

Senate Committee
on
Budget and Fiscal Review

MAJOR ACTION
REPORT

May 28, 2010

Senate Bill 874
2010-11 Budget Bill

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

Robert Dutton, Vice Chair
Roy Ashburn
Elaine Alquist
Dave Cogdill
Mark DeSaulnier
Tom Harman
Bob Huff
Mark Leno

Carol Liu
Alan Lowenthal
Gloria Negrete McLeod
Alex Padilla
S. Joseph Simitian
Roderick D. Wright

CONTENTS

Overview of the Budget Act

Overview..... Page 1

Budget Detail by Subcommittee

Subcommittee No. 1: Education1-1

Subcommittee No. 2: Natural Resources, Environmental Protection,
Energy and Utilities, Food and Agriculture, and Transportation.....2-1

Subcommittee No. 3: Health and Human Services.....3-1

Subcommittee No. 4: State Administration, Corrections and Rehabilitation,
Judiciary, Public Safety and Criminal Justice, and Veterans Affairs4-1

Subcommittee No. 5: Revenues, Employee Compensation, and Labor5-1

OVERVIEW

Senate Version of the 2010-11 Budget

Senate Moves Closer to Balanced Budget Solution

On May 27, 2010 the Senate Budget and Fiscal Review Committee completed its work on the Senate version of the 2010-11 Budget. This concludes over 40 subcommittee meetings and 14 full committee hearings where extensive testimony and public input was taken on the Governor's budget proposals and other alternatives.

The Governor released his May Revision on May 14, 2010 and indicated that the State has a General Fund deficit of \$19.1 billion for the two-year period ending June 30, 2011. The Governor proposed closing this deficit primarily through program eliminations and expenditure reductions.

The Senate version of the budget passed this week takes a more balanced approach that relies on a framework built on reforming state government, targeted expenditure reductions, and modest additional revenues. The Senate version works on reducing the structural deficit over the next few budget years with the recognition that reform will be critical to the State's recovery.

General Budget Framework. The Senate has take actions to address the budget deficit through a balanced approach that includes a combination of program cuts, suspending corporate tax cuts, and extending current taxes that are due to trigger off starting in the budget year. The Senate version of the budget proposes to reduce the deficit with solutions that fall into the following categories – dollars based on preliminary scoring:

- Cuts/Fund Shifts/Loans: \$5.2 billion
- Federal Funds: \$3.6 billion
- Revenues: \$4.3 billion
- LAO Revenue Forecast \$1.4 billion
- Total Solutions \$14.3 billion

The Senate recognizes that there is still significant work that needs to be done to achieve at least \$4.8 billion in additional solutions to close the 2010-11 budget gap. The Senate is already engaged in numerous working groups to find additional reductions and to explore the reform and restructuring of government that will not only save the State money, but will also realign the responsibility of government programs.

Major Actions

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

Revenues. The Senate version of the budget includes \$4.2 billion in additional revenues above the Governor's budget. (The Governor's Department of Finance and the Legislative Analyst Office (LAO) have reviewed the Senate package of revenues and have revised the estimates downward by \$800 million from \$4.9 billion mainly due to implementation delays in raising the vehicle license fee.) The Senate version contains the following revenue solutions:

- Suspend corporate tax breaks - \$2 billion
- Extend income tax provisions set to be reduced in the budget year - \$1.3 billion
- Increase vehicle license fee to a level 25 percent below historic rate - \$670 million
- Increase excise tax on alcohol to reflect inflation - \$210 million

K-14 Education. The Senate version of the budget emphasizes the importance of education by rejecting the Governor's manipulations of the Proposition 98 guarantee. The Senate has (1) rejected the Governor's notion that no constitutional "maintenance factor" exists and (2) that the Proposition 98 guarantee can be "rebenched" by eliminating state funding for child care. These actions result in a Proposition 98 guarantee that is \$4.3 billion higher than the Governor in the budget year.

Higher Education. Despite the State's fiscal situation, the Senate version provides additional investments in the State's higher education system and provides CSU and UC with additional funding of about \$300 million for each segment. However, the Senate's version of the budget recognizes that

the State cannot afford this level of funding unless additional revenues are received to help balance the budget in 2010-11.

Health and Human Services. The Senate's version of the budget protects services for the most vulnerable Californians. Specifically, the Senate version of the budget does the following:

- Rejects the Governor's proposal to devastate the 1991 realignment of community-based mental health services that would have reduced community-based mental health programs by 60 percent.
- Rejects the Governor's proposals to require mandatory copayments and hard caps on services in the Medi-Cal program, as many of these proposals have questionable legal foundation under federal law.
- Rejects the Governor's proposal to eliminate the CalWORKs program that would have resulted in the loss of \$4 billion in matching federal funds.
- Rejects the Governor's proposal to reduce the In-Home Supportive Services (IHSS) program in half and directs staff to work on cost containment options for this program.

Childcare. The Senate rejected the Governor's May Revise proposal to eliminate CalWORKs child care and protected child care for about 151,000 children. Restored Governor's proposed reductions to various other child care programs, thus protecting child care for another 72,000 children.

Corrections. The Senate approved an \$811 million GF reduction for inmate medical care. Further, approved a package of four bills proposed by the Receiver help achieve these savings. Approved the Governor's proposal to require that non-serious and non-violent felons sentenced to three years or less of incarceration serve that time in county jail rather than prison and that a share of the state prison savings generated be provided to counties. Also, limited the eligibility for this to only drug and property crimes and specifically excluded any crimes against persons.

Transportation: The Senate approved \$4.0 billion in Proposition 1B bond funds that will fund transportation infrastructure and will create about 60,000 jobs.

K-12 EDUCATION

K-14 -- Proposition 98 Overall

- Provided **\$49.9 million** in Proposition 98 funding for K-14 education in 2009-10, which is the same level as proposed by the Governor.
- Provided **\$52.7 billion** in Proposition 98 funding for K-14 education in 2010-11, which is \$4.3 billion above the Governor's May Revise level.
- Rejected the Governor's notion that no constitutional "maintenance factor" exists and that the Proposition 98 guarantee can be "rebenched" by eliminating state funding for child care.

K-12 Education

Major Current Year Actions

- Reduced the K-3 Class Size Reduction program by **\$340 million** to reflect projected savings for this program.
- Captured **\$176 million** in savings from various technical adjustments to other programs, primarily revenue limit savings tied to a decline in student attendance.

Major Budget Year Actions

- Restored funding for the Child Care Program by adding back **\$1.45 billion** in reductions proposed by the Governor.
- Restored approximately **\$500 million** in revenue limit (general purpose) funding for school district and county office revenue limits. Approved the Governor's May Revise proposal to delink these cuts from several policy proposals including school district central administration cuts, school district authority to contract out for non-instructional services, and county office of education consolidation. This change is intended to give school districts and county offices greater authority in allocating these reductions based upon local needs.
- Restored **\$206.3 million** to reject the Governor's proposal to reduce school district and county offices of education revenue limit and categorical programs for a negative cost-of-living adjustment for K-12 education -- now estimated at -0.39 percent.

- Added **\$168 million** to the K-3 Class Size Reduction (CSR) program -- compared to the Governor's budget -- and moved it into the categorical flexibility program in 2010-11. This action will give school districts greater flexibility to maintain lower class sizes in grades K-3 without penalties.
- As an alternative to the Governor's across the board, one-year suspension of K-12 mandates, adopted more comprehensive reforms by funding 12 mandates (including three proposed by the Governor); eliminating five mandates; and suspending most remaining mandates through 2012-13, consistent with the timeframe for categorical flexibility. In addition, the Senate approved modifying two of the most expensive mandates to eliminate state costs, while retaining programs.

General Funds Adjustments:

- Approved the Governor's request to reverse the shift of **\$250 million** in funding from 2010-11 to 2009-10 proposed by the Governor in January for the Quality Education Investment Act (QEIA) program.

Federal Funds Adjustments: The Senate approved federal funds for the following purposes:

- Approved **\$160.5 million** in federal School Improvement funds to provide three year grants to persistently low-performing schools.
- Approved **\$34 million** in federal Enhancing Education Through Technology (EETT) formula grants to be distributed through a Section 28.00 Budget Letter. In addition, approved **\$48 million** in EETT competitive grants in 2010-11 to allow school districts to use technology and data to improve college and career readiness and high school graduation.
- Approved **\$1.1 million** in federal funds to the California Department of Education (CDE) for the additional implementation costs associated with the California Longitudinal Pupil Achievement Data System (CALPADS).
- Approved **\$3.9 million** in federal funds to CDE, and an increase of **\$84,000** in Teacher Credentialing Funds to the Commission on Teacher Credentialing, for development of the California Teacher Information Data System (CALTIDES).

Local Funding Flexibility:

- Added the Home-to-School Transportation program, in addition to the K-3 Class Size reduction program to the categorical flexibility program through 2012-13. This gives local school

districts the additional flexibility they have been requesting to meet local needs in the face of budget shortfalls.

- Consolidated five career technical education programs to increase flexibility and improve outcomes.
- Moved the English Language Acquisition Program (ELAP) into the Economic Impact Aid program. This change will allow ELAP funds to be used more flexibly to meet the needs of English Learners.

Child Development

- Rejected the Governor's May Revise proposal to eliminate CalWORKs child care and protected child care for about 151,000 children (51,236 in Stage 1; 61,342 in Stage 2; and 38,165 in Stage 3). Funded CalWORKs child care programs using Proposition 98, and subtracted \$1,000 from the program with the understanding that these programs are going into Conference for further negotiations for possible savings and revenue availability.
- Restored Governor's proposed reductions to various child care programs, thus protecting child care for over 72,000 children.
- Rejected the Governor's negative Cost-of-Living Adjustment (COLA).
- Approved placeholder trailer bill language to adjust the family fee schedule, to be discussed in Conference.
- Approved placeholder trailer bill language to recover overpayments in case of intentional errors by the providers.
- Retained reimbursement rate ceilings at the current levels (85th percentile of the Regional Market Rate for licensed providers; and at 90 percent of the 85th percentile for unlicensed providers), but subtracted \$1,000 from Stage 1 and from Stages 2 and 3 so that rates can be discussed in Conference.
- Approved placing a measure on the ballot to repeal the After School Education and Safety (ASES) Program (Proposition 49), and if it passes, add the ASES program into the K-12 flexibility item.
- Approved technical caseload adjustments to CalWORKs Stage 2 and Stage 3, unrelated to the Governor's elimination of child care or changes to policy.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Approved \$2.7 million from Proposition 40 bond funds for the California Cultural and Historical Endowment.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

- Approved as budgeted.

6440 UNIVERSITY OF CALIFORNIA

- Approved an overall General Fund support level of \$3,018 million, which is \$422 million above the 2009-10 General Fund support level.
- Approved a \$305 million augmentation to the University of California, which is intended to backfill for previous cuts to the system. The approval was contingent on new revenues.
- Approved \$51.3 million for enrollment growth. This amount represents a 2.5 percent enrollment growth funding increase and would allow the UC to enroll approximately 5,121 Full Time Equivalent Students (FTES).
- Adopted Budget Bill language to:
 - Reinstate academic preparation and research "earmarks" to ensure funding for legislative priorities;
 - Redirect \$15 million from existing funds for the UC Riverside Medical School; and
 - Redirect \$240,000 from existing General Fund funds for the Statewide Database & Election Administration Research Center at the University of California Berkeley. Also, redirected \$360,000 from other UC funding sources for the Center.
- Approved three new health and life-safety capital outlay projects at the UC Los Angeles, UC Berkeley, and UC Santa Barbara campuses. Rejected three new lease-revenue funded capital outlay projects at UC Irvine, UC Merced, and UC San Diego.
- Denied Governor's trailer bill language erasing statute that specifies that the UC cannot use new General Fund augmentations for the University of California Retirement Plan (UCRP).

6610 CALIFORNIA STATE UNIVERSITY

- Approved an overall General Fund support level of \$2,723 million, which is \$373 million above the 2009-10 General Fund support level.

- Approved a \$305 million augmentation to the California State University, which is intended to backfill for previous cuts to the system.
- Approved \$60.6 million for enrollment growth. This amount represents a 2.5 percent enrollment growth funding increase and would allow the CSU to enroll approximately 8,290 Full Time Equivalent Students (FTES).
- Adopted alternative Budget Bill language to reinstate academic preparation and student financial aid "earmarks" to ensure funding for legislative priorities.
- Approved three new health and life-safety capital outlay projects at the CSU Stanislaus, CSU San Jose, and CSU San Diego campuses. Rejected three new lease-revenue funded capital outlay projects at CSU Chico, CSU Channel Islands, and CSU Fresno.

6600 HASTINGS COLLEGE OF THE LAW

- Approved as budgeted.

6870 CALIFORNIA COMMUNITY COLLEGES

- Approved \$126 million for enrollment growth, which will allow the CCC to serve approximately 26,000 existing unfunded Full Time Equivalent Students (FTES).
- Approved reform of the community college mandates:
 - Approved the permanent elimination of three mandates (Law Enforcement College Jurisdiction Agreements; Reporting Improper Governmental Activities; and Agency Fee Arrangements).
 - Approved funding two mandates (Sex Offenders Disclosures and Sexual Assault Response Procedures).
 - Suspended all other CCC mandates.
 - Also requested the LAO to establish a three-agency working group with the Department of Finance and the CCC to review suspended mandates and develop recommendations for modifying mandates to eliminate or minimize costs in 2011-12, so that continuation of mandates could be considered in 2011-12.
- Rejected the Governor's negative Cost-of-Living Adjustment (COLA) for Apportionments and categorical programs.
- Rejected moving the Basic Skills Initiative, the Extended Opportunity Programs and Services (EOPS), and Fund for Student Success into the categorical flexibility item. Also, rejected moving the Career Technical Education (CTE) Pathways Initiative out of the categorical flexibility item.
- Approved \$48 million in QEIA funds for the CTE Pathways Initiative.

- Rejected \$20 million in new General Fund for the CTE Pathways Initiative and restored \$10 million to EOPS and \$10 million to the Part-Time Faculty Compensation categorical items.
- Adopted Budget Bill language to:
 - Provide \$3.8 million, or 20 percent, of the Basic Skills Initiative categorical to those community colleges that demonstrate improvement in their basic skills completion rates. The remaining \$15.3 million, or 80 percent, would still be distributed to the community colleges at the discretion of the Chancellor.
 - Change a factor in the formula for distributing \$34.2 million of the Student Financial Aid Administration categorical to the number of students receiving the federal Pell Grant rather than the number of students receiving a Board of Governors (BOG) Waiver.
- Rejected Governor's trailer bill language to allow community college districts to contract out for some personal services.
- Rejected Governor's trailer bill language that would have made changes to the 75/25 rule.

7980 CALIFORNIA STUDENT AID COMMISSION

- Approved the Governor's May Revise proposal to keep the Competitive Cal Grant program.
- Approved \$1.7 million in General Fund (\$280,000 one-time) for the CSAC and EdFund detangling. As EdFund is sold sometime during 2010, certain functions currently performed by EdFund for CSAC will need to be moved in-house for CSAC.
- Transferred \$100 million from the Student Loan Operating Fund to the General Fund. This is \$25 million more than the Governor proposed.
- Offset \$7.2 million in General Fund with federal funds for the financial aid programs.
- Rejected the Governor's CalGrant pilot project trailer bill, which would have made amendments to AB 187.

