Deborah Ortiz

Consultants

Ana Matosantos

Diane Van Maren

SUBCOMMITTEE No. 3

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HEALTH

0530 CALIFORNIA HEALTH & HUMAN SERVICES AGENCY

- Reduces by \$807,000 in General Fund support for the California Health and Human Services Agency.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Agrees not to transfer the EMSA to the Department of Health Services and instead reduced by \$138,000 (General Fund) which is the equivalent amount of savings that would have occurred under the proposed transfer.
- Increases by \$6.9 million (General Fund) the amount provided to the Poison Control Center to maintain program operations as proposed by the Administration.

4260 DEPARTMENT OF HEALTH SERVICES

Medi-Cal Program

- Maintains Medi-Cal eligibility for the 1931 (b) category of low-income families (100 percent of poverty and below).
- Maintains Medi-Cal eligibility for the Aged, Blind and Disabled category as established in the Budget Act of 2000. Specifically, individuals making \$757 per month or below, and couples making \$1,344 per month or below, will be eligible to obtain Medi-Cal coverage at no share-of-cost.
- Maintains Medi-Cal Optional Benefits but does enact a variety of cost-containment actions for certain services as discussed below.
- Assumes receipt of about \$900 million in additional federal funds (over 2002-03 and 2003-04) for the DHS in response to the federal fiscal relief package for states as contained in the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. In total, the state received \$1,151.8 billion in additional federal funds which can be used to provide essential government services or cover the costs to the state for complying with federal mandates.
- Shifts the Medi-Cal Program from an accrual to a cash budgeting system for savings of \$930 million (General Fund) in the Medi-Cal local assistance item.
- Assumes savings of \$194 million (General Fund) through the enactment of county performance standards which will ensure that county eligibility staff complete Medi-Cal Program

redeterminations in a timely manner. This action was enacted through Chapter 9, Statutes of 2003 (SB 26x).

- Enacts a 5 percent provider rate reduction in Medi-Cal for a period of three-years (January 1, 2004 through January 1, 2007) for savings of \$115.1 million (General Fund). Exempt from this rate reduction are: acute hospital inpatient services, hospital outpatient services, Federally Qualified Health Centers (FQHCs), Rural Health Clinics, state Developmental Centers, state hospitals, clinical laboratories and services, long-term care facilities, Adult Day Health Care, Intermediate Care Facilities for Developmentally Disabled, and some smaller service categories related to long-term care. In addition, any 5 percent reduction taken for durable medical supplies shall be at the discretion of the Director of the Department of Health Services.
- Provides an increase of \$59.8 million (General Fund) to reflect an average rate increase of 3.8 percent for long-term care nursing facilities for 2003-04.
- Provides an increase of \$46 million (General Fund) to fund the Supplemental Wage Rate Adjustment provided to nursing homes having a signed labor contract. This funding is to address supplemental payments to be made for 2002-03, as well as for 2003-04.
- Freezes rate adjustments for 2004-05 for long-term care facilities and acute hospital inpatient services at their 2003-04 level for a combined out-year savings of about \$134 million (General Fund).
- Assumes savings of \$50.7 million (General Fund) in the Denti-Cal Program through enactment of specified utilization controls implemented through Chapter 9, Statutes of 2003 (SB 26x).
- Assumes savings of \$21 million (General Fund) by implementing semi-annual reporting for certain eligibility categories (adults only) enrolled in Medi-Cal effective as of August 1, 2003. This action was enacted through Chapter 9, Statutes of 2003 (SB 26x). It should be noted that children enrolled in Medi-Cal must undergo a redetermination for eligibility every 12 months.
- Captures savings of \$35.4 million (General Fund) by collecting additional aged drug rebate moneys owed to the state and conducting more Therapeutic Category Reviews of drugs which will result in lower drug expenditures in the Medi-Cal Program.
- Approves the Administration's proposal to implement a six percent "Quality Improvement Assessment" on Medi-Cal Managed Care plans (about 31 plans in total) which will provide \$37.5 million (General Fund) in savings to the state and will increase rates by an average of almost 3 percent for the plans on an annual basis. The proposal also enables the state to draw down an additional \$112.5 million in federal funds.
- Adopts the Administration's proposal to implement a six percent "Quality Assurance Fee" for Intermediate Care Facilities for the Developmentally Disabled (ICF-DD facilities) which results in \$14.6 million (General Fund) savings for the state and will increase rates by an average of 1.9 percent for the facilities on an annual basis. The proposal also enables the state to draw down an additional \$20.5 in federal funds.
- Saves \$38 million (General Fund) by implementing new utilization and payment controls as proposed by the Administration. These include an adjustment to laboratory services, eliminating obsolete codes on certain products that are no longer provided in common practice

(such as elastic stockings), and limiting a provider's ability to cause secondarily referred services to be billed by other providers.

- Captures \$20.2 million (General Fund) in savings from implementation of various Medi-Cal fraud activities. A total of 161.5 new positions, on an existing base of 264 positions, were provided to the DHS for this effort. In addition, Budget Bill language directs the DHS to determine the viability of contracting with business entities to identify Medi-Cal fraud and to recover payments owed to the state for any fraudulent activities.
- Sweeps a Special Fund Deposit (number 0942-14) for savings of \$4.7 million (General Fund). This fund had Surplus Money Investment Fund interest available in it which was unencumbered and therefore, available for reversion to the General Fund.
- Eliminates the second-year of Transitional Medi-Cal coverage for savings of \$2 million (General Fund).
- Eliminates funding for BabyCal Outreach and Medi-Cal/Healthy Families Outreach for total combined savings of \$7 million (General Fund).
- Places limits on Serostim (human growth hormone) as proposed by the Administration for savings of \$8.9 million (General Fund).
- Provides for the implementation of "Step-Care Drug Therapy," "Direct Prescriber Communication," and enhanced educational programs to improve the overall prescribing of drugs in the Medi-Cal Program. These programs are estimated to save \$1.2 million (General Fund) in the budget year and grow to savings of \$16 million (General Fund) on an annual basis. These programs will facilitate long-term structural reform.
- Changes the reimbursement methodology for durable medical equipment for savings of \$1.6 million (General Fund) as proposed by the Administration.
- Changes the reimbursement methodology for blood factor products for savings of \$1.2 million (General Fund) as proposed by the Administration.
- Places limits on certain laboratory services making them subject to frequency limitations for services occurring within a set period of time for savings of \$5.3 million (General Fund) as proposed by the Administration.
- Reduces by \$6.2 million (General Fund) to reflect increased medical support functions to be performed by the Department of Child Support to identify appropriate parental medical support in lieu of using Medi-Cal services.
- Reduces by \$6.1 million (General Fund) to reflect a refinement of the estimating methodology for the Early Periodic Screening and Diagnosis Program (EPSDT) for mental health services which are funded through the Medi-Cal Program.
- Saves \$1 million (General Fund) by adopting the Administration's proposal to restructure how licensing and certification fees are calculated by the DHS.
- Reduces by \$580,000 (General Fund) for cost containment for hearing aids and their accessories.

- Places restrictions on the rental of durable medical equipment within the Medi-Cal Program for savings of \$500,000 (General Fund).
- Provides \$72.4 million (federal funds) for certain teaching hospitals for services relating to inpatient clinical teaching and medical education activities that are provided to Medi-Cal recipients.
- Provides \$1.8 billion (\$903.5 million federal and \$903.5 million special fund) in Disproportionate Share Hospital (DSH) payments. The state's allocation remains at \$85 million which is used to offset General Fund expenditures in Medi-Cal local assistance.
- Appropriates \$1.316 billion (federal funds) to reimburse select hospitals having contracts with the California Medical Assistance Commission (CMAC) to provide enhanced inpatient services. This figure reflects a reduction in payments due to new federal Upper Payment limit restrictions.
- Commences implementation of a Disease Management Program by providing three staff positions to the DHS to craft a program for implementation in 2005.
- Appropriates \$4.9 million (federal funds) for Trauma Care Centers to be allocated by the DHS based on a local match, not a state General Fund match.
- Provides \$196,000 General Fund (\$164,000 is one-time only) to fix the newborn enrollment processing system in order to enroll eligible newborns into the Medi-Cal Program in a timely manner as required by federal law.

Public Health Programs

- Appropriates over \$120 million (Proposition 50 Water Bond Funds) to the DHS to fund water security functions as contained in Chapter 3 of Proposition 50, and safe drinking water projects as contained in Chapter 4 of Proposition 50. Of the total amount, \$1.8 million is to be used to fund 13.5 positions in state support.
- Appropriates \$32.4 million (federal funds) in federal bioterrorism funds, including \$7.4 million for DHS state operations and \$25 million for local assistance.
- Provides \$3.6 million (federal funds) to continue the Infant Botulism Program.
- Provides \$24.8 million (Proposition 99 funds) for increased reimbursement to emergency medical physicians. This is the same level of funding as provided in past years.
- Reverts \$6 million in unexpended Tobacco Settlement Funds to the General Fund to serve as an offset in state expenditures overall.
- Makes adjustments to the AIDS Drug Assistance Program (ADAP) by (1) increasing drug rebates by \$8.9 million, (2) rejecting the Administration's copay proposal and backfilling with \$1.4 million (General Fund), and (3) providing the DHS with authority to transfer up to \$7 million (General Fund) from the HIV Therapeutic Monitoring Program to ADAP if necessary. In addition, trailer bill language was adopted which (1) enables the DHS to allow for certain administrative remedies if funding is not available for ADAP, and (2) establishes the HIV

Therapeutic Monitoring Program in statute. The budget provides an appropriation of about \$205 million (total funds) for the ADAP.

