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# California State Senate

COMMITTEE  
ON  
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL  
SACRAMENTO, CA 95814

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**Agenda**  
**January 28, 2010**  
**Room 4203**

**9:30 a.m. or Upon Adjournment of Session**

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*Overview of the Governor's Budget Proposals*  
*Employee Compensation and Public Safety*

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**9801 Reduction for Employee Compensation**

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p><b>Reduction for Employee Compensation.</b> The Governor proposes state employee salary and workforce savings totaling \$1.6 billion GF (\$2.9 billion all funds) in 2010-11, consisting of three parts:</p> <p><b>1. "5-5-5" Plan.</b></p> <ul style="list-style-type: none"> <li>• 5 percent across-the-board salary reduction.</li> <li>• 5 percent increase in employee pension contributions, reducing employer contributions by a like amount.</li> <li>• 5 percent reduction to departmental personnel costs via Executive Order S-01-10 requiring agencies and departments to cap the size (reduction of 8,915.7 PYs) and cost of the workforce by July 1, 2010.</li> </ul> <p><b>2. Health Care Savings.</b> The Governor proposes to authorize the state to contract for lower-cost health care coverage either directly from an insurer or through CalPERS.</p> <p><b>3. Pre-funding for Health and Dental Benefits for Annuitants.</b> Proposes a workload decrease for pre-funding other post employment benefit costs (it is not currently state policy to pre-fund Other Post Employment Benefits except for CHP officers which is \$5.5 million special funds).</p>		<p style="text-align: right;">-\$529,600 GF TBL</p> <p style="text-align: right;">-\$405,800 GF TBL</p> <p style="text-align: right;">-\$449,600 GF</p> <p style="text-align: right;">-\$152,800 GF TBL</p> <p style="text-align: right;">-\$98,100 GF</p>	<ul style="list-style-type: none"> <li>• Collective bargaining (Dills Act; 1977) requires the administration to meet and confer in good faith with unions who must also meet and confer in good faith. Through negotiation, the parties reach agreement on MOUs delineating key terms of employment. MOUs must be approved by the bargaining unit and key provisions (i.e., requiring expenditure of funds) must be approved by the Legislature.</li> <li>• While 20 of the state's 21 bargaining unit MOUs are currently expired, the law generally provides that provisions of prior MOUs continue in effect (at least until impasse is reached in negotiations).</li> <li>• The Governor proposes to implement the salary cut and pension increase notwithstanding existing law.</li> <li>• The Administration expects that attrition will be the primary factor in achieving the salary savings required under S-01-10; plans are required to be submitted by Feb. 1 and implemented by March 1.</li> <li>• Constitutional officers are not included in S-01-10 because the CY budget included a permanent budget reduction that achieves similar or higher savings.</li> <li>• According to a Jan. 22 Budget Letter, department plans should include savings from all personal services; savings due to reduced operating expenses may not be used to meet the salary savings target.</li> <li>• The health care savings proposal is identical to that proposed in 2009-10 and rejected by the Legislature; alternative proposals totaling \$160.8 million GF savings were adopted.</li> </ul>

**Control Section 8.26 Federal Funds Trigger – Employee Compensation Reduction**

Governor’s Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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**Federal Funds Trigger.**

In the event that the federal government fails to provide the targeted amount of funding or flexibility measures that is the basis of the Governor’s budget, the Administration proposes an additional 5 percent salary decrease for state employee compensation.

-\$508,900  
GF

The federal funds trigger would be accomplished via Control Section 8.26 granting DOF authority to reduce specific budgets consistent with an unspecified statute.

Per the control section, on or before July 15, 2010, the Director of Finance would determine whether, since January 1, 2010, federal legislation has been enacted or federal executive action has been finalized that together result in at least \$6.9 billion in additional federal funds known to be currently available and may be legally used on a budgetary or cash basis to offset GF expenditures for the 2010-11 FY.