NATURAL RESOURCES

0540 Secretary for Natural Resources

- Approved the following Strategic Growth Council funding: (1) an augmentation of \$286,000 (Proposition 84) and three positions to begin the first year of full implementation of the Urban Greening Program; and (2) \$21.1 million (Proposition 84) in grant funds. *[See also Department of Conservation and Department of Forestry and Fire Protection for Strategic Growth Council-related items.]*
- Denied the Governor's proposal to appropriate \$57.9 million from the as-yet-to-be-approved 2010 Water Bond for the Red Bluff Diversion Dam.
- Approved extension, until 2013, of the period of availability for the Proposition 40 California River Parkways reappropriation item (for funds originally appropriated in 2005).
- Approved reappropriation of the unencumbered balance of \$56.2 million in Proposition 40 funds originally appropriated for the California River Parkways Program in 2002.

3110 Special Resources Program

- Approved as budgeted.

3125 California Tahoe Conservancy

- Approved \$6.5 million (various funds), including \$5 million federal funds, for ongoing implementation of the Lake Tahoe Environmental Improvement Program (EIP). Additionally, approved extension of the liquidation period for various bond funds (Proposition 84 and 12) previously appropriated for implementation of the EIP.
- Approved \$49,000 in Proposition 50 (Prop 50) funding to replace exhausted Proposition 12 program delivery funds that historically supported conservancy baseline activities.

3340 California Conservation Corps

- Approved various reappropriations and extensions of liquidation periods for Proposition 84 funding both for the California Conservation Corps and the local conservation corps. Additionally, reverted \$3 million over-appropriated in Item 3340-001-6051 of the Budget Act of 2009.
- Approved a one-time \$2.9 million augmentation to Collins Dugan Reimbursement Account in 2010-11 and \$1.4 million in 2011-12 to fund replacement of 54 crew carrying vehicles and 20 vans.
- Approved the final \$659,000 available to the California Conservation Corps and Local Conservation Corps from Proposition 12 for support of Fresno County Economic Opportunities Commission/Fresno Local Conservation Corps (FCEOC/FLCC) capital outlay and resources conservation projects.

- Approved approximately \$2 million from the Collins–Dugan Account for various projects and an additional \$2.2 million augmentation to Operating Expenses and Equipment.
- Approved reappropriation of working drawings and construction phase funding for the Delta Service District Center.

3460 Colorado River Board of California

- Approved as budgeted.

3480 Department of Conservation

- Approved \$2 million (special fund) and eight permanent positions to augment the Underground Injection Control (UIC) and Enhanced Oil Recovery (EOR) Program. Additionally, adopted Budget Bill Language requiring the department to return in the 2011-12 Governor’s Budget with a “zero-based” budget for this program.
- Approved a total of \$70 million over six years from Proposition 84 to administer the new Sustainable Communities Planning Grant and Incentives Program (on behalf of the Strategic Growth Council [SGC]) and to support planning projects and incentives awarded by the SGC. For the 2010-11 Fiscal Year (FY), the Administration is requesting \$575,000 for program support; \$859,000 for outreach (via a new Outreach and Education Program); \$830,000 to develop and provide data and information to applicants; and \$40 million for projects. As proposed, the request would support six existing positions.
- Approved a four-year limited-term appropriation of \$1 million per year for remediation of 54 orphan oil facilities identified in a 2007 statewide inventory. Additionally, adopted trailer bill language limiting the duration of the necessary fee increase to the four-year period of the augmentation.
- Approved \$1.1 million in federal funds for each of three years and two, three-year limited-term positions to implement activities specified in a \$4 million award received from the United States Bureau of Land Management (BLM) to remediate hazardous abandoned mines and inventory abandoned mine sites on BLM lands in California.
- Approved \$356,000 (Oil, Gas, and Geothermal Administrative Fund) and two permanent positions and associated equipment (e.g., vehicles) to address increased regulatory workload associated with the safe operation of geothermal facilities.
- Approved a one-time local assistance appropriation of \$7.9 million for the California Farmland Conservation Program and Budget Bill Language to make these funds, which were originally appropriated in 2006 but were unable to be encumbered, available for three years.
- Approved a one-time appropriation of \$132,000 from various special funds for maintenance of the department’s information technology (IT) infrastructure.
- Approved a two-year appropriation of \$122,000 (Oil, Gas, and Geothermal Account) for support of IT project planning for the Division of Oil, Gas, and Geothermal Resources.

3500 Department of Resources Recycling and Recovery

- Provided no further hearing, following the Eighth Extraordinary Session, of the Governor's proposed language to overhaul the Beverage Container Recycling Program, and, instead, suggested the Administration pursue programmatic reform via the policy process.
- Approved various Governor's proposals to reduce Integrated Waste Management Account (IWMA) expenditures by \$5.8 million (including \$1.3 million in support of positions). Additionally, approved a \$1.5 million loan from the Electronic Waste Recycling and Recovery Account (E-Waste Fund) to the IWMA.
- Approved a fund shift of "base" AB 32 funding (\$501,000) from the IWMA to the AB 32 Cost of Implementation Fund.
- Approved a \$75 million loan from the Electronic Waste Recovery and Recycling Account, Integrated Waste Management Fund to the GF. Additionally, approved a one-year extension of a \$10 million loan from the California Tire Recycling Management Fund to the GF.
- Heard, but did not approve, the Governor's proposal to officially change the name of the department to "CalRecycle."

3540 Department of Forestry and Fire Protection

- Approved the shift of Emergency Fund (E-Fund) dollars to the department's base budget in order to: (1) re-align historic expenditures for annual/ongoing, non-emergency activities with the intended use of the E-Fund; (2) re-align reimbursements approved in the Budget Act of 2009; and shift \$2 million from fire protection activities to fire prevention. Additionally, adopted trailer bill language to: (1) improve oversight of the E-Fund and clarify allowable uses; (2) improve the availability and quality of data provided to the Legislature on fire prevention efforts; and increase legislative oversight of "Schedule A" agreements.
- Denied all but \$1,000 of the Governor's proposal to provide \$40 million in Proposition 1E (Prop 1E) funds over seven years for watershed fuels management. *[The intent of this action was to send the item to Conference Committee and provide additional time for the department to identify alternative funding for fuels management.]*
- Approved reappropriation of approximately \$7.7 million in Proposition 40 funding (\$1.8 million for urban forestry; and \$5.9 million for fuels management) that was originally appropriated in FY 2008-09.
- Denied the Governor's Emergency Response Initiative, including proposed back-fill of \$200 million GF.
- Denied \$1.3 million (AB 32 Cost of Implementation Fund) to assist in implementing Forest Sector greenhouse gas reduction measures.
- Approved fourth-year funding of \$3.2 million (Proposition 84) for urban forestry local assistance grants. Additionally, approved a reversion of \$6.3 million originally appropriated in 2008, consistent with the subsequent creation of the Strategic Growth Council (SGC) and the reallocation of the urban forestry dollars to the SGC. Based on the revised spending plan, FY 2011-12 will be the last year for Prop 84 grants under this program (approximately \$3.2 million).

- Approved conversion of 14 limited-term positions to permanent status and carryover of the associated operating budget (\$2.1 million GF) in order to continue implementation of the Statewide Fire Suppression Cost-Recovery Program, including recovery of approximately \$12 million - \$14 million GF annually.
- Approved one position and \$139,000 (Building Standards Administration Special Revolving Fund) to develop building standards, with emphasis on development, adoption, publication, updating, and educational efforts associated with green building standards and efforts to reduce home loss due to wildland fires. Additionally, adopted uncodified trailer bill language requiring the Office of the State Fire Marshal to report on steps taken to improve fire and panic safety with respect to green building standards
- Approved two temporary help positions and associated special funds for the State Fire Training program develop a Feasibility Study Report for a student records database.
- Approved \$1.4 million in American Recovery and Reinvestment Act funding (including \$524,000 in FY 2010-11 and 3.5 positions) for the forest fuel reduction program in the San Bernardino National Forest.
- Approved \$33.6 million in lease-revenue bonds to replace or rebuild fire stations.

3560 State Lands Commission

- Approved \$160,000 in reimbursement authority (to be supported by School Lands Revenue) to fund increased workload related to geothermal resource development on lands held by the Commission pursuant to the School Lands Bank Act.

3600 Department of Fish and Game

- Approved the Governor's proposal to reduce hunting and fishing program expenditures by \$5 million GF, but to backfill those reductions with \$2.4 million in other funds (primarily federal funds).
- Denied \$3 million in Governor-proposed GF reductions to the Marine Life Protection Act (\$1.5 million) and Timber Harvest Plan Review (\$1.5 million), but approved the Governor's proposal to delete \$2 million GF—\$1.5 million in the Fisheries Restoration Grant Program and \$500,000 in the CALFED Ecosystem Restoration Program. The latter two reductions are to be backfilled with Proposition 84 funds.
- Approved five positions (including 2.2 temporary help) and \$1 million (Proposition 84) to implement Delta in-stream flow criteria requirements of Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).
- Approved six positions and \$807,000 (Proposition 84, and reimbursements from the Department of Water Resources using Proposition 84 and Proposition 1E) to support the increase in both Delta Levee Program workload (three positions) and the number of Permitting and Restoration Program projects in the Sacramento-San Joaquin River Delta (three positions).
- Denied the Governor's proposal to appropriate \$72.4 million to the department from the as-yet-to-be-approved 2010 Water Bond.

- Approved \$2 million Non-Dedicated Fish and Game Preservation Fund (FGPF-ND), and seven Game Warden positions to focus on marine issues.
- Approved \$378,000 (FGPF-ND), to provide 350 tasers to game wardens, subject to legislative review of department use and training guidelines (per Budget Bill Language).
- Appropriated, over a three-year period, the balance of Proposition 84 funds available for salmon and steelhead restoration grants to be expended in a manner consistent with section 6217.1 of the Public Resources Code.
- Approved ongoing authority for 10 existing positions and \$8.8 million in one-time funding from Proposition 84 (via reimbursements from the Natural Resources Agency) in order to support year four of San Joaquin River restoration efforts.
- Approved one 2-year limited-term position and \$340,000 (Proposition 84 funds provided via reimbursement from the Wildlife Conservation Board) in order to produce a spatial data system identifying wildlife corridors and habitat linkages consistent with the intent of Chapter 333, Statutes of 2008 (AB 2785).
- Approved \$17.2 million federal funds (including \$6 million one-time) to: (1) conserve and recover federally listed anadromous fishes, green sturgeon, and marine invertebrates; and (2) recover endangered salmonid species in coastal California.
- Approved three positions and \$580,000 (reimbursement authority) to expand the South Coast and Central Regions' requiring regulatory review and permitting capabilities.
- Approved \$275,000 (reimbursement authority) and 2.5 positions (including one 2-year limited-term) to implement two coastal wetland programs.
- Approved \$1.9 million (reimbursement authority), one permanent position, and six Temporary Help positions to implement Iron Gate Hatchery responsibilities under the Klamath Hydroelectric Settlement Agreement.
- Approved \$1.6 million (various funds) in FY 2010-11 and \$525,000 ongoing to move 130 staff out of the current, overcrowded facility and into one that meets fire, life, and safety requirements.
- Approved \$1 million (Alternative and Renewable Fuel and Vehicle Technology Fund) to retrofit 23 on-road and 58 off-road diesel vehicles and equipment to reduce emissions in compliance with regulations adopted by the California Air Resources Board.
- Approved \$300,000 special funds one-time to purchase 75 Motorola XTS-2500 P-25 portable radios.
- Approved expenditure increases of \$155,000 and \$515,000 to FGPF accounts dedicated to protecting, preserving, and enhancing duck and pig habitat, respectively.
- Approved \$100,000 (Non-Dedicated FGPF) to enforce Chapter 478, Statutes of 2009 (AB 825; Blakeslee) crab trap restrictions.
- Approved \$59,000 (Non-Dedicated FGPF) and 0.5 positions to implement the Shared Habitat Alliance for Recreational Enhancement program pursuant to Chapter 394, Statutes of 2009 (AB 1423; Berryhill).
- The Governor withdrew a request for \$387,000 (reimbursement authority) and 1.5 two-year limited-term positions to review the qualifications of nonprofit organizations applying to hold mitigation lands, and conduct ongoing oversight of these organizations in their management and stewardship capacities.

- Approved \$1.5 million from the Hatchery and Inland Fisheries Fund in support of Chapter 689, Statutes of 2006 (AB 7; Cogdill) activities at fish hatcheries.
- Approved \$720,000 from Proposition 99, Public Resources Account, for various capital outlay projects.

3640 Wildlife Conservation Board

- Approved \$2.7 million in Proposition 84 funding to administer grants and projects, to develop the San Joaquin River Parkway.
- Approved reappropriation of the unencumbered balance (approximately \$11.6 million) of the San Joaquin River Conservancy's original 2004 Proposition 40 appropriation (which was \$11 million Proposition 40 and \$1 million reimbursement authority) to fund complex land acquisitions and public access and recreation improvement projects.
- Approved reappropriation of the unencumbered balance (approximately \$12.1 million) of the original 2007 Proposition 84 appropriation (\$14.3 million) to fund conservation easements that preserve and protect valuable rangeland, and grasslands that ensure continued wildlife, water quality, watershed, and open space benefits to the people of California.
- Approved reappropriation of the unencumbered balance (approximately \$13 million) of the original 2007 Proposition 84 appropriation (\$14.3 million) to fund long-term private and public stewardship and conservation of oak woodlands.
- Approved reappropriation of the unencumbered balance (approximately \$9.9 million) of the original 2003 Proposition 50 appropriation (\$32.5 million) to fund ongoing efforts in acquiring lands to preserve and protect valuable wildlife resources and working to fulfill the state obligation for regulatory requirements related to California's allocation of water supplies from the Colorado River, including restoration of the Salton Sea and related activities.
- Approved reappropriation of the unencumbered balance (approximately \$2.4 million) of the original 2006 Proposition 12 appropriation (which was \$15.2 million) to fund various activities, including: (1) restoration or acquisition of habitat for threatened and endangered species; (2) restoration, acquisition, or protection of habitat or habitat corridors for threatened, endangered, or fully protected species; and (3) acquisition of certain real property subject to a natural community conservation plan (NCCP).
- Approved reappropriation of the unencumbered balance (approximately \$11.3 million) of the original 2007 Proposition 84 appropriation (which was \$25 million) to fund acquisitions of key habitat lands that would contribute to the successful implementation of regional NCCPs.
- Approved reappropriation of the unencumbered balance (approximately \$3.4 million) of the original 2007 Proposition 84 appropriation (which was \$4.8 million) to provide grants to farmers to assist them in integrating agricultural activities with ecosystem restoration and wildlife protection.
- Approved \$1 million from special funds for the Public Access Program.
- Approved \$21 million Proposition 1E transfer to the Habitat Conservation Fund for support of Wildlife Protection Act activities.