- Implements cost-containment measures within the Genetically Handicapped Persons Program (GHPP) and the California Children's Services Program for savings of over \$2 million (General Fund).
- Reduces by \$943,000 (General Fund) the California Children's Services Program to reflect a five percent rate decrease effective as of January 1, 2004. This adjustment corresponds to the rate reduction enacted within the Medi-Cal Program.
- Reduces by \$878,000 (General Fund) the Genetically Handicapped Persons Program to reflect a five percent rate decrease effective as of January 1, 2004. This adjustment corresponds to the rate reduction enacted within the Medi-Cal Program.
- Reduces by a total of \$10.3 million (General Fund) by eliminating the Teen Pregnancy Media Campaign (\$7.8 million), reducing \$848,000 from TeenSMART, and reducing \$ 1.7 million from the Information and Education projects. However, \$4.2 million in federal funds was identified to backfill for the reduction to the Information and Education projects and TeenSMART, and provide for related teen pregnancy mitigation efforts using collateral materials.
- Appropriates \$3.125 million (General Fund) for the Cancer Research Program. In addition, Budget Act Language was adopted to encourage the DHS to actively seek private funding options for this program.
- Appropriates \$750,000 (General Fund) for Valley Fever research and vaccine-related activities.
- Identifies \$192,000 (special funds) in Nine West Settlement funds to be used for Gynecological Cancer Information Program purposes.
- Rejects the Administration's proposal to reduce by \$2.350 million (General Fund) the Expanded Access to Primary Care Clinic (EAPC) Program. As such, the EAPC Program will continue to be funded at the same level as last year.
- Adopts the Administration's proposal to reduce by \$1.6 million (General Fund) the Adolescent Family Life Program.
- Reduces by \$125,000 (General Fund) an unnecessary assessment for the continuous skilled nursing pilot project.
- Increases by \$450,000 (Alzheimer's Disease and Related Disorders Research) to update the revenues available through the tax check-off for the specific purpose of funding research projects for Alzheimer's disease and related disorders.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

- Approves as budgeted the Healthy Families Program to provide health, dental and vision insurance to an estimated 726,625 children in the budget year.

- Enacts a rate freeze for health, dental and vision plans participating in the Healthy Families Program effective as of July 1, 2004 through June 30, 2005.
- Transfers about \$1 million (Proposition 99 Funds) from the Office of Statewide Health Planning (OSHDP) to the Rural Health Demonstration Projects in the Healthy Families Program in order to draw a 65 percent federal match and to continue to operate these valuable projects under the Health Families Program.
- Approves as budgeted the Access for Infants and Mothers (AIM) Program which is slated to be consolidated beginning July 1, 2004.
- Approves as budgeted the Managed Risk Medical Insurance Program.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Community-Based Services

- Saves \$18.9 million (General Fund) by freezing the Regional Center contract rates for the budget year at the current year levels for certain services, including Adult Day Programs, Transportation, Look-A-Like Programs and Supported Living. This action was taken in lieu of the Administration's proposal to implement so called "Statewide Standards" for the Purchase of Services which would have reduced the appropriation by \$69.3 million (\$50 million General Fund).
- Saves \$7 million (General Fund) by freezing the rates paid to residential providers.
- Reduces by \$10 million (General Fund) as an "unallocated" reduction the amount appropriated for the Purchase of Services for Regional Centers. This action was also taken in lieu of the Administration's proposal to implement Statewide Standards for the Purchase of Services.
- Identifies an additional savings of \$5.3 million (General Fund), on top of the Administration's reduction of \$8.650 million (General Fund), from the Regional Center's Operations budget for a total adjustment of about \$14 million (General Fund). This action included trailer bill language to (1) modify the service coordinator to consumer ratios, (2) change the core staffing ratio for secretarial support, and (3) revise the core staffing ratio for Supervising Counselors.
- Recognizes savings of \$13.3 million (General Fund) by assuming the federal Centers for Medicare and Medicaid (CMS) certifies South Central Regional Center for the Home and Community Based Waiver during the budget year.
- Eliminates the SSI/SSP pass-through rate adjustment for Community Care Facility providers for savings of \$1.570 million (General Fund).
- Agrees to adopt the Administration's proposal to apply the federal standard for "substantial disability" to existing state eligibility criteria for savings of \$2.1 million (General Fund). This federal definition requires the clinical determination of significant limitations in three or more of the seven major life activities. The new standard would be applied prospectively and the Regional Centers will still use their clinical judgement in applying the new standard.
- Eliminates \$1.2 million (General Fund) in incentive funds to be paid to Transportation Vendors for modifying their billing procedures.

- Requires the DDS to develop a comprehensive plan to implement a parental copayment system in 2004-05. This action is in lieu of implementing a system in the budget year since considerably more detailed work is needed in order to appropriately commence implementation.
- Delays the transfer of the Habilitation Services Program from the Department of Rehabilitation to the DDS until July 1, 2004.
- Reappropriates \$5 million for the Bay Area Project to assist in facilitating the closure of Agnews Developmental Center.

Developmental Centers

- Rejects the request to hire additional special investigators for savings of \$237,000 (General Fund).

4440 MENTAL HEALTH

Community-Based Services

- Continues the Children's System of Care Program and the Integrated Services for Homeless Adults program at the same funding levels as provided in 2002-03.
- Reduces by \$11.5 million (General Fund), or by about five percent, state support for Mental Health Managed Care.
- Saves \$12.2 million (Reimbursements from the DHS) by reflecting a refinement in the estimating methodology for the Early Periodic Screening and Diagnosis Program (EPSDT) for mental health services.
- Continues the freeze (third year) on providing a medical consumer price index adjustment for Mental Health Medi-Cal Managed Care. This results in cost avoidance of \$6.7 million (General Fund).
- Shifts \$69 million in local mandate expenditures which are estimated to occur for mental health services provided to special education students (so called AB 3632 children) to federal funds obtained through federal special education funding.
- Approves trailer bill language to require the DMH to implement regulations regarding Mental Health Medi-Cal Managed Care within one-year because the Administration has been operating on emergency regulation authority for over 7 years.
- Rejects the Administration's proposal to eliminate \$2 million (General Fund) in local assistance expenditures which are used for a variety of purposes including to (1) provide support and education to clients, (2) facilitate family-involvement in the treatment of mental illness, (3) provide direct services under the federal Rehabilitation Waiver, and (4) provide direct services in Sacramento County per SB 840, Statutes of 1991. It was agreed with the Administration to eliminate funds of \$2,000 for the Governor's Homeless Conference.

- Provides \$10 million (Proposition 98-General Fund) to continue the Early Mental Health Initiative for children.
- Proposes an alternative to eliminating the Second Level Treatment Authorization Request (TAR) appeals by adopting trailer bill language to require any hospital losing its second level appeal to be required to reimburse the DMH for its total cost of processing the appeal, less the federal match.
- Captures \$2 million in General Fund savings for the San Mateo Field Test Model by recognizing the shift in Medi-Cal accounting (i.e., changing from an accrual to a cash based system).
- Augments by \$1.250 million (Reimbursements from the California Children and Families Commission) to provide infant, preschool and family member mental health services on a two-year pilot project basis.

State Hospitals

- Approves as budgeted the appropriation for the State Hospitals.
- Agrees to delay activation of the Salinas Valley Psychiatric Program for savings of \$1 million (Reimbursements from the California Department of Corrections).
- Agrees to delay activation of Coalinga State Hospital as proposed by the Administration for savings of \$5 million (\$1.250 million General Fund).

HUMAN SERVICES

4130 HEALTH AND HUMAN SERVICES DATA CENTER

- Reduced spending authority by \$10.3 million for maintenance and operations of the Child Welfare Services Case Management System (CWS/CMS) to reflect savings resulting from a negotiated CWS/CMS maintenance and operations contract extension.
- Reduced spending authority by \$7 million due to financing of new CWS/CMS hardware.
- Denied requested spending authority increases for infrastructure costs totaling \$4.9 million.
- Increased spending authority by \$4.3 million to reflect actual expenditure level.
- Adopted Budget Bill language to require the Data Center to reduce its rates by at least 8 percent for savings in department budgets of approximately \$20 million. Directed Finance to adjust items to reflect the decreased departmental costs resulting from the required rate reduction. The Governor vetoed the Budget Bill language and stated that it would hamper the Data Center's ability to set rates that provide cost-effective information technology services. He stated that rates are contingent on costs and utilization and that reduced funding for information technology at the client departments would limit the departments' ability to pay for increased utilization.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Agreed with Governor's reduction of \$142,000 for the Health Professions Career Opportunity program and adopted trailer bill language to make program implementation contingent on a budget appropriation.
- Approved the Governor's request to restore \$4.5 million in General Fund (GF) support for the Family Physician Training program to reflect withdrawal of proposed fees to fund the program.
- Adopted Budget Bill language to reduce funding for the Rural Health Small Grants program, contingent on the enactment of legislation that permits the use of Proposition 99 to fund the Rural Health Demonstration Projects administered by the Managed Risk Medical Insurance Board and to draw down federal matching funds. The Governor vetoed this language as there are sufficient Proposition 99 funds to support the Rural Health Demonstration Projects and the Rural Health Small Grants program.

4170 DEPARTMENT OF AGING

- Agreed with the Governor's reduction of \$2.7 million to the Foster Grandparent program, Senior Companion program and Respite Registry program and adopted trailer bill language to make program implementation contingent on a budget appropriation. Restored \$423,000 to the Senior Companion program.
- Reduced funding for the StayWell program by \$200,000, reduced state administration funding by \$600,000, and directed the \$800,000 in savings to the Senior Nutrition program.
- Reduced funding for Health Insurance Counseling and Advocacy Program (HICAP) by \$560,000 to reflect a loss in federal funds.
- Augmented local funding for Nutrition, Family Caregiver program, and preventive health by \$1.1 million to reflect new federal Older Americans Act program funding.
- Restored \$865,000 GF to the Brown Bag program.
- Restored \$2.35 million GF to the Senior Nutrition program.
- Agreed with the proposed increase of \$2.3 million from the Federal Penalty Citation Account to the State Long-Term Care Ombudsman program.

4180 COMMISSION ON AGING

- Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Reversed the proposed realignment of alcohol and drug treatment programs.
- Approved the Governor's proposed reduction of \$11.5 million to county alcohol and drug treatment programs.
- Augmented funding for drug courts by \$5.3 million and restructured drug courts serving adults to focus exclusively on prison bound offenders for net GF savings of \$9.6 million. Savings are realized in the Department of Corrections' budget.
- Increased funding for Drug Medi-Cal by \$5.8 million to reflect cost and caseload changes.
- Approved the Governor's proposed \$6 million federal funding increase to the Safe and Drug Free Communities and Schools Grant and the State Incentive Grant to support substance abuse prevention programs primarily serving youth.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- Rejected the Governor's proposal to consolidate the Department of Community Services and Development into the Department of Social Services. This action does not result in GF costs.
- Maintained the Governor's reduction of \$2.9 million to the Naturalization Services program.

