



Final Action Report

A Summary of the 2008 Budget Act

(Chapters 268 and 269, Statutes of 2008)

Including:

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

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

October 3, 2008

FINAL ACTIONS

October 3, 2008

Assembly Bill 1781 (Chapter 268)
Assembly Bill 88 (Chapter 269)
2008-09 Budget Bill

Senate Committee on
Budget and Fiscal Review

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October 3, 2008

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2008-09 budget actions taken by the Budget Conference Committee along with the Governor's vetoes. This report is available on the Senate Budget and Fiscal Review website:

Please follow the links:

- 1 - www.sen.ca.gov
- 2 - Committees
- 3 - Standing
- 4 - Budget and Fiscal Review
- 5 - Information
- 6 - Final Action Report 2008

We hope you will find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee should you have any questions.

Sincerely,

DENISE MORENO DUCHENY
Chair

CONTENTS

Overview of the Budget Act

Introduction.....	Page 1
Highlights by Subject Matter	2
Trailer Bill List	20

Budget Detail by Subcommittee

Index, Departments by Subcommittee and Item Number.....	21
<i>Subcommittee No. 1: Education</i>	1-1
<i>Subcommittee No. 2: Natural Resources, Environmental Protection, Energy & Utilities, and Food & Agriculture</i>	2-1
<i>Subcommittee No. 3: Health, Human Services, Labor and Veterans Affairs</i>	3-1
<i>Subcommittee No. 4: Transportation, State Administration, General Government, Judiciary, Public Safety and Criminal Justice</i>	4-1

Governor’s Vetoes and Signing Messages

INTRODUCTION

On September 15, the Legislature passed AB 1781, the 2008 Budget Act (Chapter 268, Statutes of 2008) and its companion measure, AB 88 (Chapter 269, Statutes of 2008), that modifies various items to the main Budget. In enacting these bills, the Legislature met its constitutional obligation to pass a balanced budget.

Enclosed is the Senate Final Action Report. The report provides a detailed summary of the 2008 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee (via the subcommittee process), the Budget Conference Committee, and final negotiations between leadership of the Legislature and the Administration, along with gubernatorial vetoes (exercised under Article IV, Section 10(e) of the State Constitution).

In total, the budget is based on \$106 billion in available General Fund resources and contains \$103.4 billion in expenditures. The final General Fund reserve is approximately \$1.7 billion (including GF vetoes). In terms of all funds (General Fund, special funds, and select bond funds), the Budget is approximately \$144.5 billion.

The Budget reflects funding prioritization that: (1) protects the most vulnerable populations in the state – sustaining the safety net for the elderly, blind, and disabled; (2) invests in prevention programs with the view of reducing future costs; (3) makes solid commitments to programs serving children and schools; (4) makes appropriate use of available bonds; and (5) rejects unachievable and unacceptable budget year solutions of \$7 billion – such as the administration’s use of lottery securitization revenues as a budget-year solution and unacceptable reductions in education and health and human services.

The Budget, in order to balance, represents a combination of things – program reductions, suspension of increases, and elimination of tax loopholes and revenue accelerations in order to provide sufficient resources to fund existing services (not new services).

The Budget reflects difficult decisions in order to craft the final solution, including not funding various cost-of-living adjustments (COLAs) for the State Supplemental Payments (SSP), CalWORKs programs and K-14 education categorical programs, and limiting the level of COLA (less than 1%) provided for K-12 education revenue

limits and community college apportionments. Unfortunately, the Budget could not backfill for student fee increases at UC and CSU; but did restore Cal Grant financial aid funding and redirects transit funds of about \$1.7 billion in order to provide an equivalent amount of General Fund relief. Finally, the Budget includes reforms that must be ratified by the voters at a statewide election.

This report builds on the Major Action Report (issued June 9, 2008) which detailed the Senate version of the proposed 2008-09 budget. Final actions are recorded by department or agency; subdivided by budget subcommittee. The table of contents will direct you to departments or agencies of interest.

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

HIGHLIGHTS BY SUBJECT MATTER

Some of the highlights of the budget as passed by the Legislature include, but are not limited to, the following (by subject matter area):

K-12 EDUCATION

- Provides a Proposition 98 (K-14 education) funding level of \$58.1 billion. This level of funding is \$300 million above the Governor's August revise and is \$1.3 billion higher than the May Revise. This level of funding fully funds the Proposition 98 minimum guarantee.
- Provides a modest cost-of-living adjustment (COLA) for K-14 revenue limits and community college apportionments – and does not create any new programs.
- Calculates a deficit factor for school districts and county offices of education to reflect the changes to the available level of statutory cost-of-living adjustments in 2008-09, so that in 2009-10 these factors are restored to revenue limit calculations, as if revenue limit losses had not occurred.
- Denies the Governor's budget balancing reductions of more than \$900 million, which decreased funding to nearly all K-14 programs, except K-12 revenue limits and special education.

- Defers a statutory appropriation of \$150 million in 2008-09 for purposes of providing payment of prior year Proposition 98 “settle-up”.
- Captures \$121 million in savings for various K-12 programs, which reflect workload and other technical adjustments.
- Continues the deferral of annual mandate payments for K-12 education in 2008-09, estimated to cost \$180 million annually.
- Appropriates \$12.5 million of Special Fund dollars to expand high school Partnership Academies to focus on “green technologies”.
- Provides statutory authority to allocate \$112.7 million in federal funds by establishing a one-year, non-renewable grant for approximately 150 K-12 local education agencies facing corrective action under the federal No Child Left Behind Act.
- Eliminates the STAR norm-referenced test currently administered to students in grades 3 and 7 for a savings of \$2.5 million.

CHILD DEVELOPMENT

- Provides full funding of Stage 2 and Stage 3 CalWORKs child care.
- Restores Governor’s proposed across-the-board reductions to various child care programs.
- Approves Governor’s proposal to freeze state median income (SMI), the income level under which families are eligible to receive subsidized child care services.
- Adjusts child care provider reimbursement rates, pursuant to the new Regional Market Rate survey, effective March 1, 2009.
- Adopts trailer bill language that basically would treat the After School Education and Safety Program (Proposition 49) similar to other categorical programs, subject to annual Legislative appropriations. This would be subject to voter approval.

HUMAN SERVICES

- Suspends the 2008 CalWORKs COLA for a savings of \$121.5 million.
- Suspends the October 2008 and June 2009 State Supplemental Program (SSP) COLAs for \$222 million in GF savings.
- Rejects the administration's proposal to impose graduated full-family sanctions, restrict safety-net grants, and elimination of grants for children of CalWORKs-eligible parents.
- Adopts the Work Incentive Nutritional Supplement (WINS) Program to provide a single \$40 per month additional food assistance benefit for eligible households and provides \$2 million to begin the automation process for program implementation. Adoption is contingent upon establishment of a pre-assistance employment readiness system (PAERS) program. *[The Governor vetoed this funding.]*
- Rejects reductions to prevention programs that provide future cost savings: (a) \$25 million reduction to the Substance Abuse and Crime Prevention Act (\$20 million) and the Substance Abuse Offender Treatment Program (\$5 million); (b) \$3.1 million reduction to drug court programs (the Comprehensive Drug Court Implementation, Drug Court Partnership, and Dependency Drug Court); and (c) \$3.1 million reduction to non-drug Medi-Cal Regular (\$733,000) and Non-Drug Medi-Cal Perinatal (\$2.3 million) programs. *[The Governor vetoed varying amounts from these programs.]*
- Adopts a \$1 million General Fund reduction to the California Methamphetamine Initiative (CMI). *[The Governor vetoed an additional \$8 million from this program.]*
- Rejects the administration's proposal to withhold the January 2009 federal Supplemental Security Income (SSI) COLA.
- Rejects the administration's proposal to eliminate the Cash Assistance Program for Immigrants (CAPI) which provides cash benefits to aged, blind, and disabled legal non-citizens who do not qualify for SSI/SSP as a result of their immigration status.

- Rejects proposals to limit the state’s participation in the cost of IHSS provider wages and benefits to the minimum wage (\$8 per hour) plus \$0.60 per hour for benefits, to change the criteria for IHSS recipients to qualify for domestic and related services based on their functional index score, and to eliminate the IHSS share of cost buy-out for those recipients with a functional index score below four.

HIGHER EDUCATION

- Partially restores General Fund of \$98.6 million to UC and \$97.6 million to CSU to hold funding at the levels provided in 2007-08.
- Fails to provide additional General Fund for enrollment growth or COLA to either the UC or CSU. Necessitates student fee increases of approximately 10 percent at both UC and CSU.
- Adopts budget bill language to reinstate academic preparation programs and research “earmarks” for legislative priorities at UC and CSU.
- Provides approximately \$428.4 million in lease-revenue bonds for 11 capital outlay projects for UC and CSU consistent with an economic stimulus approach.
- Restores the Governor’s across-the-board reductions at community colleges, and holds student fees constant at \$20 per unit.
- Provides two percent enrollment growth for community colleges.
- Restores \$57 million for competitive Cal Grant awards, the state’s primary financial aid for older and nontraditional students attending colleges and universities. The \$57 million funds approximately 22,500 Cal Grant awards.
- Fully funds the Cal Grant “entitlement” program, providing grants to all financially-needy and academically-eligible recent high school graduates and community college transfer students.
- Utilizes \$24 million in Student Loan Operating Funds to offset Cal Grant local assistance funding in order to obtain a like amount of GF savings.

TRANSPORTATION

- Includes full funding (\$1.5 billion) for Proposition 42, including \$83 million in required repayments.
- Provides about \$3.6 billion in Proposition 1B bonds, including: (a) \$1.5 billion for the Corridor Mobility Improvement Account (CMIA); (b) \$996 million for the State Transportation Improvement Program (STIP); (c) \$417 million for the Trade Corridors Improvement Fund; (d) \$214 million for the State Highway Protection and Preservation Program (SHOPP); (e) \$200 million for the State and Local Partnership (SLP) program; and (f) \$103 million for State Route 99.
- Includes, as part of an economic stimulus package, \$250 million in Proposition 1B funding for local streets and roads; of this amount \$187 million is directed to cities and \$63 million is directed to counties.
- Provides General Fund relief of approximately \$1.7 billion from “spillover” and other transit funds. General Fund relief is as follows: (a) \$857 million to reimburse the GF for transportation related G.O. bond debt; (b) \$589 million to reimburse the GF for Home-to-School transit; (c) \$138 million for regional center transportation budgeted in the Department of Developmental Services; and (d) \$83 million to reimburse the GF for the Proposition 42 loan repayment.
- Provides \$406 million for transit operations, which is \$100 million above the level of funding provided in 2007-08. *[The Governor vetoed the additional \$100 million.]*
- Shifts a portion of Capital Outlay Support (COS) engineering workload from contractors to state staff for a savings of \$10 million. The final allocation of COS workload is 90 percent state staff and 10 percent contractors.

HEALTH

- Rejected the Administration’s proposal to restore Quarterly Status Reporting for parents for a reduction of \$7.6 million (\$3.8 million General Fund). Instead, the existing Semi-Annual Reporting process for parents was maintained.
- Modified the Administration’s proposal to implement Quarterly Status Reporting for children and instead, adopted a Semi-Annual Reporting process for a reduction

of \$51.2 million (\$25.6 million). Children enrolled in Medi-Cal presently have an annual renewal process. It is the intent of the Legislature for the DHCS to have children on the same renewal pattern as their parents when applicable.

- Modified the Administration’s proposal to stop paying the federal Medicare Part B Premium for individuals enrolled in Medicare and in Medi-Cal with a “share-of-cost” and do not meet their Medi-Cal “share-of-cost” every month. Under the Legislature’s action, the state will continue to pay the Part B Premium of individuals with a “share-of-cost” at \$500 dollars and below. A reduction of \$48.4 million (General Fund) would be achieved from this action, which is \$5.4 million (General Fund) less than the Administration’s.
- Rejected the Administration’s proposal to roll back Medi-Cal eligibility for working families enrolled in the 1931 (b) category of eligibility. This proposal by the Administration would have denied coverage to over 433,000 people on an annual basis. The Administration had assumed savings of \$62.3 million (\$31.1 million General Fund) from their proposal.
- Rejected the Administration’s proposal to restrict Medi-Cal services for “Newly Qualified Immigrants” (about 73,400 people) who have been in the country for less than five years to “restricted-scope” services, versus the full-scope services as presently provided under Medi-Cal. Also rejected the Administration’s proposal to restrict Medi-Cal services for individuals “Permanently Residing Under the Color of Law” (PRUCOL) and “Amnesty Alien” individuals. These individuals (about 17,200) also would have been placed on a “month-to-month” eligibility cycle under the Administration’s proposal.
- Rejected the Administration’s proposal to establish a “month-to-month” Medi-Cal eligibility for immigrants on “restricted-scope” Medi-Cal enrollment.
- Restores most of the 10 percent rate reduction to Medi-Cal Fee-for-Service providers, including physicians, medical transportation, home health, dental, outpatient services and other medical services, effective as of March 1, 2009. Assembly Bill 3X 5, Statutes of 2008, enacted a 10 percent reduction effective as of July 1, 2008.
- Provides a 5 percent restoration to the rates paid to pharmacy providers under the Medi-Cal Program, effective March 1, 2009.
- Provides a 5 percent restoration to the rates paid to certain Long-Term Care providers, including: (1) Level A nursing homes, (2) Distinct Part Nursing

Homes, (3) Distinct Part Subacute, (4) Distinct Part Pediatric Subacute, and (5) Adult Day Health Care under the Medi-Cal Program, effective March 1, 2009.

- Provides an increase of \$221 million GF for certain payments related to litigation regarding Medi-Cal rates.
- Adopts modified trailer bill language regarding the rate methodology used to reimburse nursing homes that pay a quality assurance fee (as contained in AB 1629, Statutes of 2004). This language provides for a two-year extension of the rate methodology, capitates the maximum annual increase to 5 percent for the next two years, establishes a comprehensive stakeholder group process to craft quality assurance measures, and requires the DHCS to report to the Legislature regarding recommendations forthcoming from the stakeholder group process.
- Restores most of the 10 percent rate reduction in the California Children Services (CCS) Program, including specialty care physicians, effective March 1, 2009.
- Partially restores the Governor's proposal to reduce by 10 percent the amount of state support for Medical Therapy Services provided under the CCS Program by providing \$2.4 million in federal Title V Maternal and Child Health Funds to support the program. Therefore, a net reduction of \$1.4 million (General Fund) was made in lieu of the Governor's \$3.1 million.
- Provides funding for Medi-Cal Managed Care plans to account for: (1) increases in the number of enrollees; (2) adjustments to reflect updated data as calculated according to existing statute (i.e., Mercer calculations); and (3) corresponding actuarially-based rate adjustments due to Fee-For-Service and related Medi-Cal Program changes.
- Restores most of the 10 percent rate reduction in the Child Health and Disability Prevention Program (CHDP), effective March 1, 2009.
- Restores most of the 10 percent rate reduction in the Genetically Handicapped Persons Program (GHPP), effective March 1, 2009.
- Continues the Governor's 10 percent rate reduction, as contained in Assembly Bill 3X 5, Statutes of 2008, for Non-Contract Hospitals participating in the Medi-Cal Program and adopts modified trailer bill legislation to encourage hospitals to participate in the Selective Provider Contract Program operated by the California

Medical Assistance Commission (CMAC). Exempts small and rural hospitals from this reduction.

- Utilizes \$9.15 million (one-time only) from supplemental funds normally transferred to the Distressed Hospital Fund to pay back the federal government due to an impermissible Intergovernmental Transfer made by Fresno County and Fresno Community Medical Center. Adopted conforming Budget Bill Language and trailer bill language for this action. This action is used in lieu of General Fund support.
- Utilizes \$13.6 million (one-time only) from supplemental funds normally transferred to the Private Hospital Fund to offset General Fund support within the Medi-Cal Program. Adopted conforming Budget Bill Language and trailer bill language for this action.
- Reduces by \$53.4 million GF the amount allocated to counties for Medi-Cal program eligibility processing.
- Adopts trailer bill language to suspend the state's penalty on counties for not meeting certain performance standards when the cost-of-doing-business is not provided.
- Adopts modified trailer bill language that limits the amount health plans participating in the Medi-Cal Managed Care Program must pay hospitals that are out of the plan's network for emergency room services provided to Medi-Cal plan enrollees (i.e., the federal Rogers Amendment requirement). Exempts small and rural hospitals, as well as certain others.
- Adopts trailer bill language to require the DHCS to provide County Organized Healthcare (COHS) health plans participating in Medi-Cal Managed Care with a preliminary rate by no later than June 30th of each year.
- Adopts the Governor's 10 percent reduction in case management for the Child Health and Disability Prevention (CHDP) Program.
- Fully funds the Department of Public Health's Biomonitoring Program by backfilling General Fund support using Toxic Substances Control Account funds.

- Reduces by \$1.3 million (General Fund) to delay the implementation of Senate Bill 739, Statutes of 2006, regarding community-based infections.
- Adopts the Governor's May Revision proposal to continue the Medi-Cal Pharmacy Pilot Project for HIV/AIDS until June 30, 2009. This action includes trailer bill language to limit the payment of the enhanced \$9.50 dispensing fee to HIV/AIDS drugs and drugs used for treatment of opportunistic infections only.
- Adopts trailer bill language to require the Department of Public Health to provide the Legislature on January 10th and at the May Revision with a budget estimate for the AIDS Drug Assistance Program (ADAP). The ADAP was fully funded using drug rebate funds to backfill for \$7 million in General Fund support.
- Modifies the California Discount Prescription Drug Program to make it self-financing in future years. *[The Governor vetoed all funding for this program.]*
- Restores the \$277,000 (General Fund) reduction proposed by the Governor to the Prostate Cancer Treatment Program. *[The Governor vetoed this funding.]*
- Maintains the Governor's 10 percent reduction of: (1) \$692,000 (General Fund) to the Alzheimer's Disease Research Centers and (2) \$326,000 (General Fund) to the Dental Disease Program.
- Eliminates \$1.2 million (General Fund) from the Health Screens for Adults Program.
- Reduces by \$1.2 million (General Fund) the amount provided to Local Health Jurisdictions for local infrastructure for immunization assistance. These entities receive about \$29 million in federal fund support.
- Reduces, by 10 percent, the Male Involvement Program and the Information and Education Projects for teens as proposed by the Governor. *[The Governor vetoed all funding for this program.]*
- Provides one-time funding of \$825,000 (federal Title V Maternal and Child Health Funds) for the Maternal Mortality Project.

- Fully funds the Adolescent Family Life Program by using federal Title V Maternal and Child Health Funds to backfill for General Fund support to obtain savings.
- Reduces the Poison Control System by \$1 million (General Fund) and adopted Budget Bill Language to have the Emergency Medical Services Authority provide assistance to the system to obtain funding from non-General Fund sources, including the California Children and Families Commission and foundations.
- Adopts the Governor's proposal to obtain a loan to the General Fund from the Occupational Lead Poisoning Prevention Account in the amount of \$1.1 million.
- Adopts the Governor's proposal to obtain a loan to the General Fund from the Drinking Water Operator Certification Special Account in the amount of \$1.6 million.
- Reflects the Governor's decision to rescind his May Revision proposal to obtain a loan to the General Fund from the Drinking Water Treatment and Research Fund in the amount of \$8.5 million.
- Modifies the Governor's proposal to increase the premiums low-income families pay to enroll their children in the Healthy Families Program. Specifically, families from 151 percent to 200 percent of poverty will have a three dollar increase in their monthly premium payments or \$12 per child, with a family maximum of \$36 per family. Families above 200 percent of poverty will have a two dollar increase in their monthly premium payments or \$17 per child, with a family maximum of \$51 per family.
- Reduces \$6 million GF associated with Medi-Cal post-stabilization for managed care of non-contract hospitals, this is scheduled to sunset in two years.

MENTAL HEALTH

- Deletes \$5.1 million (General Fund) for Department of Mental Health (DMH) staff and administrative costs associated with further implementation of certain federal requirements. These funds were not provided since the DMH has funds available for this purpose due to salary savings from vacant positions.

- Enacts a performance improvement project for the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program for a savings of over \$12 million GF.
- Includes budget language specifying legislative intent for counties to consider ways to provide services similar to those established pursuant to the Mentally Ill Offender Crime Reduction Grant program using Proposition 63 funds.
- Adopts trailer bill language to clarify reimbursements made for mental health services provided to children residing in out-of-state facilities.

DEVELOPMENTAL SERVICES

- Adopts the Governor's 10 percent reduction of \$512,000 (General Fund) for client's rights advocacy.
- Continues the Governor's cost containment measures as enacted in the Special Session.
- Adopts trailer bill language to review cost containment measures regarding services provided through the Regional Centers.
- Reduces \$13 million General Fund associated with family cost participation, purchase of service review / parental responsibility, and savings assumed from Proposition 10 funding availability for the Early Start program.

JUDICIAL / PUBLIC SAFETY

- Provides \$107 million General Fund for the Citizen's Option for Public Safety (COPS) Program that supports local law enforcement.
- Provides \$107 million General Fund for the Juvenile Justice Crime Prevention Act program that supports local probation departments.
- Includes \$181 million General Fund for local probation departments to support juvenile programs.
- Maintains \$31.5 million General Fund for booking fees.

- Accounts for restoration of small and rural sheriff's subvention (\$16.7 million General Fund). However, activating statute is contained in the public safety trailer bill.
- Provides \$32 million GF in lieu of increased reimbursements to support the Department of Justice (DOJ) forensic labs.
- Eliminates funding for grants to local law enforcement for mentally ill offenders for a \$40 million General Fund savings. However, counties may wish to fund this program with available Proposition 63 funds.
- Provides no General Fund augmentation to the Judicial Branch in the budget year requiring the Judicial Branch to use one-time reserves to support its operations in the budget year.
- Delays implementation of a new trial court program enacted in 2006 to reduce fraud and abuse of elderly and dependent of adults to save \$17.4 million General Fund.
- Reduces funding for Department of Justice gang suppression and methamphetamine enforcement activities that assists local law enforcement to save \$10 million General Fund.
- Eliminates over 100 vacant positions at the Department of Justice to save \$11 million General Fund.
- Eliminates the Crime and Violence Prevention Center at the Department of Justice for \$5 million in General Fund savings.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

- Provides \$126.5 million for emergency levee evaluations and repairs. Also provides over \$263 million for construction of levees and other flood control projects.
- Provides \$305 million for FloodSAFE, a long-term strategic initiative developed to reduce flood risk in California.

- Provides \$50 million to the Air Resources Board from AB 118 funding for a program to assist low-income short-haul truckers in meeting new air quality standards.
- Provides \$75 million to the Energy Commission to begin work on AB 118 implementation, such as grants and other funding mechanisms to develop and deploy innovative technologies that transform California's fuel and vehicle types to help attain the state's alternative fuels and climate change policies.
- Approves the Governor's proposal for a \$32 million loan from the Beverage Container Recycling Fund to pay for AB 32 implementation activities. This option leaves future funding for the program uncertain.
- Provides signature authority to the Attorney General (AG) for the Electricity Oversight Board's (EOB) outstanding legal cases. This authority will allow the AG to collect over \$2 billion owed to the state from the 2001 electricity crisis. These funds could have been lost to the state due to the Governor's administrative elimination of the EOB.
- Increases park fees by \$1.5 million in order to keep all parks open and retain existing levels of service.

GENERAL GOVERNMENT / STATE ADMINISTRATION

- Provides for the modernization and securitization of the California State Lottery (lottery) for debt relief purposes beginning in the 2009-10 fiscal year. Requires voter approval on a statewide ballot, and would include the following key points:
 - Generates an estimated \$6 billion in 2009-10 and \$5 billion in 2010-11, but is not expected to generate revenues or provide any budget relief in 2008-09.
 - Deposits proceeds from the securitization into a new Debt Retirement Fund, and could be used for repaying budgetary borrowing (like transportation, education, and local government debts), and bonded indebtedness.
 - Provides only modest changes to the lottery, such as increasing prize payouts, but proposes no new games or technology.
 - Protects education from experiencing any financial loss.

- Provides a total of \$19.5 million for the California Multi-jurisdictional Methamphetamine Enforcement Team program, to be allocated on a competitive grant basis. *[The Governor vetoed the competitive grant budget bill language.]*
- Suspends half of the annual \$5 million GF appropriation for the Cesar Chavez Day of Service and Learning program.
- Fully reimburses counties for costs associated with the early presidential primary of February 2008.
- Maintains full funding for oversight activities of the Fair Political Practices Commission. *[The Governor made veto reductions equivalent to 10 percent of the FPPC GF support.]*
- Shifts \$350 million or five percent, whichever is larger, in Redevelopment Agency (RDA) property tax funds to education in order to generate General Fund savings of the same amount.
- Establishes an improved recovery and compliance process related to the pass-through of property tax dollars from RDAs to education agencies. A recent State Controller's study revealed underpayment by some RDAs. Recovery of approximately \$98 million in cumulative RDA underpayments will result in state GF savings of the same amount.
- Adopts a comprehensive package of modifications for the California State Teachers Retirement System (CalSTRS), which collectively improve benefits for retired teachers and achieve savings for the state. Recognizes savings of \$66 million GF in the cost of providing purchasing-power protection to retired teachers. Increases the inflation protection level from 80 percent to 85 percent of first-year retirement salary. Schedules interest payment to CalSTRS related to a legal judgment – starting with a \$57 million GF payment in 2009-10.
- Defers payment of \$75 million GF to local governments for old mandate claims (pre-July 2004 claims).
- Maintains full funding for the low-income senior citizen property tax relief programs -- \$254 million GF is budgeted for these programs.

- Utilizes \$7.2 million of federal funds under the Workforce Investment Act for parolee services providing an equivalent level of General Fund savings. Additionally, provides \$2 million for green technology/green collar job training.
- Restores the 10 percent reduction to County Veterans Services Offices in order to assist veterans in accessing their full federal benefits.

REVENUE SOLUTIONS

- Establishes a new 20-percent penalty for corporate taxpayers that understate their taxes by \$1 million or more. This penalty is expected to generate about \$1.4 billion GF accrued to 2007-08. Currently, corporations that significantly underreport their taxes are required to pay 10 percent interest for their underpayment. Establishing penalties of 20 percent for all open tax years for corporations that understate their taxes by \$1 million or more will increase revenues in the short term, as companies will pay taxes due to the state for prior years, and reduce the rate of underreporting and increase tax compliance going forward. Companies would have the opportunity in 2009 to file amended tax returns and make payments to avoid the new penalty.
- Accelerates estimated quarterly payments. Under current law, certain taxpayers make four quarterly payments of 25 percent of their estimated liability. This proposal would increase the first two estimated payments required to 30 percent and reduce the last two payments to 20 percent – generating approximately \$1.3 billion in 2008-09.
- Eliminates “Safe Harbor” for taxpayers with incomes over \$1 million. Under current law, taxpayers are only required to make estimated payments and/or withholding up to 110 percent of prior year tax liability. If liability exceeds 110 percent of the prior year tax liability, the taxpayer can pay the difference by April 15 of the following tax year without penalty. This proposal would eliminate the “safe harbor” for taxpayers with incomes over \$1 million, such that they will have to pay their full estimated tax liability in quarterly payments. This is anticipated to generate \$900 million in 2008-09.
- Suspends the Net Operating Loss (NOL) deduction for two years (\$1.1 billion) and limits various incentive credits for two years (adds approximately \$900 million). Businesses with incomes under \$500,000 are excluded. NOL is brought into greater conformity with federal law by allowing 20 year carry forward and 2

year carry back. Incentive credits are broadened to allow use of credits by affiliated corporations.

- Requires payment of the estimated Limited Liability Company (LLC) payment by June 15 of the current taxable year, instead of April 15 of the following year. This change would result in a one-time GF benefit of \$360 million.
- Adopts a modified administration proposal for accrual of revenues – providing \$1.8 billion in GF revenues. Of this amount, \$416 million is accrued to 2007-08 and \$1.4 billion is accrued to 2008-09.

BUDGET REFORM

(Senate Constitutional Amendment 13 – requires voter approval)

- Increases the size of the Budget Stabilization Fund (BSF). Increases the target size of the Budget Stabilization Fund (BSF) from five percent of General Fund revenues to 12.5 percent of General Fund revenues.
- Limits use of the BSF to bad revenue years. Commencing in 2010-11, prohibits transfers from the BSF to the GF, unless revenue is insufficient to meet the current services level of funding. Specifically, revenues, transfers, and prior-year balances, must be below that required to meet prior-year expenditures adjusted for population and cost-of-living, as specified. The maximum allowable BSF transfer would be that necessary to fund the amount associated as a result of the change in population and cost-of-living. Furthermore, would require the Legislature to pass a statute authorizing a transfer from the BSF to the GF. If these conditions are met, allows the Governor to also suspend the transfer of three percent of GF revenues to the BSF via executive order by September 30 of a fiscal year.
- Allows use of the BSF for emergencies. Allows BSF funds to be used to respond to an emergency declared by the Governor and transferred by statute.
- Adds "April Surprises" revenue to the BSF. Requires that any unanticipated revenue growth from the time of the January Governor's budget to the May Revision of the Governor's Budget be directed to first meeting the Proposition 98 constitutional obligations and that the remainder be transferred to the BSF. Unanticipated revenue is defined as that exceeding 105 percent of the January estimate. If the BSF is already at 12.5 percent of General Fund revenue, the revenue is instead directed to early retirement of budgetary obligations and one-time expenditures as specified.

- Requires that the annual Governor's Budget identify an estimate of one-time revenues. The Constitution currently requires the Governor to annually submit a proposed budget, including estimated revenues, by January 10. This constitutional amendment would require identification of the amount of revenue that is estimated to be one-time.
- Allows use of BSF for cash flow purposes. Specifies that the BSF may be loaned and repaid within a fiscal year to meet General Fund cash requirements.

(Statutory – implementation contingent upon voter passage of constitutional amendment, as specified.)

- Authorizes the Director of [the Department of] Finance, in consultation with agency secretaries and other cabinet members, to make mid-year support budget (no reductions to local assistance items of appropriation) reductions, not to exceed 7 percent, in General Fund (GF) items of appropriation for state operations and capital outlay if the Director determines either of the following:
 - a. GF total available resources for the fiscal year will decline substantially below the estimate of total GF resources available assumed in the Budget Act; or
 - b. GF expenditures will increase substantially above the estimate of GF total resources available.
- Additionally, authorizes the Director to suspend for up to 120 days any cost-of-living adjustment (COLA) or rate increase funded in the Budget Act, or, if the Governor declares a fiscal emergency, to suspend such an increase until the Legislature passes and sends to the Governor a bill or bills to address the fiscal emergency.
- DOF must provide 30-day notification of reductions to the Joint Legislative Budget Committee.
- Among others, exempts from reduction appropriations for the Legislature and Constitutional officers and K-12 revenue limit COLA. Limits reductions to no more than 7 percent in any single state operations or capital outlay items of appropriation, and becomes operative only upon submission and approval by the voters of a constitutional amendment in the November 4, 2008, statewide general election.

GENERAL FUND SUMMARY

The following table is a summary of the General Fund for both the 2007-08 and 2008-09 fiscal years.