- Approved reversion of \$3 million from the Wildlife Conservation Board's Budget Act of 2009 Proposition 84 appropriation (Item 3640-301-6051). The funds made available in Proposition 84 for Natural Communities Conservation Planning (NCCPs) purposes were inadvertently over-appropriated when Chapter 2, Statutes of 2009, Seventh Extraordinary Session (SBx7 8) appropriated \$24 million for NCCPs in or around the Sacramento-San Joaquin Delta.

3680 Department of Boating and Waterways

- Denied the Governor's proposed \$7 million annual appropriation from the Harbors and Watercraft Revolving Fund (HWRF) for Davis-Dolwig costs (see also Department of Water Resources).
- Approved a total of \$16 million in local assistance from the HWRF—\$6 million for grants and \$10 million for public loans—to renovate existing publicly owned small craft harbor facilities and construct/improve public boat launch facilities.
- Approved \$150,000 transfer from the HWRF to the Abandoned Watercraft Abatement Fund, and authority to expend \$100,000 of those funds to implement a pilot program, pursuant to Chapter 416, Statutes of 2009 (AB 166, Lieu), to provide grants to locals for disposal of dilapidated and unseaworthy vessels surrendered by their owners before they are abandoned.
- Approved \$500,000 (HWRF) to establish a permanent baseline budget for the Abandoned Watercraft Abatement Fund.
- Approved \$5.4 million from special funds for various statewide minor capital outlay projects.

3720 California Coastal Commission

- Approved \$311,000 from special funds for operating expenses and equipment.
- Approved a one-year augmentation of \$127,500 (Environmental License Plate Fund, California Beach and Coastal Enhancement Account) to fund additional coastal education grants to non-profits and government agencies.

3760 State Coastal Conservancy

- Approved \$32.8 million (Proposition 84) for various programs that improve various coastal water bodies and promote public access and enjoyment of these areas, including the following: (1) \$10.2 million to the San Francisco Bay Area Conservancy; (2) \$6.3 million to Monterey Bay watersheds; (3) \$5.7 million to San Diego Bay and watersheds; and (4) \$10.6 million to statewide conservancy programs.
- Approved: (1) \$2.1 million in Proposition 40 funding to acquire, protect, and enhance coastal watershed resources and to grant funds for this purpose to public agencies and nonprofit organizations; and (2) multiple reappropriations of Proposition 40 unencumbered balances (totaling approximately \$1.8 million) and associated anticipated reimbursements (totaling approximately \$5.2 million) for various projects.
- Approved reappropriation of unencumbered balances (approximately \$1.8 million total) of the \$120 million originally allocated to the Coastal Conservancy in Proposition 50 for the purposes of watershed

protection and for the acquisition and development of facilities to promote public access to, and participation in, the conservation of land, water, and wildlife resources. Additionally, approved reappropriation of approximately \$5.5 million in Proposition 50 funding that was originally appropriated in 2005, but has not been encumbered due to delays from the bond freeze.

- Approved: (1) \$5.5 million in Proposition 12 funding to implement restoration projects in Santa Monica Bay; and (2) multiple reappropriations of Proposition 12 unencumbered balances for projects up and down the California coast.
- Denied \$120,000 (AB 32 Cost of Implementation Fund) to develop a wetland carbon offset protocol to reduce greenhouse gas emissions.
- Approved \$985,000 from special funds for public access and education programs.
- Approved two permanent positions and shifting of \$166,000 (Environmental License Plate Fund) from operating expenses and equipment to personal services in order to support Ocean Protection Council efforts related to marine debris management, coastal sediment dynamics, sea level rise adaptation, and endangered species protection, among others.

3780 Native American Heritage Commission

- Approved as budgeted.

3790 Department of Parks and Recreation

- Restored \$133 million GF after the Governor abandoned his proposal to supplant \$140 million in GF support with revenues from a new oil lease at Tranquillon Ridge. The level of funding adopted is consistent with a \$7 million (or 5 percent) reduction relative to FY 2008-09 levels, but is greater than the FY 2010-11 level of \$124 million GF agreed to last year. *[Note: According to the Administration, because the Governor ultimately directed the department to take current year reductions in a “one-time” manner (e.g., deferred maintenance) as opposed to permanent lay-offs and closures, FY 2010-11 savings of \$16 million are virtually unattainable (e.g., because it can take longer than nine months to go through the lay-off process.)]*
- Approved \$4.1 million GF for ongoing evaluation, analysis, and implementation of remedial alternatives at Empire Mine State Park.
- Approved \$14.2 million (Proposition 84) for California Museum Collection Center infrastructure and tenant improvements upon approval of new facilities for the museum.
- Approved \$1.8 million (Proposition 84) for the Natural Heritage Stewardship program.
- Approved \$1.6 million (Proposition 84) for the Interpretive Exhibit program.
- Approved \$1.3 million (Proposition 84) for the Cultural Stewardship Program.
- Approved \$1.4 million (Proposition 84) for the Large Natural Resources Program.
- Approved \$2.4 million (Proposition 99, Public Resources Account) to supplant, on a one-time basis, \$2.4 million in State Parks and Recreation Fund support for the Resources Management Program.

- Approved \$880,000 (federal fund authority) to support eight existing positions (currently funded from other resources) to address increased workload in the Office of Historic Preservation associated with the American Recovery and Reinvestment Act.
- Approved \$232,000 (reimbursement authority) and three positions to augment the Special Events Program in the Orange Coast District. Additionally, approved Supplemental Report Language requiring the Orange Coast District to report on revenues generated in its special events program.
- Approved \$303,000 (Harbors and Watercraft Revolving Fund), and \$750,000 ongoing, to continue the Quagga Mussel Prevention and Inspection Program at Lake Perris and Silverwood Lake.
- Approved \$9 million in Proposition 12 and \$4 million in Proposition 40 funds to comply with Americans with Disabilities Act barrier-removal work mandated by the federal court in *Tucker v. California Department of Parks and Recreation*.
- Approved various Local Assistance grant requests, including: (1) reappropriation of Proposition 40 local assistance funds set to revert in 2010; and (2) a new appropriation for Proposition 12 local assistance that reverts in 2010.
- Approved \$46.6 million in federal funds and special funds for the parks local assistance program.
- Approved \$3.4 million (Proposition 84) to conduct the construction phase of an improvement project at Marshall Gold Discovery State Historic Park.
- Approved approximately \$5 million (Proposition 84) for various park development projects (capital outlay).
- Approved reappropriations and/or liquidation period extensions for entities with delayed projects, including the following: (1) City of Encinitas; (2) Door of Hope Community Center; (3) Hayward Area Regional Park District (Holland Park); (4) YMCA of San Diego County; (5) Richmond Natatorium; and (6) Girls Today Women Tomorrow.
- Approved \$8.3 million in reimbursement authority for various capital outlay projects (whose funding will be provided by other entities).
- Approved Proposition 84 funding for various statewide minor capital outlay projects, including \$2.5 million for statewide park system projects, \$430,000 for the recreational trails program, and \$586,000 for the volunteer enhancement program.
- Approved \$48 million from special funds for capital outlay projects in the Off-Highway Motor Vehicle Recreation Program.
- Adopted Supplemental Report Language to approve a new concession for Oceano Dunes State Vehicular Recreation Area (SVRA) Off-Highway Vehicle (OHV) Rentals.

3810 Santa Monica Mountains Conservancy

- Approved \$4 million in Proposition 84 funding for acquisition and local assistance grants in the Upper Los Angeles River watershed and Santa Monica Bay and Ventura County coastal watersheds.

3820 San Francisco Bay Conservation and Development Commission

- Approved \$460,000 (reimbursement authority), and made permanent three limited-term positions in order to continue contracting with Metropolitan Transportation Commission and the California Department of Transportation for permit review and planning activities to expedite project delivery.

3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy

- Approved as budgeted.

3830 San Joaquin River Conservancy

- Approved \$676,000 in Proposition 84 funding (the balance of unappropriated authorized funds for this purpose) and \$2 million in reimbursement authority to implement public access, recreation, and environmental restoration projects along the San Joaquin River Parkway.

3835 Baldwin Hills Conservancy

- Approved \$10.8 million in Proposition 84 and Proposition 40 reappropriations for acquisition, restoration, and development.

3840 Delta Protection Commission

- Approved six positions and \$2 million (Environmental License Plate Fund), including three positions and \$400,000 ongoing to carry out requirements of Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).
- Augmented the Governor's proposed funding by transferring to the Delta Protection Commission former CALFED resources totaling \$1.4 million originally proposed for support of the Delta Stewardship Council. Adopted Budget Bill Language specifying the activities on which the additional funds may be expended.

3845 San Diego River Conservancy

- Approved as budgeted.

3850 Coachella Valley Mountains Conservancy

- Approved reappropriation of \$5.5 million in Proposition 84 funding (the balance of unappropriated authorized funds for this purpose) to acquire and protect mountainous and natural community conservation plan lands.

3855 Sierra Nevada Conservancy

- Approved as budgeted.

3860 Department of Water Resources

- Approved creation of a new “Flood Emergency Fund” (E-Fund) and shifted \$1 million from the department’s existing baseline budget into the E-Fund. Additionally, adopted Budget Bill Language to: (1) clarify the conditions under which the E-Fund may be activated; (2) specify that the funds may be expended for up to four days before the Governor’s approval must be obtained for continued spending; and (3) require reporting to the Legislature when the fund is used.
- Approved 15 positions and \$12.5 million (Proposition 84) over three-years (including \$5 million in FY 2010-11) for implementation of the Water Conservation Act of 2009 (Chapter 4, Statutes of 2009, SBx7 7, Steinberg).
- Approved five positions and \$1.3 million (Proposition 50) for one-year only to conduct groundwater monitoring activities consistent with Chapter 1, Statutes of 2009, Seventh Extraordinary Session (Steinberg, SBx7 6).
- Denied six positions and related funding for the California Water Commission, and instructed the Administration to return with a request if, and when, the 2010 Water Bond Act is approved by the voters.
- Adopted various changes (via trailer bill language) to Chapter 2, Statutes of 2009, Seventh Extraordinary Session (SBx7 8, Steinberg).
- Approved creation of a new “Flood Emergency Fund” and shifted \$1 million from the department’s existing baseline budget into the fund. Additionally, adopted Budget Bill Language to: (1) clarify the conditions under which the fund may be activated; (2) specify that the funds may be expended for up to four days before the Governor’s approval must be obtained for continued spending; and (3) require reporting to the Legislature when the fund is used.
- Appropriated \$10 million (Proposition 1E), including \$5 million already included in the Governor’s Budget, to fund agricultural easements in flood corridors consistent with Public Resources Code Section 5096.825. Additionally, adopted Budget Bill Language specifying that the department is to work with the Department of Conservation to identify high quality agricultural easements with flood management values consistent with the requirements of the bond act
- Denied, with the exception of \$100,000 for planning purposes, the Governor’s proposal to appropriate \$472 million to the department from the as-yet-to-be-approved 2010 Water Bond.
- Approved \$326,000 from the AB 32 Cost of Implementation Fund to ensure bond funds, specifically in the Integrated Regional Water Management grant program, are leveraged to support AB 32 goals related to water use and energy efficiency.
- Approved one-year funding of \$4 million (reimbursement authority) to carry out Salton Sea restoration activities funded by the Department of Fish and Game and the Natural Resources Agency.

- Approved \$33.8 million in reimbursement authority (\$13.8 million in FY 2010-11; and \$20 million in FY 2011-12) in order to receive Proposition 84 funds from the Natural Resources Agency for support of year four of San Joaquin River restoration efforts.
- Denied the Governor's proposal to fund Davis-Dolwig costs in the State Water Project, and denied proposed trailer bill language to amend the Davis-Dolwig Act.
- Adopted trailer bill language to transfer litigation proceeds obtained via the Williams Settlement to the GF.
- Adopted trailer bill language to assist in the implementation of the Quantification Settlement Agreement by enabling the Imperial Irrigation District to finalize a loan guarantee agreement with the California Infrastructure and Economic Development Bank.
- Approved \$1 million (Proposition 84) to begin implementation of a new five-year program to provide grants for projects that eliminate discharges of agricultural subsurface drainage water from the west side of the San Joaquin Valley into the San Joaquin River. The total expected cost for this program is expected to be \$38.6 million over a five-year period.
- Approved continued FloodSAFE funding of \$210.8 million (including \$173.8 million Proposition 1E; \$21 million Proposition 84 [continuously appropriated]; and \$16 million Proposition 13) and 37 positions (including 15 new, full-time positions; 13 new limited-term positions; and nine existing positions) to carry out activities across six functional areas.
- Approved approximately \$120 million (Proposition 1E) for new flood control capital outlay projects, and reappropriations and liquidation period extensions for various capital outlay projects.
- Approved \$1 million (Proposition 84) to acquire approximately 100-150 acres of land to create a "land bank" in the Sacramento-San Joaquin River Delta where habitat could be restored to provide mitigation for needed levee repairs in the Delta.
- Approved \$30.6 million from Proposition 84 (including new appropriations totaling \$16 million over the next three years; and reappropriation of approximately \$14.6 million originally appropriated in FY 2007-08), and three new positions to fund various multi-benefit water planning and feasibility studies activities.
- Approved reversion of \$6 million (Proposition 50) originally appropriated in FY 2008-09 that has gone unused due to the 2008 bond freeze, and a new appropriation of \$6 million, including \$3 million for the Water Use Efficiency Technical Assistance Program and \$3 million for the Program Science Evaluation.
- Approved: (1) \$794,000 (Proposition 50), to be reverted from funds originally appropriated in FY 2003-04, for water supply reliability projects; and (2) \$9.1 million (Proposition 84) to continue the Urban Streams Restoration Program.
- Approved \$8 million (Proposition 204) to be reverted from funds originally appropriated in FY 2008-09, for the Sacramento Valley Water Management and Habitat Protection Measures Program.
- Approved conversion of one limited-term position to permanent status and \$200,000 (federal funds) for five years to allow receipt and expenditure of Truckee River Operating Agreement grant funds.

3875 Sacramento-San Joaquin Delta Conservancy

- Approved the transfer of seven positions and \$1.3 million (including \$829,000 GF) from former CALFED resources to support the new Sacramento-San Joaquin Delta Conservancy (Delta Conservancy) consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).

3885 Delta Stewardship Council

- Approved the transfer of \$47.6 million (including \$4.9 million GF) and 48 positions from former CALFED resources to support the new Delta Stewardship Council (Council) consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian). Additionally, adopted trailer bill language requiring: (1) a zero-based budget in FY 2011-12 for all entities receiving former CALFED resources (including the Council and the Delta Conservancy); (2) the Governor to submit, as part of this 2011-12 Governor's Budget, a financing plan for the ongoing support of Delta activities; and (3) independence and oversight of various Council contracts.

ENVIRONMENTAL PROTECTION

0555 Secretary for Environmental Protection

- Approved the transfer (to the California Environmental Protection Agency) and ongoing funding of the Environmental Education Initiative (EEI) within the Office of Environmental Education. *[Note: Senate Budget Subcommittee #2 technically denied a Budget Change Proposal associated with the re-organization of the former California Integrated Waste Board that contained EEI 6.5 positions; however, it was always the Subcommittee's intent that the EEI remain intact and fully funded, and this technical issue will be resolved in Conference Committee.]*
- Denied the Governor's proposed reduction of \$954,000 from special funds administered by the former Waste Board and now under the control of Department of Resources Recycling and Recovery (in the Natural Resources Agency). The Administration provided no indication as to the impact of the proposed reduction or how it might be mitigated.
- Approved \$1.5 million in federal fund authority, with approximately \$1 million to go to rural Certified Unified Program Agencies (CUPA) to create a Rural CUPA Underground Storage Tank (UST) Inspection grant program, and approximately \$500,000 annually in federal National Environmental Information Exchange Network (NEIEN) grant funds for the continued development and enhancement of the CalEPA's electronic reporting systems.