5160 DEPARTMENT OF REHABILITATION

- Approved \$22.8 million (\$16.5 GF) in reductions to employment programs serving persons with developmental disabilities. Suspended the Work Activity Program (WAP) rate adjustment for 2003-04. Reduced WAP rates by 5 percent. Restored 2.5 percent of the rate reduction proposed by the Governor for a resulting reduction to the Supported Employment rate of 2.5 percent.
- Reduced funding for the Habilitation Services Program by \$12.3 million GF and reverted \$5.7 million to the GF due to changes in caseload.
- Increased funding for the Vocational Rehabilitation Services program by \$1.9 million (\$.6 GF) to reflect changes in caseload and increased costs per client.
- Approved the proposed transfer of the Habilitation Services program from the Department of Rehabilitation to the Department of Developmental Services effective July 1, 2004 for savings of \$2.2 million GF in 2004-05. Adopted placeholder trailer bill language to effectuate the transfer.
- Adopted trailer bill legislation to remove the sunset of two provisions governing the Supported Employment program.

5170 STATE INDEPENDENT LIVING COUNCIL

- Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Adopted trailer bill legislation to increase collection of child support arrears owed to the state and to establish more accurate support orders for a \$39.2 million increase in GF revenues, an increase of \$5.5 million in earned federal incentives, and net GF savings of \$3 million.
- Adopted trailer bill legislation to require the Department of Child Support Services to work with the Legislature and stakeholders to evaluate the existing county allocation methodology, consider alternatives and report to the Legislature at budget hearings by March 31, 2004.
- Approved the Governor's proposal to reduce funding for local child support agencies by \$108.8 million (\$37 million GF).
- Suspended health insurance incentives and performance incentives for savings of \$4.2 million.

- Increased funding to pay for the federal penalty resulting from the state's failure to implement a statewide child support system to \$208.6 million GF, offset by reimbursement of \$52.1 million from counties. Adopted trailer bill language that permits the Department of Finance to require counties to pay up to 25 percent of the federal penalty in the 2003-04 fiscal year.
- Reduced GF support for local child support agencies by \$1.8 million due to an increase in the federal incentive funds earned by the state.
- Approved the reappropriation of unspent funds to support the continuing consolidation of county automation systems into fewer systems to increase efficiency and reduce maintenance and operations costs.
- Increased funding for Child Support State Administration hearings by \$778,000 (\$264,000 GF) to address a substantial backlog in the number of cases awaiting hearings.
- Restored a \$2.4 million January reduction in child support revenues transferred to the Foster Parent Training Program operated by the Community Colleges.

5180 DEPARTMENT OF SOCIAL SERVICES

- Reversed proposed realignment of Adoption Assistance program, Adult Protective Services, CalWORKs employment services and administration, Child Welfare Services, Foster Care, KinGAP and In-Home Supportive Services program costs to counties.
- Adopted Budget Bill language and trailer bill legislation to authorize the Department of Finance to adjust funding if legislation is enacted to realign costs for Adult Protective Services, Child Welfare Services, CalWORKs grants, employment services and administration, and Foster Care to counties and to provide counties a new revenue source to fund the programs.

Community Care Licensing

- Adopted the Governor's proposal to reduce funding for Community Care Licensing by \$5.6 million GF as a result of reforms to target annual visits to high-risk facilities. Adopted trailer bill legislation to require the Department of Social Services (DSS) to visit each facility no less than once every five years and to include an escalator clause to trigger additional visits if a significant number of licensing violations are identified.
- Adopted the Governor's proposed increases in fees assessed from facilities licensed by DSS. The increases will generate \$4.9 million in additional GF revenues. The budget assumes doubling of license fees for childcare centers and family child care homes and a 25 percent increase in fees for residential facilities for the elderly or chronically ill and adult day care.
- Adopted a new foster family agency fee assessed from agencies based on the number of foster homes certified. The new fee is \$80 per certified family home and will generate approximately \$800,000 in GF revenues.

- Rejected the Governor's proposal to transfer responsibility to investigate less serious complaints filed against certified family homes from the DSS to foster family agencies. Provided a \$672,000 augmentation to support DSS' continued investigation of complaints.
- Suspended, for 2003-04, fee exemptions or adjustments offered to family day care providers, persons operating or managing a certified family home or a foster family home, and volunteers at child care facilities for the costs of processing fingerprints, for savings of \$2.8 million GF.
- Reduced GF support by \$329,000 due to a caseload reduction.

Automation Projects

- Reduced spending authority by \$10.3 million for maintenance and operations of the Child Welfare Services Case Management System to reflect savings resulting from a negotiated CWS/CMS maintenance and operations contract extension
- Reduced spending authority by \$7 million due to financing new CWS/CMS hardware.

Children and Youth Services

- Adopted the May Revision cost and caseload adjustment to Adoption Services for savings of \$1.1 million (\$343,000 GF). Adopted the May Revision cost and caseload adjustment for the Adoption Assistance program which increases funding by \$18.9 million (\$6.8 million GF).
- Adopted the May Revision KinGAP cost and caseload adjustment for savings of \$3.3 million.
- Adopted the May Revision adjustment for Foster Care which reflects an increase in group home costs, a decrease in federally eligible children in Foster Family Homes, and caseload growth for a total funding increase of \$13 million (\$12 million GF).
- Increased by \$11 million GF funding to provide transitional housing for foster youth.
- Rejected the Governor's proposed increase of \$28 million Temporary Aid for Needy Families (TANF) funds to support the state's Program Improvement Plan (PIP) and Child Welfare Services system redesign as the Legislature had not received complete information on the proposed PIP and the system redesign, and the federal government had not approved the PIP.
- Approved the transfer of \$37 million in TANF funds to support Child Welfare Services resulting in \$37 million GF savings.

CalWORKs

- Adopted the May Revision CalWORKs caseload estimate for net savings in assistance payments of \$307 million.
- Adopted the Governor's proposed restoration of CalWORKs grants to their current level.

- Rejected the Governor's proposed suspension of cost-of-living adjustments in 2002-03.
- Maintained the suspension of the 2003-04 CalWORKs cost-of-living adjustment resulting from the increase in the Vehicle License Fee for TANF savings of \$91.4 million.
- Increased funding for CalWORKs administration and employment services by \$184.9 million due to a revised estimate of the number of parents who will reach their time limit in 2003-04.
- Increased the one-time employment services augmentation by \$35 million.
- Adjusted funding to reflect a delay in the implementation of prospective budgeting and new estimates of the administrative savings resulting from the reform for net savings of \$ 20 million.
- Adopted trailer bill legislation to allow counties to expend previously earned and appropriated county incentive funds in future years. This change does not increase GF costs.
- Eliminated Budget bill language which prohibited the redistribution of unspent county CalWORKs services and administration dollars. This change does not increase GF costs.
- Provided a \$524.9 million TANF fund transfer to support Stage 2 childcare.
- Approved the Governor's proposal to count \$57 million in childcare expenditures towards the TANF federal maintenance-of-effort requirement for a General fund savings of \$57 million.

Adult Programs

- Adopted the May Revision SSI/SSP and In-Home Supportive Services (IHSS) cost and caseload adjustments for increased costs of \$34.9 million.
- Adopted the Governor's proposed restoration of SSI/SSP grants to their current level.
- Rejected the Governor's proposal to suspend the SSI/SSP cost-of-living adjustment in 2002-03 for an increase in costs of \$292.3 million GF.
- Agreed with the Governor's proposal to suspend the state SSI/SSP cost of living adjustment in the 2003-04 fiscal year for a savings of \$104 million GF.
- Rejected the Governor's proposal to transfer TANF funds to support caseload growth in the In-Home Supportive Services program for GF costs of \$54.1 million.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Reduced funding for the Labor and Workforce Development Agency by 14 percent for savings of \$317,000 GF.

5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Adopted Budget Bill language and provided an \$85 million augmentation in federal Reed Act funds to the Employment Development Department to redesign the unemployment insurance continued claims system, improve the service levels at the unemployment insurance call centers, and prevent and detect fraud in the unemployment insurance system.
- Adopted trailer bill legislation to prohibit the award of state or federally funded workforce development grants or contracts to pervasively sectarian organizations and to require that workforce development grants or contracts comply with civil rights laws, religious freedom, and laws that establish the separation of church and state.
- Adopted trailer bill legislation to establish legislative intent that future budgets include an itemized schedule of workforce development programs to be funded by the federal Workforce Investment Act discretionary funds.

Employment Training Panel

- Increased by \$35 million to a total of \$56.4 million the Governor's proposed transfer of funds from the Employment Training Fund to the CalWORKs program for support of employment services provided to families on CalWORKs.
- Adopted the Governor's May Revision proposal to eliminate the transfer of funds from the Employment Training Fund to the Employment Development Department for support of the Labor Market Information program.
- Adopted supplemental report language that requires the Department of Social Services and the Employment Training Panel to report to the Legislature on the feasibility of referring families on CalWORKs to the Employment Training Panel and reducing the diversion of dollars from the Employment Training Fund to the CalWORKs program.

8350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Increase GF support for the Department of Industrial Relations by \$27.1 million GF to provide partial year General Fund support for Workers' Compensation Administration costs.
- Deferred action on the Governor's proposal to shift all worker's compensation administration costs to the Worker's Compensation Revolving Fund, thereby shifting administration costs to employers that participate in the state's Workers' Compensation programs.
- Approved the Governor's proposed \$9.3 million augmentation to implement cost-saving reforms in the administration of the workers' compensation system enacted through Chapter 6, Statutes of 2002 (AB 749, Calderon).

Industrial Welfare Commission (IWC)

- Reduced funding for the Industrial Welfare Commission by 50 percent to \$235,000.

SUBCOMMITTEE 4

FINAL ACTION REPORT

Senate Budget and Fiscal Review

Members

Joseph Dunn, Chair
Dick Ackerman
Denise Ducheny

Consultants

Alex MacBain
Judi Smith
Frank Vega

SUBCOMMITTEE No. 4

LEGISLATIVE, EXECUTIVE, JUDICIARY,
TRANSPORTATION, and GENERAL GOVERNMENT

Transportation

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Judiciary

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TRANSPORTATION

2660 DEPARTMENT OF TRANSPORTATION

- Authorized a \$938 million loan from the Transportation Investment Fund (TIF) to the General Fund.
- Approved the General Fund repayment to the TIF by 2008-2009.
- Approved the State Highway Account Loan repayment of \$173 million.
- Approved a \$100 million augmentation to the State Highway Account for capital outlay projects.
- Approved a transfer of \$87 million in “spillover” revenues from the Public Transportation Account (PTA) to the General Fund.
- Restored \$207 million of Proposition 42 funds to the Traffic Congestion Relief Program.
- Restored \$11 million (State Highway Account funds) to the Environmental Enhancement Mitigation Program.
- Rejected the Governor’s proposal to consolidate the High Speed Rail Authority within Caltrans.

2720 CALIFORNIA HIGHWAY PATROL

- Approved a \$100 million unallocated reduction to the department.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved the Governor’s proposal to raise various fees for drivers licenses, identification cards, and vehicle registration. In total the fee increases will provide \$333 million in annual revenues for the Motor Vehicle Account.