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

	Adjusted 2007-08 Budget	2008 Budget Act (AB 1781 / AB 88)
Prior-year balance	\$4,305	\$3,399
Revenues and Transfers	\$103,027	\$101,991
Total Resources Available	\$107,332	\$105,990
Total Expenditures	\$103,333	\$103,401
Fund Balance	\$3,999	\$2,589
Budget Reserve:		
Reserve for Liquidation of Encumbrances	(\$885)	(\$885)
Special Fund for Economic Uncertainties (SFEU)	\$3,113	\$1,703
Budget Stabilization Account	--	--
TOTAL AVAILABLE RESERVE	\$3,113	\$1,703

Source: Department of Finance

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
AB 1781	Ch 268	Budget Act of 2008 (adoption of Conference Report)	29-11	61-11
AB 88	Ch 269	Budget Act of 2008 (modifications to AB 1781)	28-12	59-17
AB 10	Ch 753	Employment: overtime compensation (trailer bill)	28-8	54-19
AB 158	Ch 754	Tribal gaming: local agencies (trailer bill)	39-0	76-0
AB 186	Ch 755	Crime prevention (trailer bill)	40-0	75-0
AB 268	Ch 756	Transportation (trailer bill)	29-10	59-17
AB 519	Ch 757	Education finance (trailer bill)	30-9	68-7
AB 1183	Ch 758	Health (trailer bill)	36-3	55-21
AB 1279	Ch 759	Human services (trailer bill)	33-6	56-20
AB 1338	Ch 760	Public resources (trailer bill)	31-9	62-15
AB 1389	Ch 751	State government (trailer bill)	28-12	55-22
AB 1452	Ch 763	Taxation (trailer bill)	27-13	55-21
AB 1526	Vetoed	Before and after school programs (trailer bill)	30-7	68-5
AB 1654	Enrolled	California State Lottery (trailer bill)	28-9	65-11
AB 1741	Enrolled	California State Lottery (trailer bill)	28-9	64-12
AB 1805	Vetoed	Seriously emotionally disturbed children: out-of-home placement (trailer bill)	40-0	67-7
AB 2026	Ch 761	State property (trailer bill)	29-9	68-3
AB 2246	Ch 762	Charter schools: joint powers agreement: funding (trailer bill)	27-11	69-0
AB 2784	Vetoed	Medi-Cal: hospitals: reimbursements (trailer bill)	40-0	70-0
ABX3 36	Vetoed	Income and corporation taxes (trailer bill)	21-18	43-29
SBx1 28	Ch 1	Taxation (trailer bill)	22-14	43-30
SCA 12	Res Ch 143	California State Lottery (Resolution - Constitutional Amendment)	27-9	76-0
SCA 13	Res Ch 144	State finance (Resolution - Constitutional Amendment)	39-0	64-6
SCA 30	Res Ch 167	State finance (Resolution - Constitutional Amendment)	30-0	68-2

Subcommittee No. 1 – Education

6110 Department of Education
6120 California State Library
6420 California Postsecondary
Education Commission
6440 University of California

6610 California State University
6600 Hastings College of the Law
6870 California Community Colleges
7980 Student Aid Commission

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

0540	Secretary for Resources	3830	San Joaquin Conservancy
0555	Secretary for Environmental Protection	3835	Baldwin Hills Conservancy
3110	Special Resources Programs	3840	Delta Protection Commission
3125	California Tahoe Conservancy	3845	San Diego River Conservancy
3340	California Conservation Corps	3850	Coachella Valley Mountains Conservancy
3360	California Energy Commission	3855	Sierra Nevada Conservancy
3460	Colorado River Board	3860	Department of Water Resources
3480	Department of Conservation	3900	State Air Resources Board
3540	Department of Forestry and Fire Protection	3910	California Integrated Waste Management Board
3560	State Lands Commission	3930	Department of Pesticide Regulation
3600	Department of Fish and Game	3940	State Water Resources Control Board
3640	Wildlife Conservation Board	3960	Department of Toxic Substances Control
3680	Department of Boating and Waterways	3980	Office of Environmental Health Hazard Assessment
3720	California Coastal Commission	7300	Agricultural Labor Relations Board
3760	State Coastal Conservancy	8570	Department of Food and Agriculture
3780	Native American Heritage Commission	8660	Public Utilities Commission
3790	Department of Parks and Recreation	8770	Electricity Oversight Board
3810	Santa Monica Mountains Conservancy		
3820	San Francisco Bay Conservation and Development Commission		
3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy		

**Subcommittee No. 3 – Health, Human Services,
Labor and Veterans Affairs**

0530	Secretary of Health and Human Services	4300	Department of Developmental Services
0559	Labor and Workforce Development Agency	4440	Department of Mental Health
4120	Emergency Medical Services Authority	4700	Department of Community Services and Development
4140	Office of Statewide Health Planning and Development	5160	Department of Rehabilitation
4170	Department of Aging	5170	State Independent Living Council
4180	Commission on Aging	5175	Department of Child Support Services
4185	California Senior Legislature	5180	Department of Social Services
4200	Department of Alcohol and Drug Programs	7100	Employment Development Department
4260	Department of Health Care Services	7350	Department of Industrial Relations
4265	Department of Public Health	8955	Department of Veterans Affairs and Veterans Homes of California
4270	California Medical Assistance Commission		
4280	Managed Risk Medical Insurance Board		

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

0250	Judicial Branch	2720	California Highway Patrol
0280	Commission on Judicial Performance	2740	Department of Motor Vehicles
0390	Contributions to Judges' Retirement Fund	5225	Department of Corrections & Rehabilitation
0502	Office of the Chief Information Officer	8120	Commission on Peace Officer Standards and Training (POST)
0510	Secretary for State and Consumer Services	8140	State Public Defender
0520	Secretary for Business, Transportation, and Housing	8180	Payments to Counties for the Costs of Homicide Trials
0552	Office of the Inspector General	8260	California Arts Council
0650	Office of Planning and Research	8320	Public Employee Relations Board
0690	Office of Emergency Services	8380	Department of Personnel Administration
0820	Department of Justice	8500	Board of Chiropractic Examiners
0840	State Controller	8550	California Horse Racing Board
0845	Department of Insurance	8620	Fair Political Practices Commission
0850	State Lottery Commission	8640	Political Reform Act of 1974
0855	Gambling Control Commission	8780	Milton Marks "Little Hoover" Commission
0860	Board of Equalization	8820	Commission on the Status of Women
0890	Secretary of State	8855	Bureau of State Audits
0950	State Treasurer's Office	8860	Department of Finance
1100	California Science Center	8885	Commission on State Mandates
1110-	Department of Consumer Affairs	8910	Office of Administrative Law
1111		8940	Military Department
1690	Alfred E. Alquist Seismic Safety Commission	9100	Tax Relief
1700	Department of Fair Employment & Housing	9210	Local Government Financing
1705	Fair Employment and Housing Commission	9350	Shared Revenues
1730	Franchise Tax Board	9600	Debt Service for General Obligation Bonds
1760	Department of General Services	9620	Interest Payments on General Fund Loans
1870	Victim Compensation & Government Claims Board	9618	Economic Recovery Financing Committee
1880	State Personnel Board	9650	Support for Health and Dental Benefits for Annuitants
1900	Public Employees' Retirement System	9800	Augmentation for Employee Compensation
1920	State Teachers' Retirement System	9840	Augmentation for Contingencies and Emergencies
1955	Department of Technology Services		
2100	Department of Alcoholic Beverage Control	Control Sections:	
2150	Department of Financial Institutions	3.60	Contributions to Public Employee Retirement Benefits
2180	Department of Corporations	4.44	Budget Reduction
2240	Department of Housing and Community Development	4.70	Architecture Revolving Fund Deficit Recovery
2260	California Housing Financing Agency	15.25	Appropriation Adjustments to Reflect Technology Service Rate Changes
2310	Office of Real Estate Appraisers	35.20	Accrual Accounting
2320	Department of Real Estate	35.50	Budget Stabilization Account Transfer to
2400	Department of Managed Health Care	GF	
2600	California Transportation Commission	35.80	Cash Management
2640	Special Transportation Programs		
2660	Department of Transportation		
2665	High Speed Rail Authority		
2770	Office of Traffic Safety		

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Denise Moreno Ducheny, Chair
Gloria Romero
Bob Margett

Consultants

Kim Connor
Amy Supinger

SUBCOMMITTEE No. 1

EDUCATION

K-12

Department of Education.....	1-1
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Higher Education

California State Library	1-9
California Postsecondary Education Commission	1-9
University of California.....	1-9
California State University	1-9
Hastings College of the Law	1-10
California Community Colleges.....	1-10
Student Aid Commission	1-10

K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

Proposition 98 – K-14 Education:

- Appropriated **\$58.1 billion** in Proposition 98 funding for K-12 education and community colleges in 2009-09, which provides **\$1.5 billion** in ongoing funds above the 2007-08 budget and **\$400 million** above the 2007-08 workload budget. This amount reflects an increase of **\$1.3 billion** in Proposition 98 funding above the Governor’s May Revise Budget.
- Denied the Governor’s Budget Balancing Reductions of more than **\$900 million**, which decreased Proposition 98 funding for nearly all K-14 programs, except K-12 revenue limits and special education.
- Appropriated **\$284.04 million** to provide a partial cost-of-living adjustment (COLA) of 0.68 percent for K-12 revenue limits and Community College apportionments. This includes **\$244.26 million** for K-12 revenue limits and **\$39.78 million** for community college apportionments. A K-12 revenue limit deficit factor is established for foregone COLA according to current law rates (5.66 percent).
- Deferred **\$150 million** in one-time General Fund payments for Proposition 98 “settle-up” in 2008-09.
- Appropriated **\$503.9 million** in one-time Proposition 98 funds for K-14 education, as follows:
 - **\$ 327.8 million** for Child Care and Development programs, including **\$163.1 million** for CalWORKS Stage 2 child care and **\$164.7 million** for CalWORKS Stage 2 and 3 adjustments. *The Governor vetoed \$16.4 million in CalWORKS Stage 2 funding;*
 - **\$101 million** for the Emergency Repair Program in schools in the lowest three deciles of the Academic Performance Index;
 - **\$74.8 million** to backfill property tax losses at community colleges;
 - **\$295,000** for the Fiscal Crisis Management Team (FCMAT) to prepare required annual status reports for schools districts with state emergency loans. *The Governor vetoed funding for these reports.*
- Adopted budget Control Section 35.80 to shift **\$3.0 billion** in Proposition 98 funds for K-12 schools and community colleges payments scheduled in January through March to April or later in order to better manage the state’s cash payments in 2008-09. In addition to this one-year shift, Supplemental Report Language was approved to create a working group to identify ways to improve the Proposition 98 disbursement processes – including K-12 education, child care and community colleges -- on a permanent basis beginning in 2009-10.

Other K-12 Education:

- Continued deferral of annual mandate payments for K-12 education in 2008-09, estimated to cost **\$180 million** annually.
- Captured **\$121 million** in Proposition 98 savings for the following K-12 programs, which reflect workload and other technical adjustments:
 - \$45 million – Special Education
 - \$29 million – High Priority Schools Program
 - \$23 million – K-3 Class Size Reduction
 - \$11 million – Home-to-School Transportation
 - \$8 million – Other Programs
 - \$5 million – 9th Grade Class Size Reduction
- Provided **\$18 million** in ongoing Proposition 98 funding for Charter Schools Facility Grants to offset rental/lease costs for charter schools serving economically disadvantaged students. This program has been funded with one-time funds in the past.
- Eliminated **\$2.5 million** in remaining funds for the Norm Referenced Test (NRT), previously administered to students in grades 3 and 7 as a component of the Standardized Testing and Reporting (STAR) Program, and makes conforming statutory changes.
- Shifted **\$20 million** in federal improvement funds previously available for Title I schools subject to corrective actions as a part of the Intermediate Intervention Underperforming Schools Program (II/USP) to corrective action and technical assistance activities for LEAs under the federal No Child Left Behind Act. *The Governor vetoed \$6 million in state funding for non-Title I schools that are still subject to corrective actions as a part of II/USP.*
- Authorized approximately **\$112.7 million** in federal Title I Set-Aside Funds and School Improvement Grant funds in order to provide one-year, non-renewable federal improvement grants to approximately 150 K-12 local education agencies (LEAs) facing corrective action under the federal No Child Left Behind Act. Establishes a new funding formula for federal improvement grants to LEAs based on the number of Title I schools in corrective action under their jurisdiction. These funds are appropriated in the budget bill and authorized in AB 519 (Chapter 757; Statutes of 2008) – the education budget trailer bill.
- Appropriated **\$334,000** in federal funds for the first year of a three-year, independent evaluation of the federal improvement grant program for LEAs facing corrective action, as set forth by AB 519.
- Included **\$378,000** in ongoing, federal School Improvement Grant funding for four positions to support workload for federal school improvement in accordance with AB 519.
- Provided **\$92.7 million** for the federal Reading First program, which reflects a decrease of \$87.6 million in ongoing federal funds for the program. Provisional language limits funding to

school districts to no more than six years so that participating school districts will be able to finish out the program with existing funding available.

- Approved **\$11.5 million** for development of the California Longitudinal Pupil Achievement Data System (CALPADS) funded through a variety of non-General Fund sources. This amount fully funds CALPADS development, including \$1.1 million in additional funds for California Student Information Services (CSIS) support. An additional **\$3.2 million** is set-aside for CALPADS development in 2009-10.
- Approved **\$7.9 million** in Education Telecommunications Funds for the Fiscal Crisis and Management Assistance Team (FCMAT) to cover the costs of administering the CSIS Best Practices Cohort for school districts that have not previously participated.
- Appropriated **\$1.2 million** in federal Title II funds to fully fund development of the California Longitudinal Teacher Integrated Data Education System (CALTIDES). Of this amount, \$846,000 is provided to the California Department of Education (CDE) and \$398,000 is provided to the Commission on Teacher Credentialing to fund limited-term positions and other costs associated with the development of CALTIDES.
- Authorized **\$1.8 million** in ongoing Title III local assistance funds for intervention and assistance programs -- coordinated with the federal Title I program -- for LEAs that are not meeting their annual measurable achievement objectives for English language learner students. *The Governor vetoed these funds.*
- Approved **\$3.4 million** in federal Title III funds as follows:
 - **\$1.6 million** in one-time funds over three years to contract with a county office of education or higher education institution to provide technical assistance to county court schools and Division of Juvenile Justice schools in order to improve services for English learner students;
 - **\$500,000** in one-time funds to augment a multi-year evaluation of the English Language Learner Acquisition and Development Pilot Program authorized by Chapter 561; Statutes of 2006 (AB 2117);
 - **\$109,000** to make permanent one position for the English learner component of the Math and Reading Professional Development program.
 - **\$1.2 million** in one-time set-aside in the budget for future, unspecified state level activities in 2009-10. *The Governor vetoed these funds.*
- Approved **\$2.5 million** in one-time federal Special Education funds as follows:
 - **\$1.25 million** over three years to contract with a county office of education or higher education institution to provide technical assistance to county court schools to improve services for youth with disabilities;
 - **\$1.25 million** for development and implementation of a standardized, evidence-based alternative assessment to allow eligible students with disabilities to demonstrate competencies necessary to pass the California High School Exit Exam (CAHSEE).

- Adopted **Supplemental Report Language** requiring the California Department of Education (CDE) to provide various annual reports to the Legislature providing basic demographic, resource and student outcome data for county court schools, county community schools, and Department of Juvenile Justice (DJJ) schools in California.
- Appropriated **\$600,000** in one-time federal Migrant Education funds to augment the contract for a three-year, independent evaluation of the Migrant Education program. This evaluation satisfies requirements of the federal Migrant Education program. *The Governor vetoed these funds.*
- Restored the Governor's Budget Balancing Reductions (BBRs) for several small General Fund (Non-98) K-12 programs. *The Governor vetoed \$904,000 for Advancement Via Individual Determination (AVID) and \$862,000 for Child Nutrition in order to implement BBRs for these two General Fund (Non-98) programs.*
- Approved an unallocated reduction of **\$5.5 million** (ten percent) in state General Funds (Non-98) for CDE headquarters staff and expenses as a part of the Governor's BBRs. Within 30 days of budget enactment, CDE is required to report to the Legislature and Legislative Analyst's Office regarding the specific position and appropriation adjustments implemented as a result of the unallocated reduction.
- Denied an additional **\$442,000** in General Fund (Non-98) resources for 3.0 new positions and other operating expenses for CDE headquarters staff, but approved \$40,000 and 0.3 position for anti-discrimination monitoring pursuant to Chapter 566; Statutes of 2007 (AB 394).
- Required the California Department of Education to annually submit two reports regarding federal education funds to the Legislature, Legislative Analyst's Office and the Governor. Requires one report, submitted by February 15 of each year, to provide a three-year tracking of federal funds, as specified. Requires a second report, submitted by November 1 of each year that identifies available federal carryover funds.
- Amended budget **Control Section 12.40** to prohibit categorical program transfers out of the child nutrition program.

Child Development

- Fully funded CalWORKs child care programs using Proposition 98.
- Restored Governor's proposed across-the-board reductions to various child care programs.
- Provided minimal funding for enrollment growth.
- Approved Governor's proposal to freeze State Median Income (SMI), the income level under which families are eligible to receive subsidized child care services.
- Adjusted child care provider reimbursement rates, pursuant to the new Regional Market Rate survey, effective March 1, 2009.

- Retained reimbursement rate ceilings at the current levels (85th percentile of the Regional Market Rate).
- Codified the current practice of assessing family fees when a family's income reaches 40 percent of the SMI. *The Governor vetoed this budget bill language.*

Budget Trailer Bills.

1. SB 519 (Committee on Budget and Fiscal Review). Omnibus Education Budget Trailer Bill. Makes numerous statutory changes needed to implement provisions of the 2008-09 budget package, including but not limited to, the following K-12 and Proposition 98 provisions that:

- (a) calculate a deficit factor for school districts and county offices of education to reflect the reduction of statutory cost-of-living adjustments (COLAs) in 2008-09, so that in 2009-10 these factors are restored to revenue limit calculations, as if the full statutory COLA had been applied;
- (b) require the California Department of Education (CDE) to annually submit two reports to the Legislature, Legislative Analyst's Office and the Governor on federal funds;
- (c) suspend existing statute that specifies the division of Proposition 98 funding among K-12 local educational agencies (LEAs), community colleges, and other state agencies, and reflects a division of funding that conforms to that of the 2008-09 budget;
- (d) provide statutory authority for allocating and evaluating federal improvement funds for LEAs facing corrective action under the federal No Child Left Behind Act. The new funding formula is based on the number of Title I schools in corrective action in each of these LEAs.
- (e) continue authorization of the special disability adjustment calculation through 2008-09 intended to compensate K-12 LEAs for higher special education costs for some students with disabilities;
- (f) repeal the Norm Referenced Test (NRT), most recently administered to students in grades 3 and 7, as a component of the Standardized Testing and Reporting (STAR) Program and make conforming changes;
- (g) continue to defer \$388.3 million in various K-12 program payments included in the second principal apportionment by one month – from June 2009 to July 2009 – in order to shift payments from the 2008-09 to the 2009-10 fiscal year. This practice continues budget savings – achieved by shifting these payments to the next fiscal year – that were implemented in recent years;
- (h) extend the authorized expenditure period for June K-12 apportionment deferrals by one month – from June 30, 2009 to July 31, 2009. This action makes the expenditure period for apportionment payment deferrals consistent with the expenditure period for budget act appropriations;
- (i) continue to defer \$200 million of community college payments from the 2008-09 to the 2009-10 fiscal year;
- (j) defer a statutory appropriation of \$150 million in 2008-09 for purposes providing payment of prior year Proposition 98 “settle-up”;

- (k) declare that the budgeted COLA rate of zero percent for various K-12 categorical programs in 2008-09 is in-lieu of the COLA that would be applied pursuant to any other law;
- (l) appropriate \$12.5 million from the Public Interest Research, Development, and Demonstration Fund to expand California Partnership Academies, via the Community College's Career Technical Education Initiative, to focus on educational and career opportunities in clean technology, renewable energy, pollution reduction, and other "green" environmental technologies; and
- (m) appropriate \$39.8 million in augmentation of community college apportionments in the Budget Act to provide a 0.68 percent COLA.

Status: Chapter 757; Statutes of 2008.

2. ***AB 88 (Committee on Budget). Supplemental Budget Bill.*** Amends numerous items to the 2008 Budget Act, including many items that relate to K-12 education programs. These amendments to the Budget Conference Report reflect final budget agreements between the Legislature and the Administration for a number of K-12 budget items, including: elimination of COLA funds for K-12 categorical programs; changes to state operations and local assistance items to reflect restructuring of federal school improvement programs; and other technical adjustments.

Status: Chapter 269; Statutes of 2008.

3. ***AB 1526 (Committee on Budget). Before- and After-School Programs.*** Places an initiative on the statewide ballot to allow budgetary flexibility related to the expenditure of Proposition 98 funding, as it pertains to After School Education and Safety Program (ASES). The measure retains the ASES programmatic structure, including the statutorily established grant amounts, determination of program eligibility, attendance requirements, etc., but makes the following changes, contingent upon approval by the voters:

- (a) repeals the "continuous appropriation" authority thus allowing appropriation decisions to be made annually in the Budget Act;
- (b) removes the statutorily-established minimum appropriation level (\$550,000,000) for the ASES program;
- (c) allows for ASES program statutes to be amended, via the legislative process, by a majority vote of the Legislature; and
- (d) requires the Secretary of State to submit the above-noted changes for approval by the voters at the November 2008 statewide election.

Status: Vetoed by the Governor.

4. ***AB 1654 (Committee on Budget). State Lottery Modernization Trailer Bill.*** Makes a number of changes to modernize the State Lottery, subject to approval of statewide voter.

These changes include the following provisions that affect State Lottery funding for K-12 schools:

(a) Commencing in 2009-10, and each fiscal year thereafter, discontinues approximately \$1.1 billion in lottery funding for K-12 and higher education systems and makes General Fund appropriations instead. General Fund appropriations will be equal to amounts appropriated for K-12 and higher education systems in 2008-09 from the State Lottery Fund, adjusted annually for cost-of-living and student growth adjustments. Cost-of-living adjustments are defined as changes in per capita personal income. General Fund appropriations shall be allocated to K-12 and higher education agencies previously funded directly by the State Lottery Fund, on the basis of student enrollment;

(b) Deems 2009-10 General Fund appropriations for K-12 education and community colleges under the lottery proposal as Proposition 98 funds, but specifies these appropriations are “in addition” to the amounts required by the Proposition 98 minimum funding guarantee and “in addition” to any amounts allocated for maintenance factor in 2009-10;

(c) Rebench the Proposition 98 Test 1 percentage to reflect the additional General Fund appropriations for K-12 education and community colleges pursuant to the Lottery proposal. Establishes a new methodology for rebenching Test 1, in lieu of the methodology in current law.

Status: *To enrollment.*

5. ***AB 1389 (Committee on Budget). General Government Budget Trailer Bill, Redevelopment Agency (RDA) Pass-Through Provisions.*** This budget trailer bill includes a number of changes that improve the process for and increase the level of local property taxes transfers from RDAs to educational agencies resulting in Proposition 98 General Fund savings, as follows:

(a) approved a Legislative Analyst recommendation to recover \$98 million in General Fund overpayments to school districts that were revealed by a recent State Controller’s audit. The audit revealed that certain Redevelopment Agencies withheld required property tax transfers to schools and that certain schools underreported property tax revenue to the State.

b) adopted a one-year shift of \$350 million from Redevelopment Agencies to educational agencies to produce General Fund savings of the same amount.

Status: *Chapter 751; Statutes of 2008.*

0558/0650 OFFICE OF THE SECRETARY OF EDUCATION

- Reduced state General Funds (Non-98) for the Office of the Secretary of Education by 10 percent (**\$198,000**) as a part of the Governor's Budget Balancing Reductions.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Approved five percent across-the-board reductions to various State Library Programs, including the Public Library Foundation; the Civil Liberties Education Program; and the Interlibrary Loan Program, among others. Governor vetoed an additional \$1.7 million from the above-noted programs, bringing the total reduction to ten percent.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

- Adopted Governor's proposed ten percent reduction to CPEC state operations and approved provisional language specifying priority for certain key functions to be conducted in light of CPEC's limited resources.

6440 UNIVERSITY OF CALIFORNIA

- Partially restored General Fund (\$98.6 million), sufficient to hold funding at the levels provided in the current year.
- Adopted alternative Budget Bill language to:
 - Reinstate academic preparation and research "earmarks" to ensure funding for legislative priorities. Governor voted all funding (\$5.4 million) set-aside by the Legislature for research related to labor and employment.
 - Redirect \$15 million from compensation for administrators to pay for increased compensation for low-wage workers. Governor vetoed this redirection.
- Approved \$204.6 million in Lease-Revenue Bond funding for six high-priority capital outlay projects.

6610 CALIFORNIA STATE UNIVERSITY

- Partially restored General Fund (\$97.6 million), sufficient to hold funding at the levels provided in the current year.
- Adopted alternative Budget Bill language to reinstate academic preparation and student financial aid "earmarks" to ensure funding for legislative priorities.
- Approved \$223.8 million in Lease-Revenue Bond funding for five high-priority capital outlay projects.

6600 HASTINGS COLLEGE OF THE LAW

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

6870 CALIFORNIA COMMUNITY COLLEGES (CCC)

- Restored Governor's proposed across-the-board reductions.
- Provided approximately \$113.5 million to fund two percent enrollment growth.
- Reinstated a partial (0.68 percent) Cost-of-Living Adjustment (COLA) for Apportionments (\$39.8 million)
- Appropriated \$12.5 million in special fund dollars (via the Education Trailer Bill) to expand California Partnership Academies, via the CCC's Career Technical Education Initiative, to focus on educational and career opportunities in "Green" Technologies.
- Backfilled a 2007-08 property tax shortfall by providing approximately \$75 million in General Fund resources.

7980 CALIFORNIA STUDENT AID COMMISSION

- Denied Governor's proposal to phase-out the Competitive Cal Grant program and augmented by approximately \$57 million for this purpose.
- Extended date by which the Administration has the authority to sell EdFUND; continued to assume the proceeds of a sale in 2009-10 of \$500 million.
- Authorized 8,000 Assumption Program of Loan for Education (APLE) warrants, holding constant the number of warrants authorized for 2008-09. Governor vetoed the number of authorized warrants by 10 percent or 800, leaving 7,200 warrants to be awarded in the 2008-09 academic year.
- Funded the California Student Opportunity and Access Program (Cal-SOAP) with federal funds totaling \$7.4 million, rather than General Fund. Of this amount, \$1 million is set aside for financial aid outreach related to career-technical education.

SUBCOMMITTEE 2

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Alan Lowenthal, Chair
Darrell Steinberg
Mark Wyland

Consultant

Seija Virtanen

SUBCOMMITTEE No. 2

RESOURCES, ENVIRONMENTAL PROTECTION, PUBLIC SAFETY, ENERGY, and GENERAL GOVERNMENT

Natural Resources

Secretary for Resources	2-1
Special Resources Programs.....	2-1
California Tahoe Conservancy	2-2
California Conservation Corps	2-2
Colorado River Board.....	2-2
Department of Conservation.....	2-2
Department of Forestry and Fire Protection	2-3
State Lands Commission	2-4
Department of Fish and Game.....	2-4
Wildlife Conservation Board.....	2-6
Department of Boating and Waterways.....	2-6
California Coastal Commission.....	2-6
State Coastal Conservancy	2-7
Native American Heritage Commission.....	2-7
Department of Parks and Recreation	2-7
Santa Monica Mountains Conservancy	2-8
San Francisco Bay Conservation and Development Commission	2-8
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	2-9
San Joaquin Conservancy.....	2-9
Baldwin Hills Conservancy.....	2-9
Delta Protection Commission.....	2-9
San Diego River Conservancy.....	2-9
Coachella Valley Mountains Conservancy.....	2-9
Sierra Nevada Conservancy.....	2-9
Department of Water Resources.....	2-9

Environmental Protection

Secretary for Environmental Protection	2-12
Air Resources Board.....	2-12
Integrated Waste Management Board	2-13
Department of Pesticide Regulation	2-14
State Water Resources Control Board.....	2-14
Department of Toxic Substances Control	2-15
Office of Environmental Health Hazard Assessment.....	2-16

SUBCOMMITTEE No. 2

(CONTINUED)

Energy and Utilities

California Energy Commission	2-17
Department of Water Resources (California Energy Resources Scheduling Division)	2-17
Public Utilities Commission.....	2-18
Electricity Oversight Board	2-19

Food and Agriculture

Agricultural Labor Relations Board	2-20
Department of Food and Agriculture.....	2-20

NATURAL RESOURCES

0540 Secretary for Resources

- Approved \$28.6 million in Proposition 84 bond funds and two positions for the River Parkways grant program.
- Approved \$1.1 million in Proposition 13 bond funds for the River Parkways grant program.
- Approved \$15.9 million in Proposition 84 bond funds for San Joaquin River Restoration with budget bill language.
- Approved a reduction of \$249,000 from special funds for the CALFED Watershed Program. Adopted trailer bill language to transfer this program to the Department of Conservation.
- Approved \$9,568,000 in Federal Trust Funds for various Resources Agency departments' Coastal Impact Assistance Program projects.
- Approved \$110,000 in Federal Trust Funds for implementation of the Coastal Impact Assistance Program.
- Approved \$159,000 GF for SB 97 implementation.
- Approved a \$607,000 GF budget balancing reduction to the CALFED Bay-Delta Program.

Budget Bill Language

1. Approved budget bill language stating that the Secretary for Resources may only continue to expend Proposition 84 bond funds for San Joaquin River Restoration only so long as the United States Bureau of Reclamation continues to provide federal funds and continues implementation of the settlement agreement.

3110 Special Resources Program

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

3125 California Tahoe Conservancy

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

3340 California Conservation Corps

- Approved \$26 million in Proposition 84 bond funds, of which \$23 million is for local conservation corps and \$3 million for state operations.
- Approved \$6.5 million in additional lease-revenue bond funds for construction of the Delta Service District Center.
- Approved a \$544,000 GF budget balancing reduction to the local corps funding and Headquarters staff.
- Approved \$1 million from the Collins–Dugan Account to replace GF.
- Rejected a \$2,220,000 GF budget balancing reduction that would have forced a reduction in corps-member workweek hours. *The Governor vetoed \$2,000,000 GF to reduce the State's budget deficit.*

3460 Colorado River Board of California

- Approved as budgeted.

3480 Department of Conservation

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

- Approved \$32 million transfer from the Beverage Container Recycling Fund to the Air Pollution Control Account.
- Approved \$1,167,000 transfer from special funds to the California Integrated Waste Management Board's Education and the Environment Initiative.
- Approved \$512,000 GF budget balancing reduction to the Geologic Hazards and Mineral Resources program.

Budget Bill Language

1. Approved budget bill language that specifies \$910,000 in special funds is available to the Department of Conservation to provide technical assistance to local jurisdictions that have a history of non-compliance with Williamson Act policy development, to assist compliance with state law and contract terms as they relate to state law, and to provide procedural guidance programs in order to maintain consistent Williamson Act contract implementation statewide.

Trailer Bill Language

1. Approved trailer bill language to increase, for three years, the amount the Department of Conservation can spend annually on orphan well elimination from \$1 million to \$2 million. After three years, the allowable amount for orphan well expenditures rises from \$500,000 to \$1 million.
2. Approved trailer bill language to move the CALFED Watershed Coordinator Program from the Secretary for Resources office to the Department of Conservation.

3540 Department of Forestry and Fire Protection

- Approved \$2,475,000 GF for two years for 14 positions to establish a Statewide Fire Suppression Cost-Recovery Unit. The new unit is anticipated to bring in \$12.5 million in additional GF revenue.
- Approved \$2,263,000 GF for 28 positions in the Battalion Chief Classification.
- Approved \$2,221,000 GF for cost increases to fuel and non-discretionary fees.
- Approved \$647,000 from special funds for the State Fire Training program.
- Approved \$1,954,000 from Reimbursements for 15 additional fire marshal positions.
- Adopted trailer bill language allowing the State Fire Marshal to invoice local governments and private entities for services.
- Approved \$147,000 from Reimbursements to conduct accounting of Proposition 40 bond fund spending.
- Approved a new line item number for the Board of Forestry.
- Approved \$176 million in lease-revenue bonds for a number of capital outlay projects.
- Approved \$1,851,000 GF for minor capital outlay.
- Rejected \$1,119,000 from special funds for a new Arson and Bomb Unit.

- Rejected a \$2,953,000 GF budget balancing reduction to Resources Management. *The Governor vetoed \$2,149,000 GF of the Resources Management funds to reduce the State's budget deficit. The vetoed funds do not include vegetation management funds.*
- Rejected a \$315,000 GF budget balancing reduction to the State Fire Marshal.
- Rejected a \$4,764,000 GF budget balancing reduction to administration. *The Governor vetoed \$287,000 GF from administration to reflect his reduction of the Resources Management program.*

Budget Bill Language

1. Approved budget bill language allowing the Department of Finance, with 20-day notification to the Joint Legislative Budget Committee, to modify which forest fire station facility capital outlay projects are managed by the Department of Forestry and Fire Protection.

Trailer Bill Language

1. Approved trailer bill language to allow the State Fire Marshall to charge local governments and private entities for fire and life safety building inspections and other services.

3560 State Lands Commission

- Approved \$300,000 from special funds for marine invasive species control.
- Approved \$120,000 from Reimbursements for one position to perform due diligence and property transaction activities on school lands.
- Approved \$85,000 from Reimbursement for one position to review applications for Liquefied Natural Gas and other energy related projects on state lands.
- Approved a \$305,000 GF budget balancing reduction to the Land Management program.
- Rejected a \$335,000 GF budget balancing reduction to the Mineral Resources Management program.