3900 Air Resources Board

- Directed the Air Resources Board (ARB) to cease spending funds for the purpose of developing a renewable energy standard, or similar requirement, absent the enactment of legislation that authorizes such activities. Deleted \$750,000 (special funds) from the ARB budget—the estimated amount being expended in the current fiscal year on developing a 33-percent renewable energy standard.
- Adopted AB 32-related trailer bill language requiring: (1) all AB 32 expenditures to be “zero-based” (re-justified) in the 2011-12 Governor's Budget; and (2) the ARB to “pause” development of cap-and-trade regulations until all necessary impact assessments (health or otherwise) are completed.
- Deleted the final \$189,000 GF remaining in the ARB research budget.
- Approved one position and \$100,000 (special funds) to support the ARB's new rulemaking responsibilities pursuant to Chapter 384, Statutes of 2009 (AB 1085, Mendoza).

3910 Integrated Waste Management Board

- Denied various Budget Change Proposals intended to transfer resources from the California Integrated Waste Management Board—CIWMB (which was eliminated pursuant to Chapter 21, Statutes of 2009 [SB 63; Strickland]). *[Note: The aforementioned proposals were denied in subcommittee as part of an action stemming from concerns with the Department of Resources Recycling and Recovery's*

management of the Beverage Container Recycling Program, and will need to be reconciled (in Conference Committee) to the fact that the CIWMB no longer exists in statute.]

3930 Department of Pesticide Regulation

- Approved transfer of the Structural Pest Control Board (including 34 positions and \$4.6 million special funds) from the Department of Consumer Affairs (DCA) to the Department of Pesticide Regulation (DPR), consistent with the reorganization enacted by Chapter 18, Statutes of 2009, Fourth Extraordinary Session (ABx4 20, Strickland). Additionally, approved placeholder trailer bill language to clarify/ensure that the Structural Pest Control Board retains various enforcement options, such as issuing citations and fines which are authorized for boards and bureaus under the jurisdiction of the DCA, but are not explicitly authorized under the DPR.

3940 State Water Resources Control Board

- Approved \$2.7 million GF to fund the defense of litigation filed by Pacific Lumber Company alleging that the State of California breached the Headwaters Agreement.
- Approved the following Governor-proposed fund shifts (from GF to fee-supported special funds):
 - \$1.4 million in the National Pollutant Discharge Elimination System Wastewater Program from GF to the Waste Discharge Permit Fund (WDPF)—making the program entirely WDPF-supported.
 - \$1.8 million in the Irrigated Land Regulatory Program from GF to the WDPF—making the program entirely WDPF-supported.
 - \$3.2 million in the Water Rights Program from GF to the Water Right Fund.
- Approved a \$2 million fund shift from the IWMA to the WDPF.
- Approved the Governor's request to shift all GF support for basin planning activities (\$6.1 million) to the WDPF. Additionally, approved the Governor's proposal to augment basin planning (8.9 positions and \$746,000), but funded it from the WDPF, rather than third-party reimbursements.
- Approved one position and \$155,000 (reimbursement authority) for implementation of the Water Conservation Act of 2009 (Chapter 4, Statutes of 2009, Seventh Extraordinary Session [SBx7 7, Steinberg]).
- Approved 4.5 positions and \$673,000 million (Water Right Fund) to fund the Delta Watermaster and Delta flow criteria consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session [SBx7 1, Simitian].
- Approved 2.5 limited-term positions and \$253,000 (Water Right Fund) to improve water diversion and use reporting information consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session [SBx7 8, Steinberg].
- Denied the Governor's proposal to appropriate \$419 million to the State Water Resources Control Board from the as-yet-to-be-approved 2010 Water Bond.

- Approved two positions and \$535,000 (AB 32 Cost of Implementation Fund) to address water recycling and reuse in order to reduce greenhouse gas emissions associated with water conveyance, treatment, and discharge.
- Approved, as a three-year pilot program, \$1 million (Water Right Fund) for the State Water Board to hire environmental consultants directly for California Environmental Quality Act activities and seek cost recovery from applicants/petitioners. Adopted trailer bill language requiring a report on the success of the new approach.
- Approved five positions and \$603,000 (Water Right Fund), supported by a fee increase, to augment the State Water Board's Water Quality Certification Program in order to timely process "401" water quality certifications for Federal Energy Regulatory Commission hydroelectric projects.
- Approved a one-time augmentation of \$158 million to the Underground Storage Tank Clean-up Fund (USTCF) in order to expend additional revenues generated by the temporary fee increase adopted pursuant to Chapter 649, Statutes of 2009 (Ruskin, AB 1188). Adopted Supplemental Report Language requiring a USTCF Action Plan update with the 2011-12 Governor's Budget.
- Approved one position and \$96,000 to assume front-end research duties and establish a collections strategy on debts owed to the WDPF.
- Approved four positions and \$384,000 (State Water Pollution Cleanup and Abatement Account) to timely enforce Mandatory Minimum Penalty violations.
- Approved the remaining balance of \$577,000 from the Environmental Protection Trust Fund so that the fund can be liquidated for Aboveground Petroleum Storage Act (APSA) oversight per the provisions of Chapter 626, Statutes of 2007 [AB 1130].
- Adopted trailer bill language to create the Waste Water Certification Fund as a repository for revenues from fees (authorized under current law) charged to certified operators of wastewater treatment plants, applicants to become certified operators, and contract operators for various services associated with certification. These programs previously operated on a reimbursable basis.
- Approved various reappropriations of Proposition 13 and 50 funds, reversions of various Proposition 50 and Proposition 84 amounts, and various new appropriations, including the following totals for local assistance: Proposition 13 – \$2.3 million; Proposition 40 – \$17.9 million; and Proposition 50 – \$36.5 million. Additionally, approved Budget Bill Language to extend the encumbrance period for the above amounts from one year to three years (i.e., make them available until June 30, 2013).

3960 Department of Toxic Substances Control

- Approved \$403,000 (special funds), less \$1,000 for design, development, testing, and implementation of the Toxics Clearinghouse, consistent with Chapter 560, Statutes of 2008 (SB 509, Simitian). *[The Subcommittee action was intended to send the item to Conference Committee and provide department time to respond to a previous request for an AB 1879 spending plan.]*
- Approved one position and \$135,000 (Toxic Substances Control Account) to enforce a ban on lead wheel weights consistent with Chapter 614, Statutes of 2009 (SB 757, Pavley).

- Approved one position and \$128,000 (reimbursement authority) to implement Chapter 353, Statutes of 2009 (SB 546, Lowenthal), and ensure that out-of-state recyclers of California used oil meet the same testing, reporting, and permitting standards as in-state recyclers.
- Approved \$360,000 (State Certified Unified Program Agency Account), including \$197,000 ongoing, to fully fund the department's role as the Imperial County Certified Unified Program Agency.
- Approved conversion from limited-term to permanent one position and \$103,000 (special funds), to continue working down an ongoing backlog of outstanding accounts receivable, and maintain increased delinquent account collections for the department's site cleanup program.

3980 Office of Environmental Health Hazard Assessment

- Denied the Governor's proposal to eliminate 0.5 position and \$108,000 (Integrated Waste Management Account) associated with testing emissions from environmentally preferred products.

ENERGY AND UTILITIES

3360 California Energy Commission

- Approved nine positions and a two-year total of \$8.7 million—\$6.2 million in FY 2010-11—from the Energy Facility License and Compliance Fund to process electricity generation siting applications and to ensure the more rapid development of the Desert Renewable Energy Conservation Plan (DRECP). Additionally, the approved trailer bill language to increase existing licensing fees and expand them to include renewable generation.
- Approved ten permanent positions and \$1.8 million (federal funds), including \$500,000 for contract expenses to implement an Energy Efficiency Program for Existing Residential and Nonresidential Buildings consistent with Chapter 470, Statutes of 2009 [AB 758, Skinner and Bass].
- Approved \$141,000 (Energy Resources Program Account—ERPA) and conversion of a limited-term position to permanent status to conduct ongoing oversight and monitor compliance with the combined heat and power guidelines established pursuant to Chapter 713, Statutes of 2007 [AB 1613, Blakeslee].
- Approved \$143,000 (ERPA) and conversion of a limited-term position to permanent status to provide the California Public Utilities Commission with consultation on defining and developing a smart grid in California, consistent with Chapter 327, Statutes of 2009 [SB 17, Padilla]).
- Approved, less \$1,000, the Governor's request to provide a budget year (\$5 million) and an ongoing (\$2 million) increase to the Alternative and Renewable Fuel and Vehicle Technology Program (AB 118). Additionally, approved, with superficial changes, the Governor's proposed reappropriation of \$40 million (originally appropriated in 2008) for the California Alternative Energy and Advanced Transportation Financing Authority to provide loans, loan guarantees, credit enhancements, bond funding, and sales tax rebates to various AB 118 program participants. *[Note: These actions reflect a desire to send AB 118 funding to Conference Committee for additional review.]*
- Approved the Governor's request for trailer bill language to establish the Clean and Renewable Energy Business Financing Revolving Loan Fund, which would authorize the CEC to conduct and administer the Clean and Renewable Energy Business Financing Program.
- Approved Budget Bill Language specifying that \$1,000 of the amount appropriated from the Renewable Resource Trust Fund is to be used to support the Biomass Energy Program. *[Note: This action reflects an intent to send this item to Conference Committee to further discuss how to responsibly and economically dispose of agricultural waste in the Central Valley.]*
- Approved a one-year extension of \$35 million in loans from the Renewable Resource Trust Fund to the GF.

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

- Approved as budgeted

8660 Public Utilities Commission

- Approved the LAO recommendation (less \$1,000—intended to send the item to Conference Committee) to: (1) deny the Governor’s requested \$1.8 million augmentation associated with pursuit of a 33-percent renewable energy/portfolio standard; and (2) reduce the Public Utility Commission’s (PUC) base budget by \$423,000 (Item 8660-001-0462). Additionally, directed the PUC to cease spending funds for the purpose of developing a renewable energy standard or similar requirement absent the enactment of legislation that authorizes such activities.
- Approved one position and \$112,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to provide consultation to the CEC in the implementation of Chapter 470, Statutes of 2009 [AB 758, Skinner and Bass]. *[See related item above in the CEC.]*
- Approved 2.3 positions (including 0.3 one-year Administrative Law Judge) and \$242,000 (PUCURA) to conduct a ratemaking proceeding and ongoing program monitoring for a new Net Surplus Compensation Program, pursuant to Chapter 376, Statutes of 2009 [AB 920, Huffman], that would allow customers on Net Energy Metering tariffs to sell excess electricity to their electric utility after certain conditions are met.
- Approved three positions and \$310,000 (PUCURA) to evaluate the cost effective use of advanced energy storage in support of various California policy goals, including the Renewable Portfolio Standard and AB 32.
- Approved one position and \$85,000 (PUCURA) to better evaluate the utilities’ compliance with procurement rules for electric resources. Specifically, the PUC proposes to increase audits from less than 0.5 percent of quarterly transactions to approximately one percent, with a focus on the millions of dollars spent on day-ahead and hour-ahead transactions.
- Approved reappropriation of \$500,000 from the California Teleconnect Fund to support broadband installation for community nonprofits.
- Approved four limited-term positions and \$2.4 million (American Recovery and Reinvestment Act federal funds) to support four years of broadband mapping and planning efforts.
- Approved, less \$1,000 each, the following requests from the Division of Ratepayer Advocate: (1) one position and \$96,000 (PUC Ratepayer Advocate Account) to ensure investor-owned utility energy efficiency programs are cost-effective for ratepayers; and (2) one position and \$95,000 (PUC Ratepayer Advocate Account) to address expanding workload on energy low income assistance programs and activities. *[Note: The Subcommittee’s actions reflected a desire to send these items to Conference Committee.]*
- Approved three positions and \$312,000 (Public Transportation Account, State Transportation Fund) for increased rail transit safety oversight, including: (1) better tracking of corrective action plans; (2) additional inspections of 12 existing rail transit systems and the dozens of new construction projects underway at any given time.

- Approved \$2.3 million (reimbursement authority) to conduct a customer satisfaction survey of limited English proficient customers of California communications utilities relative to the general English proficient population.
- Approved three limited-term positions and \$162,000 (various special funds) originally approved in FY 2008-09 be made permanent in order to continue a pilot program for centralized fines and restitution collections.
- Approved four limited-term positions and \$745,000 (federal funds) to provide four years of increased staffing to support increase workload related to American Recovery and Reinvestment Act energy funds.
- Approved \$40 million in reimbursable consultant services to bring energy efficiency program evaluation, measurement, and verification (EM&V) “on-budget.” Of the requested amount, \$3 million would be for technical expertise to help identify and develop energy efficiency program strategies and improvements to make existing IOU programs more effective; and \$37 million would be for technical assistance in developing, conducting, and monitoring EM&V.
- Approved a one-time augmentation of \$2.2 million (various special funds) to modernize seven 23-year old elevators in the PUC headquarters building.
- Approved a one-year extension of the following loans to the GF: (1) \$75 million from the California High-Cost Fund-B Administrative Committee Fund; (2) \$45 million from the Universal Lifeline Telephone Service Trust Administrative Committee Fund; and (3) \$30 million from the Deaf and Disabled Telecommunications Program Administrative Committee Fund.

8665 California Consumer Power and Conservation Financing Authority

- Approved as budgeted.

8770 Electricity Oversight Board

- The Board received no funding in the budget.

FOOD AND AGRICULTURE

7300 Agricultural Labor Relations Board

- Approved as budgeted.