STATE ADMINISTRATION

0650 OFFICE OF PLANNING AND RESEARCH

- Suspended \$5 million in annual funding for Cesar Chavez Day of Learning Grants for three years.

0840 CONTROLLER

- Adopted trailer bill language eliminating interest on payments under the unclaimed Property Program.

1700 FAIR EMPLOYMENT AND HOUSING

- Augmented by \$2.2 million (GF) and 30 PYs. Overall funding will be 15 percent less than in the current year, rather than 25 percent, as proposed in the Governor's Budget.

1730 FRANCHISE TAX BOARD

- Approved trailer bill language requiring tax professionals that file 100 or more personal income tax returns to e-file. Taxpayers may opt out of the program.

2100 ALCOHOLIC BEVERAGE CONTROL

- Augmented by \$650,000 (ABCF) to restore investigator and support positions that had been eliminated.

2240 HOUSING AND COMMUNITY DEVELOPMENT

- Augmented by \$65,000 to reinstate funding for Housing Preservation Research Contract.
- Augmented by \$1.3 million (GF) for the Emergency Housing and Assistance Program.
- Denied proposal to increase rents at migrant centers and instead adopted Budget Bill language revoking HCD's authority to raise rents in 2003-04 and augmented by \$625,000 (GF).
- Augmented by \$721,000 (GF) and adopted Budget Bill language prohibiting increase in regulatory fees on employers that provide employee housing for 2003-04.
- Adopted trailer bill language allowing use of bond funds to pay for rehabilitation of the Planada Migrant Services Center in Merced County.
- Approved transfer of \$39.75 million (GF) from Self-Help Housing Fund (SHHF) and Housing Rehabilitation Loan Fund (HRLF) to the GF and instead authorized the use of Proposition 46 bond funds for projects with GF appropriations.

- Approved transfer of \$16.7 million, per DOF, from the SHHF and HRLF to the General Fund for delayed projects.
- Approved augmentation of \$22.5 million (federal funds), per DOF, for Home Investment Partnership Program.

2920 TECHNOLOGY, TRADE AND COMMERCE AGENCY

- Eliminated the Agency effective January 1, 2004 and transferred some of the programs to Housing and Community Development, Water Resources Control Board and the Business, Transportation, and Housing Agency.
- Eliminated all state funding for Film California First program, Foreign Trade Offices, California Main Street Program, California Technology Investment Program, Space Technology Alliance, Small Business Development Centers, Tourism Commission, Commission of the Californias, Office of California-Mexico Affairs, Global Economic Development, and Export Finance.
- Provided phase-out costs of \$1 million (GF) for TTCA and \$961,000 (GF) for the Foreign Trade Offices.
- Transferred responsibility for the Film Commission, Small Business Loan Guarantee Program, Manufacturing Technology Program, Tourism Program, and the Infrastructure Bank to the Business, Transportation and Housing Agency.
- Transferred responsibility for the Military Base Reuse and Retention program to the Department of Housing and Community Development.
- Transferred responsibility for Replacement of Underground Storage Tanks program to the State Water Resources Control Board.
- Provided that no later than October 1, 2003, the Director of Finance shall submit an interim plan to the Chairperson of the Joint Legislative Budget Committee for abolishing the Technology, Trade, and Commerce Agency and transferring funds to other state entities to administer the programs for the remainder of the 2003-04 fiscal year.
- Approved \$2 million (reimbursements) for Manufacturing Technology Program.
- Authorized \$1.2 million (GF) and 12 PYs to issue film permits on state lands, roads, and highways.
- Authorized the collection of fees for Tourism Marketing Contracts.

8260 ARTS COUNCIL

- Appropriated \$3.0 million for the Arts Council for state support and local grants. This amount includes \$1.0 million (GF), \$963,000 (GF) and \$867,000 (Special Design License Plate Fund).
- Provided no specific funding for Wiesenthal Center.

8380 PERSONNEL ADMINISTRATION

- Adopted trailer bill language limiting the Rural Health Care Equity Program for annuitants to residents of California for savings of \$3.9 million (GF) in 2003-04 and \$7.8 million (GF) in future fiscal years.

9100 TAX RELIEF

- Restored \$40.1 million (GF) for Open Space subventions (Williamson Act Contracts) per DOF.
- Adopted trailer bill language to reimburse cities and counties for \$825 million (GF) in VLF backfill “gap” loss on August 15, 2006.
- Adopted trailer bill language to advance “gap” payments not exceeding \$40 million to local entities that can demonstrate hardship. These advances will be deducted from VLF payments to other cities and counties.

9210 LOCAL GOVERNMENT

- Senate adopted trailer bill language to transfer \$250 million for 2003-04 only from redevelopment agencies to ERAF using a proportional formula. Assembly adopted trailer bill language to transfer \$135 million under the same formula.
- Augmented by \$500,000 (GF) to restore part of the proposed elimination of the special supplemental subvention for redevelopment agencies. The Governor vetoed this augmentation.

CONTROL SECTIONS**4.10 EMPLOYEE COMPENSATION SAVINGS PLAN**

- Amended new control section and adopted trailer bill language to adjust departmental appropriations to reflect implementation of an employee compensation savings plan. This section ensures that savings of \$1.066 billion (\$585 million GF) and the abolishment of 16,000 permanent positions must be implemented through collective bargaining concessions, layoffs, or budget reductions.

This control section allows the Director of Finance to reduce appropriations and reallocate funds within and among items of appropriation.

5.50 CONTRACT RENEGOTIATIONS

- Adopted trailer bill language and a new control section (alternative to DOF proposal) and trailer bill language to generate savings of up to \$100 million (\$50 million GF) through various contract renegotiations.

27.00 DEFICIENCY REPORTING REQUIREMENTS

- Amended control section to provide that no deficiency authorization may be made under this section for any expenditure attributable to a prior year, related to legislation enacted without an appropriation, for start-up costs of programs that have not yet been authorized, for costs that the Governor had knowledge of in time to include in the May Revision, or costs that the Governor had the discretion to incur or not incur.
- Amended to authorize the Director of Finance to transfer from any item or items of appropriation an amount determined to be necessary to avoid a deficiency in any other item of appropriation. This transfer is limited to 5 percent and shall not result in the item reduced below the level needed to achieve the statutory requirements.
- Amended to provide that the deficiency bill shall be enacted no later than March 1, 2004.
- Amended to provide that no approval of any deficiency authorization may be made after May 15, 2004, except for the approval of an emergency expenditure.

JUDICIARY

0250 JUDICIARY

- Reduced the GF unallocated reduction to the Judiciary from \$17.7 million to \$8.5 million with the reduction coming from state operations only.
- Rejected the proposal to increase the appellate filing fee to \$630. Instead approved trailer bill language to increase the appellate filing fee to \$485, the Supreme Court filing fee to \$420, and the deposit for transcripts to \$270 for a total revenue increase of \$2.1 million. All new fees and the base fees (\$1.6 million) to be deposited into the newly created Appellate Court Trust Fund. Imposition of the new fees is contingent upon the approved level of funding cuts.

0280 COMMISSION ON JUDICIAL PERFORMANCE

- Rejected the proposed 25 percent GF reduction (\$1 million) and approved a GF reduction of 10 percent.

0390 JUDGES' RETIREMENT SYSTEM

- Approved Finance Letter to reduce the appropriation by \$10.3 million, leaving a fund balance of one month's worth of benefit payments.

0450 TRIAL COURT FUNDING

- Reduced the proposed GF unallocated reduction from \$116 million to \$85 million, with the following allocation: \$59.8 million from trial court operations, \$10 million from judicial salary savings, \$10 million from the Improvement Fund, \$4.3 million from the Modernization Fund, and \$900,000 from the Assigned Judges program.
- Rejected the court security contracting out proposal and adopted trailer bill language directing the Judicial Council, in consultation with sheriffs and California State Association of Counties (CSAC), to establish common standards and requirements for court security services. The budget assumes savings of \$11 million in court security in the budget year from implementation of efficiencies and cost savings measures.
- Approved \$31 million GF reduction to the Trial Court Trust Fund (TCTF) and approved trailer bill language to offset reduction with an increase of \$31 million in undesignated fees that the counties currently retain.
- Rejected proposal to achieve \$31 million in GF savings through the implementation of electronic court recording.

- Rejected trailer bill language to achieve \$5.5 million in GF savings from court ownership of transcripts.
- Approved a GF decrease of \$1.2 million from the TCTF and offset with new fee revenue from increasing the Trial Motion Fee from \$23 to \$33. Imposition of the increased fees (and all the new fee proposals in this item) is contingent upon the approved level of funding cuts.
- Approved a GF decrease of \$11.7 million from the TCTF and offset with new fee revenue from increasing the filing fee for limited jurisdiction cases above \$10,000 from \$90 to \$185.
- Approved a GF decrease of \$2.4 million from the TCTF and offset with new fee revenue from an increase in the Small Claims filing fees from \$35 to \$50 for filers of more than 12 filings annually.
- Approved a GF decrease of \$760,000 from the TCTF and offset with new fee revenue from an increase to the Summary Judgement Motion Fee from \$100 to \$150.
- Approved a GF decrease of \$26.3 million from the TCTF and offset with new fee revenue from the imposition of a Continuance fee of \$100 for all civil and family law cases.
- Approved a GF decrease of \$34 million from the TCTF and offset with new fee revenue from a Security fee of \$20 on all civil and criminal filings.
- Approved a GF decrease of \$16.3 million from the TCTF and offset with new fee revenue from the enforcement of the fee for verbatim record keeping in civil matters.
- Approved a GF decrease of \$18.1 million from the TCTF and offset with new revenue from a Complex Litigation Fee of \$500 for complex cases.
- Approved a GF decrease of \$7.3 million from the TCTF and offset with new revenue from the establishment of graduated filing fees on certain probate proceedings.