3600 Department of Fish and Game

- Approved \$10.8 million from Proposition 84 bond funds for Anadromous fish management.
- Approved \$10.75 million from special funds for Salton Sea restoration.
- Approved \$1.3 million from special funds for on-going oil spill equipment maintenance and equipment purchase.
- Approved \$1 million GF for court ordered suction dredge mining California Environmental Quality Act (CEQA) review.
- Approved \$2,437,000 from special funds to backfill a GF reduction to Fish and Game wardens. *In addition, the Governor vetoed \$116,000 GF from the Enforcement program to reduce the State's budget deficit.*
- Approved \$835,000 from special funds for improving public services in fee-funded programs.

- Approved \$507,000 from special funds for meeting public use demands for recreational opportunities, surveys, restoration, and habitat incentive programs.
- Approved \$470,000 from Proposition 12 bond funds for privately owned wetlands habitat restoration.
- Approved \$428,000 from special funds for Quagga Mussel eradication efforts.
- Approved \$141,000 from special funds for two temporary positions to conduct a statewide property and asset inventory in compliance with recent state and federal audits.
- Approved \$120,000 from special funds to provide Internet streaming of Fish and Game Commission meetings.
- Approved \$530,000 from special funds for minor capital outlay projects.
- Approved \$6.3 million in Reimbursement authority for San Joaquin River restoration.
- Approved \$1.3 million in Reimbursement authority for review of CEQA documents for transportation projects.
- Approved \$2.1 million shift from GF to Harbors and Watercraft funding for Quagga Mussel eradication.
- Rejected \$18.9 million in Proposition 84 bond funds for the CALFED Ecosystem Restoration Program.
- Approved a \$277,000 GF budget balancing reduction to administration and rejected a \$687,000 GF budget balancing reduction to administration. ***The Governor vetoed \$687,000 GF from administration to reduce the State's budget deficit.***
- Rejected a \$715,000 GF budget balancing reduction to the Hunting, Fishing, and Public Use program and approved a \$474,000 GF budget balancing reduction to the same program. ***The Governor vetoed \$539,000 GF from the Hunting, Fishing, and Public Use program to reduce the State's budget deficit.***
- Rejected a \$3,580,000 GF budget balancing reduction to the Biodiversity Conservation program. ***The Governor vetoed \$3,122,000 GF from the Biodiversity Conservation program to reduce the State's budget deficit.***
- ***The Governor vetoed \$1,114,000 from the Management of Department Lands and Facilities program. Of this amount, \$1 million is from the Hatchery and Inland Fisheries Fund.***

Budget Bill Language

1. Approved budget bill language stating that the Department of Fish and Game may only continue to expend Proposition 84 bond funds for San Joaquin River Restoration only so long as the United States Bureau of Reclamation continues to provide federal funds and continues implementation of the settlement agreement.
2. Approved budget bill language specifying that \$4.1 million of the department's appropriation is for the Coastal Watershed Salmon Habitat Program.
3. Approved budget bill language directing the department to standardize the purchase of oil spill response equipment in order to create a consistent system for all of California's ports.

Trailer Bill Language

1. Approved trailer bill language requiring the Proposition 84 bond funds for the Department of Fish and Game coastal salmon and steelhead restoration projects to be distributed according to

existing grant guidelines, except for those funds appropriated by the Legislature specifically for salmon monitoring activities.

3640 Wildlife Conservation Board

- Approved \$25 million in Proposition 84 bond funds for Natural Communities Conservation Plan capital outlay projects.
- Approved \$1 million from special funds for the Public Access Program.
- Approved \$19.6 million Proposition 1E transfer to the Habitat Conservation Fund.
- Approved two positions from existing resources (\$242,000) to work on bond-funded land acquisition.
- Approved a \$20,000 GF budget balancing reduction and reduced GF by an additional \$184,000.
- Approved \$204,000 from special funds to fund the positions previously funded with GF.

Trailer Bill Language

1. Approved trailer bill language requiring the State Treasurer to transfer funds from the Natural Heritage Preservation Tax Credit Reimbursement Account into the General Fund within a 60-day period from the receipt of the funds.

3680 Department of Boating and Waterways

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

Trailer Bill Language

1. Approved trailer bill language allowing the Harbors and Watercraft Fund to be used for Quagga Mussel eradication and containment activities.

3720 California Coastal Commission

- Approved \$524,000 from special funds for operating expenses and equipment.

- Approved \$248,000 from special funds for coastal education program funding.
- Rejected a \$956,000 GF budget balancing reduction to the Coastal Management program. *The Governor vetoed \$581,000 GF from the Coastal Management program to reduce the State's budget deficit.*
- Rejected a \$52,000 GF budget balancing reduction to the Coastal Energy program. *The Governor vetoed \$36,000 GF from the Coastal Energy program to reduce the State's budget deficit.*
- Rejected a \$173,000 GF budget balancing reduction to administration. *The Governor vetoed \$87,000 GF from administration to reduce the State's budget deficit. This amount is included in the vetoes for Coastal Management and Coastal Energy programs.*

Trailer Bill Language

1. Approved trailer bill language establishing a new account, Coastal Act Services Fund, into which existing permit fees for the Coastal Commission are deposited. The trailer bill language also provides that \$500,000 of the permit fees are transferred annually to the State Coastal Conservancy.

3760 State Coastal Conservancy

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

Budget Bill Language

1. Approved budget bill language allowing the San Diego River Conservancy to authorize \$3 million in Proposition 84 bond funded projects for the State Coastal Conservancy.

3780 Native American Heritage Commission

- Rejected a \$79,000 GF budget balancing reduction. *The Governor vetoed \$79,000 GF from the Commission to reduce the State's budget deficit.*

3790 Department of Parks and Recreation

- Approved \$1.5 million in new fee authority and \$11.8 million GF to prevent park closures.
- Approved \$45.6 million in federal funds and special funds for the parks local assistance program.
- Approved \$12.3 million in Proposition 84 bond funds for deferred maintenance.

- Approved \$4 million GF and \$1 million in Proposition 84 bond funds for Empire Mine remediation.
- Approved \$13.9 million from special funds for 76 positions to provide additional staffing for the Off-Highway Motor Vehicle Recreation Program.
- Approved \$5.6 million from special funds for planning and implementation of off-highway vehicle routes.
- Approved \$2 million in Proposition 84 bond funds for the Natural Heritage Stewardship program.
- Approved \$1.4 million in Proposition 84 bond funds for the Interpretive Exhibit program.
- Approved \$1.2 million in Proposition 84 bond funds for cultural stewardship projects.
- Approved \$1.4 million from special funds for Quagga Mussel eradication.
- Approved \$910,000 from the Motor Vehicle Account for retrofitting the department's diesel vehicles. *The Governor vetoed this amount because he believed the funding source to be invalid.*
- Approved \$913,000 from special funds for eight positions to handle the increased volume of grant applications and monitoring for the Off-Highway Motor Vehicle Recreation Program.
- Approved \$5.7 million from special funds to purchase equipment for Off-Highway Motor Vehicle Recreation parks.
- Approved \$5 million in federal funds for general acquisitions.
- Approved \$3,657,000 in Proposition 84 bond funds for park development projects.
- Approved \$2 million in 1976 bond funds for opportunity and inholding purchases for state parks.

Budget Bill Language

1. Approved budget bill language authorizing the department to enter into agreements with cooperative associations to support state park operations.

3810 Santa Monica Mountains Conservancy

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

Budget Bill Language

1. Approved budget bill language directing the Santa Monica Mountains Conservancy to pay the Office of the Attorney General for the costs of reviewing the Santa Monica Mountains Conservancy's grant awards and attending the Santa Monica Mountains Conservancy's meetings. *The Governor expressed concern that this language could be seen as conflicting with existing language that makes the Conservancy the Attorney General's client, and that this language would be revisited next year.*

3820 San Francisco Bay Conservation and Development Commission

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

3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy

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

3830 San Joaquin River Conservancy

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

3835 Baldwin Hills Conservancy

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

3840 Delta Protection Commission

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

3845 San Diego River Conservancy

- Approved \$1 million in Reimbursement authority for capital outlay funding.

Budget Bill Language

1. Approved budget bill language allowing the San Diego River Conservancy to authorize \$3 million in projects from the State Coastal Conservancy's funds.

3850 Coachella Valley Mountains Conservancy

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

3855 Sierra Nevada Conservancy

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

3860 Department of Water Resources

- Approved \$126.5 million in Proposition 1E bond funds and 33 positions for levee evaluations and repairs in the State Plan of Flood Control.

- Approved \$276.4 million in Proposition 1E bond funds and reimbursements for various capital outlay projects.
- Approved \$413.5 million in Proposition 1E and Proposition 84 bond funds for the FloodSAFE California Program.
- Approved \$8 million in Proposition 84 bond funds for the CALFED Science Program.
- Approved \$6,449,000 in Proposition 50 bond funds for 14.5 existing positions to work on water conservation and water supply reliability projects.
- Approved \$7.7 million (\$6.7 million GF and \$1 million Proposition 1E bond funds) for the Central Valley Flood Protection Board.
- Approved \$2,273,000 in Proposition 13 bond funds for local assistance in urban streams restoration.
- Approved \$3 million in Reimbursement authority for the mitigation and conservation concepts and activities developed in the Salton Sea Restoration and Management Program.
- Approved \$1.4 million from State Water Project funds to support the collection, review, and updating of information on an Alternative Delta Conveyance Facility and begin preparation of an Environmental Impact Report for such a facility. Adopted trailer bill language specifying that the positions are authorized to work solely on environmental studies related to delta conveyance and not to work on conveyance design or construction.
- Rejected \$342 million in Proposition 84 bond funds for Integrated Regional Water Management.
- Rejected \$102 million in Proposition 1E bond funds for Stormwater Flood Management.
- Rejected \$50.9 million in Proposition 84 bond funds for Delta Water Quality Improvement Program.
- Rejected \$3.7 million in Proposition 50 bond funds for CALFED surface storage feasibility studies.
- Rejected \$3,450,000 in Proposition 13 bond funds for the Franks Tract project.
- Rejected \$1.7 million from various funding sources for 18 new permanent positions and four temporary positions to provide administrative support.
- Approved a \$1,583,000 GF budget balancing reduction to continuing formulation of the California Water Plan.
- Approved a \$5,373,000 GF budget balancing reduction to the Public Safety and Prevention of Damage program.
- Approved a \$136,000 GF budget balancing reduction to the department's Services program.
- Approved a \$200,000 GF budget balancing reduction to the Central Valley Flood Protection Board.

Budget Bill Language

1. Approved budget bill language authorizing the Department of Water Resources to expend appropriated funds on the Folsom Bridge Improvement Project without making certain findings specified in Water Code 9613.

2. Approved budget bill language stating that the Department of Water Resources may only continue to expend Proposition 84 bond funds for San Joaquin River Restoration only so long as the United States Bureau of Reclamation continues to provide federal funds and continues implementation of the settlement agreement.

Trailer Bill Language

1. Approved trailer bill language restricting eight limited-term positions approved from State Water Project funds exclusively for conducting studies on options for conservation and restoration of the Sacramento-San Joaquin River Delta, consistent with the recommendations of the Delta Blue Ribbon Task Force. These positions are restricted to advancing work on California Environmental Quality Act required studies and documentation for the Bay-Delta Conservation Plan.
2. Approved trailer bill language eliminating the requirement that the All American Canal lining be financed by the General Fund.

ENVIRONMENTAL PROTECTION

0555 Secretary for Environmental Protection

- Approved \$400,000 in special funds for the Education and the Environment Initiative.
- Approved a \$209,000 GF budget balancing reduction.

Trailer Bill Language

1. Approved trailer bill language requiring an annual cross-cut budget of all statewide AB 32 (California Global Warming Solutions Act of 2006) implementation budget proposals with five-year workload expectations for positions and contracts with their expected deliverables.

3900 Air Resources Board

- Approved \$1.7 million in special funds for eight positions and contract funds for AB 118 implementation.
- Approved \$48.7 million in financial incentives, such as loans and grants, for clean-air retrofits of privately owned short-haul heavy-duty trucks.
- Approved a \$32 million loan from the Beverage Container Recycling Fund to the Air Pollution Control Fund for AB 32 activities.
- Approved \$6.8 million in special funds for 37 positions to implement and enforce the Air Resources Board's new and augmented regulatory programs.
- Approved \$6 million in special funds for the hydrogen highways and zero emission vehicle programs.
- Approved \$1.85 million in special funds to reimburse the Department of Justice for increased litigation workload and costs associated with the Air Resources Board's schedule of regulations to be adopted during 2008.
- Approved \$533,000 in special funds for five positions to work on the Carl Moyer Program.
- Approved \$491,000 in special funds for additional construction costs of the Haagen-Smit Laboratory seismic retrofit.
- Approved \$145,000 in special funds for the Healthy Heart and Lung Act.
- Approved a \$243,000 GF budget balancing reduction. ***The Governor vetoed an additional \$2 million GF from the Air Resources Board.***

Trailer Bill Language

1. Approved trailer bill language allowing the Air Resources Board to provide grants and loans from the Air Quality Improvement Fund to short-haul truck owners for early compliance with on-road heavy-duty diesel regulations.
2. Approved trailer bill language clarifying that state agencies may be applicants for Proposition 1B funded goods movement related loans and loan guarantees.
3. Approved trailer bill language allowing the Air Resources Board to disburse hydrogen highway funds as grants.

Supplemental Report Language

1. Approved supplemental report language requiring the Air Resources Board, by January 1, 2009, to report on options for vehicle retirement programs that create incentives for the purchase of replacement vehicles that, compared to other replacement vehicles that could be purchased under these programs, emit fewer quantities of air pollutants and that have fewer miles driven at the time of purchase.

3910 Integrated Waste Management Board

- Approved \$200,000 in federal trust funds for the development of the National Environmental Information Exchange Network.
- Approved \$1,167,000 in reimbursement authority for the Education and Environment Initiative.
- Approved \$157,000 in special funds for temporary permitting of non-permitted facilities.
- Rejected \$79,000 in special funds for the development of model programs for the collection of household pharmaceutical drug waste.

Budget Bill Language

1. Approved budget bill language for a loan for covered electronic waste recycling payments, contingent upon Joint Legislative Budget Committee approval.

3930 Department of Pesticide Regulation

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

Trailer Bill Language

1. Approved trailer bill language authorizing the Department of Pesticide Regulation, upon appropriation by the Legislature, to expend revenue collected from the sale of pesticides to administer the implementation of Volatile Organic Compound regulations.

3940 State Water Resources Control Board

- Approved \$100.5 million from Proposition 84 bond funds for clean beaches, urban stormwater grant program, agricultural water quality grant program, areas of special biological significance, and the Santa Monica Bay Restoration Commission.
- Approved \$10.2 million from special funds for accelerated reimbursement of underground storage tank cleanups.
- Approved new line items in the Budget for each of the Regional Water Boards. *The Governor vetoed this change to the budget display stating that it interfered with the Board's ability to set priorities and respond to events.*
- Approved transfer of \$5.5 million and 32 existing positions from the Water Pollution Control Revolving Fund Administrative Fund to a new State Water Pollution Control Revolving Fund Administration Fund.
- Approved \$961,000 GF for 2008-09 and \$1,211,000 GF for 2009-10 for payment to the Attorney General's Office for defense costs from a lawsuit filed by ARCO regarding the cleanup of mine waste at Leviathan Mine.
- Approved \$1 million from special funds for the development of a program to control the discharge of preproduction thermoplastic resin pellets.
- Approved \$590,000 from special funds for two years for the development and implementation of guidelines for assessing the effectiveness of municipal stormwater programs.
- Approved \$202,000 from special funds for wetlands protection compliance and monitoring.
- Approved \$126,000 from special funds for conditioning grants on water demand management measures.
- Approved \$129,000 from special funds for the California Integrated Water Quality System.
- Approved \$75,000 from Reimbursements to oversee CalTrans project implementation and management activities in the Lake Tahoe Basin.
- Approved \$205,000 from Reimbursements to conduct and follow up on environmental reviews for transportation and water supply projects in San Diego County.
- Approved supplemental report language on the San Diego Bay toxic sediment cleanup.
- Approved supplemental report language on agricultural water runoff into the Sacramento-San Joaquin Delta.
- Approved \$100,000 GF for planning and regulatory oversight of increased and accelerated fuel reduction activities on federal, state, and private lands in order to reduce the threat of future wildfire in the Lake Tahoe Basin.
- Approved \$850,000 from special funds for adopting and implementing a general permit for the use of recycled water for landscape irrigation.
- Rejected \$428,000 from special funds for development and implementation of adaptation responses for water quality changes expected to occur due to global climate change.
- Rejected \$316,000 from special funds for 6.5 positions for water rights enforcement.

- Rejected \$1.3 million from special funds for investigation, enforcement, and fraud detection for the water rights and water quality programs.
- Approved \$3,659,000 GF budget balancing reduction to the Water Quality Program.
- Approved \$390,000 GF budget balancing reduction to the Water Rights Program.
- Approved \$253,000 GF budget balancing reduction to administration.

Budget Bill Language

1. Approved budget bill language requiring the State Water Resources Control Board to hold at least two public hearings or workshops in the North Coast Region regarding the proposed principles and guidelines for maintaining required instream flows.
2. Approved budget bill language allowing the director of the Department of Finance to transfer amounts less than \$100,000 during a 30-day period between the regional water quality control boards. Transfers amounting to more than \$100,000 during a 30-day period require notification of the Joint Legislative Budget Committee. ***The Governor vetoed this budget bill language.***

Trailer Bill Language

1. Approved trailer bill language creating the State Water Pollution Cleanup and Abatement Account for penalty revenues from failure to file timely waste discharge reports in order to better account for those revenues.

Supplemental Report Language

1. Approved supplemental report language requiring the State Water Resources Control Board to report by January 30, 2009, on the work of the San Diego Regional Water Quality Control Board on San Diego Bay Cleanup, including the cost and the scope of the project.
2. Approved supplemental report language requiring the State Water Resources Control Board to report by January 30, 2009, on the precise actions the Board would have to undertake to achieve a 30 percent reduction in agricultural pollution runoff into the Sacramento-San Joaquin Delta and its tributary watersheds by 2012, the estimated cost of those actions, and which actions require legislation to implement.

3960 Department of Toxic Substances Control

- Approved \$527,000 GF for emergency repairs at the BKK landfill facility.
- Approved \$3.1 million from special funds for reimbursing the Department of Justice for providing litigation support for Department of Toxic Substances Control (DTSC) cost recovery and enforcement activities.
- Approved \$772,000 from special funds for the Green Chemistry initiative.
- Approved \$518,000 from special funds for payment to the Board of Equalization for collection of DTSC fees.
- Approved \$117,000 from special funds for promoting the existing model plating shop.

- Approved \$104,000 from special funds for enforcement of polluter pays by processing the backlog of accounts receivables.
- Approved \$70,000 from special funds for a contract for loan services, including financial analysis and loan underwriting for the CLEAN program.
- Approved \$344,000 from special funds and reverted an equal amount of GF for the biomonitoring program.
- Approved \$338,000 from special funds for the Calexico office move.
- Rejected \$3.2 million GF for the working drawings phase of the Stringfellow Pretreatment Plant, because the preliminary plans phase will last longer than anticipated.
- Rejected \$433,000 from special funds for implementing and enforcing the California Lighting Efficiency and Toxics Reduction Act.
- Approved a \$2,498,000 GF budget balancing reduction to the Site Mitigation and Brownfields Use program. *The Governor vetoed an additional \$1,155,000 GF from illegal drug laboratory removal to reduce the State's budget deficit.*
- Approved a \$34,000 GF budget balancing reduction to the Science, Pollution Prevention, and Technology Program.
- Approved a \$96,000 GF budget balancing reduction to administration.

Trailer Bill Language

1. Approved trailer bill language to create a revolving loan fund in the State Treasury and to continuously appropriate the monies in that fund to the Department of Toxic Substances Control for brownfield remediation programs.
2. Approved trailer bill language to allow the Department of Toxic Substances Control to allocate funds from the Toxic Substances Control Account to the Attorney General's office for legal services provided.

3980 Office of Environmental Health Hazard Assessment

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

Trailer Bill Language

1. Approved trailer bill language to allow the use of the Toxic Substances Control Account for the biomonitoring program at the Office of Environmental Health Hazard Assessment.

ENERGY AND UTILITIES

3360 California Energy Commission

- Approved \$75 million from the Alternative and Renewable Fuel and Vehicle Technology Fund to implement AB 118. The approved funding includes \$891,000 for six positions and \$74.2 million one-time funding for projects.
- Approved \$422,000 from the Natural Gas Subaccount of the Public Interest Research, Development, and Demonstration Fund for three positions to respond to the statutorily mandated increase in the Public Interest Energy Research Natural Gas Program.
- Approved \$2,222,000 from the Public Interest Research, Development, and Demonstration Fund for eight positions and contract funds to provide the technical expertise needed to respond to new legislative directions, provide the administrative infrastructure needed to support the Public Interest Energy Research (PIER) program, and to increase the funds used to support the PIER program.
- Approved \$500,000 from the Renewable Resource Trust Fund for outsourcing the administration of the New Solar Homes Partnership.
- Approved \$250,000 in one-time funds from the Energy Resources Programs Account for a fuel temperature dispensation analysis.
- Approved \$150,000 from the Energy Resources Programs Account for implementation of the expanded appliance water efficiency program.
- Approved \$300,000 from the Energy Resources Programs Account for establishment of guidelines that combined heat and power systems must meet.
- Approved \$1,565,000 from the Energy Resources Programs Account for 12 positions to work on development of the California Building Energy Efficiency Standards.
- Rejected \$911,000 from the Energy Resources Programs Account for four positions to accelerate and expand the Appliance Efficiency Standards Program.

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

- Approved as budgeted

8660 Public Utilities Commission (PUC)

- Approved \$102,000 from the PUC Ratepayer Advocate Account and one position to allow effective, independent analysis, advocacy, and review of alternative reporting and regulatory regimes, alternative market approaches, and the economic effects on markets and ratepayers to comply with AB 32.
- Approved \$300,000 from the PUC Ratepayer Advocate Account for three auditors to perform audits of water company financial records.
- Approved \$102,000 from the PUC Ratepayer Advocate Account to perform evaluations of the design of water conservation rate structures and to evaluate non-price related conservation programs that are consistent with PUC guidelines and the California Urban Conservation Council's best management practices.
- Approved \$410,000 from the Public Transportation Account, State Transportation Fund, for four positions to work on the Rail Transit Safety Program, which covers systems like BART and Sacramento Light Rail.
- Approved \$62,000 from the PUC Utilities Reimbursement Account (\$31,000) and Federal Trust Fund (\$31,000) for one limited-term position to reduce the backlog in the Mobilehome Park and Propane Gas Safety programs.
- Approved \$96,000 from the PUC Transportation Reimbursement Account for one position to implement increased enforcement activities against illegal advertising by unlicensed charter party carriers.
- Approved \$132,000 from the PUC Utilities Reimbursement Account for two positions to work on the PUC bilingual services program.
- Approved \$199,000 from distributed administration for two limited-term positions to establish the Project Management Office in the Information Services Branch.
- Approved \$236,000 from various special funds for three limited-term positions to consolidate the fine and restitution collection efforts.
- Approved \$82,000 in savings for various special funds for 13 security guard positions to provide security at the San Francisco headquarters building. The new permanent positions would replace contracted security services, which would provide the savings.
- Approved \$1,889,000 from various special funds for an office expansion project.
- Rejected \$535,000 from the Public Utilities Commission (PUC) Utilities Reimbursement Account for five positions to evaluate the cost effective procurement of electric resources.
- Rejected \$548,000 from the PUC Utilities Reimbursement Account for five positions to work on strategic planning, coordination, and oversight of the utilities' energy efficiency portfolios, as well as work on evaluation, measurement, and verification of energy savings.
- Rejected \$299,000 from the PUC Utilities Reimbursement Account for three positions to meet increased workload in planning for, and review and disposition of, transmission project applications.
- Rejected \$210,000 from the PUC Ratepayer Advocate Account for two positions to accommodate increased workload for the Division of Ratepayer Advocates for the new transmission project applications.

- Rejected \$317,000 from the PUC Utilities Reimbursement Account for three positions to work on the Governor's Bioenergy Action Plan.
- Rejected \$253,000 from the PUC Utilities Reimbursement Account for two positions to monitor the California Independent System Operator (CAISO). Monitoring the CAISO was formerly an Electricity Oversight Board activity.
- Rejected \$396,000 from the PUC Utilities Reimbursement Account for four positions to implement the Waste Heat and Carbon Emissions Reduction Act.
- Reduced the PUC's administrative budget by \$500,000 in special funds.

Trailer Bill Language

1. Approved trailer bill language requiring the Public Utilities Commission to annually report to the Legislature on certain off-budget programs and their related accounts.
2. Approved trailer bill language requiring the Public Utilities Commission to receive legislative approval prior to establishing the Institute for Climate Solutions.

8770 Electricity Oversight Board

- The Board received no funding in the budget.

Trailer Bill Language

1. Approved trailer bill language requiring the State Attorney General to be the successor to selected remaining claims, lawsuits, and petitions filed by the Electricity Oversight Board. This authority would sunset on January 1, 2010.

FOOD AND AGRICULTURE

7300 Agricultural Labor Relations Board

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

8570 Department of Food and Agriculture

- Approved \$2,774,000 from the Motor Vehicle Account for the border protection stations, including the Needles pilot project. As part of the border protection stations, approved 17 permanent positions and 23 temporary positions. The Subcommittee expressed that the approved funds were the first phase of a phased-in approach for the border protection stations, but the department is expected to return with a new funding request for the second phase.
- Approved a Quagga Mussel eradication program funding shift of \$2,492,000 from GF to Harbors and Watercraft funding. Approved changing this funding from a pass-through from the Department of Fish and Game to the California Department of Food and Agriculture (CDFA) to a direct appropriation to CDFA.
- Approved \$6.4 million in federal funds and 18 five-year limited-term positions for the eradication of the Light Brown Apple Moth. These 18 positions are paid for from the department's GF baseline budget.
- Approved \$183,000 in federal funds for Asian Gypsy Moth eradication efforts.
- Approved \$43.1 million in lease-revenue bonds for the construction of a new laboratory in Tulare. This project will consolidate two laboratories currently located at Tulare and Fresno into one new, full-service laboratory.
- Approved \$2 million from the Agricultural Building Fund for the replacement of a heating, ventilation, and air conditioning system at the Center for Analytical Chemistry.
- Approved \$2.3 million from the Agricultural Building Fund for acquisition of three acres on which the San Bernardino laboratory is currently located. The loan will have to be paid back by the GF beginning in 2009-10.
- Rejected \$2.5 million GF for the working drawings of the Turlock laboratory replacement. The project is delayed for one year due to the GF condition.
- Rejected a \$1,329,000 GF budget balancing reduction to the Animal Health and Food Safety Services program. This reduction would have eliminated the National Animal Health Monitoring and Reporting System, the biologics program, and the Animal Care Program. This reduction would also have led to a reduction in meat inspection.
- Rejected a \$2,445,000 GF budget balancing reduction to the Agricultural Plant Health and Pest Prevention Services program. Approved a \$2.5 million GF reduction to the same program. This

reduction eliminates a portion of the department's Diaprepes Root Weevil eradication program, and a portion of the Pierce Disease Control and Red Fire Ant programs.

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

Budget Bill Language

1. Approved budget bill language directing the Department of Food and Agriculture AB 32 (California Global Warming Solutions Act of 2006) activities toward: energy efficiency improvements; manure management; animal husbandry practices; methane capture; conservation tillage practices; agricultural biomass recycling and reuse; water conservation and improved irrigation efficiency; increased integrated pest management activities; and improved cropping systems.
2. Approved budget bill language requiring that no funds be expended on aerial spraying for the Light Brown Apple Moth until the toxicology studies on the long-term health effects of the synthetic pheromones used in the spraying are completed.

SUBCOMMITTEE 3

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Elaine Alquist, Chair
Alex Padilla
Mark Wyland

Consultants

Brian Annis
Eileen Cubanski
Bryan Ehlers
Agnes Lee
Diane Van Maren
Jacqueline Wong-Hernandez

SUBCOMMITTEE No. 3

HEALTH, HUMAN SERVICES, LABOR, and VETERANS AFFAIRS

Health

Secretary of Health & Human Services	3-1
Emergency Medical Services Authority	3-1
Department of Health Care Services	3-2
Department of Public Health	3-7
California Medical Assistance Commission	3-10
Managed Risk Medical Insurance Board.....	3-10
Department of Developmental Services	3-11
Department of Mental Health.....	3-14

Human Services

Office of Statewide Health Planning and Development.....	3-17
Department of Aging.....	3-18
Commission on Aging.....	3-18
California Senior Legislature.....	3-18
Department of Alcohol and Drug Programs.....	3-19
Department of Community Services and Development	3-20
Department of Rehabilitation	3-20
State Independent Living Council	3-21
Department of Child Support Services.....	3-21
Department of Social Services	3-23

Labor

Labor and Workforce Development Agency.....	3-28
Employment Development Department	3-28
Department of Industrial Relations	3-29

Veterans Affairs

Department of Veterans Affairs and Veterans Homes of California.....	3-30
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HEALTH

0530 Secretary of Health & Human Services

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

4120 Emergency Medical Services Authority

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

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

4260 Department of Health Care Services

Highlights for the Medi-Cal Program

- Rejected the Administration's proposal to restore Quarterly Status Reporting for parents for a reduction of \$7.6 million (\$3.8 million General Fund). Instead, the existing Semi-Annual Reporting process for parents was maintained.
- Modified the Administration's proposal to implement Quarterly Status Reporting for children and instead, adopted a Semi-Annual Reporting process for a reduction of \$51.2 million (\$25.6 million). Children enrolled in Medi-Cal presently have an annual renewal process. It is the intent of the Legislature for the Department of Health Care Services (DHCS) to have children on the same renewal pattern as their parents, when applicable.
- Modified the Administration's proposal to stop paying the federal Medicare Part B Premium for individuals enrolled in Medicare and Medi-Cal with a "share-of-cost" who do not meet their Medi-Cal "share-of-cost" every month. Under the Legislature's action, the state will continue to pay the Part B Premium of individuals with a "share-of-cost" at \$500 dollars and below. A reduction of \$48.4 million (General Fund) is to be achieved from this action, which is \$5.4 million (General Fund) less than the Administration's.
- Rejected the Administration's proposal to roll back Medi-Cal eligibility for working families enrolled in the 1931(b) category of eligibility. This proposal by the Administration would have denied coverage to over 433,000 people on an annual basis. The Administration had assumed savings of \$62.3 million (\$31.1 million General Fund) from their proposal.

- Rejected the Administration’s proposal to restrict Medi-Cal services for “Newly Qualified Immigrants” (about 73,400 people) who have been in the country for less than five years to “restricted-scope” services, versus the full-scope services as presently provided under Medi-Cal. Also rejected the Administration’s proposal to restrict Medi-Cal services for individuals “Permanently Residing Under the Color of Law” (PRUCOL) and “Amnesty Alien” individuals. These individuals (about 17,200) also would have been placed on a “month-to-month” eligibility cycle under the Administration’s proposal.
- Rejected the Administration’s proposal to establish a “month-to-month” Medi-Cal eligibility for immigrants on “restricted-scope” Medi-Cal enrollment.
- Restored most of the 10 percent rate reduction to Medi-Cal Fee-For-Service providers, including physicians, medical transportation, home health, dental, outpatient services and other medical services, effective as of March 1, 2009. Assembly Bill 3X 5, Statutes of 2008, enacted a 10 percent reduction effective as of July 1, 2008.
- Provided a 5 percent restoration to the rates paid to pharmacy providers under the Medi-Cal Program, effective March 1, 2009. Assembly Bill 3X 5, Statutes of 2008, enacted a 10 percent reduction effective as of July 1, 2008.
- Provided a 5 percent restoration to the rates paid to certain Long-Term Care providers, including: (1) Level A nursing homes, (2) Distinct Part Nursing Homes, (3) Distinct Part Subacute, (4) Distinct Part Pediatric Subacute, and (5) Adult Day Health Care under the Medi-Cal Program, effective March 1, 2009.
- Reduced by \$106.8 million (\$53.4 million General Fund) the amount allocated to counties for Medi-Cal eligibility processing. In addition, adopted placeholder trailer bill language to suspend the county performance standard penalty since counties would not be funded to appropriately meet the performance standards. The Governor was seeking a reduction of \$152.5 million (\$76.2 million General Fund) which would have fully impeded Medi-Cal eligibility and re-determination processing.
- Rejected the Administration’s proposals to eliminate ten benefits provided under the Medi-Cal Program, including Adult Dental, Optometry services, Optician and Optical Laboratory Services, Audiology Services, Speech Therapy, Incontinence Creams and Washes, Acupuncture Services, Podiatry Services, Chiropractor Services, and Psychology Services.
- Included Budget Bill Language for the DHCS to provide the Legislature with options for improving the Medi-Cal Fee-For-Service system for specified individuals.
- Adopted modified trailer bill language regarding the rate methodology used to reimburse nursing homes that pay a quality assurance fee (as contained in AB 1629, Statutes of 2004). This language provides for a two-year extension of the rate methodology, capitates the maximum annual increase to 5 percent for the next two years, establishes a comprehensive stakeholder group process to craft quality assurance measures, and requires the Department of

Health Care Services (DHCS) to report to the Legislature regarding recommendations forthcoming from the stakeholder group process.