8570 Department of Food and Agriculture

- Approved the Governor's request to make permanent an existing pilot project (consisting of three positions and \$244,000 [\$232,000 ongoing] in reimbursement authority) in which the California Department of Food and Agriculture (CDFA) personnel at the Needles (I-40) border protection stations inspect cargo, photocopy pertinent documents, and pass along potential leads to the Board of Equalization (BOE) for collection of use tax. Additionally, approved the Governor's request for nine positions and \$706,000 (reimbursement authority) to expand the BOE/CDFA Tax Enforcement Program to three additional border protection stations (Yermo, Truckee, and Hornbrook).
- Denied three administrative positions and \$513,000 (Agriculture Fund) for the State Board of Food and Agriculture.
- Approved 38 one-year limited-term positions, 117 temporary help positions, and \$19.8 million (federal funds) to fund detection and quarantine to prevent the spread of the Asian Citrus Psyllid in California.
- Approved seven positions and \$15 million (Agriculture Fund) to implement the California Citrus Pest and Disease Prevention Committee created pursuant to Chapter 426, Statutes of 2009 [AB 281, DeLeon].
- Approved two positions and \$250,000 (Agriculture Fund) to establish a Citrus Nursery Stock Pest Cleanliness Program to protect citrus nursery source propagative trees from diseases, pests, and other risks and threats.
- Approved three positions and \$416,000 (Agriculture Fund) to monitor input material production processes at fertilizing material manufacturing facilities, consistent with Chapter 257, Statutes of 2009 [AB 856, Caballero], in order to ensure that "organic" foods are truly organic (and are not tainted by use of "non-organic" input materials in fertilizer).
- Approved \$194,000 (Municipal Shelter Spay-Neuter Fund) to distribute, consistent with Chapter 328, Statutes of 2008 [AB 2291, Mendoza], grants to eligible municipal shelters for the purposes of providing low cost or free spay-neuter services.
- Approved \$12.7 million from the federal Farm Bill of 2008.
- Approved a one-time augmentation of \$4.6 million (various funds) and an ongoing augmentation of \$116,000 to support the costs associated with the relocation of CDFA staff that is currently located in the Annex Building at 1215 O Street and at the Westfield Downtown Plaza at 560 J Street.
- Approved a \$15 million loan from the Department of Food and Agriculture Fund to the GF.

TRANSPORTATION

2640 STATE TRANSIT ASSISTANCE

- As part of the Proposition 58 Special Session, added funding of \$400 million from the Public Transportation Account to restore state funding for transit agency operations.
- Augmented Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding to a total of \$1.5 billion. The Governor had proposed \$350 million, but additional projects were identified as ready for construction.

2660 DEPARTMENT OF TRANSPORTATION

- Approved a total of \$4.0 billion in Prop 1B funds across multiple departments. Approved Prop 1B bond funding of \$2.1 billion for the following bond categories that are budgeted directly in the California Department of Transportation (Caltrans) budget (figures include state operations, local assistance, and capital outlay).
 - \$578 million for Corridor Mobility Improvement Account (CMIA)
 - \$525 million for the State Transportation Improvement Program (STIP)
 - \$294 million for Trade Corridors Improvement Fund
 - \$19 million for State Highway Protection and Preservation Program (SHOPP)
 - \$241 million for State Local Partnership
 - \$217 million for Grade Separation
 - \$74 million for State Route 99
 - \$8 million for Local Bridge Seismic Retrofit
 - \$182 million for Traffic Light Synchronization

Other Prop 1B bond appropriations are in the budgets of State Transit Assistance (Transit); the Office of Emergency Services (Security); and the Air Resources Board (Air Quality and School Bus Retrofit).

- Added an appropriation of \$234 million from Proposition 1A bond funds for intercity rail and connector rail that will provide connectivity to the high-speed rail system.
- Approved, as part of the Proposition 58 Special Session, the “Fuel Swap” proposal, which results in full funding for the “Proposition 42” allocations to highways and local streets and roads.
- Approved a loan of \$650 million from the new “Fuel Swap” revenue to the General Fund. This revenue is new revenue in addition to that needed to backfill for Proposition 42. The loan will be repaid within three fiscal years per the requirements of Article XIX of the State Constitution.
- Approved a loan repayment deferral of \$230 million from various transportation special funds. The General Fund will repay these amounts in 2011-12 instead of 2010-11, which is still within the repayment requirements of Article XIX of the State Constitution.
- Modified the Administration’s Capitol Outlay Support staffing request such that the reduction in state positions is 212 instead of 723. These staff resources will prepare additional highway projects to be

ready for construction, which could result in additional construction projects going forward in this favorable bid environment.

- Rejected the \$3.5 billion appropriation requested for availability payments, which are a type of lease agreement where the private partner initially funds construction on a highway project, operates the facility over many years, and the state compensates the private partner with fixed payments over many years.
- Scored \$100 million in operations savings in each of the 2009-10 and 2010-11 budgets. This savings is generated from reduced purchases, training, travel, and other operations costs. Directed \$50 million of the savings in 2010-11 to additional pavement maintenance.

2665 HIGH SPEED RAIL AUTHORITY

- Approved total funding of \$221 million for the High-Speed Rail Authority (HSRA) from both Proposition 1A bond funds and American Recovery and Reinvestment Act (ARRA) funds, with authority to augment that amount by up to \$243 million if right-of-way purchases are ready to proceed in the budget year.
- Revised and expanded the budget act scheduling of expenditures for the HSRA to increase transparency and improve oversight.
- Approved budget bill language that requires the HSRA to report to the Legislature with information on fiscal, management, and planning issues.

2670 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN

- Approved \$233,000 for one-time legal expenses and \$162,000 for one-time training costs – both special fund. Rejected \$75,000 for a new Office Technician position.

2700 OFFICE OF TRAFFIC SAFETY

- Approved a reappropriation of \$94 million in federal funds.

2720 CALIFORNIA HIGHWAY PATROL

- Approved \$17.8 million (Motor Vehicle Account) for 180 new California Highway Patrol (CHP) Officers to be established over the next two years.
- Approved \$3.9 million in federal funds to purchase license plate recognition (LPR) systems, which read car license plates and compare the plate against a list of known wanted vehicles. Adopted trailer bill language to place privacy protections in statute for the use of LPR data.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved a transfer from the Motor Vehicle Account (MVA) to the GF of \$72 million, and approved a loan from the MVA to the GF of \$250 million.

HEALTH

4120 Emergency Medical Services Authority

- Denied \$448,000 (General Fund) for requested pharmacy caches since they are not necessary.
- Approved all special fund requests.

4260 Department of Health Care Services

Key Issues for the Medi-Cal Program

- Rejected All Eligibility Reductions. No eligibility reductions were adopted.
- Retained Annual Eligibility for Children. Adopted trailer bill language to restore the annual eligibility for children in Medi-Cal to meet the requirements of the federal Patient Protection and Affordability Care Act (H.R. 3590).
- Receipt of Federal Funds. Assumes continuation of the federal ARRA enhanced match (61.59 percent) through to June 30, 2011.
- Mandatory Enrollment of Seniors and Persons with Disabilities in Medi-Cal Managed Care. Modified May Revision to (1) approve \$357.5 million (\$182.1 million General Fund) reduction to begin February 1, 2011 phase-in of people in 14 counties; and (2) referred DHCS trailer bill language to policy committee to proceed through that process. Dual Medi-Cal and Medicare eligibles are not included in this assumption.
- Pending 1115 Medi-Cal Waiver Proposals. Deleted three pieces of trailer bill language regarding the phase-in of certain pilot projects under this pending Waiver and referred them to the policy committee process.
- State Resources for 1115 Medi-Cal Waiver. Approved 23 positions and contract funds to begin implementation of the pending Waiver for California. The focal point of these resources is for implementation of the mandatory enrollment, as noted above. Additional resources can be phased-in at another time as warranted.
- Adult Day Health Care. Adult Day Health Care services were maintained.
- “Hard Caps” on Specified Services. Rejected DHCS proposals to implement “hard caps” on the following services (1) six-prescription outpatient drugs; (2) durable medical equipment; (3) certain medical supplies, including wound care, incontinence supplies and urologicals; (4) hearing aid expenditures; and (5) visits for outpatient primary and specialty care provided by physicians.

- “Mandatory” Copayments. Rejected DHCS proposals to implement mandatory copayments for various services, including (1) physician, Federally Qualified Health Centers, and Rural Health Centers; (2) dental office visits for children; (3) hospital inpatient days; (4) emergency room visits; (5) non-emergency room visits; and (6) pharmacy visits.
- Enteral Nutrition. Rejected proposal to limit enteral nutrition to tube feeding only.
- Over-The-Counter Drugs. Rejected proposal to eliminate Medi-Cal reimbursement for over-the-counter drugs.
- Medicare Part B Premiums. Denied proposal to eliminate federal Medicare Part B premiums for Medi-Cal enrollees with an unmet share-of-cost.
- Nursing Home Reimbursement and Quality and Accountability Proposal (AB 1629 proposal). Adopted the Administration’s proposal with *placeholder* trailer bill language to send it to Conference Committee.
- Ten Percent Reduction to Public and Private Hospitals. Rejected both proposals to reduce Designated Public Hospitals and Private Hospitals 10 percent under the pending 1115 Medi-Cal Waiver.
- Extend Hospital Quality Assurance Fee. Approved a six-month extension for this quality assurance fee that was authorized in AB 1383, Statutes of 2009. This provides an additional \$160 million (General Fund) offset for the State, in addition to supplemental rates for the hospitals.
- Hospital Inpatient Rate Freeze. Rejected this proposal.
- Medi-Cal Managed Care Rates. Adopted May Revision adjustments to reflect February 1, 2011 implementation of phase-in of mandatory enrollment, as referenced above, and an overall 3.7 percent rate increase.
- Extend Gross Premium Payment. Approved trailer bill language to extend this payment by Medi-Cal Managed Care plans.
- Geographic Managed Care Changes. Adopted the Administration’s proposal to shift responsibilities for negotiating Geographic Managed Care rates from the CA Medical Assistance Commission (CMAC) to the DHCS. In addition, shifted \$240,000 (\$120,000 General Fund) and two staff for this purpose.
- Eight Family Planning Office Codes. No rate reduction was adopted since California receives a 90 percent federal match for these services.
- Radiology Rates. Adopted DHCS proposal to reduce certain radiology rates to 80 percent of federal Medicare rates for reduction of \$27.2 million (\$13.6 million General Fund).
- Medi-Cal Eligibility Processing—Change in Eligibility Growth Method. Modified DHCS proposal, to reduce by \$84 million (\$42 million General Fund) through recalculating the County

Administrative baseline for Medi-Cal caseload, by recognizing half of the savings and adopting trailer bill language to develop a methodology for next year.

- Timely Filing for Third-Party Liability. Adopted placeholder trailer bill legislation as proposed by Administration.
- Control Section 23.25. Deleted Administration's Control Section 23.25 which authorized the Director of Finance to adjustment any item of appropriation for the purpose of implementing the federal Patient Protection and Affordable Care Act of 2010.

4260 DEPARTMENT OF HEALTH CARE SERVICES

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

- Expanded Access for Primary Care Clinics. Rejected the Governor's proposal to eliminate the remaining \$10 million (Proposition 99 Funds) from this program.
- California Children's Services (CCS) Program. Approved full funding for the CCS Program, with no reduction to eligibility.
- Genetically Handicapped Persons Program (GHPP). Approved full funding for the GHPP.

4265 Department of Public Health

- HIV/AIDS Prevention, Education, and Care Programs. Increased by \$52 million (General Fund) to restore State support to these programs which were vetoed by the Governor in 2009.
- AIDS Drug Assistance Program (ADAP). Increased by \$10 million (General Fund) the AIDS Drug Rebate Fund reserve since the existing reserve was below the 5 percent prudent reserve margin and several of the ADAP assumptions have questionable reliability. No eligibility changes were enacted.
- Every Woman Counts Program. Increased by \$25 million (General Fund) to send the issue to Conference Committee to clarify the structure and funding of the program. A May 25, 2010 released audit of the program raised questions regarding its operations.
- Receipt of Federal Funds for Licensing and Certification. Approved increase of \$17.6 million (federal funds) to permanently establish 124.8 positions to conduct surveys of nursing homes and other priority work as required by the federal Centers for Medicare and Medicaid (CMS).
- Quality and Accountability Payment System for Licensing and Certification. Approved \$2.2 million (Reimbursements from the DHCS) for 38.5 positions to conduct quality and accountability work regarding nursing homes, including auditing for the 3.2 nurse hours per patient ratio.

- 2010 Water Bond Request. Approved one-year of the Administration's request for bond funding pending the outcome of the November 2010 election. In the event the water bond is approved, the DPH will be able to proceed immediately with drinking water improvement projects.
- Asthma Public Health Initiative and Proposition 99 Funds. Maintained \$1.2 million for the Asthma Initiative but deleted as proposed the California Breath Program as proposed. Also made other adjustments to the Health Education Account and Research Account of Proposition 99 as proposed due to declining revenues.

4280 Managed Risk Medical Insurance Board

- Healthy Families Program. Fully funded the Healthy Families Program and rejected increases to premiums and copayments since this cost-sharing had been increased considerably last year. Also approved all adjustments for the federal Children's Health Insurance Program Reauthorization Act of 2009.
- Gross Premium Payments. Corrected an error within the Healthy Families appropriation by identifying \$11 million (Children's Health and Human Services) available from Medi-Cal Managed Care plans paying gross premium payments. This was used to offset General Fund support.
- Access for Infants and Mothers (AIM) Program. Approved the Board's recommended funding level for this program.

4300 Department of Developmental Services

- Lanterman Developmental Center. Adopted trailer bill language and Budget Bill Language to proceed with the Administration's proposal to begin the transition of Lanterman Developmental Center. Also approved \$50.7 million (total funds) in existing funds to be dedicated to the operational, assessment, start-up, and placement needs for individuals transitioning from Lanterman to the community.
- Series of Baseline Adjustments. Adopted a series of baseline adjustments for funding provided to Regional Centers for the Purchase of Services and for Operations. Key adjustments include the following:
 - Rejected Governor's proposal to redirect \$200 million (Proposition 10 Funds) which would have required voter approval in November 2010.
 - Approved Governor's continuation of 3 percent reduction to Regional Centers for both the Purchase of Services (reduction of \$99.6 million total funds), and Operations (\$15.7 million total funds).

- Approved Governor's continuation of adjustments from 2009 which affect the entire developmental services system and equated to a \$334 million (General Fund) reduction in 2009. These actions are reflected in the base trends.
- Provides \$12 million (General Fund) to purchase necessary dental services for adults receiving services through the Regional Centers who do not have insurance for this coverage. This is due to the elimination of Adult Dental Services as a Medi-Cal benefit in 2009. Individuals with developmental disabilities are entitled to these services.
- Additional 1.25 Percent Reduction. Approved the Governor's proposal to reduce by \$48.2 million (\$25 million General Fund) by increasing the 3 percent reduction, as noted above, by another 1.25 percent, for a total of 4.25 percent. This is applied to both the Purchase of Services and Operations.
- Additional Receipt of Federal Funds. Approved the Governor's proposal to modify the billing mechanism used to reimburse Intermediate Care Facilities for the Disabled in order to obtain an additional \$53.5 million in federal funds, with a corresponding reduction in General Fund.

4440 Department of Mental Health

- AB 3632. Rejected May Revision and increased by \$51.9 million (General Fund).
- Governor's Realignment Proposal. Rejected the Governor's realignment concept to reduce County Mental Health services by \$602 million. This concept is severely flawed from a legal, fiscal and policy perspective.
- Evaluation Funds for Mental Health Services Act (MHSA). Redirected \$1 million (Mental Health Services Act Funds, Proposition 63) for evaluation purposes from the Department of Mental Health to the MHSA Oversight and Accountability Commission (OAC) to reflect the needs and responsibilities of the OAC.
- Early and Periodic Screening, Diagnostic and Treatment (EPSDT) Program. Fully funded program as proposed at May Revision.
- Mental Health Managed Care Program. Approved the May Revision as proposed.
- State Hospitals. Reduced State Hospitals by a total of \$20.7 million (General Fund) across the two-fiscal years to account for an over-estimate due of patient population. This is a Legislative Analyst's Office recommendation.
- Napa State Hospital. Deleted \$10.8 million (General Fund) from a reappropriation for satellite kitchen project.
- Sex Offender Commitment Program. Adopted Governor's proposal to reduce by \$10.3 million (General Fund) for this program since 70 percent of evaluations are now re-referrals and cost less to evaluate.