APPENDIX 1

EXECUTIVE ORDER REDUCTIONS
CONTROL SECTION 4.10

Control Section 4.10
Executive Order Reductions

Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
<u>General Fund</u>		
Contributions to Judges' Retirement Sys	0390-001-0001	172,500
Sec State and Consumer Services	0510-001-0001	116,100
Sec Youth and Adult Correctional Agency	0550-001-0001	140,700
Offc of the Inspector General	0552-001-0001	403,050
Ofc Inspector General Veterans Affairs	0553-001-0001	53,700
Office of the Secretary for Education	0558-001-0001	128,250
Office of Planning and Research	0650-001-0001	601,350
Office of the Secretary for Education	0650-011-0001	128,250
Office of Emergency Services	0690-001-0001	4,574,401
Office of the Lieutenant Governor	0750-001-0001	380,400
Department of Justice	0820-001-0001	43,776,159
State Controller	0840-001-0001	10,193,852
State Board of Equalization	0860-001-0001	29,140,116
Secretary of State	0890-001-0001	2,845,951
State Treasurer	0950-001-0001	963,450
Scholarshare Investment Board	0954-001-0001	173,850
California Science Center	1100-001-0001	1,529,700
Consumer Affairs-Bureaus,Programs,Divs	1111-003-0001	79,050
Consumer Affairs-Regulatory Boards	1140-001-0001	96,450
Dept of Fair Employment and Housing	1700-001-0001	2,226,000
Fair Employment and Housing Commission	1705-001-0001	173,550
Franchise Tax Board	1730-001-0001	59,486,412
State Personnel Board	1880-001-0001	585,000
Dept of Housing & Community Development	2240-001-0001	829,500
Department of Motor Vehicles	2740-001-0001	167,100
Technology, Trade, and Commerce Agency	2920-001-0001	183,300
Technology, Trade, and Commerce Agency	2920-011-0001	703,800
California Conservation Corps	3340-001-0001	5,867,251
Department of Conservation	3480-001-0001	809,400
State Lands Commission	3560-001-0001	1,514,850
Department of Fish and Game	3600-001-0001	6,111,001
Department of Fish and Game	3600-011-0001	2,550
Wildlife Conservation Board	3640-001-0001	48,150
California Coastal Commission	3720-001-0001	1,588,050
Native American Heritage Commission	3780-001-0001	88,200
Department of Parks and Recreation	3790-001-0001	13,517,253

Control Section 4.10
Executive Order Reductions

Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
San Francisco Bay Conserv & Develop Comm	3820-001-0001	518,700
Department of Water Resources	3860-001-0001	4,769,101
California Bay-Delta Authority	3870-001-0001	1,888,500
State Air Resources Board	3900-001-0001	752,400
State Water Resources Control Board	3940-001-0001	6,207,751
Department of Toxic Substances Control	3960-001-0001	3,015,901
Ofc of Environmental Health Hazard Asmt	3980-001-0001	1,518,900
Emergency Medical Services Authority	4120-001-0001	150,750
Ofc Statewide Health Planning- Developmnt	4140-001-0001	85,650
Department of Aging	4170-001-0001	595,350
Department of Alcohol and Drug Programs	4200-001-0001	765,600
Department of Alcohol and Drug Programs	4200-017-0001	148,200
Department of Health Services	4260-001-0001	35,752,807
Department of Health Services	4260-017-0001	1,038,750
Managed Risk Medical Insurance Board	4280-001-0001	255,750
Department of Developmental Services	4300-001-0001	3,065,251
Department of Developmental Services	4300-003-0001	968,953
Department of Developmental Services	4300-017-0001	35,100
Department of Mental Health	4440-001-0001	4,476,001
Department of Mental Health	4440-017-0001	161,550
Department of Rehabilitation	5160-001-0001	2,652,901
Department of Child Support Services	5175-001-0001	1,606,200
Department of Social Services	5180-001-0001	12,951,352
Department of Social Services	5180-001-0001	15,000
	02	
Department of Social Services	5180-011-0001	305,100
Department of Social Services	5180-017-0001	30,750
Board of Corrections	5430-001-0001	289,950
Board of Corrections	5430-008-0001	19,847
	00	
Board of Prison Terms	5440-001-0001	3,782,851
Youthful Offender Parole Board	5450-001-0001	246,600
Correctional Peace Officer Standards/Trg	5480-001-0001	162,150
State Department of Education	6110-001-0001	5,752,501
State Department of Education	6110-003-0001	151,650
State Department of Education	6110-007-0001	16,500
State Department of Education	6110-015-0001	62,400
State Department of Education	6110-021-0001	70,200
California State Library	6120-011-0001	1,639,350

Control Section 4.10
Executive Order Reductions

Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
California State Library	6120-013-0001	3,000
Education Audit Appeals Panel	6125-001-0001	225,000
CA State Summer School for the Arts	6255-001-0001	110,550
CA Postsecondary Education Commission	6420-001-0001	333,750
Bd of Governors of Calif Comm Colleges	6870-001-0001	1,429,650
Employment Development Department	7100-001-0001	3,232,501
Agricultural Labor Relations Board	7300-001-0001	714,750
Department of Industrial Relations	7350-001-0001	13,520,403
Office of Criminal Justice Planning	8100-001-0001	719,100
Office of Criminal Justice Planning	8100-012-0001	27,450
State Public Defender	8140-001-0001	1,655,700
Public Employment Relations Board	8320-001-0001	649,200
Department of Personnel Administration	8380-001-0001	240,072
CA Citizens Compensation Commission	8385-001-0001	2,400
Department of Food and Agriculture	8570-001-0001	8,890,502
Department of Food and Agriculture	8570-002-0001	1,336,350
Department of Food and Agriculture	8570-004-0001	961,200
Fair Political Practices Commission	8620-001-0001	362,700
CA Victim Compensation/Govnmnt Claim Bd	8700-001-0001	118,650
Milton Marks "Little Hoover" Commission	8780-001-0001	129,750
Commission on the Status of Women	8820-001-0001	66,450
California Law Revision Commission	8830-001-0001	82,500
Commission on Uniform State Laws	8840-001-0001	18,300
Department of Finance	8860-001-0001	1,085,524
Commission on State Mandates	8885-001-0001	195,300
Office of Administrative Law	8910-001-0001	279,600
Military Department	8940-001-0001	4,801,201
Department of Veterans Affairs	8955-001-0001	385,350
General Fund Total		326,901,821
<u>Other Funds</u>		
Department of General Services	1760-015-0002	5,003
Office of Planning and Research	0650-001-0002	10,126
Department of General Services	1760-001-0002	56,295
Department of General Services	1760-001-0003	79,110
State Board of Equalization	0860-001-0004	2,882
Department of Health Services	4260-001-0009	140,588
Department of Justice	0820-001-0012	22,674
Department of Justice	0820-001-0014	33,881

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
Department of Toxic Substances Control	3960-001-0014	951,277
Department of Justice	0820-001-0017	1,162,290
California State Library	6120-011-0020	14,189
State Board of Equalization	0860-001-0022	37,094
Department of General Services	1760-001-0022	274,893
Department of Industrial Relations	7350-001-0023	2,041
Consumer Affairs-Regulatory Boards	1350-001-0024	2,762
Department of General Services	1760-001-0026	76,688
Office of Emergency Services	0690-001-0028	19,253
State Water Resources Control Board	3940-001-0028	15,591
Department of Toxic Substances Control	3960-001-0028	30,962
Office of Emergency Services	0690-001-0029	17,591
Department of Health Services	4260-001-0029	12,568
Department of Justice	0820-001-0032	6,364
Department of Conservation	3480-001-0035	22,494
California Transportation Commission	2660-001-0041	59,077
Franchise Tax Board	1730-001-0042	20
California Transportation Commission	2600-001-0042	22,954
California Transportation Commission	2660-001-0042	35,280,355
California Transportation Commission	2660-001-0042 01	151,255
California Transportation Commission	2660-007-0042	1,694,444
Department of Motor Vehicles	2740-001-0042	772,645
Public Utilities Commission	8660-001-0042	49,271
Sec Business Transportation & Housing	0520-001-0044	26,757
Department of Justice	0820-001-0044	402,193
Franchise Tax Board	1730-001-0044	35,462
Office of Traffic Safety	2700-001-0044	7,665
Department of Motor Vehicles	2740-001-0044	7,227,238
Energy Resources Conservation & Dev Com	3360-001-0044	2,502
State Air Resources Board	3900-001-0044	777,028
Department of Health Services	4260-001-0044	20,093
California Transportation Commission	2660-001-0045	1,021
California Transportation Commission	2600-001-0046	23,195
California Transportation Commission	2660-001-0046	2,467,289
High-Speed Rail Authority	2665-001-0046	51,973
Public Utilities Commission	8660-001-0046	46,269
Department of Motor Vehicles	2740-001-0054	34,181
State Controller	0840-001-0061	65,061
State Board of Equalization	0860-001-0061	432,772

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
State Controller	0840-001-0062	18,572
Franchise Tax Board	1730-001-0064	67,102
Department of Motor Vehicles	2740-001-0064	5,275,213
Department of Health Services	4260-001-0066	45,589
Dept of Corporations	2180-001-0067	506,498
Consumer Affairs-Regulatory Boards	1165-001-0069	236,048
State Board of Equalization	0860-001-0070	12,368
Department of Health Services	4260-001-0070	52,933
Department of Health Services	4260-001-0074	21,253
Department of Health Services	4260-001-0075	355,583
Department of Health Services	4260-001-0076	3,322
California Arts Council	8260-001-0078	17,591
Department of Industrial Relations	7350-001-0079	41,126
State Board of Equalization	0860-001-0080	9,146
Department of Health Services	4260-001-0080	201,927
Department of Health Services	4260-001-0080	20,873
	02	
Department of Health Services	4260-001-0082	2,762
Department of Veterans Affairs	8955-001-0083	921
Consumer Affairs-Regulatory Boards	1230-001-0093	300
Department of Industrial Relations	7350-001-0096	257,121
Department of Health Services	4260-001-0098	75,467
Department of Health Services	4260-001-0099	319,100
CA Integrated Waste Management Board	3910-001-0100	52,313
Department of Toxic Substances Control	3960-001-0100	6,744
Ofc of Environmental Health Hazard Asmt	3980-001-0100	7,625
Department of Pesticide Regulation	3930-001-0106	462,010
Ofc of Environmental Health Hazard Asmt	3980-001-0106	15,690
Consumer Affairs-Regulatory Boards	1400-001-0108	39,685
Department of Food and Agriculture	8570-001-0111	248,456
Department of Food and Agriculture	8570-011-0112	100
State Air Resources Board	3900-001-0115	444,019
Department of Health Services	4260-001-0116	981
Alcoholic Beverage Control Appeals Board	2120-001-0117	16,690
Ofc Statewide Health Planning- Developmnt	4140-001-0121	396,549
Franchise Tax Board	1730-001-0122	120
Department of Health Services	4260-001-0129	3,662
Department of Social Services	5180-001-0131	60,038
Department of Industrial Relations	7350-001-0132	10,787
Department of Conservation	3480-001-0133	345,897