- Adopted the Administration's proposal to reduce by \$1 million (\$500,000 General Fund) by pursuing a "pay-for-performance" option for the purchase of durable medical equipment. This proposal can be done administratively.
- Utilized \$9.15 million (one-time only) from supplemental funds normally transferred to the Distressed Hospital Fund to pay back the federal government due to an impermissible Intergovernmental Transfer made by Fresno County and Fresno Community Medical Center. Adopted conforming Budget Bill Language and trailer bill language for this action. This action is used in lieu of General Fund support.
- Utilized \$13.6 million (one-time only) from supplemental funds normally transferred to the Private Hospital Fund to offset General Fund support within the Medi-Cal Program. Adopted conforming Budget Bill Language and trailer bill language for this action.
- Approved the Administration's proposal to reduce by \$22.5 million (\$11.2 million General Fund) to change how Non-Contract Hospitals are to be reimbursed under Medi-Cal. Specifically, this would limit Non-Contract Hospital rates to the lower of: (1) Interim per diem rate minus 10 percent; (2) the regional CA Medical Assistance Commission (CMAC) rate for Non-Tertiary Hospitals less five percent; or (3) a statewide rate for Tertiary Hospitals minus five percent. Also adopted placeholder trailer bill language to send the issue to Budget Conference Committee. Exempted small and rural hospitals from this action, as well as specified others which are defined as "full service" hospitals. Restored the small and rural hospital rate reduction effective as of November 1, 2008.
- Adopted modified trailer bill language to limit the amount Medi-Cal Managed Care health plans must pay hospitals that refuse to contract with them (i.e., "non-network" hospitals). The DHCS states this language would serve three purposes: (1) it provides an incentive for hospitals to enter into contracts with Medi-Cal Managed Care plans; (2) it will reduce the costs that health plans pay to Non-Contract Hospitals; and (3) the limitations imposed. Exempted small and rural hospitals from this action. However, additional hospital exemptions as contained in AB 2784 was vetoed by the Governor.
- Adopted the Administration's May Revision for Medi-Cal Managed Care including caseload adjustments, payment of the hold harmless which was owed from 2007-08, and plan-specific data based rates. In addition, adopted trailer bill language to require the DHCS to provide County Organized Healthcare Systems (COHS) plans with preliminary rates by no later than June 30th of each year.
- Adopted the Governor's proposal to defer for one-year the implementation of Senate Bill 437 (Escutia), Statutes of 2006, to implement two pilot projects for streamlining the enrollment of children into the Medi-Cal Program and the Healthy Families Program.

- Modified the Administration's proposal to contract for blood factor product and other specialty drugs, including immunizations. Specifically, adopted placeholder legislation that would: (1) contain a three-year sunset to enable review; (2) delete any reference to exclusive contracts; (3) provide for consumer quality of care factors; (4) ensure a network of pharmacies; and (5) make clear that blood factor product choice will not be limited.
- Modified the Administration's proposal to obtain supplemental rebates for blood factor products for a savings of \$522,000 (\$261,000 General Fund).
- Modified the DHCS trailer bill language regarding the posting of information on their website.
- Adopted the DHCS adjustments for Adult Day Health Care to reflect implementation of reforms that will tighten medical necessity criteria within the program. Also adopted the Administration's trailer bill legislation clarifying that individuals residing in Intermediate Care Facilities for the Developmentally Disabled (ICF-DD-H and ICF-DD-N) are eligible for Adult Day Health Care services.
- Approved only one position, in lieu of the DHCS request for 20 new positions, to proceed with activities related to reforms to be implemented in the Adult Day Health Care Program as identified in Senate Bill 1775, Statutes of 2006. A total of 33 new positions were provided last year for this purpose.
- Denied the Administration's proposal to increase by \$1.6 million (\$800,000 General Fund) to add new reimbursement codes to Medi-Cal to allow medical providers to screen patients suspected of non-dependent substance abuse to receive services. This was denied due to the fiscal crisis and the fact that the Administration was proposing significant reductions to existing treatment programs focused on drug and alcohol treatment.
- Adopted the Administration's interim rate payment process for Public Hospitals in Medi-Cal which reflects a correction of how federal funds and General Fund moneys are reflected for accounting purposes and saves \$102.7 million General Fund in the current-year.
- Approved various reductions as proposed by the Governor regarding state staff support, the Medi-Cal Fiscal Intermediary, information processing, and consultant contracts.
- Adopted the Administration's proposal to provide Medi-Cal for Kinship children.
- Modified the California Discount Prescription Drug Program (AB 2911, Nunez, Statutes of 2006) to make it self-supporting in five years. However, the Governor vetoed all funding for this program, including all administrative funding and local assistance.
- Eliminated the sunset date of the California Working Disabled Program in order to continue operation of the program. This program has been in operation since 1999 and has been cost-beneficial to the state.
- Adopted the Governor's May Revision proposal to continue the Medi-Cal Pharmacy Pilot Project for HIV/AIDS until June 30, 2009. This action includes trailer bill language to limit the

payment of the enhanced \$9.50 dispensing fee to HIV/AIDS drugs and drugs used for treatment of opportunistic infections only.

- Governor vetoed \$1.6 million (General Fund) to make a technical correction to conform to the Legislature's action to utilize unanticipated Medi-Cal savings from 2007-08 to reduce expenditures in 2008-09.
- Governor vetoed Budget Bill Language for the DHCS to provide the Legislature with options for improving the Medi-Cal Fee-for-Service Program.

4260 DEPARTMENT OF HEALTH CARE SERVICES

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

- Provided \$24.8 million (Proposition 99 Funds) for emergency physicians who provide uncompensated care provided in hospital emergency rooms. Adopted trailer bill language which designates how these funds will be appropriated and expended.
- Rejected the Governor's proposed 10 percent General Fund reductions for the various clinic programs, including Seasonal Agricultural Migratory Worker, Rural Health Services Development, American Indian Health, and Expanded Access for Primary Care (EAPC). Also eliminated the Grants-In-Aid Program and used the \$397,000 General Fund amount to backfill for the reductions. In addition, redirected \$339,000 (Proposition 99 Funds) from the Children's Hospitals to the EAPC to assist in the backfill.
- Adopted the Governor's reduced level of Proposition 99 Funds (Cigarette and Tobacco Produce Surtax Funds) to fund community-based clinics. This reduction is primarily due to reduced revenues.
- Restored most of the 10 percent rate reduction in the California Children Services (CCS) Program, including specialty care physicians, effective March 1, 2009.
- Partially restored the Governor's proposal to reduce by 10 percent the amount of state support for Medical Therapy Services provided under the California Children's Services (CCS) Program by providing \$2.4 million in federal Title V Maternal and Child Health Funds to support the program. Therefore, a net reduction of \$1.4 million (General Fund) was made in lieu of the Governor's \$3.1 million.
- Restored most of the 10 percent rate reduction in the Child Health and Disability Prevention Program (CHDP), effective March 1, 2009.
- Adopted the Child Health Disability Prevention reduction to case management as proposed by the Governor.

- Restored most of the 10 percent rate reduction in the Genetically Handicapped Persons Program (GHPP), effective March 1, 2009.

4265 Department of Public Health

- Governor vetoed a total of \$17.5 million (General Fund) as follows:
 - \$5.5 million (GF) for HIV/AIDS Education and Prevention Programs;
 - \$2.3 million (GF) for the Domestic Violence Program;
 - \$1.8 million (GF) for the Teen SMART Outreach Program;
 - \$1.3 million (GF) for the Male Involvement Program;
 - \$984,000 (GF) for the Beach Safety Program;
 - \$748,000 (GF) for the Tuberculosis Control Housing Program;
 - \$900,000 (GF) for County Public Health jurisdictions;
 - \$1.042 million (GF) for the Childhood Lead Poisoning Prevention Program;
 - \$277,000 (GF) for the Prostate Cancer Treatment Program;
 - \$984,000 (GF) for Beach Safety Program;
 - \$403,000 for the Teen Life Skills Information and Education Program;
 - \$250,000 for the Maternal, Child and Adolescent Health Program;
 - \$976,000 for the Medical Device and Drug Safety Program;
 - \$841,000 for the Epidemiology and Prevention for Injury Control Program; and
 - \$161,000 for the Cosmetic Safety Program.
- Fully funded the AIDS Drug Assistance Program (ADAP) using special Rebate Funds in lieu of certain General Fund support. Also adopted Budget Bill Language to ensure that the ADAP formulary will be maintained as presently done.
- Provided a \$4.3 million backfill for the Therapeutic Monitoring Program using special Rebate Funds.
- Modified the Governor's reduction of \$1.6 million (General Fund) to the HIV Education and Prevention Program by redirecting \$1.35 million (General Fund) from the Department of Mental Health's AIDS Counseling Program to the Office of AIDS. Also adopted Budget Bill Language to require the Department of Public Health (DPH) to continue to fund the \$300,000 (General Fund) contract with the Hemophilia Association as part of this transition. (This action is separate and apart from the Governor's veto as noted above.)

- Adopted the Governor's reductions to state support within the Office of AIDS.
- Adopted the Governor's reductions to (1) Home and Community-Based Care for HIV/AIDS at \$400,000 (General Fund); (2) AIDS Housing at \$122,000 (General Fund); (3) Early Intervention Program at \$200,000 (General Fund); and (4) HIV Counseling and Testing at \$600,000 (General Fund).
- Modified the Governor's proposal to substantially increase the fees paid by various health care facilities within the Licensing and Certification Program to considerably reduce fees and to save over \$2.3 million General Fund. As such, the Legislature reduced fees and saved General Fund resources.
- Approved the DPH's proposal to increase by \$732,000 (Licensing and Certification Fund) and seven positions to investigate complaints against Certified Nurse Assistants, Home Health Aids and Certified Hemodialysis Technicians.
- Approved a modified implementation of Senate Bill 1312 (Alquist), Statutes of 2006, by requiring the Licensing & Certification Program to budget positions at a 1,700 hour productivity per employee level, as used by other state departments, and adopted trailer bill language to ensure a statewide implementation of the program.
- Adopted the Legislative Analyst's Office recommendation to delete \$8.5 million (General Fund) from local assistance for emergency preparedness since these funds were vetoed by the Governor in the Budget Act of 2007 and there are federal funds from prior years which are not being fully expended.
- Modified the Governor's proposal to reduce by \$235,000 (General Fund) from the Vector Borne Control Program by (1) deleting \$141,000 General Fund as recommended by the DPH; (2) increase the fees paid to fully support the Certification Program from \$36 to \$120; and (3) increase the special fee fund by \$108,000 which is to be generated by the new fee.
- Deleted a \$1.3 million (General Fund) augmentation to begin implementation of Senate Bill 739 (Speier), Statutes of 2006, as it pertains to community-based infections and increasing state staff at the Richmond Laboratory. However, an augmentation for implementation of this legislation within the Licensing and Certification Program to conduct additional surveys of hospitals was approved.
- Rejected the Administration's proposal to implement the federal Real ID Program since it is unclear exactly what the DPH would be doing and the federal government has not yet provided California with a federal grant.
- Eliminated funding for the Preventive Health Care for Adults Program which provides a \$1.25 million (General Fund) subsidy to 11 counties to provide health screens. This is a discretionary program in which the state does not need to participate and the program is not means tested.
- Rejected the Administration's proposals to reduce the Adolescent Family Life Program (AFLP).

- Eliminated the \$150,000 General Fund support for the Fatal Child Abuse and Neglect Surveillance Program and backfilled it using federal Maternal and Child Health Title V funds. The federal Maternal and Child Health Title V funds are being taken from state support.
- Adopted the Governor's reduction to the Dental Prevention Program of \$326,000 (General Fund) to reflect a 10 percent reduction.
- Adopted all of the Administration's proposed 10 percent reductions for state support, including environmental health, chronic disease prevention, cancer surveillance, food and drug, beach safety, sanitation and radiation, drinking water, health information, communicable disease, West Nile Virus, maternal and child health, administrative services and several others.
- Deleted \$1.03 million (General Fund) support from the Biomonitoring Program and increases by the same level the Toxic Substance Control Account to fund this program in 2008-09. Also adopted trailer bill legislation for this purpose.
- Approved the Genetic Disease Screening Program as adjusted at the May Revision.
- Rejected a \$2.5 million (General Fund) increase for the construction of modifications at the Viral and Rickettsial Disease Laboratory which is part of the Richmond Laboratory complex. This expenditure is not necessary at this time due to the fiscal crisis.
- Reflected the Governor's decision to rescind his May Revision proposal to obtain a loan to the General Fund from the Drinking Water Treatment and Research Fund in the amount of \$8.5 million.
- Adopted the Governor's proposal to obtain a loan to the General Fund from the Occupational Lead Poisoning Prevention Account in the amount of \$1.1 million.
- Adopted the Governor's proposal to obtain a loan to the General Fund from the Drinking Water Operator Certification Special Account in the amount of \$1.6 million.
- Provided an increase of \$430,000 (Safe Drinking Water) to fund four positions to continue the oversight and implementation of the Small Water Program for Fresno County. Also adopted trailer bill language to require the DPH to provide the Legislature with a synopsis of key issues regarding the program and options for addressing the sustainability of the Small Drinking Water Program to meet drinking water standards.
- Approved the DPH's enterprise-wide online licensing project which will be used to improve the DPH's fee collection process.
- Approved trailer bill legislation to permanently eliminate the state's obligation to provide \$20.2 million General Fund annually to the County Medical Services Program (CMSP) and technical changes as proposed by the DPH regarding the administration of the CMSP Account.

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

4270 California Medical Assistance Commission (CMAC)

- Adopted the Governor's 10 percent reduction for savings of \$143,000 (General Fund).

4280 Managed Risk Medical Insurance Board

- Reduced by five percent the rate paid to health, dental, and vision plans participating in the Healthy Families Program as proposed by the Governor. The action results in a savings of \$40.6 million (\$14.4 million General Fund).
- Increased the premiums paid by certain families for enrollment of their children in the Healthy Families Program. The adopted increases were less than half of that proposed by the Governor. Specifically, subscribers with incomes from 151 to 200 percent of poverty will have their monthly premium increased by \$3 dollars to be \$12 per child. This is the first time these families have had their premiums increased since inception of the program in 1998. Subscribers with incomes over 200 percent of poverty will have their monthly premium increased by \$2 to be \$17 per child. These families had their premiums increased in 2005. Subscribers with incomes from 100 to 150 percent of poverty remain at their existing premium level with no increase.
- Rejected the Governor's proposal to increase co-payments for certain services in the Healthy Families Program from \$5 to \$7.50 for families with incomes over 150 percent of poverty.
- Adopted an annual limit for dental coverage within the Healthy Families Program for a reduction of \$4 million (\$1.1 million General Fund) effective as of November 1, 2008. The annual limit would be \$1,500. The Governor had proposed a \$1,000 annual cap.
- Increased by \$3.7 million (\$960,000 Proposition 99 Funds, Unallocated Account) the Rural Health Demonstration Projects within the Healthy Families Program. The total appropriation is \$6.3 million (total funds).
- Adopted the Governor's proposal to defer, for one-year, the implementation of Senate Bill 437 (Escutia), Statutes of 2006, to implement two pilot projects for streamlining the enrollment of children into the Healthy Families Program and the Medi-Cal Program.

- Adopted placeholder legislation to delete photo chromatic lens from the Healthy Families Program vision package as requested by the Governor since these lens are for adults, not children, and can be costly.

4300 Department of Developmental Services

Community-Based Services provided Under Regional Centers

- Provided a total of \$3.9 billion (\$2.4 billion General Fund) for the Regional Centers to provide community-based services and appropriate case management services as required by the Lanterman Act for 2008-09.
- Continued “cost containment” measures in the Purchase of Services area as proposed by the Governor for a reduction of \$311.4 million (\$214.6 million General Fund). These cost containment measures include (1) freezing non-community placement start-up; (2) freeze rates for Day Program, Work Activity, and In-Home Respite; (3) freeze rates for Community Care Facilities and eliminate the SSI/SSP pass-through to these facilities; (4) freeze the rates for contract services negotiated by the Regional Centers; and (5) freeze rates for habilitation services. These actions are effective as of July 1, 2008, and were implemented in ABX3 5, Statutes of 2008.
- Extended the cost containment measures to also include the freezing of new programs and services negotiated by the Regional Centers for a reduction of \$38.3 million (total funds) as proposed by the Governor. This action is effective as of July 1, 2008, and was implemented in ABX3 5, Statutes of 2008.
- Continued “cost containment” measures in the Operations area as proposed by the Governor for a reduction of \$36.9 million (\$20.9 million General Fund). This includes (1) having the Regional Centers conduct intake and assessment activities of consumers from 60-days to 120-days; and (2) using a caseload ratio of 1:66 (worker to consumer). These actions are effective as of July 1, 2008, and were implemented in ABX3 5, Statutes of 2008.
- Reduced by 10 percent the rates paid to Supported Employment Programs, effective as of July 1, 2008, as proposed by the Governor. This action saves \$9.3 million (\$7.5 million General Fund). Therefore the job coaching rate would be \$30.82 per hour versus \$34.24 an hour as presently provided. This action also affects programs operated by the Department of Rehabilitation. This rate change is contained within AB 1183, the Omnibus Health Trailer Bill.
- Reduced by 10 percent the amount of funding for Regional Center Operations functions related to community placement planning as proposed by the Governor. A reduction of \$2 million (General Fund) was adopted for 2008-09 and can be done administratively.
- Modified the Family Cost Participation Program as proposed by the Governor to include Early Start consumers (i.e., under three years of age) as of October 1, 2008. This results in a

reduction of \$773,000 (General Fund). This action was implemented in ABX3 5, Statutes of 2008.

- Adopted a series of changes as proposed in the Governor's August Revision to reduce by \$13 million (General Fund). These include the following: (1) shifts \$5 million in the Early Start Program from General Fund support to Proposition 10 funding; (2) requires Regional Centers to conform their procedures to purchasing services for individuals to existing law and for the Department of Developmental Services (DDS) to provide appropriate monitoring; and (3) requires Regional Centers to consider parental responsibility when purchasing services for individuals with special needs. Statutory changes for these Governor's August Revision actions are contained within AB 1183, the Omnibus Health Trailer Bill.
- Provided about \$137 million (\$71.8 million General Fund), along with 76 positions, related to the Agnews Developmental Center closure. This expenditure figure includes \$31.1 million (\$4.2 million General Fund) in expenditures in the Developmental Center item and \$105.3 million (\$67.6 million General Fund) in expenditures in the Regional Center item.
- Continued to provide Optional Benefits to all individuals receiving health care services through the Medi-Cal Program.
- Eliminated the supplemental rate for the Devereux facility as proposed by the Governor for a reduction of \$1.2 million General Fund.
- Eliminated the special contract arrangement for the Best Buddies Program for a reduction of \$1.5 million (General Fund). This program can receive reimbursement through the Purchase of Services funding provided to Regional Centers; this is how all other programs which serve individuals with developmental disabilities are reimbursed for services.
- Reduced by \$512,000 (General Fund), or 10 percent, the amount appropriated for the client's rights advocacy contract as proposed by the Governor. A total of \$4.6 million remains for this purpose.
- Governor vetoed \$2.046 million (\$1.228 million General Fund) to conform to the pass through of the January 1, 2007 federal Supplemental Security Income cost-of-living-adjustment.

State-Operated Developmental Centers and Headquarters Support

- Provided \$537.5 million (\$357.4 million General Fund) for the operation of the state-administered Developmental Centers.
- Provided for reappropriation authority for the Developmental Centers item and the Regional Centers item to provide for the closure of Agnews Developmental Center in 2008-09. This authority will enable funding to be shifted between the two items to ensure consumer health and safety as individuals transfer from Agnews to the community.

- Deferred any population expansion at Porterville Developmental Center for the Secure Treatment Program beyond the existing 300 beds for savings of \$11.7 million (General Fund) in 2008-09 as proposed by the Governor. Trailer bill legislation was also adopted for this purpose.
- Deferred for one year the \$18.3 million (General Fund) request for the construction phase of the 24 satellite kitchens and dining rooms at Porterville.
- Reduced by \$1.1 million (\$663,000 General Fund) as proposed by the Governor to reflect the elimination of two “off-site” Regional Resource Development Projects which results in a reduction of 12 state positions and related operating expenses.
- Reduced by \$10.2 million (\$5.9 million General Fund) from the operating expenses and equipment area of the Developmental Center’s budget as proposed by the Governor. This reduction is to focus on equipment, staff travel, delaying certain purchases, and on non-critical operating expenses.
- Denied the DDS request for \$600,000 (General Fund) for external security cameras for the Secure Treatment Program and the 96-bed expansion at Porterville since the expansion was deferred for one-year.
- Reduced by \$204,000 (\$119,000 General Fund), or 10 percent, the amount provided for client’s rights advocacy as proposed by the Governor.
- Reduced by \$913,000 (Proposition 98 General Fund) in education funds used by the Developmental Centers. This reduction would happen on the natural due to the closure of Agnews Developmental Center.
- Eliminated 13 state positions as proposed by the Governor at Porterville Developmental Center for savings of \$938,000 (\$547,000 General Fund).
- Reduced by \$4.2 million (\$2.3 million General Fund) the amount of fees paid by the DDS for licensing and certification purposes. This reduction amount occurs on the natural with the Administration’s closure of Agnews Developmental Center.
- Eliminated six positions at the DDS who conduct audits for savings of \$362,000 (General Fund) as proposed by the Governor.
- Eliminated a Psychologist and Physician from the DDS headquarters for savings of \$255,000 (\$128,000 General Fund) as proposed by the Governor.
- Eliminated two Community Program Specialist II’s for savings of \$158,000 (\$80,000 General Fund) as proposed by the Governor.
- Reduced by \$1.42 million (General Fund) operating expenses and equipment as proposed by the Governor.

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

- Adopted the Governor's proposals to reduce the Early Periodic Screening, Diagnosis and Treatment (EPSDT) Program by \$14.6 million (General Fund) for 2008-09 by not providing a home health market basket cost-of-living-adjustment (COLA) and through increased oversight by the Department of Mental Health (DMH) of this program which is expected to reduce the cost per child. These actions are consistent with action taken in ABX3 5.
- Governor vetoed \$7.72 million (GF) from the Mental Health Managed Care Program. This veto results in a corresponding reduction of \$7.20 million in lost federal matching funds.
- Governor vetoed \$152,000 (\$52,000 General Fund) from the supplemental mental health services provided to children enrolled in the Healthy Families Program.
- Rejected the DMH proposal to significantly reduce the Schedule of Maximum Allowances for all Medi-Cal programs, including the EPSDT Program and the Mental Health Managed Care Program.
- Rejected the DMH proposal to implement a Six-Month Reauthorization Program for the EPSDT Program since the proposal was unclear and would have eliminated over 2,500 children from treatment.
- Adopted an "alternative" EPSDT proposal to implement a statewide performance improvement project to implement strategies and interventions that are data driven to determine the effectiveness of the quality of services provided to certain children enrolled in EPSDT. This action is estimated to save \$29.1 million (\$12.15 million General Fund). Trailer bill legislation was adopted for this purpose.
- Rejected the Administration's proposal to reduce by \$23.8 million (General Fund), or 10 percent, the amount the state provides to counties for Mental Health Managed Care. Instead, a reduction of \$5.35 million (General Fund) was adopted to delete state support for federal regulations. The Administration is beginning the process to renegotiate the state's Mental Health Waiver with the federal government and has the opportunity to streamline these requirements.
- Increased the local assistance allocation for Mental Health Services Act Funds (Proposition 63 Funds) by a total of \$37.15 million for certain special statewide projects, including Suicide Prevention, to be implemented as designated by the Mental Health Services Oversight and Accountability Commission (Oversight Commission). Also adopted trailer bill legislation for the DMH to provide data to the Oversight Commission regarding the statewide projects.
- Adopted Budget Bill Language to require the DMH to provide the DOF and Legislature with a Fund Condition statement regarding the Housing Support account and expenditures related to the Housing Initiative under the Mental Health Services Act.

- Rejected the Governor's proposed reduction of \$1.6 million (Proposition 98 General Fund), or 10 percent, to the Early Mental Health Initiative.
- Provided \$750,000 (General Fund) in support of providing a supplemental rate for Community Treatment facilities, in lieu of the Administration's proposal to eliminate all funding. The \$750,000 will support those beds that are still in operation and will fund them at the existing rate.
- Approved funding for the San Mateo Pharmacy and Laboratory project, including past-year payments, and adopted the Governor's 10 percent reduction of \$464,000 (General Fund).
- Adopted the caseload adjustments for the supplemental mental health services provided to children enrolled in the Healthy Families Program but rejected the Administration's 10 percent reduction to these services.
- Adopted the Administration's proposal to reduce by 10 percent, or \$1.2 million (General Fund), the Caregiver Resource Centers.
- Approved an increase of \$600,000 (General Fund) as requested by the DMH for the community placement of forensic individuals being released from the State Hospital system into the community as directed by the courts.
- Fully funded the Early Mental Health Initiative within the DMH by rejecting the Governor's 10 percent reduction of \$1.6 million (Proposition 98 General Fund).
- Adopted the Governor's 10 percent reduction of \$150,000 (General Fund) for the AIDS Counseling Program and transferred the remaining amount of \$1.35 million (General Fund) to the Office of AIDS within the Department of Public Health to operate. Also adopted Budget Bill Language to require the DPH to continue to fund the \$300,000 (General Fund) contract with the Hemophilia Association as part of this transition.
- Passed AB 1805 to clarify funding for children, placed in out-of-state facilities under specified circumstances, who need mental health services. However this legislation was vetoed by the Governor.
- Included Budget Bill Language specifying legislative intent for counties to consider ways to provide services similar to those established pursuant to the Mentally Ill Offender Crime Reduction Grant program using Proposition 63—Mental Health Services Act—funds.

State Hospitals and Headquarters Support

- Adopted the Administration's May Revision for the State Hospital patient population to reflect reductions in caseload, as originally identified by the Legislative Analyst's Office.

- Adopted Budget Bill Language to have the Office of State Audits and Evaluations conduct an analysis of the methodology used by the DMH in developing its budget estimate for the State Hospitals.
- Deleted \$5.1 million (General Fund) for DMH headquarter staff and administrative costs associated with further implementation of certain federal requirements. These funds were not provided since the DMH has funds available for this purpose due to salary savings from vacant positions.
- Approved the continued activation of Coalinga State Hospital as proposed by the Administration as adjusted at the May Revision.
- Approved, as requested, an increase of \$3.04 million (General Fund) to fund initial evaluations in the department's Sexually Violent Predator (SVP) Program. This increased funding will provide for 545 initial evaluations. Total 2008-09 expenditures for initial evaluations is \$23 million (General Fund) for 5,742 initial evaluations.
- Approved as requested the 64-bed expansion of the psychiatric program at Salinas Valley Prison. This program is administered by the DMH.
- Eliminated the state General Fund subsidy for county-purchased State Hospital beds for a savings of \$9.8 million (General Fund). This state subsidy had been in place since the mid-1990s to facilitate the purchase of State Hospital beds by County Mental Health Plans. However, with the further development of community-based resources, counties now have more options for treating patients and should therefore pay the customary rate for a State Hospital bed when one is deemed necessary.
- Increased by \$5.8 million (Mental Health Services Act Funds) for state support.
- Reduced state administration by \$1.9 million (General Fund), as requested by the Administration, to reflect a 10 percent reduction.
- Approved, as requested, a Mental Health Specialist position on an 18-month limited-term basis to implement Senate Bill 785 (Steinberg), Statutes of 2007, regarding foster care youth and mental health services. Appropriated \$94,000 in Mental Health Services Act Funds for this purpose in lieu of General Fund support.

HUMAN SERVICES

4140 Office of Statewide Health Planning and Development

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

4170 California Department of Aging

- Rejected a \$629,000 GF reduction to the following senior nutrition programs: Home-Delivered Meals (\$316,000 GF); Congregate Nutrition (\$253,000 GF), and the Brown Bag Program (\$60,000 GF). Governor vetoed the restorations.
- Rejected a \$416,000 GF reduction to the Alzheimer's Day Care Resource Center (ADCRC) Program. The ADCRC Program provides day care to persons 18 years or older with Alzheimer's disease and other related dementias who are often unable to be served by other programs due to their advanced dementia. Governor vetoed the restoration.
- Adopted the following reductions:
 - > \$5.05 million (\$2.53 million GF) reduction to the Multipurpose Senior Services Program. Governor reduced the program further by \$2,526,000.
 - > \$544,000 GF reduction to the Linkages Program. Governor reduced the program further by \$250,000.
 - > \$250,000 GF reduction to the Long-Term Care Ombudsman Program. Governor reduced the Long-Term Care Program and Supportive Services programs by an additional \$5,978,000.
 - > \$99,000 GF reduction to the Area Agencies on Aging funding for administration.
 - > \$35,000 GF reduction to the Respite Purchase of Service Program.
 - > \$35,000 GF reduction to the Senior Companion Program.
 - > \$25,000 GF to the Senior Legal Hotline. Governor reduced the program further by \$200,000.
- Adopted a \$1.5 million GF reduction to the Senior Community Services Employment Program (SCSEP) to reflect a \$1.5 million increase in federal funding received for the program. Governor reduced program further by \$3,165,000.
- Adopted a \$222,000 (\$76,000 GF) reduction to the administration and operating expense and equipment funding of the California Department of Aging (CDA) and eliminated 2.5 positions.
- Approved \$514,000 in additional federal fund authority for the existing Health Insurance Counseling and Advocacy Program to enable the CDA to implement additional program elements added by the federal Centers for Medicare and Medicaid Services.

4180 Commission on Aging

- Approved as budgeted.

4185 California Senior Legislature

- Approved as budgeted.

4200 Department of Alcohol and Drug Programs

- Rejected the following ten percent budget balancing reductions as proposed by the Administration:
 - > \$3.1 million GF reduction to drug court programs (the Comprehensive Drug Court Implementation, Drug Court Partnership, and Dependency Drug Court). Governor reduced these programs further by \$2983,000.
 - > \$3.1 million GF reduction to Non-Drug Medi-Cal Regular (\$733,000 GF) and Non-Drug Medi-Cal Perinatal (\$2.3 million) programs. Governor reduced this program further by \$579,000.
- Reduced the Substance Abuse and Crime Prevention Act by \$10 million and the Substance Abuse Offender Treatment Program by \$2 million. Governor reduced the Substance Abuse Offender treatment Program by an additional \$2 million.
- Appropriated \$8 million GF (a \$2 million reduction to the program) to the California Methamphetamine Initiative (CMI). The CMI is a statewide marketing and outreach campaign to reduce and prevent abuse of methamphetamine among gay men, women of childbearing years, and teens. The funding for 2008-09 would have been the last year of funding for the initiative. Governor vetoed the \$8 million appropriation.
- Approved the following budget requests related to problem and pathological gambling prevention and treatment services:
 - > \$5 million from the Indian Gaming Special Distribution Fund and two limited-term positions to develop and implement treatment programs for problem and pathological gamblers. Of the total, \$4 million will be allocated, via a competitive grant application process, to local governments, public universities, and community organizations for treatment programs. The remaining \$1 million will be used for counselor training, training materials, campaigns to raise public awareness about the availability of treatment, surveys and evaluations, and state staff.
 - > \$400,000 to expand research and prevention services for problem and pathological gamblers. Of this, \$150,000 is from the Gambling Addiction Program Fund and \$250,000 (\$190,000 one-time) is reimbursement from the California State Lottery. The ADP will take over responsibility on an on-going basis for the toll-free helpline currently operated by the Lottery by merging it with the toll-free helpline already operated by the ADP.
- Approved \$4.83 million in federal funds and four limited-term positions to maintain and expand the existing California Access to Recovery Effort (CARE) Program. In October 2007, California was awarded a second, three-year grant for the CARE Program, which provides vouchers to youth between 12 and 20 years of age seeking substance abuse treatment.
- Shifted \$2.1 million General Fund and one position from ADP to the Department of Social Services (DSS) to transfer responsibility for the administration and oversight of the Indian

Health Care Clinic program back to DSS. This will streamline the administrative process by having only one department approve and submit claims for payment, issue instructions to the clinics, and provide technical assistance.