HUMAN SERVICES

0530 Office of Systems Integration (OSI)

Among other actions to adjust the budgets for ongoing projects based on their status, staffing, or cost changes:

- Adopted trailer bill language to eliminate requirements for fingerprinting applicants to the food stamps and CalWORKs programs. Correspondingly, scored savings of any of the \$20.1 million (\$9.5 million GF) in resources that would remain after the Statewide Fingerprint Imaging System (SFIS) is closed down. Other mechanisms already exist for verifying the identities of prospective recipients and preventing duplicate aid fraud. [See Department of Social Services section for related actions regarding the newly proposed use of SFIS for In-Home Supportive Services recipients.]
- Approved a requested increase of \$44.3 million in 2010-11 funding to begin the design, development, and implementation phase of the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System Project. Additionally requested updates from OSI on the progress of negotiations and anticipated costs of this phase of the project.

4140 Office of Statewide Health Planning and Development

Among other actions to approve of Special Fund authority and adjust staffing plans:

- Approved the Governor's January proposal to continue funding the Song-Brown Program, which increases the number of family practice physicians and other health professionals in medically underserved communities, with \$5 million in Health Data and Planning Funds (rather than GF resources).
- Approved the Governor's May Revision proposal to extend the dates for repayment of \$32 million in loans to the GF from the Hospital Building and Health Data and Planning Special Funds.

4170 California Department of Aging (CDA)

Among other actions to approve federal funds authority and make technical adjustments:

- Approved the Governor's proposal for \$680,000 GF for the Long-Term Care Ombudsman program. The resources would be transferred from the Department of Public Health to CDA to

cover a shortfall of this amount in the funding previously anticipated to be available from the Federal Citation Penalty Account for the program.

4200 Department of Alcohol and Drug Programs

- Rejected the Governor's May Revision proposal to eliminate Drug Medi-Cal services for approximately 171,000 individuals (or 79 percent of individuals who would otherwise receive them) and requested additional information regarding possible options for containing the program's costs from the Legislative Analyst's Office (LAO).
- Rejected the Governor's January proposal to eliminate all GF support (\$18 million) for the Offender Treatment Program (OTP). Consistent with the laws established by Proposition 36 (the Substance Abuse and Crime Prevention Act) of 2000, OTP provides drug treatment services, rather than incarceration, to certain offenders who have used or possessed drugs.
- Rejected the Governor's January proposal to continue a reduction of \$663,000 GF to the Women and Children's Residential Treatment Services (WCRTS) program for perinatal (before and after childbirth) drug treatment services. Further, amended budget bill language to no longer identify a specific number of providers, making it clear that the \$5.8 million GF set aside for the program is the total statewide funding. (The \$663,000 GF reduction was originally made in 2009-10 after one of the nine programs specifically identified in budget bill language closed.)

5175 Department of Child Support Services

In addition to the approvals of federal funds authority and other budget adjustments:

- Approved the Governor's January proposal to continue an augmentation of \$18.7 million (\$6.4 million GF) that was originally enacted in 2009-10. This "revenue stabilization funding" was intended to support local child support agencies' maintenance of caseworker staffing levels and to stabilize child support collections (including collections that offset GF costs of public assistance benefits provided to custodial parents).
- Approved plans to transition hosting for the Child Support Enforcement (CSE) component of the California Child Support Automation System (CCSAS) from vendor to in-house services provided by the state. Correspondingly, approved the use of \$14.1 million (\$4.8 million GF) in one-time reappropriation funding for costs associated with this transition, but removed authority for use of remaining reappropriation funds from specified prior years (for GF savings of \$1.8 million). Additionally, approved an increase of \$8.2 million (\$2.7 million GF) in baseline funding for the CCSAS system.

5180 Department of Social Services

Among other adjustments and votes, took the following actions in each major program:

CalWORKs

- Rejected the Governor's January proposal to trigger the elimination of the CalWORKs program if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds. Subsequently, rejected the Governor's May Revision proposal to eliminate the CalWORKs program (not subject to any trigger). The proposal to eliminate CalWORKs would have impacted 580,000 families with more than one million children. The state would have saved approximately \$1.2 billion GF, but foregone more than \$4 billion in federal funds.
- Rejected the Governor's proposal to reduce CalWORKs grants by 15.7 percent. The proposal would have made the maximum monthly CalWORKs and food stamps grant level equivalent to approximately 73 percent of the Federal Poverty Level (FPL) in high-cost, and 71 percent of the FPL in low-cost, counties.
- Rejected the Governor's proposal to eliminate the CalWORKs Recent Noncitizen Entrants Program (RNE). The RNE program provides temporary cash assistance and education, training, and employment services to approximately 22,500 lawful immigrants who have not yet been in the United States for five years.
- Adopted trailer bill language to ensure that the state can fully benefit from any extensions of ARRA's Temporary Assistance to Needy Families (TANF) Emergency Contingency Fund (ECF) and from all of the allowable uses of federal ECF funding for subsidized employment (including its use for needy youth between the ages of 18 and 24 years of age).

Note: See child care section of this report for additional CalWORKs-related outcomes.

Food Programs

- Approved the use of \$8.4 million in federal ARRA stimulus funding for food stamp modernization projects (e.g. expansion of online application options) and the use of \$30.0 million in federal Defense Appropriations Act funding to offset the increasing costs of administration due to the program's rapidly rising caseload (resulting in \$10.5 million GF savings).
- Rejected the Governor's proposal to eliminate the California Food Assistance Program, which provides nutritional benefits to approximately 32,900 low-income, lawful immigrants who are over 18 and under 65 years of age.
- Adopted trailer bill language to allow counties, during 2010-11 and 2011-12, to draw down a portion of increasing food stamps administration funding without a county match above and beyond an existing Maintenance of Effort requirement.

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

- Rejected the Governor's proposal to reduce SSI/SSP grants for individuals who are aged or blind or who have disabilities. The proposed SSP portion of the grants would have been set at the federally required minimum level. As a result, maximum grants for approximately one million individuals would have been reduced from \$845 to \$830 monthly (or from roughly 94 percent to 92 percent of the Federal Poverty Level).
- Adopted Budget bill language requiring the Administration to report back regarding the federal government's response to the state's request to reverse the food stamps "cash-out" (and thus make individuals who receive SSI/SSP benefits eligible for food stamps) for only those individuals who would receive a net benefit from such a policy change.
- Rejected the Governor's proposal to eliminate the Cash Assistance Program for Immigrants (CAPI), which provides the equivalent of SSI/SSP benefits (minus \$10 per individual and \$20 per couple) to approximately 9,000 low-income, lawful immigrants who are aged or blind or who have disabilities.

In-Home Supportive Services (IHSS) Program

- Rejected the Governor's January proposal to trigger the elimination of the IHSS program if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds. Further, made technical adjustments necessary to accept the Administration's rescission at the May Revision of its January proposals to eliminate services for approximately 87 percent of IHSS recipients and to reduce the state's participation in providers' wages to the minimum wage of \$8.00 per hour plus \$.60 per hour for benefits.
- Rejected the Governor's May Revision proposal to assume \$637.1 million General Fund (GF) savings in the IHSS program in 2010-11. Instead, adopted budget bill language to establish a savings target of at least 10 percent of the total GF that would otherwise be budgeted for the program (approximately \$1.4 billion), with more specific proposals to be developed by the Administration in collaboration with stakeholders and presented to the Legislature for its consideration.
- Adopted trailer bill language to repeal the statutory requirement, enacted in 2009-10, to fingerprint IHSS recipients and to require fingerprints on provider timesheets. Correspondingly, rejected the Governor's January proposal to increase the Office of Systems Integration spending and position authority to expand the Statewide Fingerprint Imaging System project to include this information. Further, directed the Administration to refrain from obligating any unspent funds remaining from the 2009-10 appropriation of \$8.2 million (\$4.4 million GF) in the DSS budget that were tied to requirements for fingerprinting IHSS recipients.
- Rejected the Administration's January proposal for six new anti-fraud/program integrity positions at DSS. These proposed positions would have been in addition to 42 new, related

state positions authorized in the 2009-10 budget (12 at DSS and 30 at the Department of Health Care Services over the 2009-10 and 2010-11 budget years).

- Rejected the Administration's proposal for \$26.4 million (\$10.0 million GF) in 2010-11 funding for additional fraud prevention, detection, referral, and investigation efforts at the local level. In 2009-10, the Legislature authorized a similar amount of funding, on a one-time basis, for local District Attorney and County Welfare Department efforts.
- Approved \$150,000 (approximately half GF) of the Governor's January request for \$500,000 (\$264,000 GF) for contractor assistance in DSS's preparation of a report regarding prevention and early detection of fraud, as well as referrals of suspected fraud and final convictions of fraud.

Children and Family Services Programs

- Restored \$133 million (\$80.0 million GF) for child welfare services that the Governor vetoed upon signing the 2009-10 budget. Preliminary data from the counties regarding the impacts of the 2009-10 reduction had indicated the loss statewide of more than 500 front-line social workers who investigate emergency reports, help families stay together or be reunited, and work to find permanent homes for foster children. Preliminary information also indicated less timely investigations of abuse and neglect and more frequent placement moves for foster children.
- Rejected the Governor's January proposal to trigger the elimination of the Transitional Housing Program Plus for former foster youth, which currently provides housing and supportive services to approximately 1,400 youth and 170 of their children, if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds.
- Approved an increase of \$268.5 million (\$93.9 million GF) resulting from recent court orders regarding group home rates. Additionally, adopted trailer bill language to establish a working group to revise the current system for setting group home reimbursement rates (within the context of other necessary changes to the system of foster care placements and services), and to enact a one-year moratorium on applications for new group homes or other specified changes in existing group home programs. Related to these activities, approved a three-year, limited-term position at DSS, along with \$250,000 (\$125,000 GF) for consulting and contracts, including contracts with county experts.
- Rejected the Administration's request for \$1.4 million (\$918,000 GF) in new funding for probation officers' access to the Child Welfare Services/Case Management automation system.

Community Care Licensing

- Rejected the Administration's proposal to completely overhaul statutorily-based licensing inspection requirements and to raise provider fees (for an estimated total of \$1.4 million GF savings). Directed the Department to continue working with stakeholders on a future related policy and/or budget proposal that would, similar to this proposal, result in more frequent licensing inspections.

Other

- Rejected proposed trailer bill language to make significant policy changes to the state hearings process, and instead funded three new Administrative Law Judges to alleviate workload-related demands [at a cost of approximately \$450,000 (\$215,500 GF)].
- Rejected (through conformity with other actions) the Governor's proposal to redirect county savings from other proposed reductions to fund an increased county share of costs for Foster Care, Foster Care Administration, and the Adoption Assistance Program.

STATE ADMINISTRATION

0502 OFFICE OF THE CHIEF INFORMATION OFFICER

- Approved requests to implement the final phase of the consolidation of information technology related activities and personnel under the OCIO pursuant to the 2009 Governor's Reorganization Plan No. 1 (GRP 1). The final phase represents an increase of 394 positions for the OCIO to reflect the transfer of employees in the Public Safety Communications Division from the Department of General Services.
- Approved statewide information technology savings of \$40 million attributable to the continued implementation of GRP 1.

0509 GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

- Denied Governor's request to provide reimbursement support for the Governor's Office of Economic Development and instead deferred to the policy process where several relevant bills are pending.

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

- Approved as budgeted.

VAR AMERICAN RECOVERY AND REINVESTMENT ACT OVERSIGHT ENTITIES

- Approved \$7.2 million in Central Services Cost Recovery Fund to support oversight of the expenditure of federal ARRA funds by the Governor-created California Recovery Task Force and ARRA Inspector General; the State Controller's Office; and the Bureau of State Audits. This action will keep ARRA oversight expenditures in line with the policy established by the Joint Legislative Budget Committee to spend no more than \$7 million per year to allow all, or nearly all, of the oversight costs to be supported by federal funds. Additionally, this action provided flat year-to-year funding of \$800,000 for the ARRA Inspector General and denied any statutory action to permanently establish that office.
- Established an ARRA Oversight Reserve of approximately \$300,000 (federal funds) for other ARRA oversight and reporting activities in 2010-11 and beyond, to the extent permitted by the federal government.

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Approved funding of \$901,000 (federal reimbursements) to fund the existing non-profit regional Financial Development Corporations to implement the \$35 million loan program for energy efficiency and green technologies that is part of the federal American Recovery and Reinvestment Act.

0650 OFFICE OF PLANNING AND RESEARCH

- Denied the requests to eliminate the Office of Planning and Research and create the California Agency on Service and Volunteering. Additionally, eliminated a total of 30.9 positions from OPR for savings of \$544,000 GF. This action reduces the overall number of positions in OPR but maintains the positions and resources necessary for the following core functions of OPR: (1) CEQA Clearinghouse; (2) Environmental Planning and Coordination; and (3) California Volunteers Program.

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

- Approved \$20.4 million (\$19.1 million GF and \$1.3 million federal funds) to backfill domestic violence shelter funding eliminated by a Governor's veto in the current year budget.

0840 STATE CONTROLLER

- Approved \$30.7 million GF and \$35.4 million (other funds) to continue implementation of the 21st Century Project, which would replace the existing statewide employment history, payroll, leave balance accounting, and position control legacy systems. The 21st Century Project began in May 2004 and is currently projected to end in June 2014; the current estimated total cost of the project is \$282.8 million.

0845 DEPARTMENT OF INSURANCE

- Restored the Governor's 2009 veto of local assistance funds for local District Attorneys to combat automobile fraud. These are revenues collected by the Department of Insurance, consisting of a \$1.50 charge on each automobile insurance policy sold in California, and are required by statute to be spent by local District Attorneys' to fight automobile insurance fraud. The restorations included \$4.373 million for the General Auto Fraud Program and \$2.187 million for the Urban Grant Program.

0860 STATE BOARD OF EQUALIZATION

- Approved various "tax-gap" proposals that will result in a net revenue gain of \$42 million to the General Fund. Included in these proposals are the following:
 - Agricultural Inspection Station Tax Leads. Approved an augmentation of \$6.7 million (\$4.4 million GF) to help close the tax gap by identifying property entering California through its agricultural inspection stations that owes sales and use tax. This proposal is expected to result in \$23 million in additional GF revenues in the budget year.

- Use Tax Collection – Voluntary Disclosure Program. Approved TBL to extend the line item on the income tax form for taxpayers to self report use tax that was not paid on items purchased from out-of-state retailers. This proposal will result in the maintenance of \$9.2 million in GF revenues in the budget year, since the statute that established the line item sunset with the 2009 tax year.
- Sales Tax Collection – Out-of-State Internet Retailers. Approved TBL to require out-of-state Internet retailers that make sales to California residents to disclose certain information about these sales to the BOE. This proposal will result in \$10 million in additional GF revenues in the budget year.
- Approved TBL to authorize BOE to implement a new cost recovery fee and to use involuntary collection methods such as liens and wage garnishments to obtain payment. This proposal will generate approximately \$4 million in the budget year.