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
Department of Alcohol and Drug Programs	4200-001-0139	31,480
Tahoe Conservancy	3125-001-0140	58,858
Colorado River Board	3460-001-0140	309
Department of Fish and Game	3600-001-0140	409,778
Wildlife Conservation Board	3640-001-0140	4,738
Department of Parks and Recreation	3790-001-0140	2,732
Santa Monica Mountains Conservancy	3810-001-0140	5,950
San Gabriel/Lower LA Rivers/Mnts Consvcy	3825-001-0140	5,884
San Joaquin River Conservancy	3830-001-0140	5,311
Baldwin Hills Conservancy	3835-001-0140	5,685
Delta Protection Commission	3840-001-0140	3,085
San Diego River Conservancy	3845-001-0140	5,839
Coachella Valley Mountains Conservancy	3850-001-0140	4,892
Department of Water Resources	3860-001-0140	4,804
Department of Pesticide Regulation	3930-001-0140	8,285
Ofc of Environmental Health Hazard Asmt	3980-001-0140	12,318
Department of Conservation	3480-001-0141	26,176
Department of Justice	0820-001-0142	50,151
Ofc Statewide Health Planning- Developmnt	4140-001-0143	318,240
Ofc Statewide Health Planning- Developmnt	4140-017-0143	1,981
Board of Chiropractic Examiners	8500-001-0152	46,149
Department of Justice	0820-001-0158	19,552
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0166	16,450
CA Debt Limit Allocation Committee	0959-001-0169	21,113
Board of Corrections	5430-001-0170	48,050
CA Debt & Investment Advisory Commission	0956-001-0171	37,924
Department of Developmental Services	4300-001-0172	6,624
Consumer Affairs-Regulatory Boards	1390-001-0175	4,823
Department of Health Services	4260-001-0177	81,571
State Department of Education	6110-001-0178	20,593
Department of Health Services	4260-001-0179	67,242
Ofc Statewide Health Planning- Developmnt	4140-001-0181	24,455
Employment Development Department	7100-001-0185	360,867
California Horse Racing Board	8550-001-0191	164,423
Department of Food and Agriculture	8570-001-0191	73,206
Department of Food and Agriculture	8570-012-0192	15,550

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
State Water Resources Control Board	3940-001-0193	1,054,802
Emergency Medical Services Authority	4120-001-0194	6,564
Department of Justice	0820-001-0195	961
Franchise Tax Board	1730-001-0200	260
Department of Fish and Game	3600-001-0200	1,819,403
Department of Health Services	4260-001-0203	1,286,428
Department of Health Services	4260-017-0203	43,687
Consumer Affairs-Regulatory Boards	1340-001-0205	15,610
Department of Fish and Game	3600-001-0207	47,170
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0208	11,027
Consumer Affairs-Regulatory Boards	1390-001-0210	480
State Lands Commission	3560-001-0212	12,628
Department of Fish and Game	3600-001-0212	17,551
CA Victim Compensation/Govnmnt Claim Bd	8700-001-0214	847,072
CA Victim Compensation/Govnmnt Claim Bd	8700-002-0214	400
CA Industrial Dev Financing Advisory Com	0965-001-0215	8,926
Department of Industrial Relations	7350-001-0216	1,081
Department of Insurance	0845-001-0217	2,686,447
Seismic Safety Commission	8690-001-0217	17,691
Department of Industrial Relations	7350-001-0223	1,504,465
Department of Industrial Relations	7350-015-0223	28,638
Department of Pesticide Regulation	3930-001-0224	4,663
CA Integrated Waste Management Board	3910-001-0226	66,302
Secretary of State	0890-001-0228	604,259
State Board of Equalization	0860-001-0230	46,429
Department of Health Services	4260-001-0231	96,461
State Department of Education	6110-001-0231	19,953
Department of Parks and Recreation	3790-001-0235	261,111
State Water Resources Control Board	3940-001-0235	47,123
Department of Health Services	4260-001-0236	54,594
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0239	141,289
Department of Financial Institutions	2150-001-0240	6,724
Office of Criminal Justice Planning	8100-001-0241	360
Franchise Tax Board	1730-001-0242	113,371
Department of Alcohol and Drug Programs	4200-001-0243	31,019
Dept of Housing & Community Development	2240-001-0245	86,754
Department of Health Services	4260-001-0247	23,515
Department of Justice	0820-001-0256	1,081

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
Tahoe Conservancy	3125-001-0262	340
Wildlife Conservation Board	3640-001-0262	7,625
Department of Parks and Recreation	3790-001-0263	567,817
Consumer Affairs-Regulatory Boards	1485-001-0264	19,752
California Science Center	1100-001-0267	58,517
Comm on Peace Officer Standards & Train	8120-001-0268	247,636
Comm on Peace Officer Standards & Train	8120-011-0268	262,385
Comm on Peace Officer Standards & Train	8120-012-0268	31,140
Department of Social Services	5180-001-0270	61,138
Department of Social Services	5180-001-0271	22,454
Department of Social Services	5180-001-0279	16,370
Department of Social Services	5180-011-0279	901
Consumer Affairs-Regulatory Boards	1430-001-0280	17,011
CA Integrated Waste Management Board	3910-001-0281	29,819
Tahoe Conservancy	3125-001-0286	3,282
Department of Aging	4170-001-0289	3,722
Board of Pilot Commissioners	8530-001-0290	24,075
Consumer Affairs-Regulatory Boards	1440-001-0295	21,694
Coachella Valley Mountains Conservancy	3850-001-0296	640
Department of Financial Institutions	2150-001-0298	332,028
Department of Financial Institutions	2150-001-0299	65,921
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0305	115,493
Department of Health Services	4260-001-0306	161,061
Managed Risk Medical Insurance Board	4280-001-0309	600
Consumer Affairs-Regulatory Boards	1450-001-0310	56,155
Department of Mental Health	4440-001-0311	6,944
Emergency Medical Services Authority	4120-001-0312	21,914
Managed Risk Medical Insurance Board	4280-001-0313	600
Department of Real Estate	2320-001-0317	603,639
Consumer Affairs-Regulatory Boards	1455-001-0319	48,911
State Board of Equalization	0860-001-0320	4,863
State Lands Commission	3560-001-0320	154,697
Department of Fish and Game	3600-001-0320	386,243
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0325	39,765
State Controller	0840-001-0330	6,584
Department of Health Services	4260-001-0335	4,403
Department of Conservation	3480-001-0336	76,068
Department of Conservation	3480-001-0338	64,160
State Controller	0840-001-0344	15,330
California Transportation Commission	2660-001-0365	30,439
Department of Justice	0820-001-0367	199,545

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
Department of Justice	0820-001-0367	21,053
	02	
California Gambling Control Commission	0855-001-0367	66,922
California Gambling Control Commission	0855-001-0367	1,161
	02	
Department of Alcohol and Drug Programs	4200-001-0367	60,038
Department of Personnel Administration	8380-001-0367	1,021
	00	
Department of Industrial Relations	7350-001-0368	6,684
Department of Industrial Relations	7350-001-0369	4,683
California Coastal Commission	3720-001-0371	7,685
Consumer Affairs-Regulatory Boards	1460-001-0376	10,487
Department of Justice	0820-001-0378	221,919
Consumer Affairs-Regulatory Boards	1250-001-0380	29,939
Energy Resources Conservation & Dev Com	3360-001-0381	940,230
Energy Resources Conservation & Dev Com	3360-001-0382	180,153
CA Integrated Waste Management Board	3910-001-0386	4,563
State Board of Equalization	0860-001-0387	8,265
CA Integrated Waste Management Board	3910-001-0387	497,612
State Water Resources Control Board	3940-001-0387	106,847
Ofc of Environmental Health Hazard Asmt	3980-001-0387	4,643
Department of Parks and Recreation	3790-001-0392	1,936,156
Department of Industrial Relations	7350-001-0396	56,195
Department of Conservation	3480-001-0398	89,056
Consumer Affairs-Regulatory Boards	1530-001-0399	5,443
Office of Real Estate Appraisers	2310-001-0400	65,041
Commission on Teacher Credentialing	6360-001-0407	337,512
Commission on Teacher Credentialing	6360-001-0408	195,002
Consumer Affairs-Regulatory Boards	1520-501-0410	6,004
	82	
Public Utilities Commission	8660-001-0412	33,821
Consumer Affairs-Bureaus, Programs, Divs	1111-002-0421	1,842,937
State Air Resources Board	3900-001-0421	114,052
Office of Criminal Justice Planning	8100-001-0425	7,825
State Air Resources Board	3900-001-0434	4,563
State Water Resources Control Board	3940-001-0436	1,241
State Board of Equalization	0860-001-0439	41,186
State Water Resources Control Board	3940-001-0439	349,750
Wildlife Conservation Board	3640-001-0447	17,651

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
CA Tax Credit Allocation Committee	0968-001-0448	20,393
Department of Parks and Recreation	3790-001-0449	6,784
Department of General Services	1760-001-0450	1,501
Department of Industrial Relations	7350-001-0452	243,533
Department of Industrial Relations	7350-001-0453	75,728
CA Tax Credit Allocation Committee	0968-001-0457	27,377
CA Tax Credit Allocation Committee	0968-502-0457 90	120
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0459	2,562
Department of Justice	0820-001-0460	175,370
Public Utilities Commission	8660-001-0461	138,747
Public Utilities Commission	8660-001-0462	1,503,424
Electricity Oversight Board	8770-001-0462	64,561
Public Utilities Commission	8660-001-0464	1,235,376
State Board of Equalization	0860-001-0465	5,003
Department of General Services	1760-001-0465	27,077
Energy Resources Conservation & Dev Com	3360-001-0465	915,535
Department of Water Resources	3860-001-0465	33,161
Electricity Oversight Board	8770-001-0465	9,666
Public Utilities Commission	8660-001-0470	10,450,482
Public Utilities Commission	8660-001-0471	4,921,110
Dept of Housing & Community Development	2240-014-0472	4,543
Dept of Housing & Community Development	2240-013-0474	2,301
State Water Resources Control Board	3940-001-0475	20,433
Department of Health Services	4260-001-0478	720
Department of Industrial Relations	7350-001-0481	4,003
State Water Resources Control Board	3940-001-0482	3,622
Military Department	8940-001-0485	3,002
Public Utilities Commission	8660-001-0491	21,313
Consumer Affairs-Regulatory Boards	1140-001-0492	2,001
Public Utilities Commission	8660-001-0493	800,583
State Controller	0840-011-0494	861
Energy Resources Conservation & Dev Com	3360-001-0497	5,724
Employment Development Department	7100-001-0514	806,767
Department of Industrial Relations	7350-001-0514	58,977
Department of Motor Vehicles	2740-001-0516	90,117
Department of Boating & Waterways	3680-001-0516	313,577