- Rejected the redirection of \$575,000 in federal Substance Abuse Prevention Treatment (SAPT) Block Grant funding and three positions to develop standards for women's substance abuse treatment services.
- Rejected \$250,000 in one-time SAPT funding for a contract to conduct a baseline business analysis and feasibility study and to prepare a feasibility study report to develop a system to track local assistance spending throughout ADP's entire business process and to link cost information to client outcomes.
- Approved the redirection of \$173,000 in federal SAPT funding and two positions to address expanded planning and reporting requirements to maintain SAPT funding.
- Governor reduced: \$776,000 and 3 positions for the Drug Medi-Cal Program; \$154,000 for the Non-Drug Medi-Cal Program; \$110,000 and 0.5 positions for the Drug Court Programs; and \$30,000 and 0.4 positions for the Offender Treatment Program.

4700 Department of Community Services and Development

- Adopted a \$300,000 GF budget balancing reduction to the Naturalization Services Program as proposed by the Administration. Governor deleted \$2,565,000 for this program, and eliminated the \$154,000 in state operations for it.
- Approved \$957,000 (\$19,000 GF) to provide funding for expenses associated with the Department of Community Services and Development's (CSD's) anticipated move. The CSD recently received notification from the owner of their building that they would have to vacate their office space in the spring of 2009.
- Shifted \$50,000 in federal fund authority from 2007-08 to 2008-09 to reflect delayed implementation of the Prisoner Reentry Initiative Program, a federal grant to provide services to probationers and parolees to ensure their successful reentry into society.

5160 Department of Rehabilitation

- Authorized \$1.1 million of increased federal fund authority to support the second year procurement, system development, and system integration activities related to the Electronic Records System project to replace the existing field computer system.
- Adopted the following budget balancing reductions as proposed by the Administration for savings of \$6.18 million (\$3.22 million GF):
 - > \$3.6 million (\$638,000 GF) to DOR's operating expenses and equipment budget by reducing expenditures on printing, postage, travel, training, consultant services, data center

services, and equipment. As part of this action, rejected the closure of district offices in 2009-10.

- > \$728,000 GF reduction to the Supported Employment Program to reflect a ten percent rate reduction. The \$2.7 million in federal funds associated with this GF cut will be redirected to cooperative programs where the partner agencies will provide the required matching funds.
 - > \$700,000 (\$150,000 GF) reduction to the Department of Rehabilitation's headquarters budget by eliminating \$4.5 positions and associated operating expenses.
 - > \$416,000 GF reduction (\$1.7 million GF annualized) to base program case services by shifting consumers to cooperative programs for services.
 - > \$350,000 GF reduction (\$700,000 GF annualized) to contract funding to service providers by shifting services to a fee-for-service basis.
 - > \$350,000 GF reduction (\$700,000 GF annualized) to cases services expenditures by eliminating the purchase of non-federally mandated services and reducing expenditures for other services by using comparable and no cost services. The \$4.1 million in federal funds associated with this and the previous two GF cuts will be redirected to cooperative programs where the partner agencies will provide the required matching funds.
 - > \$40,000 GF reduction to the Independent Living Centers by eliminating one-half a position and associated operating expenses.
- Rejected \$884,000 GF in rate reductions to Community Rehabilitation Providers, Individual Service Providers, and Contract Providers as these providers have not received rate increases in over six years.

5170 State Independent Living Council

- Approved as budgeted.

5175 Department of Child Support Services

- Reduced funding for the California Child Support Automation System (CCSAS) project by \$38.7 million (\$18.6 million General Fund) to reflect cost changes identified in various approved special project reports and budget Control Section 11.0 notification letters to the Legislature.
- Approved the transfer of \$44.5 million GF and 146 positions from the Franchise Tax Board (FTB) to DCSS for CCSAS and associated budget bill and trailer bill language. The FTB originally had responsibility for developing CCSAS, but this responsibility has been transitioning to DCSS over the past few years. This final transfer of funding and positions will consolidate development and ongoing administration of CCSAS in DCSS.

- Reappropriated \$5.7 million (\$1.9 million GF) to allow the CCSAS business partner to continue to provide maintenance and support for the Enterprise Customer Service Solution (ECSS) until September 30, 2010. The ECSS is a central self-service interactive voice response system, central call routing engine, and standardized hardware and software for Local Child Support Agencies (LCSAs) and the state call center.
- Reduced the State Disbursement Unit Service Provider contract by \$5.5 million (\$1.6 million GF) to reflect lower costs due to decreased transaction volume.
- Rejected the budget balancing reduction to the child support state hearings. As an alternative, adopted trailer bill language requiring DCSS to provide comprehensive data from the state hearing pilot project that demonstrates that the pilot has reduced state hearings, a breakdown of how the pilot's revised process results in savings to state hearings costs, and trailer bill language that puts the specific new hearing process in statute. Also adopted \$183,000 in GF savings and reappropriated an equal amount of GF from unspent prior year DCSS funding for one more year to cover the costs of the current state hearing process.
- Approved \$700,000 (\$230,000 GF) and 7.5 positions, and trailer bill language to make the Compromise of Arrears Program (COAP) permanent. COAP offers reduced lump-sum payments of child support arrearages to parents in exchange for their commitment to make on-going child support payments.
- Approved the following budget balancing reductions proposed by the Administration for savings of \$12.19 million (\$4.10 million GF):
 - > \$193,000 (\$66,000 GF) reduction to the Public Inquiry and Response Team and elimination of 2.5 positions.
 - > \$530,000 (\$180,000 GF) reduction to the Quality Assurance and Performance Improvement unit and elimination of 6.5 positions.
 - > \$133,000 (\$45,000 GF) reduction to the contract performance support.
 - > \$307,000 (\$104,000 GF) reduction to information technology support.
 - > \$4.84 million (\$1.64 million GF) reduction to DCSS' administrative overhead and elimination of 19 positions for various administrative functions and contracts.
 - > \$4.3 million (\$1.5 million GF) reduction to the contract with the Judicial Council. The GF cut will be backfilled by the Judicial Council and, in turn, the Judicial Council will receive directly an additional \$5.5 million in federal matching funds.
 - > \$781,000 (\$175,000 GF) reduction to contracts with various state agencies to locate non-custodial parents and their assets, and for the intercept of these assets resulting from administrative and workload savings in the contracts.

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

5180 Department of Social Services

CalWORKs

- Rejected the Administration's proposals to impose graduated full-family sanctions, restrict safety-net grants, eliminate grants for children of CalWORKs-ineligible parents, require CalWORKs families not meeting federal work participation requirements to attend an in-person semi-annual self-sufficiency review, and cut CalWORKs grant levels by five percent.
- Approved \$2 million to begin implementation of the Governor's Work Incentive Nutritional Supplement (WINS) program, in tandem with a Pre-Assistance Employment Readiness Program. Governor vetoed the \$2 million, delaying the program.
- Approved the suspension of the 2008 CalWORKs COLA as of October 1, 2008 for savings of \$121.5 million. (The Legislature already took action to suspend the 2008 COLA from July to October during the special session.)

- Rejected the Administration's proposal to limit the maximum reimbursement rates for alternative payment programs to the 75th percentile. Approved net savings of \$19.4 million (\$139,000 GF) for CalWORKs Stage 1 child care provider costs resulting from delaying the implementation of the 2007 revised regional market rate ceiling from January 2009 to March 2009. Approved a \$16.8 million decrease in the child care holdback to reflect the removal of Stage 2 child care, which is being funded with Proposition 98 rather than TANF.
- Provided \$10 million TANF/MOE to counties for employment services. Adopted a \$10.3 million reduction to the single allocation to be backfilled with unspent county performance and fraud recovery incentive funds and language specifying that the reduction will be the lesser of \$10.3 million or what is available in unspent county performance and fraud recovery incentive funds.
- Reduced funding to be set aside for the TANF reserve to \$0.
- Rejected exchanging \$447.4 million in federal TANF funds for GF that is currently expended in the following TANF-qualifying programs: CalGrants (\$223 million); Juvenile Probation (\$151.8 million); Emergency Assistance Foster Care (\$50.4 million); and increased Title XX transfer to the Department of Developmental Services (\$22.2 million).
- Adopted trailer bill language to delay implementation of the Temporary Assistance Program from the current date of April 1, 2009 to April 1, 2010.
- Approved \$1.15 million in TANF funding and ten positions for DSS to support data collection for federal work participation in each county, including verification of data and reporting procedures, and to perform oversight and field monitoring of county procedure and case documentation for verification for recipient participation hours at the county level. These resources are necessitated by recent federal changes to work verification requirements.

Food Programs

- Reduced funding provided to counties for the administration of the Food Stamp Program by \$20.9 million (\$8.6 million GF).
- Rejected Administration's proposal to reduce California Food Assistance Program (CFAP) benefits by ten percent.
- Approved \$1.8 million (\$992,000 GF) for implementation of a waiver of the face-to-face interview requirement for Food Stamp Program applicants where a single head of household is working at least 30 hours per week and where couples are each working at least 20 hours per week. The funding would cover additional CFAP grant costs and additional administration costs resulting from increased participation.

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

- Adopted the suspension of the October 2008 and June 2009 State Supplementary Program (SSP) cost-of-living adjustment (COLA) for \$222 million GF savings. (The Legislature already took action to suspend the 2008 SSP COLA from June to October during the special session.)
- Rejected the Administration's proposals to retain the January 2009 federal Supplemental Security Income (SSI) COLA rather than pass it through to recipients and to eliminate the Cash Assistance Program for Immigrants (CAPI), which provides benefits equivalent to SSI/SSP to aged, blind, and disabled legal immigrants.
- Adopted trailer bill language to extend the CAPI advocacy program sunset from June 30, 2009 to July 1, 2011. Adopted supplemental report language to require DSS to report by July 1, 2010, by county, on the number of SSI applications filed by CAPI recipients through the advocacy program, the number of those SSI applications approved, and the amount of savings resulting from the program.

In-Home Supportive Services (IHSS) Program

- Rejected the Administration's proposals to limit the state's participation in the cost of IHSS provider wages and benefits to the minimum wage (\$8.00 per hour) plus \$0.60 per hour for benefits, to change the criteria for IHSS recipients to qualify for domestic and related services based on their functional index score, and to eliminate the IHSS share of cost buy-out for those recipients with a functional index score below four.
- Approved \$1.7 million (\$836,000 GF) to make the 16 existing limited-term positions that administer and monitor the IHSS Quality Assurance program permanent. Approved \$439,000 (\$220,000 GF) to make the five existing limited-term positions that implement, administer, and monitor the IHSS Plus Waiver permanent.
- Approved \$15 million (\$5.3 million GF) reduction to Country Administration.
- Rejected the Administration's proposal to eliminate domestic and related services for IHSS clients with a function index below 4.
- Rejected the Administration's proposal to eliminate the buy-out difference between the Medical and IHSS share of cost, for IHSS clients with a functional index below 4.

Children and Family Services Programs

- Rejected the Administration's proposal to impose a ten percent cut to the Basic Care, Specialized Care, and Clothing Allowance rates for the Foster Care, Kin-GAP, and Adoption Assistance programs.

- Rejected the Administration’s proposal to cut the Child Welfare Services allocation by 11.4 percent for savings of \$129.6 million (\$83.7 million GF).
- Rejected the Administration’s proposal to cut the Adult Protective Services program by 10 percent for savings of \$11.4 million (\$6.1 million GF). (The Governor vetoed this funding.)
- Rejected the Administration’s budget balancing reduction proposal to privatize the Independent Adoption Program (IAP). As an alternative, adopted fee increases for IAP activities, and provided \$100,000 and one position and adopted trailer bill language to strengthen the ability of DSS to collect IAP fees. Also adopted noncodified trailer bill language requiring DSS to continue to work with stakeholders on IAP improvements and to report back during the 2009 budget subcommittee hearings.
- Provided \$9.4 million GF to enable DSS to pay a Program Improvement Plan (PIP) penalty assessed by the federal government for California’s failure to meet performance requirements during the first federal Child and Family Services Review (CFSR). Although California is still appealing the penalty, payment will avoid the further accrual of interest charges of approximately \$100,000 per month. If DSS is successful in the appeal, the penalty and any interest paid will be repaid to the State. Also approved \$300,000 (\$188,000 GF) for a county contractor to coordinate the implementation of the PIP resulting from the second, recently completed CFSR.
- Approved an increase of \$10.2 million (\$3.4 million GF) in foster care funding due to delayed implementation of program enhancements to the Kinship Guardianship Assistance Payment (Kin-GAP) Program resulting from programmatic issues relating to Medi-Cal and child support collections and the length of time it taking cases to move through the dependency court.
- Adopted an \$8.8 million (\$3.8 million GF) decrease in funding for children who are regional center consumers and in receipt of either Aid to Families with Dependent Children-Foster Care (AFDC-FC) or Adoption Assistance Payments (AAP) benefits (also called “dual agency” children) due to a 31 percent reduction in the estimated Dual Agency foster care population.
- Adopted trailer bill language to delay implementation, for two years, the following recently enacted statutes resulting in savings of \$2.6 million (\$1.5 million GF): Chapter 386, Statutes of 2006 (AB 2488) regarding the disclosure of sibling contact information by adoption agencies; Chapter 65, Statutes of 2007 (AB 1462) regarding board and care costs for for-profit group home foster care facilities; Rejected \$407,000 (\$258,000 GF) in state operations funding and four positions for implementation of Chapter 465, Statutes of 2007 (AB 1331) regarding screening foster youth for SSI eligibility and applying for SSI benefits on their behalf (but funded the local assistance portion) and Chapter 466, Statutes of 2007 (AB 1453) regarding restructuring the current group home foster care system to a residentially-based services system.
- Adopted an on-going \$127,000 GF reduction and a one-time \$2.8 million GF reduction to the Foster Family Home and Small Family Home Insurance Fund.

- Approved the continuation of two limited-term positions to support administrative oversight of the Title IV-E Child Welfare Waiver Capped Allocation Project (CAP), but rejected transfer of \$807,000 in local assistance funding from the CAP counties to state operations to fund the state administrative oversight.

Community Care Licensing

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

Department Administration

- Rejected the Administration's proposed ten percent reductions to the Deaf Access Program, the State Hearings Division, and the Disability Determination Service Division. (The Governor vetoed \$281,000 from the Deaf Access Program.)

LABOR

0559 LABOR & WORKFORCE DEVELOPMENT AGENCY

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

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

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

Trailer Bill Language

1. Approved language to expand, for certain employees in the computer software field, the existing exemption from overtime compensation requirements. Revised the exemption to include not only professional

computer software employees earning at least \$36 an hour, but also those earning at least \$75,000 per year and at least \$6,250 per month.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

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

Trailer Bill Language

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

VETERANS AFFAIRS

8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved Budget-Balancing Reductions (BBRs) totaling \$19.1 million GF, including \$18.7 million associated with care of sick and disabled veterans at state veterans homes. The majority of the reductions reflect a delay in the previously planned/approved expansion of beds and services at existing and new veterans homes. Denied the Governor's proposed \$260,000 GF reduction to County Veterans Services Offices.
- Approved 100.7 positions and \$9.4 million for construction, pre-activation, and the beginning of business operations at the Greater Los Angeles/Ventura Counties veterans homes. The BBR described above subsequently delayed the opening of the Adult Day Health Care units at Ventura and Lancaster until Fiscal Year 2009-10.
- Approved 8 positions and \$580,000 for the pre-activation phase of the Redding and Fresno veterans homes. The BBR described above subsequently delayed these activities until Fiscal Year 2009-10.
- Approved 9 positions and \$736,000 GF to improve fiscal oversight within the department. Denied 5 positions and \$494,000 GF that was unjustified at the current time.
- Approved 14 positions and \$2.5 million GF to provide oversight of capital assets, facilities management, and construction. Denied 5 positions and \$528,000 GF that was not justified at the current time.
- Approved 24.5 positions and \$1.9 million GF for the Veterans Home of California (VHC)—Chula Vista to implement nurse staffing ratios required by emergency draft regulations associated with AB 1705 (2001).
- Approved \$2.9 million GF to correct a funding deficit within the Chula Vista Operating Expenses and Equipment budget. The correction was necessary due to years of inept budgeting by the department. The necessary adjustment was validated by the Department of Finance's Office of State Audits and Evaluations.
- Approved a Finance Letter including 7.5 positions and \$380,000 GF to address health and safety risks associated with the disabled residents who dine in the main dining room at the VHC—Yountville. The United States Department of Labor has demanded that the resident employees currently assigned to assisting in the dining room be reassigned to less stressful, less physically demanding jobs.

Trailer Bill Language

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

SUBCOMMITTEE 4

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Michael Machado, Chair
Tom Harman
Christine Kehoe

Consultants

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

SUBCOMMITTEE No. 4

LEGISLATIVE, EXECUTIVE, JUDICIARY, TRANSPORTATION, and GENERAL GOVERNMENT

Transportation

California Transportation Commission	4-1
State Transit Assistance.....	4-1
Department of Transportation	4-1
High Speed Rail Authority	4-4
Office of Traffic Safety	4-5
California Highway Patrol.....	4-5
Department of Motor Vehicles	4-5
Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun	4-6

State Administration

Office of the Chief Information Officer	4-7
Secretary for State and Consumer Services.....	4-7
Secretary for Business, Transportation, and Housing	4-7
Office of Planning and Research	4-8
Office of Emergency Services	4-8
State Controller.....	4-10
Department of Insurance	4-10
State Lottery Commission	4-11
Board of Equalization.....	4-11
Secretary of State.....	4-12
State Treasurer's Office.....	4-13
California Science Center	4-13
Consumer Affairs	4-13
Fair Employment and Housing.....	4-14
Fair Employment and Housing Commission	4-14
Franchise Tax Board.....	4-14
Department of General Services.....	4-15
State Personnel Board.....	4-16
Public Employees' Retirement System	4-16
State Teachers' Retirement System	4-17
Department of Technology Services	4-17
Alcoholic Beverage Control	4-18
Department of Financial Institutions	4-18
Department of Corporations	4-18
Department of Housing and Community Development	4-19
Office of Real Estate Appraisers	4-20
Department of Managed Health Care	4-20
California Arts Council	4-20
Public Employee Relations Board.....	4-20
Department of Personnel Administration.....	4-20
Board of Chiropractic Examiners	4-21

SUBCOMMITTEE No. 4

(CONTINUED)

State Administration (continued)

Fair Political Practices Commission.....	4-21
Political Reform Act of 1974	4-21
Milton Marks “Little Hoover” Commission.....	4-21
Commission on the Status of Women	4-21
Bureau of State Audits.....	4-22
Department of Finance	4-22
Commission on State Mandates	4-22
Office of Administrative Law.....	4-23
Military Department	4-23
Tax Relief	4-24
Local Government Financing	4-24
Shared Revenues	4-25
Debt Service for General Obligation Bonds.....	4-25
Interest Payments on General Fund Loans	4-25
Support for Health and Dental Benefits for Annuitants	4-25
Augmentation for Employee Compensation	4-25
Augmentation for Contingencies and Emergencies	4-26

Control Sections:

Contributions to Public Employee Retirement Benefits	4-26
Budget Reductions.....	4-26
Architecture Revolving Fund Deficit Recovery	4-26
Appropriation Adjustments to Reflect Technology Service Rate Changes.....	4-26
Accrual Accounting.....	4-27
Budget Stabilization Account	4-27
Cash Management	4-27

Corrections and Rehabilitation

Department of Corrections and Rehabilitation.....	4-28
Office of the Inspector General	4-32

Judiciary

Judicial Branch	4-33
Commission on Judicial Performance.....	4-34
Contributions to Judges’ Retirement System	4-34

Public Safety and Criminal Justice

Department of Justice	4-35
Gambling Control Commission.....	4-36
Alfred E. Alquist Seismic Safety Commission	4-36
Victim Compensation and Government Claims Board	4-36
Commission on Peace Officer Standards and Training.....	4-36
State Public Defender	4-36
Payments to Counties for the Costs of Homicide Trials	4-36
California Horse Racing Board	4-36

TRANSPORTATION

2600 CALIFORNIA TRANSPORTATION COMMISSION

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

2640 STATE TRANSIT ASSISTANCE

- Augmented the \$306 million in Public Transportation Account funding proposed by the Governor to \$406 million; *however, the Governor vetoed funding back down to \$306 million.*
- Approved Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding of \$350 million.

Trailer Bill Language (Proposition 1B)

Adopted trailer bill language to implement the PTMISEA Prop 1B program in 2008-09 by using the same distribution formula that was used in 2007-08.

2660 DEPARTMENT OF TRANSPORTATION

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

This funding level ties to what the Administration requested for allocations in 2008-09, with minor adjustments in the areas of administration and engineering support. Other Prop 1B bond appropriations are in the budgets of State Transit Assistance (Transit); the Office of Emergency Services (Security);

Shared Revenue (Local Streets and Roads); and the Air Resources Board (Air Quality and School Bus Retrofit).

Budget Bill Language (Proposition 1B)

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

Trailer Bill Language (Proposition 1B)

1. Adopted language to implement the State Local Partnership Prop 1B program. Generally, bond funds will be allocated to eligible local or regional transportation agencies in proportion to transportation revenue raised at the local level through voter-approved fees and taxes, with some adjustment for population.
 2. Adopted language to implement the Trade Corridors Improvement Fund program. Codifies the program adopted by the California Transportation Commission and specifies other guidelines.
- Approved full Proposition 42 funding of \$1.43 billion in 2008-09. The budget also includes a \$83 million Prop 42 loan repayment per the requirements of Proposition 1A of 2006.
 - The budget includes \$1.7 billion in GF relief from “spillover” and other transit funds. The spillover revenue is about \$1.4 million of this total and is gasoline sales taxes above Proposition 42 revenue. General Fund relief is achieved by using transit funding for purposes that would otherwise be funded by the GF. Expenditures are as follows:
 - \$857 million to reimburse the GF for transportation-related general obligation bond debt.
 - \$589 million to reimburse the GF for Home-to-Schools transit.
 - \$138 million for regional center transportation budgeted in the Department of Developmental Services.
 - \$83 million to reimburse the GF for the Proposition 42 loan repayment.

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

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

- Approved the use of Grant Anticipation Revenue Vehicle (GARVEE) bond funding of \$141 million to move forward on critical State Highway Operations and Protection Program (SHOPP) projects. GARVEEs are a federal program and the bonds are repaid with future federal funds.
- Approved \$19.6 million (special funds) over three years to implement the Pavement Management Program, which will improve data and forecasting of pavement deficiencies and allow Caltrans to make better investment decisions. Over an 8-year period, cumulative savings from better pavement planning and investments are expected to be \$118 million.
- Approved new appropriations or reappropriations for the following information technology projects (total multi-year cost is indicated): Integrated Financial Management System (\$40.4 million); Construction Management System (\$20.4 million); Project Resourcing and Schedule Management System (\$16.6 million); and Roadway Design Software (\$10.4 million). Rejected new funding for information technology acquisition staff and added Supplemental Report Language related to the discontinued Transportation Permits Management System project.
- Approved \$15.1 million (special funds) to replace and retrofit equipment to conform to air quality mandates.
- Rejected funding of \$1.1 million (special funds) and five positions for the Office of Strategic Planning and Performance Measures – planning and performance measures should be part of any department’s base activities.
- Approved funding of \$2.7 million (special funds) for Americans with Disability Act (ADA) compliance transition plan and complaint resolution / investigation. Rejected \$800,000 for litigation contract costs, because Caltrans should be able to absorb this cost in its \$80.4 million Legal Program budget.
- Approved \$5 million (special funds) for additional litter cleanup along state highways. Rejected \$2 million (special funds) for an anti-litter media campaign.
- Approved \$2.3 million (special funds) for worker safety equipment and added Supplemental Report Language related to the use of the equipment.
- Approved multiple budget requests related to State Personnel Board (SPB) decisions. The SPB found that Caltrans was contracting for services beyond what statute allows. The budget changes reduced contract services and increased state staff by 75.5 positions in the areas of equipment and building maintenance – net budget savings of \$1.7 million (special funds) result.
- Approved the Caltrans public safety radio budget request for \$32.2 million (special funds) over five years to expand the high-band radio system into the three Caltrans districts that still operate with the low-band legacy radio system. The new system would improve radio operability within Caltrans and improve inter-operability with public safety entities such as the California Highway Patrol.
- Approved funding of \$179,000 (special funds) and two new positions to fully implement the federally-mandated Disadvantaged Business Enterprise (DBE) Race-Neutral Measures Program for construction contracting.
- Reduced budget funding by \$7.8 million (special funds) for three pilot projects approved in prior years, but for which statutorily-required reports were overdue at the time of the hearing. These pilot projects were: Owner-Controlled Insurance Program; Virtual Traffic Monitoring Stations; and Corridor System Management Plans.

- Rejected a \$100 million reduction in the State Highway Operations and Protection Program (SHOPP) appropriation that was requested in the May Revision due to declining gasoline excise tax revenue; ***however, the Governor implemented the \$100 million reduction via veto.*** The Legislature believed that to the extent possible, Caltrans should direct savings from legislative budget reductions in other areas, and direct efficiency gains and other internally-produced savings to the SHOPP program so activities could be continued at the higher level.
- Approved new funding of \$21.3 million (special funds) for the increased price of fuel.
- Approved a total funding of \$14.9 million (a \$3.5 million increase) for rail heavy equipment overhaul and total funding of \$86.3 million (a \$6.6 million increase) for operating costs related to the three intercity passenger rail services that Caltrans operates in cooperation with Amtrak. These activities are funded from the Public Transportation Account.
- Rejected a Public Transportation Account (PTA) augmentation for University of California research that would increase the funding amount from \$980,000 to \$6.0 million, due to the existing strain on transit revenues.
- Approved funding of \$10 million for the Environmental Enhancement and Mitigation Program.
- Approved funding of \$7.2 million for Bicycle Transportation Account grants.
- Approved authority for the Aeronautics Division to obtain a loan of \$1.2 million to replace the 1969 Beechcraft Bonanza model “E-33” Debonair aircraft with a new aircraft. Caltrans operates two aircraft in support of its mission to inspect general aviation airports and make related safety evaluations.
- Approved Governor’s proposal for \$230.7 million in loans from transportation funds to the GF. Loans were proposed from the State Highway Account (\$200 million); the Bicycle Transportation Account (\$6 million); the Local Airport Loan Account (\$7.5 million); Motor Vehicle Fuel Account (\$8 million); Environmental Enhancement and Mitigation Program Fund (\$4.4 million); Historic Property Maintenance Fund (\$3.0 million); and Pedestrian Safety Account (\$1.8 million).

Trailer Bill Language

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

2665 HIGH SPEED RAIL AUTHORITY

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

2700 OFFICE OF TRAFFIC SAFETY

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

2720 CALIFORNIA HIGHWAY PATROL

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

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved the Governor’s request to increase vehicle registration fees by \$11 to bring the Motor Vehicle Account into balance and support the existing and expanding number of California Highway Patrol Officers.
- Approved year three funding of \$32.6 million (special funds) for the Department of Motor Vehicles (DMV) Information Technology Modernization project. The DMV reported that the primary vendor contract cost was \$76 million below estimates, resulting in total project costs being revised down to about \$166 million.
- Rejected a funding request for \$6.5 million (federal funds) for Real ID demonstration projects. No federal grants were awarded to DMV at the time of the request, and no legislation has been approved in California to implement Real ID.

- Approved \$3.9 million and 10 positions in 2008-09 and \$17.5 million and 136 positions in 2009-10 to move in-house the information technology solution related to SB 1500 (Chapter 920, Statutes of 2004). This legislation requires each insurer that issues private passenger automobile liability policies to electronically report to the DMV all issued policies, changes, and terminations; and requires DMV to suspend vehicle registrations if insurance is not in force.
- Approved various budget requests for new facility leases or construction of new state-owned DMV facilities.

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

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

STATE ADMINISTRATION

0502 OFFICE OF THE CHIEF INFORMATION OFFICER

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

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

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

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Approved a 10-percent GF budget reduction, which totaled \$776,000. The reduction was spread proportionally across several programs as follows: Film Commission \$120,000; Tourism \$110,000; Small Business Loan Guarantee \$481,000; Office of Military and Aerospace Support \$55,000; and Technology, Trade and Commerce Agency closure costs \$10,000.
- Rejected funding of \$162,000 GF and one new position for broadband promotion.
- Rejected funding of \$2 million GF and 0.5 positions for the San Joaquin Valley Partnership.
- Approved funding of \$446,000 (special fund) and 5 new positions for the Infrastructure Bank. These numbers incorporate a legislative reduction of \$219,000 and 2 positions. Approved trailer bill language to improve the existing Infrastructure Bank report requirement.
- Approved a request to transfer dormant housing and childcare-facility special funds back to the General Fund, but directed the Administration to score the related \$2.7 million in revenue. These programs were originally funded with GF appropriations in 1997-98 and 2001-02, but the deteriorating GF condition in 2001-02 led to the discontinuation of the programs.
- Rejected a request for trailer bill language to allow the use of dormant childcare-facility loan guarantee funds for administration of the Small Business Loan Guarantee Program. Instead directed that the dormant funds of approximately \$1 million be transferred back to the GF. Associated trailer bill language maintains the State's commitment to the one outstanding loan guarantee.
- Eliminated the Office of Military and Aerospace Support (formerly the Office of Military Base Retention and Reuse) for GF savings of \$502,000. The primary mission of this Office, when created, was to fight California military base closures in the federal Base Realignment and Closure (BRAC) process. There are currently no new BRAC rounds scheduled and the agency has shifted some of this funding to more general economic development activity. Associated trailer bill language deleted recently-added language that specified the Business Transportation and Housing Agency as the primary state entity for economic

development. The roles of various state agencies in economic development may be further clarified in future policy legislation.

0650 OFFICE OF PLANNING AND RESEARCH

- Approved a \$431,000 GF Budget-Balancing Reduction (BBR) for the State Planning and Policy Development Program, whose major activities include: (1) policy research for the Governor and Cabinet; (2) recommending and implementing state policies with regard to land-use and growth planning, including joint use land planning with the military; (3) providing technical advice to local governments with regard to planning; and (4) advising permit applicants and government agencies on provision of the California Environmental Quality Act (CEQA) and operates the State Clearinghouse for environmental and federal grant documents.
- Approved \$1.0 million for the Count Every Californian Effort aimed at ensuring California is fully and accurately represented in the 2010 census and receives all of the federal funds and Congressional representatives to which it is entitled.
- Denied the proposed \$127,000 GF BBR for the California Volunteer Matching Network (CVMN), and partially denied \$766,000 GF for continuation of the CVMN. Instead, approved three positions and \$346,000 GF.
- Transferred one position and \$107,000 GF from the Governor's Mentoring Partnership in the Department of Alcohol and Drug Programs to the Office of Planning and Research.

Trailer Bill Language

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

0690 OFFICE OF EMERGENCY SERVICES

- Approved \$1.9 million General Fund to backfill Mutual Aid Program reduction proposed in the Governor's budget, keeping the program whole to the 2007-08 funding level. The Governor's budget proposed to backfill the reduction with the Emergency Response Initiative.
- Approved \$1.3 million federal funds, as part the Public Safety Interoperable Communication (PSIC) Grant to double the amount of bandwidth for the Operational Area Satellite Information System (OASIS), a satellite system that provides redundant voice communications in the event that the Public Switched Telephone Network fails. Approved \$209,000 General Fund for the required 20 percent match.
- Approved \$2.2 million federal funds, as part of the PSIC Grant to replace failing or obsolete telecommunications equipment used to respond to, and coordinate in, emergencies. Approved \$546,000 General Fund for the required 20 percent federal match.