0890 SECRETARY OF STATE

- Approved a one-time increase of \$68.2 million local assistance to reimburse counties for costs incurred for the May 19, 2009, Statewide Special Election.
- Approved \$10 million loan from the Victims of Fraud Compensation Fund to the General Fund for GF relief.
- Approved \$4.2 million (federal funds) to continue implementation of state mandates related to the Help America Vote Act (HAVA), including assistance for individuals with disabilities, voting systems testing/certification, voter education, performance measures, and administration. Additionally, and consistent with the HAVA plan, approved \$23 million (federal funds) to continue implementation of VoteCal, which is the HAVA-required centralized, interactive computerized voter registration database.
- See Item 0911, Citizens Redistricting Initiative, regarding supplemental report language impacting the Secretary of State.

0911 CITIZENS REDISTRICTING INITIATIVE

- Denied a \$3 million GF augmentation for the Citizens Redistricting Initiative due to the fact that \$2.5 million GF of the 2009-10 allocation remains unspent. Additionally, approved budget provisional language to provide an expedited request process should the Citizens Redistricting Commission demonstrate it requires funding greater than \$2.5 million for its costs from January 1, 2011, to June 30, 2011.
- Additionally, approved supplemental report language requiring the Secretary of State to submit a report by September 15, 2010, detailing its plan to provide transitional support to the Commission per the requirements of Proposition 11.

0950 STATE TREASURER'S OFFICE

- Approved a six new positions (funded through a special fund loan) to implement SB 71 (Chapter 10, Statutes of 2010), which expands the scope of eligible alternative energy projects that may apply for and receive financial assistance from California Alternative Energy and Advanced Transportation Financing Authority.
- Approved loan deferrals and new loans from various special funds to provide GF relief of \$54 million in 2010-11.

1100 CALIFORNIA SCIENCE CENTER

- Rejected the Governor's proposal for a \$12 million General Fund reduction to the Science Center and trailer bill language to begin admissions fee collections.
- Approved a \$1 million unallocated reduction.
- Approved budget bill language:
 - Encouraging the Science Center to raise revenue from sources other than admissions fees; and
 - Ordering a report on the Science Centers short- and long-term strategies for finance and governance.

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

- Partially approved the Consumer Protection Enforcement Initiative (CPEI) proposal by providing 70 PY instead of 138 PY. Approved modified budget bill language allowing the Department of Finance to augment the amount of money the healing arts boards' can spend to contract with the Attorney General. Rejected the Governor's trailer bill language.
- Approved the BreZE licensing project which would allow all the healing arts boards to have a single licensing database, and would allow consumers to pay for licenses and update information on-line. Approved trailer bill language requiring JLBC approval of the final contract before the payments to the vendor can commence. Also, approved trailer bill language requiring an examination of the need for staff once the BreZE system is complete (current system is paper-based and very staff-intensive).
- Approved a \$10 million loan from the Accountancy Fund to the General Fund.

1730 FRANCHISE TAX BOARD

- Approved various "tax-gap" proposals that will result in a net revenue gain of \$15 million GF in the current year and \$45 million GF in the budget year. Included in these proposals are the following:
 - Financial Institution Records Match (FIRM). Approved TBL to authorize FTB to implement a new information technology project that would require financial institutions doing business in California to match FTB information on delinquent tax and non-tax debtors against their customer records. This proposal is estimated to generate approximately \$32 million GF in the budget year.

- Abusive Tax Shelters. Approved TBL to provide single, consistent definitions for abusive tax shelters. This proposal is expected to cost \$5.7 million in the budget year, but will generate additional GF revenues in the out-years.
- Professional License Suspension. Approved TBL to allow for the suspension of professional licenses of persons owing taxes to the State. Licenses would be suspended only after all due processes are exhausted and the taxpayer still does not agree to a payment plan for taxes owed to the State. This proposal is estimated to generate \$19 million in the budget year.

1760 DEPARTMENT OF GENERAL SERVICES

- Denied the transfer from DGS' budget to the Legislature's budget permanent responsibility for Capitol building repairs and maintenance. Sustained the \$5.4 million GF reduction to DGS' budget in 2010-11 due to the fact there is \$9.3 million remaining from prior year appropriations for Capitol repairs. Additionally, and due to this remaining balance, approved the reversion of \$2 million GF for additional GF savings in 2010-11.
- Approved revised budget provisional language to bring the Division of the State Architect "on budget" but with narrowed flexibility, require a performance audit, and prohibit the Division from hiring further staff to monitor plan review workload and develop performance metrics for plan review workload until the audit is done. Additionally, approved Supplemental Report Language to establish interim minimum monthly updates to the Legislature, LAO, and Department of Finance for DSA data until such time that the audit is complete and recommendations are implemented.
- Denied two requests totaling \$343,000 (bond funds) and three redirected positions for the Office of Public School Construction for school construction workload. The Subcommittee found that, given diminishing overall workload due to rapidly diminishing school construction bond funds, the requests should instead be accommodated within existing resources and position authority.

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved 15 percent increase in the general liquor license fee, and approved trailer bill language to adjust the fee based on the Consumer Price Index. This fee was last adjusted in 1995. Estimated to generate \$394,000 in revenues in 2010-11.
- Approved \$15 increase in the alcoholic beverage catering and event fees. The catering fee had not been adjusted since created in 1979. Estimated to generate \$128,000 in revenues in 2010-11.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Approved \$1 million from special funds for two permanent and 7.5 temporary positions to address the economic deterioration due to the deep recession.
- Approved \$1 million from special funds to make 8.6 temporary positions permanent for the purposes of oversight of money transmitters.

2180 DEPARTMENT OF CORPORATIONS

- Approved \$1,285,000 in special funds and eight permanent positions to address the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE), which requires the licensing of individual mortgage loan originators.
- Approved \$324,000 in special funds and two positions to provide information technology support.
- Approved a \$20 million transfer from the State Corporations Fund to the General Fund.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Approved the following Proposition 1C, Housing and Emergency Shelter Trust Fund Act of 2006, related requests:
 - \$20 million for the Housing Related Parks Program;
 - \$5 million for the Building Equity and Growth in Neighborhoods (BEGIN) Program;
 - An extension of budget authority and liquidation period authorized for the Affordable Housing Innovation Programs;
 - \$1 million for continued monitoring of Prop 1C Programs;
 - Reappropriation of up to \$40 million of any unencumbered balance in local assistance funding authorized in the 2009 Budget Act, plus an additional year for the liquidation period (to June 30, 2015), in the BEGIN Program;
 - Extended liquidation periods for allocations made under the Infill Incentive Grant Program (IIG) and Transit-Oriented Development Programs; and,
 - Appropriated \$9.275 million in remaining IIG Program funds and authorized HCD to allocate the funding to the three IIG projects that did not receive full funding in Round 1.
- Approved LAO recommendation to increase Enterprise Program Voucher Application Fees by \$5 per application to fully cover the program's administrative costs, thereby saving \$510,000 GF. As part of this action, approved trailer bill language to increase the fees and provided a start-up GF loan that will be paid back within three years and by which time the program will be entirely fee supported. Enterprise Zone companies are eligible for tax credits and benefits including \$37,440 or more in state tax credits over a five-year period for each qualified employee hired.

2320 DEPARTMENT OF REAL ESTATE

- Approved \$2.8 million (Real Estate Fund) and 27 positions to implement the federally mandated Secure and Fair Enforcement Licensing Act of 2008 which requires states to implement a new licensing program for mortgage loan originators.

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved two positions from existing special funds for the Office of Patient Advocate's website development.

- Approved 3.6 permanent positions from existing special funds for the Help Center's call center coverage.
- Approved making two limited-term positions permanent, costing \$199,000 from special funds. The positions would process licensing applications.
- Rejected \$910,000 from special funds and nine positions to process consumer complaints against health insurance providers for not covering the developmental disability services provided by the Regional Centers.

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted.

8500 BOARD OF CHIROPRACTIC EXAMINERS

- Approved as budgeted.

8780 MILTON MARKS "LITTLE HOOVER" COMMISSION

- Approved as budgeted.

8820 COMMISSION ON THE STATUS OF WOMEN

- Approved as budgeted.

8850 PUBLIC WORKS BOARD

- Approved trailer bill language to enact technical, clarifying, and streamlining statutory changes related to the State Public Works Board (PWB) oversight of capital outlay projects. Pending policy committee input, withheld action on additional trailer bill language to address the PWB's need to provide interim project financing for lease-revenue financed capital outlay projects. The proposed solution is asset transfers, which is an existing practice currently restricted to higher education and used only in very limited situations.

8860 DEPARTMENT OF FINANCE

- Approved as budgeted.

8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

- Approved \$42.6 million for continuing the Financial Information System for California (FI\$Cal) project, a "Next Generation" Enterprise Resource Planning (ERP) System. Funding includes an increase of \$4.2 million (FI\$Cal Internal Services Fund) in order to accelerate Stage One of the procurement process by

two months (from nine months to seven months) and pay vendors (\$1.4 million apiece) for Fit-Gap analysis deliverables in the 2010-11 Fiscal Year (rather than in 2011-12).

- Approved, as placeholder, the Governor’s proposed trailer bill language to: (1) re-enact FI\$Cal authorization and financing provisions as separate legislation to address the single-subject-rule issue raised by the Attorney General’s office and preserve the potential for bond financing in the future; (2) amend the FI\$Cal statute provisions (e.g., project objectives) to make them consistent with the latest Special Project Report (SPR 3); (3) delete the “hard pause” (associated with the previous SPR 2 approach) for legislative review of the project; and (4) clarify that some departments with existing ERPs will need to interface with the system. Additionally, adopted: (1) an enhanced period of legislative review (90 days) prior to award of the prime vendor contract (which is now estimated to occur in September 2011); and (2) language directing the project to pursue, in addition to the current plan to develop a fully functioning system, a scaled-back plan with less functionality that would provide the Legislature with a lower-cost option from which to choose (if either cost or risk prove too prohibitive to the “full-scale” project plan).

8885 COMMISSION ON STATE MANDATES

- Approved the suspension of most local mandates – similar to the 2009 Budget Act – to save about \$129 million GF.
- Adopted trailer bill language to establish a mandate re-determination process to guide the Commission on State Mandates in the case of new propositions, new federal laws, or new court decisions, which could result in a new mandate decision.

8910 OFFICE OF ADMINISTRATIVE LAW

- Denied the proposed shift to a fee-for-service model due to concerns that the proposal could create a financial disincentive resulting in delays in the regulation adoption process and an increase in underground regulations.

8940 MILITARY DEPARTMENT

- Approved \$49.1 million (bond and special funds) to fund the state’s share of a project to provide the Military Department with a 125,000 square foot Consolidated Headquarters Complex and a 22,600 square foot storage facility on 30 acres of land at Mather Field in eastern Sacramento County.

9100 TAX RELIEF

- Approved funding of \$442 million for the Homeowners’ Property Tax Relief program, which is constitutionally required. Approved the Governor’s budget suspension of funding for other tax relief programs including Senior Citizens’ Property Tax Assistance, Senior Citizen Renters’ Tax Assistance, and Subventions for Open Space / Williamson Act.

9350 SHARED REVENUES

- Approved the elimination of the Trailer Vehicle License Fees (VLF) backfill to save the GF \$11.9 million. This funding otherwise flows to the Local Revenue Fund to support county-provided healthcare.

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

- Approved May Revision Finance Letter to reflect 2010-11 GF debt service costs of \$4.8 billion, which is \$197 million less than the amount in the January Governor's Budget.

9620 CASH MANAGEMENT AND BUDGETARY LOANS

- Approved May Revision Finance Letter to reflect 2010-11 GF cash flow borrowing costs of \$350 million, which is \$190 million less than the amount in the January Governor's Budget.

CORRECTIONS AND REHABILITATION

5225 Department of Corrections and Rehabilitation

Corrections Reform Highlights

- Rejected the Governor's proposal to change certain felonies that are eligible for incarceration in prison to an alternative felony term subject to no more than 366 days in local jail.
- Approved the Governor's proposal to require that non-serious and non-violent felons sentenced to three years or less of incarceration serve that time in county jail rather than prison and that a share of the state prison savings generated be provided to counties. Also, limited the eligibility for this to only drug and property crimes and specifically excluded any crimes against persons. Senate also added trailer bill language to create a Board of Community Corrections to provide statewide leadership and coordination of state and local corrections.
- Modified Governor's GF augmentation of \$572 million related to the estimated impact of already enacted reforms designed to target parole resources on the most serious and violent parolees, enhance incentives for inmates to complete rehabilitation programs, and provide community-based sanctions for parole violators, among other changes. Senate action reduced these costs by \$50 million to account for further implementation needed by the administration.
- Approved with technical modifications the Governor's proposal to create a reentry court pilot project in San Diego County for purposes of better managing and providing substance abuse services to selected parolees who commit new crimes. Saves \$649,000 GF.

Adult Population Highlights

- Modified Governor's proposed augmentations of \$17 million related to adult caseload changes and housing. Senate reduced this amount by \$12 million related to (1) the rejection of the Governor's proposals to expand the usage of out-of-state beds, and (2) technical reductions related to the costs to operate the Stark facility for adult inmates for part of the year.

Juvenile Justice Highlights

- Approved Governor's May Revision proposal to realign responsibility for supervising DJJ parolees to county probation departments and providing a share of the resulting state savings with counties to serve this population.
- Approved elimination of time-adds – additional commitment time that can be given by DJJ staff to wards based on disciplinary problems.

- Increased Governor's estimate of savings resulting from DJJ's declining caseload from \$44 million to \$53 million in BY on a technical basis.

Health Care Highlights

- Approved \$811 million in reductions to the budget for inmate medical care. Further, approved package of four bills proposed by the Receiver to reduce operational costs.
- Approved Receiver's requests for additional funding to implement his Turnaround Plan of Action, but reduced his funding request by \$25 million related to the implementation of various IT projects.
- Approved Governor's request to approve additional mental health positions, but did not approve associated funding, resulting in savings of \$10 million relative to the Governor's budget.

Local Assistance Highlights

- Approved \$81 million for reimbursement to counties for back payments owed for housing parole violators in local jails.

Other Highlights

- Rejected Governor's request to continuously appropriate \$503 million from the GF for local public safety programs beginning in 2011-12.
- Approved package of proposals designed to increase budget transparency and accountability in corrections, including requirements that the Budget Act provide more program detail and that the department provide an annual report to the Legislature regarding its performance and outcomes.

Infrastructure Highlights

- Approved the use of the GF appropriation provided in AB 900 to offset new GF capital outlay project costs proposed by the Governor. Senate action saves \$23 million GF compared to the proposed budget.
- Approved use of design-build authority in the construction of jails and local juvenile rehabilitation facilities authorized by AB 900 and SB 81, respectively.
- Approved an increase of \$300 million in lease-revenue to be used for construction of local juvenile rehabilitation facilities and jails.

0552 Office of the Inspector General

- Approved as budgeted.

