



Final Action Report

A Summary of the 2009 Budget Act

Chapter 1, Third Extraordinary Session, Statutes of 2009
Chapter 1, Fourth Extraordinary Session, Statutes of 2009

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

November 10, 2009

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November 10, 2009

The Senate Budget and Fiscal Review Committee has completed its Final Action Report which is a detailed summary of the 2009-10 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 2009

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, Senate Budget and Fiscal Review

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Governor’s Vetoes and Signing Messages

INTRODUCTION

In February 2009, the Legislature passed SB 1, the 2009 Budget Act (Chapter 1, Statutes of 2009, Third Extraordinary Session). On July 24, the Legislature passed subsequent legislation making modifications to the 2009 Budget Act (AB 1, Chapter 1 of the Fourth Extraordinary Session). In enacting these measures, 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 2009 Budget Act, which reflects actions taken by the Senate Budget and Fiscal Review Committee, the Budget Conference Committee, and includes final negotiations between leadership of the Legislature and the Administration, along with gubernatorial vetoes (some of which, at the time this report was produced, were being adjudicated upon).

In total, the final 2009-10 Budget assumes \$86.1 billion in General Fund (GF) expenditures. The overall Budget (GF, special, and select bond funds) is \$119.2 billion.

The 2009-10 Budget was accomplished in two major phases, in February 2009 over \$42 billion in budget solutions were voted on. The modifications to the 2009-10 Budget included another \$24 billion in solutions to address the further deterioration of the state's fiscal situation identified in the 2009 May Revision.

The over \$60 billion in total budget solutions adopted this year addresses the largest budget gap the state has ever faced, both in dollar amount and in the percentage of General Fund revenues it represents. As a result of deteriorating state economic conditions, revenue collections were not meeting projections, and therefore required the State to address the problem. The package solves the worst fiscal crisis in California since the Great Depression.

February, 2009-10 Budget Enacted Five Months Early

In the Third Extraordinary Session, February 2009, the Legislature at the insistence of the Governor, enacted \$41 billion in solutions to what was then the estimated General Fund budget gap (subsequently, \$6 billion in solutions failed to pass in a May 2009 special election). The relative value of the package of solutions for the 18-month period ending June 30, 2010, can be summarized as follows:

- | | |
|---------------------------------------|-----------------------|
| • Tax increases and other revenues | \$12.7 billion |
| • Spending reductions and fund shifts | \$22.6 billion |
| • Borrowing | <u>\$ 5.4 billion</u> |
| | \$40.6 billion |

The overall package is also predicated on having a revised General Fund reserve of a little over \$1 billion.

February 2009, Summary of Tax Increases and Credits. The Legislative Leadership and Governor agreed to various tax increases and credits as part of the overall compromise to the budget shortfall – all these measures will be in either SB 3 / AB 3 (tax increases) or SB 15 / AB 15 (tax credits) in the Third Extraordinary Session. The table below summarizes the proposals.

Revenues (<i>dollars in millions</i>)	2008-09	2009-10	Total
<u>Sales Tax 1 cent increase</u> (no exceptions) through 2011-12.	\$1,203	\$4,533	\$5,756
<u>Increase Vehicle License Fee (VLF) to 1 percent</u> through 2012-13 (if spending cap fails, then through 2011-12).	264	1,213	1,477
<u>Increase VLF by 0.15 percent</u> for local public safety programs through 2011-12; which saves GF \$600 million (if spending cap fails then thru 2010-11).	111	508	619
<u>Reduce Dependent Credit</u> – reduced to level of personal credit for up to four years (if spending cap fails, then for two years).	--	1,440	1,440
<u>Single Sales Factor Apportionment</u> beginning 01/01/11. Change in corporate tax law; includes provisions to prevent manipulation. Revenue loss projected to be \$65 million first year, increasing to a maximum of \$700 million.	--	--	--
<u>New Film Credit</u> – Allocations begin 07/01/11. Tax credit subject to budget appropriation, capped at \$100 million revenue loss.	--	--	--
<u>Hiring and Retention Credits</u> effective 2009 and 2010 tax years. Tax credit of up to \$3,000 for new hires in small businesses (20 employees or less). Capped at \$200 million per year for two years only.	-20	-200	-220
<u>Personal Income Tax Surcharge</u> – 0.25 percent tax surcharge for four years (if spending cap fails then for two years). However, if federal funds become available under the “federal funds trigger” then the surcharge is lowered to 0.125 percent. For illustrative purposes, this table includes the full 0.25 percent increase.	--	3,658	3,658
Total	\$1,558	\$11,152	\$12,710