- Approved \$4 million federal funds for state operations, related to an increase in the Emergency Management Performance Grant (EMPG). Existing resources will be used for the match.
- Approved \$3.97 million one-time federal funds for emergency preparedness programs, related to an EMPG supplement.
- Approved \$2 million federal funds for one-time local assistance related to an increase in the EMPG.
- Approved the request for \$1.65 million General Fund and 19 permanent positions in the three regional offices, for administrative oversight and coordination of mutual aid, and direct service delivery.
- Approved \$786,000 in 2008-09 and seven permanent positions, as well as \$772,000 in 2009-10 federal funds from an increase in the Mitigation Grant.
- Approved \$19.5 million of ongoing funding for the California Multi-jurisdictional Methamphetamine Enforcement Teams (Cal-MMET) local assistance grants. Made grants competitive.
- Denied the May Revision Letter proposing the creation of the Emergency Response Initiative (ERI). This May Revision proposal was in lieu of the initial Wildland Firefighting Initiative. The ERI would establish a two-tier fee structure on residential and commercial insurance policies based on hazard zone designations, and create an Emergency Response Account administered by the Office of Emergency Services (OES).
- Denied request for \$963,000 General Fund in 2008-09 and \$23.6 million General Fund in 2009-10 for the new Southern California Regional Operation Facility.
- Denied request for \$230,000 General Fund to continue the Alert and Warning system and bring its management in-house.
- Denied \$173,000 General Fund to increase headquarters maintenance baseline and equipment purchases. Approved \$25,000 General Fund for a dedicated A/C unit in the IT server room.
- Denied request for \$1.1 million from the Victim/Witness Assistance Fund to permanently continue the Parole Revocation Victim Advocacy Program.
- Denied request for \$1 million ongoing from the Restitution Fund for a local assistance grant program focused on the investigation and prosecution of Internet crimes against children.
- Approved \$960,000 General Fund to expand the Office of Gang and Youth Violence Policy (OGYVP). OGYVP would be responsible for identifying and evaluating state, local, and federal gang and youth violence suppression, intervention, and prevention programs and strategies.
- Approved \$57 million in Proposition 1B funds to provide grants to assist ports in preparing for, responding to, and protecting against acts of terrorism. In addition, for purposes of clarity, budget language was adopted to insure funding is allocated in a manner consistent with Chapter 181, Statutes of 2007 (SB 88). Governor deleted the budget language.

- Approved \$100 million in Proposition 1B funds to provide grants to assist transit operators, as specified, for security and disaster response, and in preparing for, responding to, and protecting against acts of terrorism. In addition, for purposes of clarity, budget language was adopted to insure funding is allocated in a manner consistent with Chapter 181, Statutes of 2007 (SB 88). Governor deleted the budget language.

0840 STATE CONTROLLER

- Accepted the Governor's revised \$1.1 million GF Budget-Balancing Reduction. The savings will be achieved by reducing expenditures for Operating Expenses and Equipment.
- Reduced, by \$7.9 million GF, the Governor's request to fund the sixth year of the Human Resources Management System (HRMS)/21st Century Project. Based on a revised project plan, the HRMS is now anticipated to require an additional year and \$40 million (\$21.3 GF) to complete. Under the new plan, costs originally scheduled for Fiscal Year (FY) 2008-09 will not be incurred until the out years. Therefore, the Senate approved a final funding level of \$30.4 million (including \$10.9 GF). Additionally, the Senate approved \$969,000 GF to reimburse unallowable HRMS costs that were charged to the federal government in FYs 2005-06 and 2006-07. The state may only receive reimbursement for those costs after the system is fully operational.
- Approved conversion of GF appropriations for Unclaimed Property Program (UCP) functions to Unclaimed Property Fund (UPF) appropriations. If unclaimed by the rightful owner, monies in the UPF are ultimately revenue to the GF. Therefore, this conversion neither helps nor harms the state's bottom line, but will serve to "insulate" the UCP from any future GF reductions.
- Approved 4.5 two-year limited-term positions and \$444,000 GF to support the maintenance and operations of the Local Government E-Claims system.
- Approved a total of 19 positions and \$2.3 million (reimbursements from various funds) for the State Controller's Office (SCO) to conduct audits of: (1) the California Department of Transportation's expenditure of Proposition 1B funds and (2) the local trust accounts of various California State University campuses.
- Approved \$300,000 GF for three positions to ensure the accuracy of redevelopment agency pass-through payment calculations estimated to benefit the GF by approximately \$98 million in the budget year.

0845 DEPARTMENT OF INSURANCE

- Denied the Governor's proposed Trailer Bill Language to create a Firefighting Safety Account within the Insurance Fund and to require the California Department of Insurance (CDI) to impose on insurers an annual assessment of 1.25 percent of the premium for each commercial and residential insurance policy.
- Approved a one-time increase of \$4 million (Insurance Fund) to assist district attorneys in combating workers' compensation fraud. The increase is fully funded by an additional assessment on insurers.
- Approved five positions and \$475,000 (Insurance Fund) to address workload stemming from revised automobile rating regulations associated with Proposition 103.

- Denied proposed Trailer Bill Language to delete the January 1, 2010, sunset of the Life and Annuity Consumer Protection Program. The request was deemed premature because it was supported by only one year of data on the program.
- Approved a Finance Letter request of \$2.8 million (Insurance Fund) to support the first year of a three-year procurement of an enterprise electronic management “paperless” workflow system.
- Approved \$137,000 (Insurance Fund) to extend the term of three limited-term positions for the Telecommunications Infrastructure Replacement Project. This extension will allow ample time to collect empirical data to determine the ongoing resources required to support the Voice Over Internet Protocol/Call Center systems.

Trailer Bill Language

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

0850 STATE LOTTERY COMMISSION

- Approved trailer bill language to modernize the Lottery and securitize future revenues in order to provide debt relief beginning in the 2009-10 fiscal year, contingent upon voter approval at a future statewide election. The plan contains the following key points:
 - Generates an estimated \$6 billion in 2009-10 and \$5 billion in 2010-11 (but is not expected to provide any budget relief in 2008-09).
 - Deposits proceeds from the securitization into a new Debt Retirement Fund, and could be used for repaying budgetary borrowing (like transportation, education, and local government debts), and bonded indebtedness.
 - Provides only modest changes to the lottery, such as increasing prize payouts, but proposes no new games or technology.
 - Protects education from experiencing any financial loss.

0860 STATE BOARD OF EQUALIZATION

- Approved various “tax-gap” proposals that will result in a net revenue gain of \$53.4 million to the General Fund and a net revenue gain of \$56.4 million to special funds. The revenue gain for these proposals also grows in 2009-10. Included in these proposals are the following:
 - Statewide Compliance and Outreach – approved an augmentation of \$11.6 million (\$7.5 million GF) and 112 positions to identify and register non-compliant sellers. A revenue gain of \$60.2 million (\$37.9 million GF) results.
 - Various Tax-Gap Measures – approved an augmentation of \$13.9 million (\$8.8 million GF) and 134.5 positions to collect more taxes that are due but not paid. A revenue gain of \$43.0 million (\$27.7 million GF) results. Rejected two research positions and \$232,000 related to this request.

- Cigarette and Tobacco Programs - approved an augmentation of \$3 million (\$238,000 GF) and 33 positions for enhanced enforcement and compliance activities for cigarette and tobacco product tax programs. A revenue gain of \$30.1 million (\$1.5 million GF) results.
- Agricultural Inspection Station Program - approved an augmentation of \$1.4 million (\$800,000 GF) and 16 positions for enhanced enforcement and compliance activities at inspection stations located at the state's borders. A revenue gain of \$6.4 million (\$3.6 million GF) results.
- Approved \$4.7 million (\$1.7 million GF), and three positions to expand electronic filing options. This is a multi-year proposal and the six-year cost is expected to be \$16.5 million with a six-year revenue benefit of \$27.6 million.
- Reduced funding by \$1.4 million GF to reflect anticipated efficiency savings from electronic filing initiatives. Reduced funding by \$660,000 GF to reflect an anticipated one-month delay in hiring new staff.

0890 SECRETARY OF STATE

- Approved and allocated the Governor's proposed \$3.5 million GF Budget-Balancing Reduction by reducing printing and mailing costs associated with the Voter Information Guide (see trailer bill language below).
- Approved \$42.3 million (federal funds) under the revised spending plan for the Help America Vote Act (HAVA). Additionally, consistent with the HAVA plan, approved 10 positions and \$38.8 million federal funds to replace the existing CalVoter statewide voter database with a more centralized and technologically advanced VoteCal database. The new system is currently anticipated to be deployed in December 2009.
- Subject to Budget Bill Language and Trailer Bill Language (see below), approved a Finance Letter request for \$89.6 million GF to fund the counties' costs to conduct the early presidential primary required under Chapter 2, Statutes of 2007 (SB 113).
- Approved \$101,000 GF to carry out parallel monitoring of direct recording electronic voting systems (consistent with Chapter 501, Statutes of 2007—SB 917).
- Approved one position and \$92,000 GF for archival planning and management of California Supreme Court and Appellate Court records.
- Denied \$167,000 GF for voter registration costs associated with implementation of Chapter 481, Statutes of 2007 (SB 854). Without prejudice to previous legislative intent, this proposal did not rise to the level of priority necessary to receive new funding given current fiscal constraints. The department was encouraged to resubmit the request in the future under improved fiscal conditions.
- Approved \$5 million GF for costs associated with producing a supplemental ballot (high-speed rail measure) for the November 2008 statewide general election.

Trailer Bill Language

1. Adopted language permitting the Secretary of State to alter the format of the Voter Information Guide and to mail only one guide per address.

0950 STATE TREASURER'S OFFICE

- Approved a 10-percent GF budget reduction, which was \$506,000 and five positions after the central-services funding realignment.
- Approved two budget requests that increased funding by \$216,000 and two positions to generate additional earnings through better management of investments. The expected GF revenue gain is \$6.3 million in 2008-09.
- Approved two budget requests that increased funding by \$318,000 (reimbursements) and four positions to address increased workload for services provided to local agencies and other State departments.
- Approved \$269,000 (reimbursements) for 2.5 new information technology support positions to improve security and develop new applications and enhancements.
- Approved loans totaling \$24 million from various special funds to the GF.
- Approved \$108,000 GF and one position to better manage cash disbursements and therefore reduce borrowing and interest costs.

1100 CALIFORNIA SCIENCE CENTER

- Approved a 10-percent GF budget reduction for the Science Center, which was \$1.5 million and 11 positions.
- Rejected a 10-percent GF budget reduction for the California African American Museum (CAAM), which was \$249,000 and no change in positions.
- Reduced a \$2.1 million GF request for working drawings for the CAAM facility renovation and expansion project to \$200,000, which was the minimum cash funding that CAAM indicated was necessary to continue the project in 2008-09. Additionally, \$800,000 was provided from the Exposition Park Improvement Fund and \$1.1 million was provided from the CAAM Friends Foundation Fund for the project.
- Approved various budget changes related to the new coliseum lease with the City of Los Angeles, including an augmentation of \$115,000 (lease-revenue) for maintenance and security improvements. Additionally, shifted \$655,000 from GF expenditures to new lease-revenue funds on a one-time basis, to continue the same level of activity but generate one-time GF savings of \$655,000.

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

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

- Approved loans totaling \$96.5 million from various special funds to the GF.
- Approved half-year funding of \$5.2 million special fund for the Bureau of Private Postsecondary Education (BPPE). The BPPE is the replacement entity for the Board of Private Postsecondary and Vocational Education, which sunset on July 1, 2007. Funding is only available for expenditure if the Governor approves a policy bill (SB 823), which establishes the regulatory structure, provides for authority to regulate and enforce provisions, and establishes reporting requirements and accountability.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

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

1705 FAIR EMPLOYMENT AND HOUSING COMMISSION

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

1730 FRANCHISE TAX BOARD

- Approved various "tax-gap" proposals that will result in a net revenue gain of \$118 million to the General Fund. The revenue gain from these proposals also grows in 2009-10. Included in these proposals are the following:
 - Board-Adopted Request – approved an augmentation of \$6.5 million GF and 68.5 positions to collect more taxes that are due but not paid. A revenue gain of \$22 million GF results. The new staff are directed to activities in the areas of fraud prevention and detection, audit workload growth, and compliance behavior analysis.
 - Administration January Request – approved an augmentation of \$9.9 million GF and 138.7 positions for various tax-gap initiatives. A revenue gain of \$71 million GF results. The new staff are directed to activities in the areas of automobile registration data analysis, non-filer identification, IRS data analysis, and collection program workload. Additionally included is statutory change to require mandatory electronic payment for high-income taxpayers (annual tax liabilities in excess of \$80,000) and to require FTB to accept payment by phone for affected individuals.
 - Administration April Finance Letter - approved an augmentation of \$2.6 million GF and 38.5 positions for analysis of IRS Revenue Agent's Reports and collection of inactive accounts receivable. A revenue gain of \$35 million GF results.
 - Administration May Finance Letter - approved an augmentation of \$1.1 million GF and 16.25 positions to contact an additional 60,000 non-filers. A revenue gain of \$9 million GF results.
- Approved \$3.9 million (Court Collection Fund) and 56.5 positions to support the continuation and expansion of the Franchise Tax Board's program to collect court-ordered debt. The cost of this program

is fully paid out of the collections (no GF). The collection of court-ordered debt supports county accounts, the State Restitution fund, Victims-Witness Assistance fund, and in some cases the GF. Approved associated trailer bill language that clarifies that the Board can also collect unpaid bail.

- Approved April Finance Letter to shift the California Child Support Automation System funding and staff from the Franchise Tax Board (FTB) to the Department of Child Support Services (DCSS). This information technology project was implemented by FTB on behalf of DCSS, and the project plan has always included a shift to DCSS upon project completion.
- Approved \$1.2 million (\$1.1 million GF) to replace three existing encoders, which process checks and money orders.
- Approved multi-year funding of \$7.3 million GF for the Withhold at Source System information technology project, that will replace a system that processes non-wage withholding payments.
- Approved new funding of \$27,000 (\$14,000 GF) and redirected funding of \$440,000 GF for information technology data security improvements.
- Approved funding of \$178,000 GF and three limited-term positions to process refunds related to a lawsuit on Limited Liability Corporation fees.
- Reduced funding by \$900,000 GF to reflect an assumed one-month delay in hiring new staff.

1760 DEPARTMENT OF GENERAL SERVICES

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

- Adopted a new control section (see Control Section 4.70 below) to address a \$27.2 million Architecture Revolving Fund deficit.
- Increased Natural Gas Services Program expenditure authority by \$75 million due to increased consumption and prices.
- Approved a \$60 million loan from the Public School Planning, Design, and Construction Review Revolving Fund to the GF.

Trailer Bill Language

1. Adopted enhanced reporting requirements regarding implementation of energy efficiency measures in state facilities.

1880 STATE PERSONNEL BOARD

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

1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- Approved multiple budget requests totaling \$1.9 million (Contingency Reserve Fund) and 13 positions to improve the CalPERS oversight and management of healthcare contracts for public employees. These proposals are expected to result in cost savings or cost avoidance in excess of the cost.
- Rejected multiple budget requests totaling \$469,000 (Contingency Reserve Fund) and six positions for various administrative functions that were not expected to result in any direct cost savings or avoidance. About one-third of the Contingency Reserve Fund comes from the GF.

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Revised the payments and calculations used by the State Teachers' Retirement System (STRS) for the Supplemental Benefits Maintenance Account (SBMA) to recognize an opportunity to increase benefits and reduce State costs. The revisions are:
 - Increased the targeted non-vested purchasing power benefit from 80 percent to 85 percent, but gives the STRS board authority to adjust that target between 80 percent and 85 percent based on long-term actuarial valuations.
 - Maintained that benefit payments may only be made to the extent funding is available in the SBMA.
 - Reduced state General Fund payments into the SBMA by \$66 million in 2008-09, \$70 million in 2009-10, \$71 million in 2010-11, and \$72 million in 2011-12 and thereafter.
 - Scheduled the Court Ordered interest payments to STRS over the next four years with annual payments of \$57 million General Fund beginning in 2009-10.
 - Gave STRS the authority to amend their payroll reports up to and until April 15th.
 - Stated Legislative intent to appropriate up to \$3 million in 2009-10 to correct a payroll reporting error related to Los Angeles Unified School District payroll issues reported in 2005-06.
 - Specified that the above changes constitute a package of improved benefits and most of the components are non-severable.

1955 DEPARTMENT OF TECHNOLOGY SERVICES

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

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved a fee increase of 11.78 percent, which ties to the increase in the Consumer Price Index since the fees were last adjusted. The department has a structural deficit that requires correction.
- Approved an April request to reappropriate funds for the Licensing and Compliance System information technology project, but reduced 2008-09 funding by \$1.2 million (special fund) to conform to the Special Project Report.
- Approved funding of \$231,000 to replace a portion of the department's laptop computers.
- Rejected a \$1 million reduction (special fund) in the Grant Assistance Program (GAP), which supports local law enforcement of alcoholic beverage laws. The Administration's request related to the aforementioned structural deficit, but the Legislature believed the \$1.2 million in budget savings related to the information technology project would allow for full GAP funding.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

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

2180 DEPARTMENT OF CORPORATIONS

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

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Approved Proposition 1C (Housing and Emergency Shelter Trust Fund Act of 2006) bond funding for the following bond categories that are budgeted directly in the Department of Housing and Community Development's budget (excluding support costs):
 - \$50 million for the CalHome Program.
 - \$40 million for the California Homeownership Program (BEGIN).
 - \$3 million for the Self-Help Housing Program.
 - \$95 million for the Affordable Housing Innovation Fund.
 - \$101 million for the Multifamily Rental Housing Program.
 - \$78 million for Supportive Housing.
 - \$15 million for Homeless Youths.
 - \$40 million for Serna Farmworker Loans/Grants.
 - \$24 million for Emergency Housing Assistance.
 - \$200 million for Infill Incentive Grants.
 - \$140 million for Transit-Oriented Development.
- Denied \$30 million and trailer bill language to implement the Housing Urban-Suburban and Rural Parks Program (Proposition 1C) with the intent of allowing program set-up and funding to be taken up in policy committee. Also, approved 5 two-year limited-term positions and \$559,000 to implement new Proposition 1C Affordable Housing Innovation Fund programs authorized by Chapter 652, Statutes of 2007 (SB 586).
- Approved Budget-Balancing Reductions totaling \$508,000 GF affecting the following areas: (1) Community Development Block Grants; (2) Enterprise Zone Program; (3) Administration and Program Support; (4) State Housing Law; (5) Housing Element; and (6) Employee Housing. However, authorized the Administration to adjust employer fees in order to offset the proposed \$85,000 GF cut to Employee Housing—holding the program harmless. ***The Governor vetoed the Employee Housing restoration and the Budget Bill Language authorizing an employer fee increase, and additionally deleted all GF support for the program.***
- Denied the following Budget-Balancing Reductions: (1) Emergency Housing Assistance Program (\$401,000 GF); and (2) Office of Migrant Services (\$343,000). Approved Budget Bill Language to enable the Administration to decrease Office of Migrant Services GF support commensurate with the level of any federal funding received for the same purpose. ***The Governor vetoed the Office of Migrant Services restoration and the accompanying Budget Bill Language, and deleted all GF support for the Emergency Housing Program, including the \$401,000 restored by the Legislature as well as an additional \$3,590,000 (for a \$4 million total reduction).***
- Approved 2 two-year limited-term positions and \$222,000 (bond funds) to address increased workload in the Housing Element Law program resulting from the passage of Proposition 1C.
- Approved 3 two-year limited-term positions and \$351,000 (various special funds) to perform workload associated with Chapter 658, Statutes of 2007 (SB 707) and certain changes in regulation associated with extension of loan terms for affordable housing loans.

- Approved 1 two-year limited-term positions and \$111,000 (special fund) to implement a new senior-restricted housing component of the Multifamily Housing Program, as authorized by Chapter 618, Statutes of 2007 (AB 927).
- Denied 3 two-year limited-term positions and \$343,000 GF for implementation of Chapter 537, Statutes of 2007 (AB 1406), Chapter 532, Statutes of 2007 (AB 1560), and Chapter 369, Statutes of 2007 (AB 162). Without prejudice to previous legislative intent, these proposals did not rise to the level of priority necessary to receive new funding given current fiscal constraints. The department was encouraged to resubmit the requests in the future under improved fiscal conditions.
- Approved \$19.4 million in loans from various special funds to the GF—including \$16.4 million from the Housing Rehabilitation Loan Fund, and \$1.5 million from each of the Mobilehome Park Revolving Fund and the Joe Serna, Jr. Farmworker Housing Grant Fund.

2310 OFFICE OF REAL ESTATE APPRAISERS

- Approved a \$16.6 million loan from the Real Estate Appraisers Regulation Fund to the GF.

2400 DEPARTMENT OF MANAGED HEALTH CARE

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

8260 CALIFORNIA ARTS COUNCIL

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

8320 PUBLIC EMPLOYEE RELATIONS BOARD

- Approved a portion of the requested budget reduction but rejected trailer bill language to shift fact-finding costs from the Public Employee Relations Board (PERB) to negotiating parties. Total approved reductions were \$370,000 GF and three positions. Reject the proposed consolidation to eliminate one of the three service offices (restored the related \$140,000 to the PERB budget).

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Approved a 10-percent GF budget reduction, which was \$1 million and no change in positions after adjustments for the central-services funding realignment.
- Approved the Administration's request to eliminate the Rural Health Care Equity Program supplemental payment to annuitants for savings of \$5.5 million GF.
- Rejected the funding and positions requested for processing statewide position reductions and/or layoffs – a total of \$3.0 million GF (and 28.5 positions) was requested. Adopted budget bill language suggested by the Legislative Analyst that would allow the Director of Finance to increase the budget by up to

\$1 million if the department does, in fact, require additional resources for layoffs. Additionally, adopted Supplemental Report Language so that the department will better quantify and report its actual workload this year associated with position reductions.

- Approved requested funding of \$2.9 million (special funds) for nine positions and contract services for the Human Resources Modernization Project. This funding mechanism adds special funds to base GF revenue to continue this important modernization without incurring additional GF cost. Added Supplemental Report Language.
- Approved funding of \$263,000 (reimbursements) to fund higher external laboratory testing costs for drug tests related to peace officer hiring.
- Approved multiple requests totaling \$1.2 million (special fund) for contractor costs related to the Savings Plus Program and the Alternative Retirement Program. These costs are fully paid by program participants.

8500 BOARD OF CHIROPRACTIC EXAMINERS

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

8620 FAIR POLITICAL PRACTICES COMMISSION

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

8640 POLITICAL REFORM ACT OF 1974

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

8780 MILTON MARKS "LITTLE HOOVER" COMMISSION

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

8820 COMMISSION ON THE STATUS OF WOMEN

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

- Rejected a budget request for \$43,000 GF and 0.6 positions due to GF budget constraints.

8855 BUREAU OF STATE AUDITS

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

8860 DEPARTMENT OF FINANCE

- Approved \$1.5 million (\$1.2 million GF) to fund a 15 percent increase in compensation for staff in Budgets and a 10 percent increase in compensation for staff in the Office of State Audits and Evaluations and the Fiscal Systems Consulting Unit.
- Approved \$35.7 million GF and 238 permanent positions to support a revised special project report for a comprehensive statewide financial system named the Financial Information System for California (FI\$Cal). Denied the creation of a new Office of FI\$Cal, but ultimately approved the LAO recommendation for implementing the Financial Information System for California (FI\$Cal), a "Next Generation" Enterprise Resource Planning (ERP) System. The purpose of this project is to create and implement a new statewide financial system which will encompass the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, and human resources management. Ultimately, the projected total cost of this project is \$1.3 billion (of which \$788 million GF). The funding for this multi-year project would come from a combination of Bond Anticipation Notes (BANs) and Certificates of Participation (COPs). Issuing BANs, would fully fund FI\$Cal through 2011-2012. In 2012, state departments and agencies benefiting from FI\$Cal would begin to "purchase" COPs out of their appropriated budgets. Initial borrowing is limited to \$277 million, which will fund the project through its first three years. In 2012-13, there will be a year-long pause for legislative review.
- Approved \$132,000 GF and one position to provide oversight to the Department of Corrections and Rehabilitation and coordination within the Administration on Corrections litigation issues.
- Approved \$696,000 (non-GF) and five additional positions for the Fiscal Systems and Consulting Unit (FSCU). In addition, the funding for FSCU will be realigned to reflect the statewide service it provides. The proposal results in a General Fund savings of \$249,000.
- Approved \$654,000 GF to support the Public Employee Post-Employment Benefits Commission.

8885 COMMISSION ON STATE MANDATES

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

- Reduced the requested funding for 2006-07 mandate claims from \$64 million GF to \$11 million. The revised funding levels ties to an updated estimate of the State obligation for these claims.
- Adopted trailer bill language to direct the Commission to reconsider its decision on the Sexually Violent Predator mandate in light of Jessica's Law, which was approved by voters in 2006.

8910 OFFICE OF ADMINISTRATIVE LAW

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

8940 MILITARY DEPARTMENT

- Approved Budget-Balancing Reductions totaling \$4.5 million GF affecting the following areas: (1) Army National Guard; (2) Air National Guard; (3) Office of the Adjutant General; (4) Military Support to Civil Authority; (5) Military Retirement; (6) State Military Reserve; and (7) Youth Programs. The Senate denied an \$119,000 Budget-Balancing Reduction to the California Cadet Corps, and instead denied a proposed increase of one position and \$185,000 GF for the program.
- Denied one position and \$1.8 million GF (and \$3.6 million ongoing) to establish a new California National Guard Education Benefit Program. The Senate also denied the Governor's proposed Trailer Bill Language to implement the program, and instead directed the department to pursue the program through SB 1752 (Wyland) and the policy process. At the time the item was heard, SB 1752 contained language identical to that proposed by the Administration in the Governor's Budget.
- Denied 43 positions and \$9.2 million (Insurance Fund) for 24/7 Aviation Response Staffing and aerial firefighting equipment (including helicopters). This proposal was part of the Governor's Wildland Firefighting Initiative (see also the Department of Insurance for the funding mechanism), and was subsequently withdrawn by the Administration in the May Revise and replaced by the Emergency Response Initiative (ERI). The ERI did not contain a FY 2008-09 component for the Military Department.
- Approved approximately \$1.2 million GF for Joint Operations Center Staffing to maintain 24/7 response capability in the event of a disaster or special security event. Denied two positions and \$164,000 GF deemed nonessential to the stated mission.
- Approved six limited-term positions and \$800,000 (reimbursement authority) for planning, training, and all-hazard emergency planning in support of the Governor's Office, Office of Emergency Services, and Office of Homeland Security (OHS). Additionally, approved 13 limited-term positions and \$7.5 million (reimbursement authority) to execute a continuing interagency agreement with the OHS to provide homeland security terrorism training and exercise activities. Also, approved 14 limited-term positions and \$2.1 million (reimbursement authority) to execute an interagency agreement with OHS to establish two Critical Infrastructure Protection Teams to assess designated sites and develop recommendations to mitigate vulnerabilities.

9100 TAX RELIEF

- Rejected the Administration's 10-percent GF cut to the Senior Citizen Renters' Tax Assistance Program. The proposed cut would have reduced all benefit payments by 10 percent and resulted in total GF savings of \$15.0 million. ***However, the Governor vetoed all funding for this program for GF savings of \$150.3 million.***
- Rejected the Administration's 10-percent GF cut to the Senior Citizen Property Tax Deferral Program. The proposed cut would have reduced payments by 10 percent and resulted in total GF savings of \$2.6 million.
- Rejected the Administration's 10-percent GF cut to the Senior Citizens' Property Tax Assistance Program. The proposed cut would have reduced all benefit payments by 10-percent and resulted in GF savings of \$4.1 million. ***However, the Governor vetoed all funding for this program for GF savings of \$40.6 million.***
- Approved the Governor's 10-percent GF cut to Subventions for Open Space / Williamson Act grants, which results in 2008-09 funding of \$34.7 million.

9210 LOCAL GOVERNMENT FINANCING

- Approved the Governor's 10-percent GF reduction to funding for the Citizens' Option for Public Safety / Juvenile Justice Crime Prevention grant programs resulting in 2008-09 funding of \$214 million.
- Rejected the Governor's 10-percent GF reduction to funding for the Small and Rural Sheriffs Grant Program resulting in 2008-09 funding of \$18.5 million given the failure to pass the public safety trailer bill.
- Approved the Governor's 10-percent GF reduction to funding for the Booking Fees Program resulting in 2008-09 funding of \$31.5 million.
- Reduced funding for Redevelopment Agency Special Supplemental Subventions to \$500,000 for GF savings of \$300,000 (including the \$100,000 10-percent reduction proposed by the Administration). This was based on an updated analysis of likely costs.
- Reduced funding for Property Tax Disaster Relief Funding to \$789,000 for GF savings of \$88,000 (conforming to the \$88,000 10-percent reduction proposed by the Administration). This reduction was based on an updated analysis of likely costs.
- Approved a Legislative Analyst recommendation to recover \$98 million in GF overpayments to school districts that were revealed by a recent State Controller's audit. The audit revealed that certain Redevelopment Agencies withheld required property tax transfers to schools and that certain schools underreported property tax revenue to the State.
- Adopted a one-year shift of \$350 million from Redevelopment Agencies to educational agencies to produce GF savings of the same amount.

9350 SHARED REVENUES

- Rejected the Governor's 10-percent GF reduction to the trailer Vehicle License Fee (VLF) backfill resulting in 2008-09 funding of \$10.7 million. This funding flows to the Local Revenue Fund to support county-provided healthcare.
- Rejected the Governor's 10-percent GF reduction for discretionary Tideland Oil Revenue payments to local governments resulting in 2008-09 funding of \$462,000.

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

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

9620 INTEREST PAYMENTS ON GENERAL FUND LOANS

- Approved various budget and trailer bill changes to allow GF cashflow borrowing from additional special funds and better-time special fund allocations – both will allow the State to reduce external borrowing. A \$60 million GF savings was scored due to the interest savings from reduced external borrowing. Control Section 35.80 is associated with this issue.

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved funding of \$1.1 billion GF for the 2008-09 cost of health and dental benefits provided to annuitants. Note, over \$500 million of this GF cost is recovered from special funds and federal funds through the pro-rata / SWCAP process. This funding level includes savings of \$67 million below the May Revision estimates based on the rates and enrollment approved by CalPERS in June 2008. An additional saving of \$23 million was budgeted for 2007-08.
- Approved funding of \$36.5 million in federal subsidies from the prescription-drug, Medicare Part-D benefit, to offset state costs for retiree healthcare.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Pursuant to an Administration May Revision request, deleted budget funding totaling \$420 million GF over 2007-08 and 2008-09 to implement the Last, Best, and Final Offer (LBFO) to the California Correctional Peace Officers' Association (CCPOA). The Legislature additionally deleted \$70 million over the same two years to remove funding for the health-care inflation component of the LBFO. To date, no policy bill has been introduced to implement the LBFO.
- Approved May Revision adjustments to the cost estimates for this item. However, also reduced funding by \$10.8 million GF to reflect healthcare rate and enrollment figures adopted by CalPERS in June 2008.

9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIES

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

CONTROL SECTIONS**3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS**

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

4.44 BUDGET REDUCTIONS

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

4.70 ARCHITECTURE REVOLVING FUND DEFICIT RECOVERY

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

15.25 APPROPRIATION ADJUSTMENTS TO REFLECT TECHNOLOGY SERVICE RATE CHANGES

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

35.20 ACCRUAL ACCOUNTING

- Approved the proposal to accrue \$1.8 billion in GF revenue to earlier years – increasing 2007-08 revenues by \$416 million and increasing 2008-09 revenue by \$1.4 billion. This is a permanent accounting change.

35.50 BUDGET STABILIZATION ACCOUNT (BSA)

- Via Executive Order S-05-08, dated May 28, 2008, the Governor suspended the September 30, 2008, transfer from the General Fund to the Budget Stabilization Account. Absent this suspension, \$3 billion would be transferred from the GF to the BSA with half of that amount used for early repayment of Economic Recovery Bonds. The Constitution grants the Governor authority to suspend this transfer by executive order. The Legislature approved this control section that provides technical definition of the BSA.

35.80 CASH MANAGEMENT

- Approved language to defer certain cash allocations within the 2008-09 fiscal year to reduce the Revenue Anticipate Note (RAN) borrowing. Full payment would still be made by the end of the fiscal year, and reduced RAN borrowing would reduce GF interest costs by \$60 million.