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
Department of Parks and Recreation	3790-001-0516	13,268
Delta Protection Commission	3840-001-0516	3,342
Department of Food and Agriculture	8570-001-0516	23,435
CA Alt Energy & Adv Trspt Financing Auth	0971-001-0528	3,542
Dept of Housing & Community Development	2240-001-0530	11,347
Department of Justice	0820-001-0557	40,585
Department of Toxic Substances Control	3960-001-0557	796,160
CA Integrated Waste Management Board	3910-001-0558	1,421
Scholarshare Investment Board	0954-001-0564	19,352
State Coastal Conservancy	3760-001-0565	84,233
Department of Justice	0820-001-0566	6,184
Department of Justice	0820-001-0567	107,327
California Gambling Control Commission	0855-001-0567	43,107
California Gambling Control Commission	0855-001-0567 02	300
Tahoe Conservancy	3125-001-0568	3,602
Department of Justice	0820-001-0569	520
Department of Justice	0820-001-0569 02	5,263
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0582	414,600
Employment Development Department	7100-001-0588	3,959,406
Ofc Inspector General Veterans Affairs	0553-001-0592	1,981
Department of Veterans Affairs	8955-001-0592	27,397
Office of Criminal Justice Planning	8100-001-0597	3,842
Department of Food and Agriculture	8570-001-0601	27,557
Department of General Services	1760-001-0602	769,583
California Transportation Commission	2660-002-0608	1,352,109
Department of Health Services	4260-001-0622	11,567
State Board of Equalization	0860-001-0623	45,629
Health and Human Services Agency Data Center	4130-001-0632	2,339,849
Department of Health Services	4260-001-0642	15,029
Dept of Housing & Community Development	2240-001-0648	337,532
Department of General Services	1760-001-0666	9,585,139
Stephen P. Teale Data Center	2780-001-0683	2,007,240
State Department of Education	6110-001-0687	104,305
Department of Health Services	4260-001-0693	2,562
Consumer Affairs-Regulatory Boards	1120-001-0704	198,285
Consumer Affairs-Regulatory Boards	1130-001-0706	54,854

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0717	36,923
Consumer Affairs-Regulatory Boards	1230-001-0735	935,167
Consumer Affairs-Regulatory Boards	1250-001-0741	139,408
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0750	28,238
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0752	74,207
Consumer Affairs-Regulatory Boards	1130-001-0757	16,150
Consumer Affairs-Regulatory Boards	1390-001-0758	779,930
Consumer Affairs-Regulatory Boards	1420-001-0759	49,031
Consumer Affairs-Regulatory Boards	1510-001-0761	334,430
Consumer Affairs-Regulatory Boards	1480-001-0763	22,194
Consumer Affairs-Regulatory Boards	1490-001-0767	147,573
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0769	13,709
Consumer Affairs-Regulatory Boards	1500-001-0770	144,971
Consumer Affairs-Regulatory Boards	1520-001-0771	12,608
Consumer Affairs-Regulatory Boards	1170-001-0773	93,138
Consumer Affairs-Regulatory Boards	1530-001-0775	65,121
Consumer Affairs-Regulatory Boards	1550-001-0777	36,543
Consumer Affairs-Regulatory Boards	1580-001-0779	83,953
Consumer Affairs-Regulatory Boards	1580-001-0780	23,675
Student Aid Commission	7980-001-0784	249,357
Franchise Tax Board	1730-001-0803	220
Department of Social Services	5180-001-0803	3,102
Dept of Housing & Community Development	2240-001-0813	4,903
Department of Alcohol and Drug Programs	4200-001-0816	1,341
Department of Personnel Administration	8380-001-0821	23,675
Franchise Tax Board	1730-001-0823	220
Department of Health Services	4260-001-0823	14,849
Department of Health Services	4260-001-0834	63,140
State Teachers' Retirement System	1920-001-0835	1,929,051
Energy Resources Conservation & Dev Com	3360-001-0853	8,685
Energy Resources Conservation & Dev Com	3360-001-0854	39,785
Employment Development Department	7100-001-0869	3,051,036
Franchise Tax Board	1730-001-0886	80
Commission on Aging	4180-002-0886	1,241
State Controller	0840-001-0903	20,953
Employment Development Department	7100-001-0908	22,054
Department of Industrial Relations	7350-001-0913	20,593
San Francisco Bay Conserv & Develop	3820-001-0914	2,922

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
Comm		
Department of Personnel Administration	8380-001-0915	156,818
Bd of Governors of Calif Comm Colleges	6870-001-0925	200
Dept of Housing & Community Development	2240-001-0929	48,891
Department of Managed Health Care	2400-001-0933	648,587
Department of Managed Health Care	2400-002-0933	42,727
Dept of Housing & Community Development	2240-001-0938	14,149
Department of Justice	0820-001-0942	64,432
Department of Justice	0820-011-0942	21,023
Department of Aging	4170-003-0942	7,831
Department of Health Services	4260-003-0942	39,663
Department of Health Services	4260-011-0942	8,171
California Horse Racing Board	8550-001-0942	11,405
State Lands Commission	3560-001-0943	7,285
Franchise Tax Board	1730-001-0945	140
Public Employees' Retirement System	1900-001-0950	326,005
Public Employees' Retirement System	1900-017-0950	4,463
Consumer Affairs-Bureaus,Programs,Divs	1111-002-0960	1,601
Department of General Services	1760-001-0961	2,902
State Board of Equalization	0860-001-0965	43,106
Franchise Tax Board	1730-001-0974	100
State Department of Education	6110-001-0975	300
Franchise Tax Board	1730-001-0979	140
Dept of Housing & Community Development	2240-001-0980	7,325
Franchise Tax Board	1730-001-0983	140
Commission on Aging	4180-001-0983	5,263
Commission on Aging	4180-001-0983 02	660
Dept of Housing & Community Development	2240-001-0985	10,887
State Controller	0840-001-0988	3,942
State Controller	0840-011-0988	841
Department of Justice	0820-001-1008	53,313
Department of Justice	0820-001-1009	170,407
Department of Industrial Relations	7350-001-3002	36,963
Department of Industrial Relations	7350-001-3003	37,464
Department of Industrial Relations	7350-001-3004	47,070
Dept of Housing & Community	2240-001-3006	8,625

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Department Name	Item Number (org/ref/fund/yoa)	CS 4.10 Reduction
Development		
California Transportation Commission	2660-001-3007	629,715
State Board of Equalization	0860-001-3015	7,385
Department of Justice	0820-001-3016	60,798
Consumer Affairs-Regulatory Boards	1475-001-3017	13,448
Department of Health Services	4260-001-3018	19,872
Department of Alcohol and Drug Programs	4200-001-3019	66,061
Department of Industrial Relations	7350-001-3022	30,799
Department of Industrial Relations	7350-001-3030	21,053
Department of Toxic Substances Control	3960-001-3035	10,607
Dept of Alcoholic Beverage Control	2100-001-3036	764,720
CA Tax Credit Allocation Committee	0968-001-3038	4,523
Department of Conservation	3480-001-3046	207,530
Department of Justice	0820-001-3053	10,006
Ofc of Environmental Health Hazard Asmt	3980-001-3056	4,543
Department of Water Resources	3860-001-3057	144,090
State Water Resources Control Board	3940-001-3058	88,035
Department of Justice	0820-001-3061	287,280
Department of Water Resources	3860-001-3100	131,783
Franchise Tax Board	1730-001-8003	100
Franchise Tax Board	1730-001-8006	100
Consumer Affairs-Regulatory Boards	1140-002-9250	1,781
CA Consumer Power & Conservation Fin	8665-001-9326	86,474
Aut		
Other Funds Total		143,695,159
Grand Total		470,596,980

APPENDIX 2

GOVERNOR'S VETOES

State of California
Governor's Office

I object to the following appropriations contained in Assembly Bill 1765.

Item 0250-490—Reappropriation, Judicial Council. I delete Provision 3.

I am deleting Provision 3 of this item as it is unnecessary and infringes on a process that is already well underway. The search process should be left up to the Judicial Council, in conjunction with the Department of General Services as the real estate experts, to determine the best site that meets the programmatic needs of the court who will ultimately reside on the property.

Item 3600-001-0001—For support of Department of Fish and Game. I revise this item by deleting Provision 2.

Provision 2 requires the Department of Fish and Game to develop a long-term sport fishing hatchery program and prohibits the Department from closing any fish hatcheries until January 1, 2004. This language inappropriately restricts administrative flexibility in addressing funding priorities with limited resources.

Item 3760-301-0005—For capital outlay, State Coastal Conservancy. I delete this item and Provisions 1, 2, and 3.

This language would exclude priority projects within San Luis Obispo and Santa Barbara counties from competing for these excess funds. I believe that any unencumbered balance from this Proposition 12 appropriation should revert to the Coastal Conservancy to be allocated to priority projects using established guidelines and criteria.

I am deleting Provisions 1, 2, and 3 to conform with this action.

Item 3860-496—Reversion, Department of Water Resources. I delete Provision 1 of this item.

I am deleting this language that would prohibit the transfer of funds from the General Fund to the Colorado River Management Account. A negotiated settlement of the Colorado River Quantification Settlement Agreement (QSA) is critical to ensure that the State's water needs are met. This language would weaken the Executive Branch's flexibility in negotiating with local water agencies that rely on water from the Colorado River, and reaching an ultimate agreement on the QSA.

Item 4120-001-0001—For support of Emergency Medical Services Authority. I delete Provision 1.

I am deleting Provision 1 because this language is not necessary. Provision 1 specifies that a reduction of \$138,000 be made to State operations only, and not to local assistance. The Emergency Medical Services Authority has already identified State operations reductions of \$68,000 General Fund in personal services and \$70,000 in operating expenses and equipment from the Disaster Medical Services Division.

Item 4130-001-0632—For support of California Health and Human Services Agency Data Center. I delete Provision 6.

I am deleting Provision 6, which would require the California Health and Human Services Agency Data Center to reduce its rates by at least 8 percent to achieve total savings of approximately \$20,000,000 in client departments' budgets. While I support the need for the Data Center to set rates that provide cost effective information technology services, this language would hamper the Data Center's ability to do so. Rates set by the Data Center are predicated on both costs and projected utilization. To the extent that client departments' funding for information technology is reduced, those departments would not have appropriate resources to pay for increased utilization. Any decrease in utilization from that projected in setting the rates would preclude the ability to actually lower the rates. This action conforms to my action on SEC. 9.70.