Summary of Borrowing. The total level of borrowing assumed in the Budget Package totals \$5.4 billion. The major components of this are (a) \$5 billion from the securitization of the State Lottery

– the securitization will have to go before the electorate at the next statewide election; and (b) various transfers and loans from special funds totaling approximately \$433 million. The Department of Finance (DOF), at that time, conservatively estimated that based on the revised Budget Package and estimates of federal funding, the State would not have to borrow for Revenue Anticipation Warrants (RAW).

Other elements of the February Budget package included:

- A spending cap contained in SCA 1 or ACA 1 of the Third Extraordinary Session – limiting spending to the rolling 10-year trend in revenues;
- A long-term stability funding mechanism for schools by recognizing \$9.3 billion in funding owed under Proposition 98 (contained within SCA 2 or ACA 2);
- A number of measures deemed economic stimulus being addressed in the Second Extraordinary Session. The bills in the Second Extraordinary Session relate to economic stimulus and mortgage relief for Californians. The bills are intended to streamline regulatory processes to advance infrastructure projects; expand the opportunities for the state to enter into public-private partnerships to develop infrastructure; make it easier to construct courthouses; and provide flexibility provisions into the state’s labor laws, while maintaining essential workers’ rights.
- Open Primary and Changes to Legislative Salaries (two Constitutional Amendments). The February Budget Package contained two constitutional amendments dealing with: (1) an amendment to the state constitution to establish primary elections in which voters may vote for any state or congressional candidate regardless of party registration, with the two candidates receiving the most votes, regardless of party affiliation, advancing to the general election; and (2) prohibition of any salary increase for the Legislature and constitutional officers in fiscal years determined to be in deficit.

In May 2009, the electorate rejected (a) over \$6 billion in budget solutions (mainly the borrowing item from the State Lottery) and (b) all constitutional amendments, with the exception of the open primary and changes to Legislative salaries, from the February 2009 package.

Further Action Required after February 2009

In February, the Legislature passed the 2009 Budget, as well as amendments to the 2008 Budget Act that comprised \$41 billion in deficit reduction solutions.

Although the 2009 Budget Act was enacted, the State’s overall economy continued to worsen and eroding revenue assumptions made when the Budget was passed, required action on the part of the Legislature to insure a positive ending balance at June 30, 2010. In addition, the State’s overall cash flow position required immediate action in order to assure investors of the State’s solvency and allow the State access to credit markets to keep the State’s monthly payment schedules in effect.

In March, Senate Budget subcommittees held over 35 public hearings on (1) various items that were not addressed as part of February’s 2009 Budget Act (also known as the “without prejudice” list), (2) numerous new items that resulted from the Federal Economic Stimulus package that was passed by Congress, and (3) the traditional budget changes (such as caseload, population, updated revenue and expenditure data) that occur on the natural.

On May 21, the Legislature began deliberations on the 2009 May Revise. The Legislature's goal was to address both the budget and cash flow issues by mid-June. The Conference Committee (this year comprised of ten Legislators – five members from each house of the Legislature) heard over ten days of public testimony – thousands of concerned citizens and their locally elected representatives presented their views and suggestions regarding the Governor's May Revise proposals.

After this period of public testimony, the Conference Committee began its process of deliberation and discussion. The challenge of the Conference Committee was to make difficult, but significant reductions in all subject areas of the budget; maximize, to every extent possible, the receipt of available federal funds; limit the expansion of unnecessary bureaucracy, while maintaining the state's infrastructure of education and health/human services for its children, senior citizens, and most needy persons.

On June 16, the Budget Conference Committee concluded a large portion of its work by adopting a balanced approach to closing the multi-billion dollar gap in the 2009 Budget since its passage in February.

Beginning June 24, the Legislature attempted, on a two-thirds vote, to pass a package of bills that represented all the final actions of the Conference Committee; however, the package did not receive the necessary votes for passage.