CORRECTIONS AND REHABILITATION

5225 Department of Corrections and Rehabilitation

Corrections Reform Highlights

- Rejected Governor's budget balancing reduction proposal to release non-violent, non-serious, non-sex offenders up to 20-months early from prison. This proposal would have saved the state \$256.4 million GF in the budget year.
- Rejected the Governor's budget balancing reduction proposal to place non-violent, non-serious, non-sex offenders on summary parole. Offenders on summary parole would not be supervised in the community and could not be sent back to prison unless they were convicted of a new felony offense. This proposal would have saved the state \$173.6 million GF in the budget year.
- Approved \$14 million in GF savings related to implementing day for day credit for the time inmates spend in jail. However, trailer bill language to implement this change was not passed resulting in an unallocated reduction to corrections. *The Governor vetoed an additional \$22 million GF from Corrections reflecting the implementation of a parole decision making instrument that will provide guidelines for placing low-risk parolees in alternatives to incarceration in lieu of revocation.*

Adult Population Highlights

- Approved reduction of \$11.4 million GF to support the projected decline in the adult inmate and parolee population for 2008-09. The average daily inmate population is projected to be 177,021 in the budget year. The average daily parolee population is projected to be 133,061 in the budget year.
- Approved \$2.2 million GF to fund the In-Custody Drug Treatment Program and Drug Treatment Furlough program in the budget year. These programs provide drug treatment in community facilities for parolees and inmates, respectively. Funding approved is \$6.8 million less than proposed by the Governor's May Revision to reflect a technical budgeting error.
- Approved \$2.4 million GF for the pre-activation of the Northern California Reentry Facility in San Joaquin County. This was \$10.4 million less than proposed by the Governor due to projected delays in activating the facility. The facility is now projected to be activated in August 2009 and the first inmates will arrive in October 2009.
- Approved a \$2.4 million GF for a contract with San Francisco County to provide re-entry services to 48 non-violent state prison inmates in the San Francisco County Jail. This contract

will also provide for the provision of re-entry programming and support once the inmates are paroled.

- Approved \$29.9 million GF to place additional low-level female offenders in community correctional centers, expand the Female Offender Treatment and Employment Program, and activate additional residential multi-service centers and beds in smaller Sober Living Environments consistent with the Female Offender Master Plan. *The Governor vetoed \$6 million from this program reflecting a delay in the activation of community correctional center beds due to the late budget.*

Juvenile Justice Highlights

- Approved a reduction of \$69.1 million GF to reflect the lower juvenile ward and parolee population expected in the budget year. The ward population is estimated to be 1,703 at the end of the budget year. The parolee population is estimated to be 2,175 at the end of the budget year. This total includes savings of \$4.3 million in the budget year to reflect a delay in contracting for secure placements for the female offenders currently residing in state Division of Juvenile Justice (DJJ) facilities. The total reduction is approximately \$7.8 million more than what was included in the Governor's May Revision reflecting the LAO's lower population estimate.
- Approved reduction of \$3.2 million Proposition 98 GF to support education at the DJJ facilities in the budget year. This item is contained in the population estimate.
- Approved \$3 million GF to fund a settlement reached in the *LH* lawsuit related to the due process of parole violators under DJJ jurisdiction.
- Approved \$1.6 million GF to continue implementation of the Safety and Welfare Remedial plan as directed under the *Farrell* lawsuit.
- Approved budget bill language to reappropriate funding included in the 2007 Budget Act to support the Commission in the development of a Juvenile Justice Operational Master Plan.
- Approved \$2 million GF to support capital outlay to provide additional treatment space needed to comply with the *Farrell* lawsuit.

Rehabilitation Program Highlights

- Approved \$5.4 million GF appropriated in AB 900 to start training prison staff that play key roles in the rehabilitation process for offenders.
- Approved \$8.1 million GF appropriated in AB 900 to expand substance abuse treatment services to an additional 2,000 inmates and aftercare services to an additional 1,200 parolees.
- Approved \$6 million GF appropriated in AB 900 to expand the continuum of treatment services available to parolees with mental illness.

- Approved \$5.2 million GF appropriated in AB 900 to expand the department's initiative to assess inmates at intake and assign inmates to individualized treatment case plans based on their risks and needs.
- Approved \$3.6 million GF (\$681,000 GF appropriated in AB 900) to provide additional program support infrastructure for implementing the rehabilitation efforts directed by AB 900 and the recommendations made by the Expert Panel.
- Approved \$5 million GF appropriated in AB 900 to develop and implement the Proof Project to demonstrate full implementation of the California Logic Model at California State Prison, Solano.
- Approved \$1 million GF to augment the Office of Research to enhance collection, validation, and reporting of data associated with AB 900.
- Approved \$961,464 GF to implement the Education for Inmates Reporting and Statewide Tracking System, which is an information technology program to track inmate programming.
- Approved reduction of \$7.2 million GF to reflect the redirection of \$7.2 million in Workforce Investment Act funds to parolee employment programs.

Health Care Highlights

- Approved \$110 million GF for health care access units directed by the Receiver. This funding will mainly support additional custody positions to ensure inmates are escorted to appointments within the prison.
- Approved \$89.3 million GF for medical guarding and transportation directed by the Receiver. This funding will support additional custody positions and overtime to ensure access to medical care outside state prison.
- Approved \$45.8 million GF for additional pharmaceutical and medical supplies directed by the Receiver.
- Approved \$8.6 million GF to support the operation and start-up of a central fill pharmacy directed by the Receiver.
- Approved \$2.3 million GF to support a pilot medical oversight program established by the Receiver to provide oversight of the performance of prison clinical staff.
- Approved \$1.6 million GF to establish a new Third Level Health Care Appeals Unit under the direction of the Receiver to review all third-level appeals related to health care.
- Approved \$12.5 million GF to establish supervising nurse positions directed by the Receiver.
- Approved \$22 million GF to support the California Prison Health Care Receivership Corp.

- Approved the budget proposal to establish 405 additional positions and reclassify existing staff to implement the workload study completed for the Mental Health Services Delivery System Revised Program Guide. This workload study was court-ordered to comply with the *Coleman* lawsuit. This proposal was modified to redirect three positions to the Department of Mental Health to help plan for the provision of additional acute mental health care in CDCR institutions.
- Approved \$3.1 million GF for ongoing lease costs and one-time tenant improvements to relocate and consolidate the Division of Correctional Health Care to a new office facility, which is \$1.9 million less than requested by the Governor.
- Approved \$2.6 million GF to support 19 dental positions and training for CDCR nurses and doctors in recognizing major dental-related issues. The majority of these positions are court ordered in the *Perez* lawsuit.

Local Assistance Highlights

- Approved a reduction of \$2.7 million GF to reflect the Governor's proposal to not provide an increase to the daily jail rate paid to counties in the budget year.
- Approved \$2.1 million GF to increase the funding to cover all county claims for county coroners, district attorney costs, and other local costs related to the state prison system.
- Deleted \$41 million GF for the Mentally Ill Offender Crime Reduction Grants to local law enforcement.
- Approved \$181 million GF for the Juvenile Probation and Camps Funding to local law enforcement, which is a 10 percent reduction from the 2007-08 funding level.

Other Highlights

- Approved \$8.2 million GF to ensure more efficient and timely parole suitability hearings for inmates sentenced to life terms and to comply with the *Lugo* lawsuit.
- Approved reduction of \$2.5 million GF that will result from increased case records positions needed to ensure the correct calculation of prison release dates. The additional case records positions will cost the state \$5.2 million, but they are expected to save the state approximately \$7.8 million as a result of correcting the prison release dates which in most cases result in reducing days served.
- Approved \$3.3 million GF to establish a new contract to provide CDCR staff with TB and Hepatitis B vaccinations. This function is no longer being provided by CDCR clinical staff per the Receiver.
- Approved \$14.1 million GF to comply with the *Armstrong* lawsuit related to compliance with the Americans with Disabilities Act.

- Approved revision to the Consolidated Information Technology Project that results in \$37.4 million GF savings in the budget year.
- Approved reduction of \$40 million to correctional officer recruitment and training, mainly due to the deactivation of the Correctional Training Center Annex.

Infrastructure Highlights

- Approved \$3 million GF for advance planning and budget packages for future capital outlay projects and budget bill language to allow these funds to be used for developing AB 900-funded projects.
- Approved \$136 million lease-revenue bonds to provide additional funding needed to complete construction of the Condemned Inmate Complex at San Quentin State Prison.
- Approved \$34 million GF to build additional small management yards to ensure that all inmates in administrative segregation get at least 10 hours of out of cell time weekly. This effort is needed to comply with the *Coleman* lawsuit.

0552 Office of the Inspector General

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

JUDICIARY

0250 Judicial Branch

- Approved \$70 million to fund growth to the trial courts in the budget year based on the California Consumer Price Index (CPI) instead of the State Appropriation Limit (SAL). The CPI growth provides \$56 million less for the courts than the SAL would have provided. Approved funding this growth on a one-time basis from the trial court reserves.
- Approved reduction of \$71 million GF to reflect savings from deferring the appointment of 50 new judgeships until 2009-10. The action to defer the appointment of these judgeships by one year to June 2009 was approved as part of Chapter 6, Third Extraordinary Session, Statutes of 2008 (AB 8, Budget) in the Special Session on the budget called by the Governor. The 2008-09 Budget Act took an additional action to defer the appointment of the 50 new judgeships by one additional month for additional savings.
- Approved reduction of \$17.4 million GF to defer by an additional year full implementation of the Conservatorship and Guardianship Reform Act of 2006 to increase court oversight over the conservatorship and guardianship system for elderly and dependent adults.
- Approved \$20 million from the Trial Court Trust Fund on a one-time basis to support an ongoing shortfall in funding for trial court security.
- Rejected a \$1.5 million unallocated reduction to the Supreme Court. Rejected \$1 million in workload budget proposals for the Supreme Court. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Approved a \$5.3 million unallocated reduction to the Courts of Appeal. Rejected \$700,000 in workload budget proposals for the Courts of Appeal. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Rejected a \$778,000 unallocated reduction to the Habeas Corpus Resource Center. Approved \$139,000 to provide additional litigation support for the legal defense of death row prisoners.
- Approved a \$4.5 million unallocated reduction to the budget for the Judicial Council/Administrative Office of the Courts (AOC). Rejected \$2.8 million in workload budget proposals for the Judicial Council/AOC. These workload budget proposals were withdrawn by the Judicial Branch given the state's fiscal condition.
- Approved a \$1.2 million unallocated reduction to the AOC's Office of Court Construction and Management and approved budget bill language to authorize additional expenditures from the Trial Court Facilities Construction Fund of up to \$1.2 million in the budget year after notification of the Joint Legislative Budget Committee.

- Shifted \$6 million from the GF to the Judicial Administration Efficiency and Modernization Fund to continue the deployment of the Phoenix Project, which is the new statewide employment and financial information technology system being implemented by the Judicial Branch.
- Approved \$92 million unallocated reduction to the trial courts and authorized the courts to use reserve funding on a one-time basis to backfill this reduction.
- Approved \$113.4 million from the Court Facilities Construction Fund to fund preliminary plans, working drawings, and/or construction of 11 new courthouse projects in the following counties: Contra Costa, joint facility for Plumas and Sierra, Mono, Madera, San Bernardino, San Joaquin, Riverside, Tulare, San Benito, Calaveras, and Lassen.
- Rejected \$62 million from a new general obligation bond for acquisition of four new courthouse projects in the following counties: Tehama, Yolo, Butte, and Los Angeles.

0280 Commission on Judicial Performance

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

0390 Contributions to the Judges' Retirement System

- Approved as budgeted.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0820 Department of Justice

- Approved a \$11.9 million GF reduction to eliminate vacancies at the Department of Justice (DOJ).
- Denied \$2.2 million to increase staffing to defend the state in various correctional class action and civil lawsuits.
- Denied \$4.3 million GF to support additional staffing to defend the state in federal habeas corpus cases.
- Approved \$2.9 million GF to continue a class action lawsuit against insurance companies referred to as the *Underwriters* litigation. This litigation is against insurance companies that renege on insurance coverage held by the state on the Stringfellow hazardous waste dump.
- Eliminated \$5.3 million GF for four Gang Suppression Enforcement Teams and approved budget bill language to allow the department to redirect existing law enforcement resources to continue to support this activity.
- Reduced by \$4.5 million GF support for the California Methamphetamine Strategy (CALMS) program, thereby reducing this program to its pre-2006 level. Also approved budget bill language to allow the department to redirect existing law enforcement resources to continue to support this activity.
- Eliminated \$3 million GF for the Spousal Abuse Protection Program that provides grants to local District Attorneys.
- Eliminated \$5 million GF for various executive programs including, Crime Violence Prevention Center, Office of Victim Services, and Office of Native American Affairs.
- Approved \$11.1 million transfer to the GF from the False Claims Act Fund.
- Approved \$1 million transfer to the GF from the Sexual Habitual Offender Program Fund.
- Approved \$69 million transfer to the GF from settlement monies received from the Williams Energy Company.
- Replaced \$11.2 million GF supporting the DNA Program with increased revenues from the DNA Identification Fund.
- Approved reduction of \$1.5 million from the Restitution Fund for the Witness Protection Program.

0855 Gambling Control Commission

- Approved \$1 million from the Special Distribution Fund to support the Commission's electronic gaming device inspection program.
- Approved a \$10 million loan from the Gambling Control Fund.
- Approved policy bill as part of the budget package that appropriates \$30 million from the Special Distribution Fund to support local projects that mitigate the impacts of tribal casino operations. This policy bill also implements several recommendations made by the State Auditor related to this program and extends the local program until January 1, 2010.

1690 Alfred E. Alquist Seismic Safety Commission

- Approved as budgeted.

1870 California Victim Compensation and Government Claims Board

- Approved \$50 million transfer to the General Fund from the Restitution Fund.

8120 Commission on Peace Officer Standards and Training

- Approved a \$2 million reduction to the Commission. Also reduced the allocations from the Drivers Training Penalty Assessment Fund to the Peace Officers Training Fund by \$6 million.

8140 State Public Defender

- Approved \$591,000 GF reduction to the State Public Defender. This action restored \$623,000 that the Governor had proposed eliminating. *The Governor vetoed this item by \$623,000, which will likely further delay post-conviction appellate cases in death penalty cases.*

8180 Payments to Counties for Costs of Homicide Trial

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

8550 California Horse Racing Board

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

GOVERNOR'S VETOES

AB 1781
VETOES

I object to the following appropriations contained in Assembly Bill 1781.

Item 0690-011-0214—For support of Office of Emergency Services. I delete this item. This item would authorize a \$30,000,000 loan from the Restitution Fund to the Emergency Response Fund. The final budget package does not create the Emergency Response Fund nor appropriate any funding from it. However, the final budget package does include this loan, which is no longer necessary. Therefore, on a technical basis, I must delete this item.

Item 0690-101-6061—For local assistance, Office of Emergency Services.

I revise this item by deleting Provision 1. This Budget Bill provision is unnecessary, as it simply restates existing law. Specifically, this provision would require the allocation of funding from the Transit System Safety, Security, and Disaster Response Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 to be consistent with the provisions of Chapter 181, Statutes of 2007. Chapter 181 designated administering agencies for the bond funds authorized by the voters via Proposition 1B in November 2006, and imposed various requirements on these agencies for the allocation of the bond funds.

Item 0690-101-6073—For local assistance, Office of Emergency Services.

I revise this item by deleting Provision 1. This Budget Bill provision is unnecessary, as it simply restates existing law. Specifically, this provision would require the allocation of funding from the Port and Maritime Security Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 to be consistent with the provisions of Chapter 181, Statutes of 2007. Chapter 181 designated administering agencies for the bond funds authorized by the voters via Proposition 1B in November 2006, and imposed various requirements on these agencies for the allocation of the bond funds.

Item 1700-001-0001—For support of Department of Fair Employment and Housing.

I reduce this item from \$17,813,000 to \$16,869,000 by reducing:

- (1) 50-Administration of Civil Rights Law from \$23,668,000 to \$22,624,000
- (2) Amount payable from the Federal Trust fund (Item 1700-001-0890) from - \$5,855,000 to -\$5,755,000.

I am reducing this item by \$944,000 which will result in the loss of 9.5 personnel years for the enforcement of civil rights. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the 95

same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am also revising this item to conform to the action I have taken in 1700-001-0890.

Item 1700-001-0890—For support of Department of Fair Employment and Housing.

I reduce this item from \$5,855,000 to \$5,755,000.

I am revising this item to conform to the action I have taken in Item 1700-001-0001 to reflect a reduction in federal funds for processing dual filed housing and employment discrimination claims.

Item 1730-001-0044—For support of Franchise Tax Board. I reduce this item from \$2,991,000 to \$2,844,000 to make a technical correction to the Budget Bill.

This technical veto will conform with the Legislature's intent and is consistent with the legislative action taken in Item 1730-001-0001.

Item 1730-001-0064—For support of Franchise Tax Board. I reduce this item from \$5,615,000 to \$5,342,000 to make a technical correction to the Budget Bill.

This technical veto will conform with the Legislature's intent and is consistent with the legislative action taken in Item 1730-001-0001.

Item 2240-001-0001—For support of Housing and Community Development. I reduce this item from \$4,784,000 to \$4,023,000 by reducing:

- (1) 10-Codes and Standards Program from \$29,964,000 to \$29,118,000.
 - (7) Reimbursements from -\$1,132,000 to -\$1,047,000,
- and by deleting Provision 2.

I am reducing this item by \$761,000 for the Employee Housing Program. While the budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law

and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am also eliminating the Legislature's augmentation of reimbursements for this item by \$85,000 and, consistent with this action, I am deleting Provision 2 that expresses legislative intent that the Department of Housing and Community Development increase fees paid by employee housing providers to offset program reductions.

Item 2240-101-0001—For local assistance, Department of Housing and Community Development. I reduce this item from \$6,316,000 to \$5,973,000 by reducing:

(1) 20-Financial Assistance Program from \$173,116,000 to \$172,773,000, and deleting Provision 1.

I am reducing this item by \$343,000 to reinstate the budget-balancing reduction to the migrant housing operations program that I proposed. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required pay-

95

Ch. 268 — 2 —

ments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 2240-101-0890—For local assistance, Department of Housing and Community Development. I revise this item by deleting Provision 2.

I am deleting Provision 2 which would specify that \$1,800,000 of the amount appropriated in this item shall be made available upon receipt of a federal grant. This language is unnecessary because the Department of Housing and Community Development cannot make the expenditure unless the federal grant is received.

Item 2240-101-6069—For local assistance, Department of Housing and Community Development. I revise this item by deleting Provision 2.

I am deleting Provision 2, which would specify that funding in this item shall be subject to legislative review and approval of a request by the Department of Housing and Community Development. This language is unnecessary.

Item 2240-101-9736—For local assistance, Department of Housing and Community Development. I revise this item by deleting Provision 2.

I am deleting Provision 2, which would specify that funding in this item shall be subject to legislative review and approval of a request by the Department of Housing and Community Development. This language is unnecessary.

Item 2240-102-6038—For local assistance, Department of Housing and Community Development. I revise this item by deleting Provision 2.

I am deleting Provision 2, which would specify that funding for the Building Equity in Neighborhoods program shall be subject to legislative review and approval of a request by the Department of Housing and Community Development. This language is unnecessary because the funding proposed in the Budget is always subject to legislative review and approval.

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

I am reducing this item by \$401,000 to reinstate the budget-balancing reduction to the state grant program for local emergency shelters that I proposed. I am further reducing this item by \$3,599,000. While the budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 2320-001-0317—For support of Department of Real Estate. I revise this item by deleting Provision 2.

I am deleting Provision 2, which would require the Department of Real Estate to report

workload and enforcement data to the Legislature.

This reporting requirement would result in an expenditure increase without regard to the availability of resources. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, I am instructing the

95

— 3 — Ch. 268

Commissioner to comply with the legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the Department of Real Estate's ability to perform its essential functions.

Item 2600-001-0042—For support of California Transportation Commission. I revise this item by deleting Provision 1.

While the Legislature approved the \$100,000 augmentation to fund a contract with a financial consultant to assist in reviewing the eligibility of high-occupancy toll lane project applications, it also added provisional language requiring that these funds only be used for this purpose. While this provisional language is consistent with the Administration's intended use of this funding, it is unnecessary.

Item 2660-104-6063—For local assistance, Department of Transportation. I reduce this item from \$62,999,000 to \$61,299,000 by reducing:

(1) 20.30-Highway Transportation-Local Assistance from \$62,999,000 to \$61,299,000.

Item 2660-302-0042—For capital outlay, Department of Transportation. I reduce this item from \$847,800,000 to \$747,800,000 by reducing:

(1) 20-Highway Transportation from \$1,897,800,000 to \$1,797,800,000, and
(a) State Highway Operation and Protection Program (\$1,897,800,000) to (\$1,797,800,000).

I am reducing this item by \$100,000,000 to reflect the lower estimated revenues that the State Highway Account is projected to receive from excise taxes on fuel. Continuing increases in prices have reduced consumption, resulting in less tax revenue.

Item 3340-001-0001—For support of California Conservation Corps. I reduce this item from \$35,874,000 to \$33,874,000 by reducing:

(1) 10-Training and Work Program from \$65,032,000 to \$63,032,000.

I am reducing this item by \$2,000,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law, and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Nevertheless, I am sustaining the legislative augmentation of an additional \$1,000,000 from the Collins-Dugan California Conservation Corps Reimbursement Account to maintain three non-residential facilities and 75 corpsmember slots.

Item 3600-001-0001—For support of Department of Fish and Game. I reduce this item from \$77,301,000 to \$73,410,000 by reducing:

(1) 20-Biodiversity Conservation Program from \$150,694,000 to \$147,572,000;
(2) 25-Hunting, Fishing, and Public Use from \$71,276,000 to \$70,737,000;
(3) 30-Management of Department Lands and Facilities from \$48,009,000 to \$46,895,000;
(4) 40-Enforcement from \$61,764,000 to \$61,648,000;
(6) 70.01-Administration from \$44,359,000 to \$43,672,000;
(7) 70.02-Distributed Administration from -\$44,359,000 to -\$43,672,000; and
(21) Amount payable from the Hatchery and Inland Fisheries Fund

95

Ch. 268 — 4 —

(Item 3600-001-3103) from -\$17,297,000 to -\$16,297,000.

I am reducing this item by \$3,891,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law, and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance --

I am taking the difficult but necessary action reflected in this veto to further control state spending.

In addition, I am reducing \$1,000,000 from the Hatchery and Inland Fisheries Fund.

Item 3600-001-3103—For support of Department of Fish and Game. I reduce this item from \$17,297,000 to \$16,297,000.

I am reducing this item by \$1,000,000 to conform to the action I have taken in Item 3600-001-0001.

Item 3720-001-0001—For support of California Coastal Commission. I reduce this item from \$11,809,000 to \$11,192,000 by reducing:

- (1) 10-Coastal Management Program from \$16,630,000 to \$16,049,000;
- (2) 20-Coastal Energy Program from \$1,112,000 to \$1,076,000;
- (3) 30.01-Administration from \$1,914,000 to \$1,827,000; and
- (4) 30.02 – Distributed Administration from -\$1,814,000 to -\$1,727,000.

I am reducing this item by \$617,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 3780-001-0001—For support of Native American Heritage Commission. I reduce this item from \$786,000 to \$707,000 by reducing:

- (1) 10-Native American Heritage Commission from \$792,000 to \$713,000.

I am reducing this item by \$79,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law, and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 3790-001-0001—For support of Department of Parks and Recreation. I revise this item by reducing:

- (1) For support of the Department of Parks and Recreation from \$432,009,000 to \$431,099,000,

and by deleting

95

— **5 — Ch. 268**

(4.5) Amount payable from the Motor Vehicle Account, State Transportation Fund (Item 3790-001-0044) (-\$910,000).

I am revising this item to conform to the action I have taken in Item 3790-001-0044.

Item 3790-001-0044—For support of Department of Parks and Recreation. I delete this item.

I am deleting this item of appropriation which acts as a \$910,000 legislative funding shift from the General Fund to the Motor Vehicle Account (MVA), State Transportation Fund to enable the Department of Parks and Recreation to comply with the State Air Resources Board's new diesel particulate matter emission regulations for on-road heavyduty diesel vehicles. I believe regulatory compliance activities should be funded by the department's own funding sources. Consequently, the MVA is not an appropriate fund source for this purpose.

Item 3810-001-0140—For support of Santa Monica Mountains Conservancy.

I am sustaining the provisional language added by the Legislature providing that the Santa Monica Mountains Conservancy (Conservancy) shall reimburse to the Attorney General's Office (AG) for costs associated with grant reviews and attending meetings. The clear intent of this language is to create an incentive for the AG to provide legal services to the Conservancy and to have the Conservancy to reimburse the AG for its costs related to Proposition 84. However, this new language inadvertently appears to conflict with the language in Provision 1, which requires the AG to otherwise provide legal services to the Conservancy as if it were a General Fund department.

Therefore, by sustaining this language, it is my intent that the Conservancy reimburse

the AG for costs associated with Proposition 84 grant reviews and the associated meetings, and that all other legal costs be funded in a manner consistent with past practice. The Department of Finance will revisit this issue next budget year.

Item 3900-001-0001—For support of State Air Resources Board. I reduce this item from \$2,189,000 to \$189,000.

I am reducing this item by \$2,000,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 3940-001-0001—For support of State Water Resources Control Board. I revise this item by deleting sub-schedules (a) and (b) under Program 10—Water Quality, and Provision 2 of this section.

I am eliminating Budget Act language that displays the allocations to the state's nine regional boards and requires additional actions should a reallocation of resources be necessary. The Regional Boards develop and enforce the water quality objectives and implementation plans that are developed by the State Water Board, recognizing local differences in climate, topography, geology and hydrology. The joint authority of water allocation and water quality protection enables the State Water Board to provide comprehensive protection for California's waters. This centralized structure allows the State Board to implement program priorities and to respond to statewide needs through the Regional

95

Ch. 268 — 6 —

Board. The State Board should not require a change in authority to move funds from one region to another should events occur that make it necessary – such as a fire, a flood, or a change in priorities. Creating separate line items in the budget for each Regional Board would challenge the State Board's ability to manage and prioritize the needs of the whole state. Alternatively, the Water Board can address the Legislature's intent to better understand the role of the regional water boards through an anticipated strategic and structural reorganization the Water Board is planning through its Water Quality Initiative.

Item 3960-001-0001—For support of Toxic Substances Control. I reduce this item from \$23,325,000 to \$22,170,000.

I am reducing this item by \$1,155,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am revising the dollar amount specified in Provision 1 to conform to the action taken in this item.

“The Director of Toxic Substances Control may expend from this item: (a) \$11,604,000 for the following activities at the federal Stringfellow Superfund site: (1) operation and maintenance of pretreatment plants to treat contaminated groundwater extracted from the site, (2) site maintenance and groundwater monitoring, and (3) implementation of work to stabilize the site, and (b) \$4,266,000 \$3,111,000 for the operation of the Illegal Drug Laboratory Removal Program.”

Item 3960-001-0014—For support of Toxic Substances Control. I revise this item by reducing:

- (1) 12-Site Mitigation and Brownfields Reuse from \$89,426,000 to \$88,271,000.
- (8) Amount payable from General Fund (Item 3960-001-0001) from -\$23,325,000 to -\$22,170,000.

I am revising this item to conform to the action I have taken in Item 3960-001-0001.

Item 4170-101-0001—For local assistance, Department of Aging. I reduce this item from \$56,109,000 to \$42,945,000 by reducing:

- (1) 10-Nutrition from \$73,373,000 to \$72,804,000;
- (2) 20-Senior Community Employment from \$10,304,000 to \$7,139,000;

(3) 30—Supportive Services and Centers from \$71,894,000 to \$65,916,000; and
 (4) 40—Special Projects from \$50,003,000 to \$46,751,000;
 and by deleting:

(4.5) 97.20.004-Local Projects (\$200,000).

I am reducing this item by \$13,164,000 for the following programs:

- \$316,000 from the Home Delivered Meals program;
- \$253,000 from the Congregate Nutrition program;
- \$3,165,000 from Senior Community Employment;
- \$5,978,000 from the Long-term Care Ombudsman and Supportive Services programs;
- \$2,526,000 for the Multipurpose Senior Services Program;

95

— 7 — **Ch. 268**

- \$416,000 for the Alzheimer’s Day Care Resource Centers;
- \$250,000 for the Linkages program;
- \$60,000 for the Brown Bag program; and
- \$200,000 for the Senior Legal Hotline

While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state’s structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 4200-001-0001—For support of Department of Alcohol and Drug Programs.

I reduce this item from \$14,701,000 to \$6,019,000 by reducing:

- (1) 15-Alcohol and Other Drug Services Program from \$57,702,000 to \$48,275,000;
- (2) 30.01-Administration from \$11,999,000 to \$8,999,000;
- (3) 30.02-Distributed Administration from -\$11,999,000 to -\$8,999,000;
- (4) Reimbursements from -\$4,932,000 to -\$4,544,000;
- (10) Amount payable from the Substance Abuse Treatment Trust Fund (Item 4200-001-3019) from -\$3,565,000 to -\$3,208,000.

I am reducing this item by \$9,070,000 (\$8,682,000 General Fund and \$388,000 Reimbursements), as follows:

- \$8,000,000 for the California Methamphetamine Prevention Campaign;
- \$776,000 and 5.3 positions for the Drug Medi-Cal Program;
- \$154,000 for the Non-Drug Medi-Cal Program;
- \$110,000 and 0.5 positions for the Drug Court programs; and
- \$30,000 and 0.4 positions for the Offender Treatment Program.

While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state’s structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am also reducing \$357,000 and 3.0 positions in Item 4200-001-3019 to conform to the action I have taken in Item 4200-105-0001.

Item 4200-001-3019—For support of Department of Alcohol and Drug Programs.

I reduce this item from \$3,565,000 to \$3,208,000.

I am reducing this item by \$357,000 to conform to the action I have taken in Item 4200-105-0001.

Item 4200-101-0001—For local assistance, Department of Alcohol and Drug Programs.

I reduce this item from \$89,197,000 to \$83,665,000 by reducing:

- (1) 15-Alcohol and Other Drug Services Programs from \$438,351,000 to \$423,168,000;
- (4) Amount payable from the Substance Abuse Treatment Fund (Item 4200-101-3019) from -\$96,514,000 to -\$86,863,000.

95

Ch. 268 — 8 —

I am reducing this item by \$5,532,000, as follows:

- \$2,983,000 for the Drug Court programs;

- \$1,970,000 for the Offender Treatment Program; and
- \$579,000 for the Non-Drug Medi-Cal Program.

While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am also reducing \$9,651,000 in Item 4200-101-3019 to conform to the action I have taken in Item 4200-105-0001.

Item 4200-101-3019—For local assistance, Department of Alcohol and Drug Programs. I reduce this item from \$96,514,000 to \$86,863,000.

I am reducing this item by \$9,651,000 to conform to the action I have taken in Item 4200-105-0001.

Item 4200-104-0001—For local assistance, Department of Alcohol and Drug Programs. I reduce this item from \$23,457,000 to \$21,111,000 by reducing:

- (1) 15-Alcohol and Other Drug Services Program from \$40,511,000 to \$38,165,000.

I am reducing this item by \$2,346,000 for perinatal substance abuse treatment programs.

While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 4200-105-0001—For transfer by the Controller to the Substance Abuse Treatment Trust Fund. I reduce this item from \$100,079,000 to \$90,071,000.

I am reducing this item by \$10,008,000 for the Substance Abuse and Crime Prevention Act program. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I have taken conforming action in Item 4200-001-3019 and Item 4200-101-3019.

Item 4260-001-0001—For support of Department of Health Care Services. I revise this item by reducing:

- (1) 20-Health Care Services from \$383,834,000 to \$381,821,000,

and by deleting:

95

— 9 — Ch. 268

(10) Amount payable from the California Discount Prescription Drug Program Fund (Item 4260-001-8040) (-\$2,013,000)

I am deleting \$2,013,000 intended to specifically fund costs for the California Discount Prescription Drug Program. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am also deleting Item 4260-001-8040 to conform to this action.

Item 4260-001-8040—For support of Department of Health Care Services. I delete this item and Provisions 1 and 2.

I am deleting this item to conform to the action I have taken in Item 4260-001-0001 regarding the California Discount Prescription Drug Program.

I am also deleting Provision 1 and 2 to conform to this action.

Item 4260-006-0001—For transfer by the Controller to the California Discount Prescription Drug Program Fund. I delete this item and Provision 1.

I am deleting the \$5,870,000 in this item to conform to the action I have taken in Items 4260-001-0001, 4260-001-8040, and 4260-119-8040 regarding the California Discount Prescription Drug Program.

I am also deleting Provisions 1 to conform to this action.