Item 4140-111-0236—For local assistance, Office of Statewide Health Planning and Development. I revise this item by deleting Provision 1.

In order to correct a technical error in the Budget Bill, I am deleting Provision 1, which would eliminate funding for the Rural Health Small Grants Program if legislation is enacted to amend the provisions of the Tobacco Tax and Health Protection Act (Proposition 99) to authorize Proposition 99 funds to be used to draw down federal funds for the Rural Health Demonstration Program within the Managed Risk Medical Insurance Board. Although legislation has been enacted to authorize the use of Proposition 99 funds for this purpose, there are sufficient Proposition 99 funds to provide funding for both programs in 2003-04. Therefore, I am sustaining the funding for the Rural Health Small Grants Program, which provides health care services to approximately 18,500 uninsured persons in rural areas of the State.

Item 4170-001-0001—For support of Department of Aging. I delete Provision 1.

I am deleting Provision 1 because it specifies that a reduction made to State operations cannot be allocated in a manner that affects State positions that provide direct services for the Department of Aging to the public or that administer the federal Older Americans Act programs. This language would restrict the Administration's ability to prioritize resources and deal with the legislative reduction based on programmatic needs of the Department of Aging.

Item 4220-001-0001—For support of Child Development Policy Advisory Committee. I delete this item.

I am deleting the legislative augmentation of \$668,000 (\$367,000 General Fund and \$301,000 Reimbursements), 5.4 positions for administrative support, and funding for the Child Development Policy Advisory Committee. The Committee is no longer functioning as all positions are currently vacant. Further, other State entities can be consulted for policy information and recommendations regarding child development and child care issues, at no additional cost to the State.

Item 4260-101-0890—For local assistance, Department of Health Services. I reduce this item from \$16,566,448,000 to \$16,409,608,000.

I am reducing this item by \$156,840,000 to correct a technical error in the Budget Bill. This technical veto is consistent with the Legislature's intent and legislative actions taken in this item.

Item 4440-101-0001—For local assistance, Department of Mental Health. I revise this item by reducing:

(1) 10.25-Community Services--Other Treatment \$1,139,412,000 to \$1,127,228,000

I am reducing Program 10.25 by \$12,184,000 as a technical adjustment in order to conform to the legislative action to implement a 5-percent reduction to Mental Health Managed Care.

Item 5240-001-0001—For support of Department of Corrections. I reduce this item from \$4,739,474,000 to \$4,739,327,000 by reducing:

(3) 31-Community Correctional Program from \$512,902,000 to \$512,755,000.

I am sustaining the \$2,600,000 legislative augmentation to implement a program to place inmates in residential aftercare treatment 120 days prior to release from prison, rather than upon parole. However, due to my strong concerns regarding public safety, I am directing the Department to develop regulations that clearly specify that inmates will not be eligible for this program who have been previously convicted of a serious or violent offense, or who are presently serving a sentence for a serious or violent offense.

I am sustaining the \$45,000,000 legislative augmentation to implement a Substance Abuse Treatment Control Unit program for non-violent parole violators who are not eligible for Proposition 36 and to implement a community detention program utilizing structured sanctions for other low-level parole violators. However, to ensure the safety of the citizens of California, I am directing the Department to develop regulations specifying that no individuals with an underlying serious or violent offense, or who have previously been convicted of a serious or violent offense will be eligible for these programs. In addition, these regulations are to specify that the community detention programs are only available if the parole violation is of a minor, technical nature.

I am deleting the \$147,000 legislative augmentation for the Sexually Violent Predators (SVPs) Conditional Release program, which the Legislature requested be transferred from the Department of Mental Health to the Department of Corrections (CDC). SVPs are repeat sex offenders who are diagnosed with mental illnesses and ordered into inpatient treatment upon completion of their criminal sentences. The Conditional Release program is necessary to monitor offenders and protect the public when courts order SVPs released into the community. The supervision, monitoring, and clinical treatment provided to SVPs under conditional release are essential to ensuring public safety. It is unclear at this time whether the CDC is appropriately equipped to provide all of the supervision and treatment services for this population. However, I will instruct the departments to explore the most effective and least costly way to provide supervision for these SVPs.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$129,929,000 to \$129,304,000 and revise Provisions 9 and 24.

I am reducing the legislative augmentation for support of special education dispute resolution services amount by \$123,000. This technical reduction eliminates funding for salary increases negotiated by the contractor. As the Budget provides for no augmentations for state employees, I believe it would be inequitable to fund salary increases for contracted employees. With this reduction, \$10,140,000 remains available for dispute resolution services. I am revising Provision 9 to conform to this action.

“9. Of the funds appropriated in this item, ~~\$10,263,000~~ \$10,140,000 is for dispute resolution services, including mediation and fair hearing services, provided through contract for the Special Education Program.”

I am reducing the \$1,700,000 legislative augmentation for support of the Ravenswood City School Improvement Program by \$502,000. This technical reduction reflects the payment recently made for this purpose through the legal claim process. With this reduction, \$1,198,000 remains available to fully comply with the court-ordered payment for the State’s share of monitoring this district’s special education program. I am revising Provision 24 to conform to this action.

“24. Of the funds appropriated in this item ~~\$1,700,000~~ \$1,198,000 shall be allocated to the Ravenswood City School District to support the costs of the court-ordered Ravenswood School Improvement Program.”

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98). I revise this Item by revising Provision 2.

I am revising Provision 2 to delete language that would limit any apportionment reduction for a given community college district related to concurrent enrollment to no more than ten percent of the statewide amount in order to ensure an equitable allocation of the reductions. The ten percent limitation would result in potentially disproportionate reductions to other districts. The provision would still provide sufficient authority for the Chancellor to mitigate reductions in the event such reductions would threaten fiscal solvency, which I believe to be sufficient.

“2. Of the funds appropriated in Schedule (1), Apportionments:

- (a) Up to \$100,000 is for a maintenance allowance, pursuant to regulations adopted by the board of governors.
- (b) Up to \$500,000 is to reimburse colleges for the costs of federal aid repayments related to assessed fees for fee waiver recipients. This reimbursement only applies to students who completely withdraw from college before the census date.
- (c) The amount appropriated in this item reflects a reduction of \$25 million and approximately 6,500 full-time-equivalent students (FTES) based on a policy that revises allowable parameters for the claiming of state funding for concurrent enrollment. The chancellor shall allocate this reduction on a basis proportionate to the level of FTES reported by districts for concurrent enrollment in physical education, recreation, study skills, and personal development courses. However, nothing in this provision shall prohibit those districts from receiving growth allocations, as warranted, to the extent that designated funds are available. ~~No district shall receive a funding reduction that exceeds 10 percent of the statewide total reduction made pursuant to this subdivision.~~ Further, the chancellor may limit the amount of reduction for a district if, in the judgment of the chancellor, the district's financial integrity otherwise would be jeopardized. The chancellor shall report to the Legislature and the Governor by January 1, 2004, on how the reduction was allocated.
- (d) Notwithstanding any other provision of law or regulation, the chancellor shall not reduce district workload obligations for a lack of a funded cost-of-living adjustment.”

Item 7350-001-0001—For support of Department of Industrial Relations. I delete Provision 1.

I am deleting Provision 1 because it conflicts with Labor Code provisions, which direct the Industrial Welfare Commission to conduct public hearings in at least three California cities, as specified. This language would prevent the Commission to choosing the most cost effective venue for meetings.

I am sustaining the \$27,095,000 augmentation which would provide partial year funding for the 80 percent General Fund share of workers' compensation program costs. This budget assumes that the 100 Percent User Funding proposal that I proposed in December will be enacted as a part of a larger workers' compensation reform package. I have already stated my support and intent to enact reforms in the workers' compensation system. I view this budget augmentation as a signal that the Legislature intends to include 100 Percent User Funding in the workers' compensation reform package. If user funding is not included in those reforms and enacted in a timely fashion, the Department will incur a significant General Fund deficiency.

Item 8100-101-0001—For local assistance, Office of Criminal Justice Planning. I delete Provision 3.

I am deleting Provision 3, as a technical correction, which would require the Office of Criminal Justice Planning to maintain all matching federal discretionary funds for the Homeless Youth Project and the Youth Telephone Emergency Referral Program for at least this fiscal year. This language is unnecessary since Schedules (4) and (5) of this item provide appropriations specifically intended to support the Homeless Youth Project and Youth Telephone Emergency Referral Program, including the use of these funds to match any available federal funds.

Item 8180-101-0001—For local assistance, payment to counties for costs of homicide trials. I delete Provision 3.

I am deleting Provision 3, which allows Stanislaus County to be reimbursed for 100 percent of its costs associated with the homicide trial of the People v. Scott Peterson. There is an existing procedure by which counties can procure reimbursements for costly homicide trials. Stanislaus County can apply for funds for this trial through that procedure; therefore this language is unnecessary.

Item 9210-103-0001—For local assistance, Local Government Financing. I delete this item and Provisions 1, 2, 3, and 4.

I am deleting this legislative augmentation, which restored \$500,000 of my proposed elimination of the special supplemental subventions for redevelopment agencies. These resources were provided to ensure that debt obligations supported by the special supplemental subventions would not be harmed. If redevelopment agencies have debt secured by that funding, there is an established process to ensure that they are not harmed.

I am deleting Provisions 1, 2, 3, and 4 to conform to this action.

SEC. 9.70—Information Technology Savings from Reduced Rates at the Health and Human Services Agency Data Center. I delete this Control Section.

I am deleting this control section because it would require that (1) the Health and Human Services Agency Data Center reduce its rates by 8 percent, (2) the approximate \$20 million in resultant savings be reduced from client department budgets for information technology, (3) the Department of Finance (Finance) capture the resultant savings and revert the funding to the

appropriate fund, and (4) Finance report to the Legislature on adjustments be made by November 1, 2004. While I support the need for the Data Center to set rates that provide cost effective information technology services, I believe this control section would hamper the Data Center's ability to do so. Rates set by the Data Center are predicated on both costs and projected utilization. To the extent that client department's funding for information technology is reduced, those departments would not have appropriate resources to pay for increased utilization. Any decrease in utilization from the projected levels would preclude the ability to actually lower the rates. Additionally, the requirement for the Data Center to reduce its rates is unnecessary, because the Data Center plans to reduce rates by an average of 8 percent for 2003-04.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 1765.

A handwritten signature in black ink that reads "Gray Davis". The signature is written in a cursive, slightly slanted style.

GRAY DAVIS