On June 28, in the absence of a two-thirds vote, the Legislature put forth a package of 14 majority vote measures in the Third Extraordinary Session intended to provide a level of savings and additional revenues that would assist the State from falling into a fiscal abyss. Legislative leadership discussions with the Governor began in earnest immediately following the June 30 end of the 2008-09 fiscal year, when the State Controller began issuing registered warrants in lieu of immediate cash payments for various bills owed.

Finally, on July 24, the Legislature passed a number of measures intended to amend the budget package adopted in February, while providing an additional \$24 billion in budget solutions.

July 2009 – Major Modifications to 2009 February Budget Act

On July 20, discussions on revisions to the 2009 Budget Act concluded. The premise of the final Budget Modifications was to insure an appropriate level of a health and human services safety net infrastructure, minimizing to the greatest extent possible harm to programs and services for the most vulnerable in society; provide for future repayment of education reductions; minimize the loss of any available federal funds; and provide for reforms and changes to existing programs and services in an effort to create efficiencies, reasonable savings, and limitations on fraud and abuse.

The modifications to the Budget, agreed to by Legislative Leaders and the Governor, solve for a \$23.3 billion deficit. At the May Revision, the deficit was estimated at \$19.5 billion. The LAO estimated lower revenues of \$3 billion, actual June revenues were lower than anticipated by \$500 million, and due to an inability to capture a 2008-09 RDA property tax shift, the problem grew by another \$350 million. Therefore, the total problem to solve for became \$23.3 billion. The final package includes \$24.2 billion of solutions. The final deal provided for a \$921 million General Fund (GF) reserve.

The summary of solutions are:

• Cuts	\$15.6 billion
• Revenues	\$3.9 billion
• Borrowing	\$2.1 billion
• Fund Shifts	\$1.5 billion
• <u>Deferral/Other</u>	<u>\$1.2 billion</u>
• Total	\$24.2 billion

➤ Major Features of the final budget modifications:

- Avoided suspension of Proposition 98, the funding source for both K-12 education and community colleges – and guarantees repayment in future years of \$11.2 billion in Proposition 98 “Maintenance Factor.”
- Protected the human services “safety net.” It protected CalWORKs from elimination and from extreme cut proposals. It maintained the IHSS program largely intact, except for major new fraud prevention measures. It protected Healthy Families from elimination or from a reduction in the program eligibility threshold, although there are significant cuts to the program.
- Restored \$62 million of the \$70 million parks cut to avoid massive park closures.
- Included no new tax credits.
- Included some action on “reforms,” but not all items demanded by the Governor.
- Included reductions to local government, but with some mitigation.

➤ Major July spending reductions include: \$6.1 billion in Proposition 98, K-14 education funds; \$2 billion in higher education; \$1.3 billion associated with state worker furlough days; \$1.2 billion in corrections; \$1.3 billion in Medi-Cal GF reductions; \$1.7 billion from local redevelopment agencies; \$528 million to CalWORKs; \$334 million GF in Developmental Services; \$226 million to In-Home Supportive Services; and \$124 million in the Healthy Families program.

➤ July Revenue solutions include: \$1.7 billion from increasing payroll withholding schedules by ten percent; \$610 million from accelerating Personal Income Tax and Corporation Tax revenues into 2009-10; \$1 billion from the sale of a portion of the State Compensation Insurance Fund (SCIF).

➤ July Borrowing solutions include: \$2 billion from the suspension of Proposition 1A (2004). Suspension diverts eight percent of property tax revenues of cities, counties, and special districts. The state must repay the \$2 billion (with interest) within three years.

➤ Major fund shifts include: approximately \$1 billion from transferring transportation revenues (the Highway Users Tax Account, or HUTA) from local governments to pay for debt service on transportation bonds; \$100 million from an oil drilling lease for the Tranquillon Ridge project in Santa Barbara.

[With respect to HUTA (1) this is for two years only, not permanent as the Governor proposed; (2) local entities will continue to receive their local streets and roads money under Proposition 42 (which is NOT suspended); (3) local entities also have Prop. 1B bond funds and ARRA monies; and (4) there is an exemption for very small cities that have no Prop. 1B money left and for those with unique financial hardship.] *Both the HUTA and Tranquillon Ridge legislation failed passage in the Assembly.*

- And finally, approximately \$860 million in one-time savings from deferring the June 30 state worker pay check until July 1.