0690

California Emergency Management Agency

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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**Oversight: Expenditure of Federal Stimulus, or ARRA, Funds.**

CalEMA is the administering agency for about \$150 million in public safety related stimulus funds, to be used for the following purposes in 2009-10:

Violence Against Women Act: \$12.0 million

Victims of Crime Act: \$2.8 million

Byrne/JAG: \$135 million

- Substance abuse treatment: \$45 million
- Probation: \$45 million
- Anti-drug abuse enforcement: \$19.8 million
- Reentry courts: \$10 million
- Methamphetamine enforcement: \$4.5 million
- Human trafficking: \$3.8 million
- Firearm trafficking: \$3.3 million
- Gang intelligence: \$2.1 million
- Victim notification: \$1.5 million
- DA training: \$150,000

CalEMA reports that as of January 19, 2010, \$3.4 million in grants have been expended. (Expenditures are incurred as reimbursements to recipient agencies based on qualifying expenses.) CalEMA reports that it is currently in various stages of awarding Byrne/JAG grants with expenditures likely to begin by the end of the fiscal year. Reported expenditures for ARRA funds are:

Violence Against Women Act: \$3.0 million

Victims of Crime Act: \$0.4 million

Byrne/JAG: \$0

- Substance abuse treatment: \$0
- Probation: \$0
- Anti-drug abuse enforcement: \$0
- Reentry courts: \$0
- Methamphetamine enforcement: \$0
- Human trafficking: \$0
- Firearm trafficking: \$0
- Gang intelligence: \$0
- Victim notification: \$0
- DA training: \$0

**0820 Department of Justice**

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p><b>DNA Penalty Assessment Increase and Expansion of Fund Usage.</b> The Governor proposes to increase the DNA penalty assessed on all convicted offenders and use the additional revenue to offset General Fund costs related to the state's crime labs, including operations and lease-revenue bond costs. The administration proposes language that would expand the allowable uses of this funding for crime lab operations.</p> <p>The proposal would increase the penalty from an additional \$1 penalty for every \$10 in fine, penalty, or forfeiture collected by the courts to \$3 for every \$10 in fine, penalty, or forfeiture collected. Revenues are deposited into the DNA Identification Fund.</p> <p>The administration estimates revenues of \$13.7 million this year and \$45.1 million in the budget year.</p>	<p>\$13,667</p> <p>TBL</p>	<p>\$41,000</p> <p>Operations</p> <p>\$4,102</p> <p>Lease-Revenue Bonds</p>	<p>The penalty assessment the administration proposes to increase was established by the Legislature in 2006 and is in addition to the \$1 penalty created by Proposition 69, approved by voters in 2004. The revenues from the Proposition 69 penalty are shared between the state and counties.</p> <p>The administration reports that to the extent sufficient revenues are not generated in the current year, reserves in the DNA Identification Fund will cover the shortfall. DOF reports an estimated fund balance of approximately \$30 million by the end of 2009-10.</p>

**5225 California Department of Corrections and Rehabilitation**

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p><b>Felony Term Reform.</b> The Governor proposes to amend sentencing law by changing certain felonies that are currently eligible for incarceration in prison to an alternative felony term subject to no more than 366 days in local jail. The administration's proposed language would except individuals with prior serious or violent felony convictions who would be subject to state prison terms but not jail.</p> <p>Crimes proposed for conversion fall into the following categories:</p> <ul style="list-style-type: none"> <li>• Auto theft</li> <li>• Check fraud</li> <li>• Drug possession</li> <li>• Grand theft</li> <li>• Petty theft with a prior</li> <li>• Possession for sale</li> <li>• Receiving stolen property</li> <li>• Theft with felony prior</li> </ul>	<p>-\$25,196</p> <p>TBL</p>	<p>-\$291,608</p>	<p>The CDCR estimates that the proposed change would reduce the average daily prison population by about 1,200 in 2009-10 and by 12,700 in 2010-11.</p> <p>Offenders prosecuted under the revised statutes would generally serve their time in county jail or on county probation instead of state prison. County jails currently house about 82,000 inmates on average, and counties supervise about 347,000 offenders on probation.</p> <p>The administration proposes to add additional crimes to this list if the proposed federal funds trigger is pulled. This includes crimes in the categories of driving under the influence, forgery/fraud, and other property crimes.</p>