Item 4260-113-0001—For local assistance, Department of Health Care Services. I reduce this item from \$208,380,000 to \$206,744,000 by:

- (3) Benefits (Medical Care and Services) from \$567,046,000 to \$563,226,000, and
- (4) Amount payable from the Federal Trust Fund (Item 4260-113-0890) from - \$363,428,000 to -\$361,244,000.

I am reducing this item by \$1,636,000 to make a technical correction to conform to the Legislature's action to utilize unanticipated Medi-Cal savings in fiscal year 2007-08 to reduce expenditures in 2008-09.

I am reducing Item 4260-113-0890 by \$2,184,000 to conform with this action.

Item 4260-113-0890—For local assistance, Department of Health Care Services. I reduce this item from \$363,428,000 to \$361,244,000 to make a technical correction to the Budget Bill.

I am reducing this item by \$2,184,000 to conform to my action in Item 4260-113-0001.

Item 4260-119-8040—For local assistance, Department of Health Care Services. I delete this item.

I am deleting the \$3,857,000 intended specifically to fund local assistance costs for the California Discount Prescription Drug Program. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains

95

Ch. 268 — 10 —

in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 4265-001-0001—For support of Department of Public Health. I reduce this item from \$86,147,000 to \$82,850,000 by reducing:

- (2) 20-Public and Environmental Health from \$501,031,000 to \$497,734,000.

I am reducing this item by \$3,297,000, as follows:

- \$1,042,000 for the Childhood Lead Poisoning Prevention Branch;
- \$976,000 for the Medical Device and Drug Safety Program;
- \$841,000 for the Epidemiology and Prevention for Injury Control Branch;
- \$277,000 for the Prostate Cancer Treatment Program; and
- \$161,000 for the Cosmetic Safety Program.

While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 4265-111-0001—For local assistance, Department of Public Health. I reduce this item from \$257,472,000 to \$244,479,000 by reducing:

- (3) 20.20-Infectious Disease from \$365,085,000 to \$358,845,000;
 - (4) 20.30-Family Health from \$1,504,545,000 to \$1,498,477,000;
 - (6) 20.50-County Health Services from \$40,691,000 to \$39,791,000;
 - (7) 20.60-Environmental Health from \$132,541,000 to \$131,557,000;
 - (8) Reimbursements from -\$160,479,000 to -\$159,280,000;
- and by deleting Provision 3.

I am reducing this item by \$5,030,000 (\$3,831,000 General Fund and \$1,199,000 Reimbursements) by eliminating funding to local entities for the following programs:

- \$1,824,000 for the TeenSMART Outreach Program;
- \$1,322,000 for the Male Involvement Program;
- \$984,000 for the Beach Safety Program; and

· \$900,000 for the State Public Health Subvention.

I am also reducing this item by \$3,670,000 by reducing funding to local entities for the following programs:

- \$2,269,000 for the Domestic Violence Program;
- \$748,000 for the Tuberculosis Control Housing Program;
- \$403,000 for the Teen Life Skills Information and Education Program; and
- \$250,000 for the Maternal, Child and Adolescent Health Program.

While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

95

— 11 — Ch. 268

I am deleting \$5,492,000 of the \$6,842,000 General Fund legislative augmentation to local health jurisdictions for AIDS/HIV Education and Prevention programs. With this reduction, \$31.8 million still remains to support the AIDS/HIV Education and Prevention programs.

I am also deleting Provision 3, that expresses a legislative wish to have the Department of Public Health not exclude any drugs from the AIDS Drug Assistance Program (ADAP) formulary for the purpose of reducing ADAP expenditures and would require funding to be maintained using the ADAP Rebate Fund. The Office of AIDS within the Department is the appropriate entity to determine the proper alignment of program expenditures within the funding available, including the ADAP Rebate Fund. Provision 3 would restrict the Office of AIDS' ability to manage ADAP expenditures. Consequently, I am vetoing this language.

Item 4440-103-0001—For local assistance, Department of Mental Health. I reduce this item from \$232,856,000 to \$225,136,000 by reducing:

- (1) 10.25-Community Services Other Treatment from \$232,856,000 to \$225,136,000.

I am reducing this item by \$7,720,000 for the Mental Health Managed Care program.

While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 4700-001-0001—For support of Department of Community Services and Development. I delete this item.

I am deleting this item to conform to the action I have taken in 4700-101-0001.

Item 4700-101-0001—For local assistance, Department of Community Services and Development. I delete this item.

I am deleting the \$2,565,000 for the for the Naturalization Services program. I am also deleting the \$154,000 in state operations funding for this program (refer to Item 4700-001-0001). While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 5180-001-0001—For support of Department of Social Services. I reduce this item from \$107,134,000 to \$106,640,000 by reducing:

- (2) 25-Social Services and Licensing from \$168,929,500 to \$168,829,500;
- (3) 35-Disability Evaluation and Other Services from \$260,159,500 to \$259,381,500;
- and
- (6) Reimbursements from \$-26,048,000 to -\$25,664,000.

Ch. 268 — 12 —

I am reducing this item by \$778,000 (\$394,000 General Fund) for the Disability Determination program and \$100,000 General Fund for the Independent Adoptions program.

While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reduction and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 6110-123-0001—For local assistance, Department of Education. I reduce this item from \$120,209,000 to \$114,209,000 by deleting:

(2) 20-Corrective Actions \$6,000,000.

I am deleting the \$6,000,000 restored by the Legislature that allocates funds to non-Title I Immediate Intervention Underperforming Schools Program (II/USP) schools that are still subject to state sanctions and are working with school assistance and intervention teams (SAITs). Although the II/USP ended in 2004-05, schools continue to receive grants of \$150 per student to implement improvement plans prepared by SAITs. I do not believe that the state should continue to fund these activities. Earlier this year, the Legislature accepted my proposal to eliminate from the Budget federal Title I funds for these purposes. This veto would be consistent with that agreement.

I am deleting provision 2 to conform to this action.

Item 6110-125-0890—For local assistance, Department of Education. I delete Provision 4 of this item.

I am deleting the appropriation located in Section 4 of the provisional language related to a \$1.8 million intervention program for local education agencies not meeting federal Title III benchmarks that was administratively established in the 2007-08 fiscal year as little information has been provided on what the program would achieve.

I am deleting Provision 4 to conform to this action.

Item 6120-150-0001—For local assistance, California State Library, for the Civil Liberties Public Education Program. I reduce this item from \$475,000 to \$450,000.

I am reducing this item by \$25,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 6120-160-0001—For local assistance, California State Library, for the California Newspaper Project Program. I reduce this item from \$228,000 to \$216,000.

I am reducing this item by \$12,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As

— 13 — Ch. 268

a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 6120-211-0001—For local assistance, California State Library. I reduce this item from \$13,625,000 to \$12,908,000 by reducing:

(1) 20.30-Direct Loan and Interlibrary Loan Programs from \$10,899,000 to \$10,182,000.

I am reducing this item by \$717,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive

the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 6120-213-0001—For local assistance, California State Library, for the English Acquisition and Literacy Program. I reduce this item from \$4,811,000 to \$4,558,000.

I am reducing this item by \$253,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 6120-221-0001—For local assistance, California State Library, for the Public Library Foundation Program. I reduce this item from \$13,642,000 to \$12,924,000.

I am reducing this item by \$718,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increase needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 6610-001-0001—For support of California State University. I revise this item by revising Provision 10.

While I am sustaining the Legislature's action to earmark funding for student academic preparation and student support services programs, I am vetoing the language requiring the university to report on these programs. This reporting requirement would result in an expenditure increase without regard to the availability of revenues. Nevertheless, in recognition of the Legislature's desire to obtain this information, I am instructing the Chancellor of the California State University to comply with this legislative request for

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Ch. 268 — 14 —

this report to the extent compliance can be achieved using existing resources and without impairing the university's ability to perform its essential functions.

I am revising Provision 10 to conform as follows:

“10. Of the amount appropriated in Schedule (1), \$52,000,000 is appropriated for student academic preparation and student support services programs. The California State University shall provide \$45,000,000 to support the Early Academic Assessment Program and the Educational Opportunity Program. It is the intent of the Legislature that the university report on the outcomes and effectiveness of the Early Academic Assessment Program to the fiscal committees of each house of the Legislature no later than March 15, 2009.”

Item 6870-001-0001—For support of Board of Governors of the California Community Colleges. I reduce this item from \$10,109,000 to \$9,778,000 by reducing:

(4.5) 97.20.001-Unallocated Reduction from -\$200,000 to -\$531,000.

I am reducing this item by \$331,000. However, I am sustaining the remaining \$500,000 legislative augmentation for the purpose of ensuring sufficient resources to fill key positions that are critical to maintaining accountability and fiscal oversight functions that will ensure the solvency of all districts. I anticipate that the Chancellor's Office will be able to accommodate the remaining reduction. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 7980-001-0784—For support of California Student Aid Commission. I reduce

this item from \$1,000,000 to \$500,000.

I am reducing \$500,000 from the Federal Policy and Program Division (FPPD) to align funding with the FPPD's responsibilities and to preserve resources. The current funding level exceeds what is necessary to support the staff of the FPPD. Furthermore, any savings that can be achieved in the Student Loan Operating Fund will result in the program being more valuable and thus result in additional General Fund revenue upon the sale, or other transaction, involving EdFund that is authorized by Chapter 182 of the Statutes of 2007. Item 7100-001-0514—For support of Employment Development Department. I revise this item by deleting Provision 5.

I am deleting Provision 5 which requires the Employment Training Panel (Panel) to prioritize funding for "green jobs" training. This language is unnecessary because the Panel already identifies clean technology products, services, and processes as a priority in its strategic plan, providing more than \$6,900,000 to these industries.

Item 8140-001-0001—For support of State Public Defender. I reduce this item from \$11,551,000 to \$10,928,000 by reducing:

(1) 10-State Public Defender from \$11,551,000 to \$10,928,000.

I am reducing this item by \$623,000 for the Office of the State Public Defender, which provides post-conviction appellate representation in death penalty cases. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural

95

— 15 — Ch. 268

budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 8570-001-0001—For support of Department of Food and Agriculture. I reduce this item from \$83,730,000 to \$80,341,000 by reducing:

(1) 11-Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services from \$128,861,000 to \$125,472,000, and by deleting Provision 5.

I am reducing this item by \$3,389,000 and 8.6 personnel years for the Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services Program. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am deleting Provision 5 because the language is unnecessarily restrictive. These funds are part of the base budget for the Light Brown Apple Moth Eradication Project and should be available for the Department to allocate for use as necessary once the toxicology study that was recently completed has been reviewed and aerial spraying is determined to be a safe tool for the Department to utilize in its eradication efforts.

Item 8570-004-0001—For transfer by the Controller to the Pierce's Disease Management Account. I reduce this item from \$4,380,000 to \$4,150,000.

I am reducing this item by \$230,000 for the Pierce's Disease Control Program. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 8640-001-0001—For support of Political Reform Act of 1974. I reduce this item from \$2,745,000 to \$2,470,000 by reducing:

(1) 10-Secretary of State from \$790,000 to \$711,000;

(2) 20-Franchise Tax Board from \$1,747,000 to \$1,572,000; and

(3) 30-Department of Justice from \$216,000 to \$195,000.

I am reducing this item by \$275,000 for the Political Reform Act of 1974. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit

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Ch. 268 — 16 —

my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 8940-001-1014—For support of Military Department. I delete this item.

This item contains an appropriation from the Emergency Response Fund, which was not authorized in the final budget package. Therefore, I must delete this item on a technical basis.

Item 9100-101-0001—For local assistance, Tax Relief. I reduce this item from \$693,885,000 to \$503,005,000 by deleting:

(1) 10-Senior Citizens' Property Tax Assistance (\$40,562,000);

(3) 30-Senior Citizens Renters' Tax Assistance (\$150,318,000);

and by deleting Provisions 2, 4, and 6.

I am also revising Provision 5 to conform to this action as follows:

“5. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for Schedules (1), (2), (3), (4), and (5) in excess of or less than the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.”

I am reducing this item by \$190,880,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 1781.

Schwarzenegger, Arnold

AB 88
VETOES

[Approved by Governor September 23, 2008. Filed with Secretary of State September 23, 2008.]

I object to the following appropriations contained in Assembly Bill 88.

Item 0690-001-0001—For support of Office of Emergency Services.

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I am sustaining Provision 4, which suspends the Government Code Section 8581.5 requirement for the biennial report on emergency preparedness for catastrophic disasters, which was scheduled to be published in 2008-09. However, I am directing the Office of Emergency Services to prepare this report to the extent possible using existing resources.

Item 0690-102-0001—For local assistance, Office of Emergency Services. I revise this

item by deleting Provisions 3 and 5.

Provision 3 requires the Office of Emergency Services to allocate \$800,000 to the Central Coast Rural Crime Prevention Program. Funding for this program was reduced by 10 percent, but this language was not amended to reflect the reduced amount. This technical veto is necessary to ensure that all grant recipients receive the same level of reduction. Therefore, I am directing the Office of Emergency Services to allocate the grant funding in a manner consistent with this budget language adjusted for the 10 percent reduction.

Provision 5 would require the Office of Emergency Services to use a competitive grant process for allocating funds to California Multijurisdictional Methamphetamine Enforcement Teams, and would create limitations on the minimum and maximum amounts of grants awarded under this program. This language is unnecessarily restrictive; therefore, I am vetoing this provision.

Item 2640-101-0046—For local assistance, State Transit Assistance. I reduce this item from \$406,434,000 to \$306,434,000.

I am reducing this item by \$100,000,000 for the State Transit Assistance program so that sufficient funding will be available in the Public Transportation Account to provide full reimbursement of the General Fund for its Home-to-School Transportation costs. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law, and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

With the \$5 billion in transit and intercity rail funding provided in Proposition 1B, this will allow a substantial increase in the capacity, safety, and reliability of public transportation throughout the state. The amount I am retaining in this item also continues program funding at a sustainable level.

Item 2660-001-0042—For support of Department of Transportation.

I am sustaining the Legislature's funding for capital outlay support. In the May Revision, I proposed a reduction in positions and dollars for engineering, design, environmental studies, and other work. For the declining amount of ongoing work, I proposed to use an increased share of contractual services, consistent with the provisions of Proposition 35, approved by the voters in 2000.

The Legislature, however, funded 90 percent state staff and 10 percent contract staff.

Because it will take a year or more to hire and train state staff as existing staff leave, I am concerned that this action will delay projects by a year or more and end up costing more than using contractual services. Moreover, because the funding from Proposition 1B is one-time and will be exhausted over the next four years, the hiring of new permanent state staff could lead to the need for future layoffs. An appropriate balance between state staff and contract staff will enable the state to improve its highways, roads, bridges, and railroad crossings

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Ch. 269 — 2 —

immediately. Therefore, I am directing the Director of the Department of Transportation to take all steps necessary to deliver these projects as quickly as possible, including an increased use of contractual services beyond the level reflected in the budget action, but within the funding level the Legislature has provided.

Item 3540-001-0001—For support of Department of Forestry and Fire Protection. I reduce this item from \$560,045,000 to \$557,896,000 by reducing:

(3) 12-Resource Management from \$62,597,000 to \$60,448,000;

(4) 20.01-Administration from \$67,198,000 to \$66,911,000; and

(5) 20.02-Distributed Administration from -\$66,536,000 to -\$66,249,000.

I am reducing this item by \$2,149,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance --- I am taking the difficult but necessary action reflected in this veto to further control state spending.

However, I am sustaining \$1,093,000 and 10.0 positions in the Resource Management program to fund vegetation management efforts because fuel reduction projects are a cost-effective way to reduce the number and size of catastrophic wildfires.

Item 3900-001-0044—For support of State Air Resources Board. I revise this item by reducing:

(2) 25-Stationary Source from \$57,232,000 to \$55,232,000.

(6) Amount payable from the General Fund (Item 3900-001-0001) from -\$2,189,000 to -\$189,000

I am revising this item to conform to the action I have taken in Item 3900-001-0001.

Item 4260-101-0001—For local assistance, Department of Health Care Services. I revise this item by reducing:

(1) 20.10.010-Eligibility (County Administration) from \$2,697,119,000 to \$2,689,743,000,

(8) Amount payable from the Federal Trust Fund (Item 4260-101-0890) from -\$21,448,993,000 to -\$21,441,617,000;

and by deleting Provision 14.

I am revising this item to conform to the action I have taken in Item 4260-101-0890.

I am also deleting Provision 14 from this item, which directs the Department of Health Care Services to provide the Legislature with specific options for improving the Medi-Cal fee-for-service program. While I share the Legislature's interest in improving the coordination of care for Medi-Cal beneficiaries and believe that such efforts will better serve clients and reduce costs, I am deleting the provision as it would limit my discretion in developing a budget proposal.

Item 4260-101-0890—For local assistance, Department of Health Services. I reduce this item from \$21,448,993,000 to \$21,441,617,000.

I am reducing this item by \$7,376,000 to conform to my action in Items 4170-101-0001, 4200-001-0001, 4265-111-0001, 4440-001-0001, and 5180-001-0001.

Item 4300-101-0001—For local assistance, Developmental Services. I reduce this item from \$2,384,027,000 to \$2,382,799,000 by reducing:

(2) 10.10.020-Purchase of Services from \$3,372,900,000 to \$3,370,854,000, and 90

— **3 — Ch. 269**

(4) Reimbursements from -\$1,308,405,000 to -\$1,307,587,000.

I am reducing this item by \$2,046,000 (\$1,228,000 General Fund and -\$818,000 Reimbursements). This technical veto is consistent with the pass through of the January 1, 2009 federal Supplemental Security Income cost of living adjustment.

Item 4440-101-0001—For local assistance, Department of Mental Health. I reduce this item from \$480,163,000 to \$480,111,000 by reducing:

(5) 10.97-Community Services Healthy Families from \$24,805,000 to \$24,653,000, and

(6) Reimbursements from -\$1,208,165,000 to -\$1,208,065,000.

I am reducing this item by \$152,000 (\$52,000 General Fund and \$100,000 Reimbursements) for the Healthy Families program. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 5180-101-0001—For local assistance, Department of Social Services. I reduce this item from \$2,808,386,000 to \$2,738,386,000 by reducing:

(1) 16.30-CalWORKs from \$5,290,712,000 to \$5,220,712,000.

I am reducing this item by \$70,000,000 for the CalWORKs program. This funding would have been available to counties as part of their single allocation, which can be used for county

administration, employment services, and child care. Even with this reduction in funding, the single allocation provided to counties still increases from 2007-08 to 2008-09. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from \$480,516,000 to \$478,478,000 by reducing:

(1) 16.75-County Administration and Automation Projects from \$1,194,774,000 to \$1,192,736,000.

I am reducing this item by \$2,038,000 for the Work Incentive Nutritional Supplement program. By eliminating this funding, I am delaying implementation of this program for one year. This will allow the Department of Social Services to study this program and ensure it is consistent with federal rules. Further, while this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently --

Ch. 269 — 4 —

and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from \$757,135,000 to \$750,727,000 by reducing:

(1) 25.30-Children and Adult Services and Licensing from \$2,151,082,000 to \$2,139,650,000;

(2) 25.35-Special Programs from \$22,682,000 to \$22,101,000;

(3) Reimbursements from -\$143,894,000 to -\$138,589,000; and

(6) Amount payable from the Federal Trust Fund (Item 5180-151-0890) from -\$1,263,716,000 to -\$1,263,416,000.

I am reducing this item by \$11,432,000 (\$6,127,000 General Fund) for the Adult Protective Services program, and by \$581,000 (\$281,000 General Fund) for the Deaf Access program. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law, and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 5180-151-0890—For local assistance, Department of Social Services. I reduce this item from \$1,263,716,000 to \$1,263,416,000.

I am reducing this item to conform to the action I have taken in 5180-151-0001 related to the Deaf Access program.

Item 5225-001-0001—For support of the California Department of Corrections and Rehabilitation. I reduce this item from \$7,173,074,000 to \$7,145,074,000 by reducing:

(8) 25-Adult Corrections and Rehabilitation Operations from \$4,974,568,000 to \$4,946,568,000.

I am directing the Secretary of the California Department of Corrections and Rehabilitation to implement a Parole Decision-Making Instrument (PDMI) that provides guidelines on how to respond to technical parole violations based on the risk-to-reoffend level of the offender and the seriousness of the violation. I believe that the use of the PDMI by parole agents will facilitate the reintegration into society of low-risk parolees by providing community-based sanctions and programs. By providing alternatives to incarceration for parolees who commit minor technical parole violations, the Department will be able to reduce prison overcrowding. Consistent with this direction, I am reducing \$22,000,000 from this item to reflect lower adult inmate population levels.

I am also reducing this item by an additional \$6,000,000 to reflect a delay in the activation

of Female Rehabilitative Community Correctional Center beds that resulted from the state's late budget.

Item 6110-001-0001—For support of Department of Education. I revise this item by reducing:

- (2) 20-Instruction Support from \$174,201,000 to \$173,909,000;
- (3) 30-Special Programs from \$54,659,000 to \$54,351,000; and
- (9) Amount payable from Federal Trust Fund (Item 6110-001-0890) from -\$171,015,000 to -\$170,415,000.

I am revising this item to conform to the action I have taken in Item 6110-001-0890.

90

— 5 — Ch. 269

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$171,015,000 to \$170,415,000.

I am deleting the legislative augmentation of \$600,000 federal Title I funds to enhance an evaluation of the Migrant Education program. The Budget Act of 2007 provided \$800,000 for completing a comprehensive needs assessment, developing the state educational agencies service delivery plan, and contracting for an evaluation to meet federal requirements. The appropriation provided in 2007 should be sufficient for producing a useful program evaluation. I am deleting Provision 30 to conform to this action.

I am deleting provisional language that would appropriate \$1,200,000 of Title III funds proposed for unspecified English learner state level activities (state operations) in 2009-10 as it is premature to appropriate funds for 2009-10, for projects that have not been developed or justified.

I am deleting provision 34 to conform to this action.

Item 6110-130-0001—For support of the Department of Education, Instructional Support. I reduce this item from \$9,035,000 to \$8,131,000.

I am reducing this item by \$904,000 for the Advancement Via Individual Determination program. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law, and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

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

“1. Of the funds appropriated, \$1,300,000 \$1,170,000 is available for administration of the Advancement Via Individual Determination (AVID) centers.”

Item 6110-196-0001—For local assistance, Department of Education. I revise this item by deleting Provisions 4(e) and 9(b).

I am deleting Provision 4(e), which would specify principles for the State Department of Education (SDE) to follow when developing the 2008-09 expenditure plan for state and local activities to improve child care. The language is unnecessary and does not specify any clear priorities for development of the expenditure plan.

I am deleting Provision 9(b), which would restrict the start point on the family fee schedule to 40 percent of the State Median Income as adjusted for family size. This Provision is inconsistent with the prior agreement reached between the Administration and the Legislature that families currently paying fees continue to do so as income eligibility is adjusted. Additionally, this language would result in lower fee revenues, increased costs in child care programs, and reduced capacity to serve children.

I am sustaining Provision 2(b), which would provide details for the expenditures of the appropriation and specify the rate limits for alternative payment and other voucher-based programs based on the 85th percentile of the 2007 Regional Market Rate Survey with an effective date of March 1, 2009. While I must sustain this provision because a statute would otherwise control the appropriation and drive the rates, I am concerned that this language will drive considerably higher costs per case in the future, similar to the rate increases experienced in 2007-08.

90

Ch. 269 — 6 —

I am also sustaining Provision 14, which specifies intent to fully fund the third stage (Stage 3) of child care for former CalWORKS families. This intent statement duplicates statutory intent language and, while it reflects a goal to provide sufficient funds, I want to be clear that inclusion of this language in the budget bill is not a commitment to fund any deficiency that

might occur.

Item 6110-202-0001—For local assistance, Department of Education. I reduce this item from \$11,742,000 to \$10,880,000 by reducing:

(1) 30.20.010-Child Nutrition Programs from \$11,742,000 to \$10,880,000.

I am reducing this item by \$862,000. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law, and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently --and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

Item 6110-488—Reappropriation, Proposition 98, Department of Education. I revise this item from \$163,051,000 to \$146,651,000, and by deleting:

I am deleting the \$16,400,000 augmentation to Stage 2 child care to align expenditures with updated caseload estimates. With this reduction, a total of \$516,611,000 still remains in the budget to support the CalWORKs Stage 2 program which should be sufficient for the estimated caseload under the authorized eligibility, copayment, and subsidy policies.

I am revising Provision 3 to conform to this action.

“3. The sum of \$163,051,000 ~~\$146,651,000~~ is hereby reappropriated to the State Department of Education for transfer by the Controller to Section A of the State School Fund for allocation by the Superintendent of Public Instruction for the purpose of funding CalWORKs Stage 2 child care. The amount reappropriated pursuant to this provision is for use in the 2008-09 fiscal year.”

I am deleting the one-time legislative augmentation of \$295,000 for assessments of the Oakland Unified, Vallejo City Unified, and West Fresno Elementary School Districts. Current law specifies that these emergency loan districts are responsible for the costs of these reports. Therefore, I am eliminating this augmentation.

I am deleting Provision 2 to conform to this action.

Item 6440-001-0001—For support of University of California. I reduce this item from \$3,000,920,000 to \$2,995,520,000 by decreasing:

(1) Support from \$3,123,516,000 to \$3,118,116,000, and by revising Provisions 14 and 24 and by deleting Provision 16.

I am reducing this item by \$5,400,000 to eliminate funding that supports research on labor and employment and labor education. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am also revising Provision 24 of this item to conform as follows:

90

— 7 — **Ch. 269**

“24. Of the funds appropriated in Schedule (1), \$5,400,000 ~~\$0~~ is to support research on labor and employment and labor education throughout the University of California system. Of these funds, 60 percent shall be for labor research and 40 percent shall be for labor education.”

Further, while I am sustaining the Legislature's action to earmark funding for student academic preparation and education programs (SAPEP), I am vetoing the language requiring the university to report on its use of funds for SAPEP activities. This reporting requirement would result in an expenditure increase without regard to the availability of revenues.

Nevertheless, in recognition of the Legislature's desire to obtain this information. I am instructing the President of the University of California to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the university's ability to perform its essential functions.

I am revising Provision 14 to conform as follows:

“14. Of the funds appropriated in Schedule (1), \$19,300,000 is for student academic preparation and education programs (SAPEP) and is to be matched with \$12,000,000 from existing university resources, for a total of \$31,300,000 for these programs. The University of California shall provide a plan to the Department of Finance and the fiscal committees of each house of the Legislature for expenditure of both state and university funds for SAPEP

by September 1 of each year. It is the intent of the Legislature that the university report on the use of state and university funds provided for these programs, including detailed information on the outcomes and effectiveness of academic preparation programs consistent with the accountability framework developed by the university in April 2005. The report shall be submitted to the fiscal committees of each house of the Legislature no later than April 1, 2009.”

Finally, I am deleting the legislative redirection of \$15,000,000 from funds budgeted for administrator compensation to support salary increases and a step pay system for low-wage service employees. Given the 10 percent reduction to the university’s institutional support budget that was adopted by the Legislature, the University should be provided the flexibility to allocate its resources to preserve core administrative functions. Further, employee salaries should be negotiated in collective bargaining agreements between the University and its service employees.

I am deleting Provision 16 to conform to this action.

Item 7980-001-0001—For support of California Student Aid Commission. I reduce this item from \$14,206,000 to \$13,527,000 by decreasing:

(1.5) 50-California Loan Program from \$1,000,000 to \$500,000;

(3.5) 97.20.001 Unallocated Reduction from -789,000 to -1,468,000;

(4.5) Amount payable from the Student Loan Operating Fund (7980-001-0784) from -\$1,000,000 to -\$500,000;

and by revising Provision 4.

I am reducing this item by \$679,000. However, I am sustaining the remaining \$111,000 legislative augmentation for the purpose of funding additional ongoing telephone system and Department of Technology Services costs that were identified after the January budget proposal. While this budget bill provides for a modest reserve in 2008-09, it fails to make the necessary statutory spending reductions and revenue increases needed to eliminate the state's structural budget deficit going forward. At the same time, constitutional requirements, federal law and court required payments drive the majority of the spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending

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Ch. 269 — 8 —

when my veto power is adequate to do so. Consequently -- and in order to further ensure that this budget remains in balance -- I am taking the difficult but necessary action reflected in this veto to further control state spending.

I am also revising Provision 4 of this item to conform to the action I have taken in Item 7980-001-0784 as follows:

“4. (a) This item reflects \$1,000,000\$500,000 payable from the Student Loan Operating Fund for the purpose of funding, on a limited-term basis, 6.0 positions in the Federal Policy and Programs Division. Those positions shall be continued until a sale or other authorized transaction is completed pursuant to Chapter 182 of the Statutes of 2007, which is anticipated to occur in-the 2009-10 fiscal year.

(b) Additionally, this item reflects an increase of \$1,010,000 available on a one-time basis for necessary moving costs, furnishings, and equipment associated with relocation of the Student Aid Commission. Not later than August 1, 2008, the commission shall detail and submit for approval to the Department of Finance, and for informational purposes to the Chairperson of the Joint Legislative Budget Committee, all one-time costs estimated to be necessary for relocation of the commission. Any funds remaining shall be available for any expenses that may be necessary or convenient to further the intent of the sale or other authorized transaction of EdFund pursuant to Chapter 182 of the Statutes of 2007 upon the written approval of the Department of Finance.”

Item 7980-101-0001—For support of California Student Aid Commission. I revise this item by revising Provision 1.

I am deleting the legislative augmentation to Provision 1(d), which increased the number of Assumption Program of Loans for Education (APLE) awards by 800. The remaining amount of authorized awards in the budget is 7,200. I proposed fewer APLE awards to curb the growth in required APLE payments in the context of budget balancing reductions and because the Student Aid Commission has historically not utilized all the awards. This reduction is necessary to limit future ongoing expenditures in line with ongoing resources as we work towards resolving the structural budget imbalance.

I am revising Provision 1 as follows:

“1. Funds appropriated in Schedule (1) are for purposes of all of the following:

(a) Awards in the Cal Grant Program under Chapter 1.7 (commencing with Section 69430) and Article 3 (commencing with Section 69530) of Chapter 2 of Part 42 of Division 5 of Title

3 of the Education Code.

(b) Grants under the Law Enforcement Personnel Dependents Scholarship Program pursuant to Section 4709 of the Labor Code.

(c) California Student Opportunity and Access Program contract agreements under Article 4 (commencing with Section 69560) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code.

(d) The purchase of loan assumptions under Article 5 (commencing with Section 69612) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code. The Student Aid Commission shall issue 8,000,200 new warrants.

(e) The purchase of loan assumptions under the Graduate Assumption Program of Loans for Education pursuant to Article 5.5 (commencing with Section 69618) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code.

(f) The purchase of loan assumptions under the State Nursing Assumption Program of Loans for Education (SNAPLE) Employees of State Facilities Program pursuant to Article 90

— **9 — Ch. 269**

2 (commencing with Section 70120) of Chapter 3 of Part 42 of Division 5 of Title 3 of the Education Code.

(g) The purchase of loan assumptions under the State Nursing Assumption Program of Loans for Education (SNAPLE) pursuant to Article 1 (commencing with Section 70100) of Chapter 3 of Part 42 of Division 5 of Title 3 of the Education Code.

(h) The Student Aid Commission shall report by April 1, 2009, on the State Nursing Assumption Program of Loans for Education, pursuant to the reporting requirements of Section 70108 of the Education Code.

(i) Of the amount appropriated in Schedule (1), \$297,000 is provided for loan assumption payments to participants in the National Guard Assumption Program of Loans for Education pursuant to Article 12.5 (commencing with Section 69750) of Chapter 2 of Part 42 of the Education Code.

(j) Notwithstanding subdivision (c) of Section 69613.8 of the Education Code, any Assumption Program of Loans for Education participant who meets the requirements of subdivision (a) or (b) of Section 69613.8 of the Education Code may receive the additional loan assumption benefits authorized by those subdivisions.”

Item 8380-001-0001—For support of Department of Personnel Administration.

I am revising this item in order to correct a technical error in the Budget Bill:

(1) 10-Classification and Compensation from \$6,442,000 to \$6,414,000;

(2) 20-Labor Relations from \$3,480,000 to \$3,464,000;

(3) 25-Legal from \$7,947,000 to \$7,919,000;

(5) 40.02-Distributed Administration from -\$4,457,000 to -\$4,370,000; and

(6) 54-Benefits Administration from \$32,972,000 to \$32,957,000.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 88.

Schwarzenegger, Arnold