JUDICIARY

0250 Judicial Branch

- Approved a package of changes designed to provide courts with sufficient funding to avoid mandated court closures. The package includes the following:
 - One-time transfer of funds from court construction balances (\$98 million),
 - One-time transfer of funds from court special fund balances (\$32 million),
 - \$10 court security fee increase with a 2013 sunset (\$40 million),
 - \$250 summary judgment fee increase (\$6 million),
 - \$20 telephonic fee increase (\$5 million),
 - \$40 per citation fee on existing automated traffic enforcement applied to the vendor (\$28 million),
 - First paper filing fee increases (\$40 million),
 - \$250 pro hac vice increase (\$1 million),
 - \$3 parking fee surcharge (\$11 million),
 - \$25 million General Fund reduction.
- Rejected Governor's proposal to authorize local jurisdictions to implement automated speed enforcement cameras and use the revenues to backfill GF funding for the courts.
- Approved Governor's proposal to delay funding for the implementation of the Conservatorship and Guardianship Act of 2006, resulting in GF savings of \$17.4 million.
- Approved all budget requests to provide funding for courthouse construction projects. These actions provided funding for projects needing approval of the next phase of design and construction to begin in the budget year. Specifically, this included courthouse projects in the following counties: Madera, San Bernardino, San Joaquin, Riverside, Tulare, San Benito, Calaveras, Solano, and Alameda.
- Rejected Governor's proposal to implement electronic court reporting statewide.
- Approved package of trailer bill language designed to improve the effectiveness of court and county processes for collecting court-ordered debt. The package includes proposals to allow the state to collect from cash payments for unclaimed property to offset court ordered debt, requirements that courts and counties meet specified criteria to have comprehensive court

collections programs, allow more court flexibility to allow lower initial payments on installment plans for court-ordered debt, discharge courts and counties from the responsibility to collect debt if the amount is too small to justify the expense of collection (this does not change the liability of people to pay their debt), and provide a one-time amnesty program for existing debtors.

- Approved changes to the budget bill designed to provide increased transparency over the courts budget. This includes adding a requirement that the Judicial Branch notify the Legislature before shifting funds between different budget programs, consistent with requirements for other state departments. It also included a requirement that the Governor's budget provide more detail on expenditures in the Trial Court Trust Fund, including, for example, the amounts spent on information technology projects and court security.

0280 Commission on Judicial Performance

- Approved as budgeted.

0390 Contributions to the Judges' Retirement System

- Approved as budgeted.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0820 Department of Justice

- Rejected Governor's proposal to shift GF departments to a system where they are billed for legal services provided by DOJ. Currently, DOJ provides these services to GF client departments utilizing a direct GF appropriation. Senate action saves \$5 million GF relative to the Governor's May Revision.
- Approved Governor's proposal to increase from \$1 to \$3 the state fee applied to every \$10 of base fine, penalty, or forfeiture collected by the courts for criminal offenses for deposit into the DNA Identification Fund. The increase in revenues will offset state GF costs for operating forensic laboratories. Senate action saves \$13.7 million GF in 2009-10 and \$41 million GF in 2010-11.
- Approved Governor's proposal to augment by one position DOJ's program for investigating gun shows, as well as shift the cost of the program from GF to the Dealers' Record of Sale Account. Senate action saves \$616,000.

0855 Gambling Control Commission

- Approved Governor's request for \$37,000 from the Gambling Control Fund to address new workload issues arising from recent statutory changes requiring the department including the development of new licensing regulations.

1690 Alfred E. Alquist Seismic Safety Commission

- Approved as budgeted.

1870 California Victim Compensation and Government Claims Board

- Approved as budgeted.

8120 Commission on Peace Officer Standards and Training

- Approved as budgeted.

8140 State Public Defender

- Approved as budgeted.

8550 California Horse Racing Board

- Approved two additional audit positions and \$148,000 from the Horse Racing Fund to address new workload requirements created by recent statutory changes.

VETERANS AFFAIRS

8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved resources for the Veterans Homes of California as follows:
 - *Greater Los Angeles Ventura County*, approved 101.3 positions and \$7.5 million GF in 2010-11, and 102 positions and \$12.4 million in 2011-12, to continue construction, activate business, and begin admitting veterans. The Senate action reflects a reduction of \$798,000 GF and one position, representing an increase in the salary savings rate from five to 20 percent in order to more accurately reflect the rate at which new positions will be filled. The eliminated position is for one exempt Information Officer III position at CDVA headquarters in Sacramento.
 - *Redding*, approved 9.3 positions and \$908,000 GF in 2010-11, and 19 positions and \$2.02 million GF in 2011-12, related to Construction Completion and Pre-Activation Phase II for the VHC-Redding Home. This home is scheduled to open in February 2012.
 - *Fresno*, approved 8.5 positions and \$908,000 GF in 2010-11, and 16 positions and \$2.0 million in 2011-12, related to Construction Completion and Pre-Activation Phase II for the VHC-Fresno Home. This home is scheduled to open in April 2012.
 - For both the *Redding and Fresno Veterans Homes*, the Senate action reflects a reduction of \$92,000 GF each representing denied authority to purchase motor vehicles in 2010-11. The Subcommittee found that CDVA did not have an exemption from the Governor's Executive Order which prohibits the purchase of new vehicles. The Subcommittee indicated a willingness to reconsider the requests once CDVA secured an exemption from the Executive Order.
 - Approved budget re-appropriations totaling \$6.7 million GF for the Enterprise Wide Veterans Home Information System project to acquire an integrated solution to support the long-term clinical care, financial, and administrative operations of the *California Veterans Homes*.
 - Approved budget re-appropriations of \$2.4 million to purchase and install a new addressable fire alarm system in seven veteran-occupied buildings at the *Yountville Veterans Home*. This project will also provide a central computer system with sufficient capacity to relay the detail provided by the new fire alarm system. The project is 60 percent federally-funded.
- Withheld action on the Governor's May Revision request to implement and sustain Operation Welcome Home as follows: (1) an ongoing augmentation of \$8.4 million GF to supplement existing subvention funding (local assistance) to county veteran service offices (CVSOs); and (2) a one-time Veterans Service Office Fund augmentation of \$768,000 in 2010-11 to be spent over three years to implement the Subvention Administrative Information System (SAIS), a common veteran case management application

in CVSOs. The Assembly took a different action so this request will be discussed further in conference committee.

- Approved authorization to provide a bridge loan of up to \$300,000 GF to the Pathway Home Program, which currently operates at the Yountville Veterans Home and is privately funded, once the Program has secured federal or private financing and needs bridge financing in order to address cash flow issues. The Assembly took a different action so this item will be discussed further in conference committee.

REVENUES

SUSPEND/REFORM CORPORATE TAX CUTS

- Approved TBL to suspend Net Operating Losses (NOLs) for two additional years. NOLs are being suspended in 2008 and 2009. Under the Senate's proposal, corporations would be allowed to use NOLs to offset tax liability starting in 2012 and would be allowed to carry these losses forward for 20 years. Previously, corporations could only carry forward NOLs for ten years. The Senate version of the budget also proposes to eliminate carrybacks, which allow corporations to apply NOLs to tax liabilities in prior years. This proposal will result in \$1.5 billion in additional GF tax revenues in the budget year and \$500 million in additional revenues in 2011-12.
- Approved TBL to delay for two years law changes enacted as part of the 2009 budget package that created an elective single sales factor for apportionment of business income to California. This tax policy change was to start in the 2011 tax year, but the Senate's action would delay the apportionment changes until the 2013 tax year. Furthermore, the Senate's version would change the apportionment to make the elective single sales factor mandatory, thereby removing the corporation's ability to elect which apportionment they can use. Delaying this tax cut will provide \$235 million in additional GF revenues in the budget year and \$800 million in additional revenues in 2011-12.
- Approved TBL to delay for two years law changes enacted as part of the 2009 budget package that will allow corporations to accumulate business tax credits and assign all or a portion of any unused credit to an affiliated corporation that is a member of the same combined reporting group. This proposal will result in \$315 million in additional GF revenues in the budget year and \$260 million in additional revenues in 2011-12.

EXTEND TARGETED INCOME TAX PROVISIONS

- Approved TBL extending by two years the personal income tax 0.25 percent surcharge that was enacted as part of the 2009 budget package and made effective with the 2009 tax year. This surcharge was due to sunset with the 2010 tax year, but the Senate's actions would extend the surcharge for two additional years. This proposal would generate \$900 million in additional revenues in the budget year and \$2 billion in additional revenues in 2011-12.
- Approved TBL extending by two years the reduction in the dependent credit that was enacted as part of the 2009 budget package. Starting with the 2009 tax year the dependent exemption credit was reduced from \$309 to \$99 consistent with the personal exemption credit. This reduction was due to sunset with the 2010 tax year, but the Senate's action would extend this reduction for two additional years. This proposal would generate \$392 million in additional GF revenues in the budget year and \$1.1 billion in 2011-12.

VEHICLE LICENSE FEE

- Approved TBL to extend the 35 basis points (bps) increase in the vehicle license fee (VLF) that was dedicated to the GF in the 2009 budget package for an additional two years. Also approved TBL to extend the 15 bps increase in the VLF that was dedicated to local law enforcement in the 2009 budget package for an additional two years. The 15 bps would continue to be dedicated to local law enforcement expenditures. Also approved a new 35 bps increase in the VLF that would benefit the GF for two years. The total VLF rate would be at 1.5, which is 25 percent below historic VLF rates for the budget year and the two fiscal years succeeding the budget year. This proposal would generate \$670 million in the budget year and \$1.1 billion in 2011-12. The additional increase in the VLF will be used to help fully fund fire protection instead of the insurance tax proposed by the Governor known as the Emergency Response Initiative.

ALCOHOL TAX

- Approved TBL to increase the excise tax on alcohol to reflect inflation. The alcohol tax rates have not been adjusted since 1991. This proposal would generate \$214 million in additional tax revenues in the budget year. These revenues would be used to help fully fund the courts instead of approving the automatic speed enforcement proposal proposed by the Governor.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY (LWDA)

- Approved \$7.208 million (special fund and reimbursements) and 66 positions to permanently establish the Economic and Employment Enforcement Coalition (EEEC), a federal-state multi-agency partnership formed to combat the worst violators of federal and state labor, licensing, and tax laws operating in the underground economy. In addition to LWDA, the other state departments that comprise the EEEC include the Department of Industrial Relations, Employment Development Department, and the Contractors State License Board. The EEEC was initially approved in 2005-06 Budget as three-year limited-term; the 2008-09 Budget continued the EEEC for another two-year limited-term.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved 2010-11 resources for eleven information technology projects intended overall to improve service delivery and increase operational effectiveness and efficiency at the EDD. These projects include the following: (1) Automated Collection Enhancement System; (2) Disability Insurance Automation Project; (3) Call Center Network Platform and Application Upgrade; (4) Continued Claims Redesign; (5) and (6) Single Client Database Modernization (SCDB) and Alternate Base Period (ABP) subprojects (*revised request approved, see next bullet and trailer bill language below*); (7) Electronic Benefit Payments; (8) Identity Management; (9) Continued Claim Certification Web; (10) eApply Modernization; and (11) Unemployment Insurance Forms.
- With regard to the SCDB and ABP subprojects, the approved resources were reduced to reflect adopted trailer bill language (detailed below) which provides a five-month extension of the current statutory deadline for completion of the ABP subproject.
- Accepted the Workforce Investment Act (WIA) adjustments, which reflect an overall decrease in federal funds, but withheld approval and authorization of the Administration's proposed expenditure and distribution of WIA 15 Percent Discretionary Funds due to concerns that the plan does not reflect legislative priorities, particularly with regard to Parolee Services Programs.
- Denied the Governor's Jobs Initiative which consisted of \$500 million in loans from the Disability Insurance Fund to the Employment Training Panel to be paid back by requiring all employers, including those who are currently exempt, to pay the Employment Training Tax.

Trailer Bill Language

1. Approved a five month extension of the current April 3, 2011, statutory deadline for the ABP subproject. The project is five months behind schedule due to federal unemployment insurance benefit extensions that required the temporary redirection of programming resources away from the subproject. The EDD was developing a "de-linking" solution, but the Subcommittee determined the potential risks and costs of this solution were

too high. The statutory deadline was legislatively-created; a five month extension of the deadline will still allow the ABP subproject to be completed well in advance of the federal implementation deadline.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Approved several requests to provide resources to enforce apprenticeship labor code requirements on public works projects and assist labor compliance programs that are newly empowered to enforce apprenticeship laws on public works projects.
- Approved 3.5 positions and \$918,000 (special fund) in 2010-11, and \$624,000 ongoing, to continue critical ongoing maintenance activities necessary to the Electronic Adjudication Management System (EAMS), including ensuring that unauthorized access to personal and confidential information is prevented and that medical care and disability payments are provided in a timely fashion. The Subcommittee was informed that the continuing external user access issues with EAMS will be resolved in a yet-to-be-determined new project.
- Eliminated \$798,000 GF in 2010-11 for a Residential Prevailing Wage Survey in the Central Valley. The survey was authorized in July 2009; however, the survey has yet to commence and current law provides that any bidder can file a petition to review a wage determination rate upon the ground that it has not been determined in accordance with law.

EMPLOYEE COMPENSATION

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Adopted \$200 million GF savings due to the temporary Early Retiree Reinsurance Program (Program), established by federal health care reform. The Program is intended to assist employer-based health plans in providing partial reimbursement for specified high cost coverage for retirees and their families until state health exchanges and federal subsidies for health coverage are implemented.
- Approved a technical reduction, while the Assembly approved as budgeted, to place Item 9650 in conference. The CalPERS Board of Administration will not set health insurance premium rates for retirees until mid-June.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved as budgeted, with the Assembly making a technical reduction, to place Item 9800 in conference. The CalPERS Board of Administration will not set health insurance premium rates for active employees until mid-June.

CS 3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- Approved as budgeted, while the Assembly updated the contribution rate for Judges Retirement System II, thereby placing Control Section 3.60 into conference. The CalPERS Board of Administration has delayed a decision until mid-June on setting contribution rates for other state employee classifications.

CS 3.90 REDUCTION FOR EMPLOYEE COMPENSATION

- Adopted \$677.7 million GF savings in 2010-11 related to employee compensation, including \$579 million attributable to the Governor's Executive Order S-01-10 requiring state departments to cap the size (reduction of 8,915.7 PYs) and cost of the workforce by July 1, 2010 and \$98 million in workload savings related to payment of Other Post Employment Benefits. Of the \$579 million, \$449.6 million is attributable to personnel savings resulting from departmental plans to achieve five percent personnel savings and \$130 million is attributable to corresponding Operating Expenses and Equipment savings.
- Rejected the Governor's January Budget proposals to reduce state employee compensation by five percent and increase state employee retirement contributions by five percent, as well as the proposed health care savings trailer bill language, instead directing the Administration to collectively bargain these proposals.
- Rejected the Governor's May Revision proposal to enact a new Personal Leave Program, consisting of a mandatory eight hours per month leave for all civil service employees, thereby reducing employee pay by 4.62 percent, again directing the Administration to collectively bargain these proposals.

CS 8.26 FEDERAL FUNDS TRIGGER

- Rejected Control Section 8.26 which would have triggered an additional five percent reduction in state employee compensation if the federal government failed to provide \$6.9 billion in funding or flexibility measures after January 1, 2010, and on or before July 15, 2010.