Overview of Solutions Since June/July Budget Conference Committee:

- \$15.6 billion in cuts, up from \$12 billion in the Conference Version (*see Senate Budget Committee website for link to Conference Committee Highlights dated June 17*). Major changes since Conference Committee are:
 - \$660 million in additional Prop 98 reductions, following assurances that \$11.2 billion in total maintenance factor obligations are recognized in 2008-09. Originally, the Governor proposed suspending Proposition 98 and did not recognize this maintenance factor.
 - \$450 million in General Fund savings achieved by funding the Quality Education Investment Act (QEIA) program in 2009-10 with \$402 million in ongoing K-12 Proposition 98 funds -- rather than one-time funds -- directed to revenue limit funding for districts and through a \$48 million deferral of community college QEIA payments. The QEIA program resulted from a settlement between the state and education groups following suspension of Proposition 98 in 2004-05.
 - \$425 million in recognition of the Governor's order for a third furlough day.
 - \$1.7 billion in redevelopment revenues to the new Supplemental Educational Revenue Augmentation Fund in 2009-10 benefiting the State General Fund. (An additional \$350 million is shifted in 2010-11.) For 2009-10, the state orders the shift of \$1.7 billion from redevelopment agencies to schools in order to save the same amount in State General Fund support.
 - For this year only, we suspend the statute that requires redevelopment officials to set aside 20 percent of their property tax increment revenues for affordable housing.
 - A redevelopment agency can pay the shift by borrowing from its affordable housing trust fund, but it has to repay the money in five years.
 - A redevelopment agency that pays its full shift amount gets a one-year extension on its time limits.
 - If a redevelopment agency fails to shift the money, its affordable housing requirement permanently increases from 20 percent to 25 percent.

- \$200 million in additional reductions to the CalWORKs single allocation, in large part to recognize that employment services are not needed during these recessionary times. The Governor wanted to cut an additional \$200 million from this item.
 - \$24 million to reflect a ten percent reduction to certain private hospitals for disproportionate share hospital funding.
 - \$54 million reduction to the Healthy Families program, but with no changes in eligibility threshold. It is hopeful that various foundations will help mitigate the impact of this cut with contributions to this program. The Governor proposed \$46 million beyond this additional level of cuts and limiting the program to families at 200 percent of poverty.
 - \$21 million reduction by increasing the IHSS share of cost for the small percentage of recipients that have a share of cost. The Governor proposed \$180 million in additional cuts and would have cut off services to individuals with a Functional Index of Three and below.
 - \$90 million in recognition of the savings generated from implementing various IHSS fraud prevention measures.
 - \$50 million in lower inmate medical costs from establishing limits on reimbursement rates to health care providers outside of prisons.
- \$3.9 billion in revenues, down from the \$8.2 billion included in the Conference Report. The major changes are:
- Lost \$1.9 billion with no oil, tobacco, or corporate loophole tax increases.
 - Lost \$1.9 billion with no independent contractor withholding.
 - Lost \$142 million with no "Parks Pass" tax increase.
 - Lost \$84 million by eliminating tax enforcement proposals.
 - Lost \$110 million by not implementing the Governor's Emergency Response Initiative (ERI) or the fire fee.
- \$2.1 billion in borrowing, up from the \$139 million in the Conference version. This is mainly due to the suspension of Proposition 1A (\$2 billion). Unlike previous Education Revenue Augmentation Fund (ERAF) shifts, the Prop 1A suspension is a loan.
- All cities, counties, and special districts are included.
 - Amount of reduction is equal to eight percent of the total property tax revenue apportioned in 2008-09. There are no exceptions, although there are some flexibility provisions.
 - There is a hardship clause intended for cities in bankruptcy or similar distress - this would be determined by the Director of Finance and a reduction for a distressed entity would be made up with increased payments by the other entities in the same county.
 - Local entities could mutually agree to shift the reduction across entities within the county.
 - An RDA could agree to loan funds to its legislative body to fund the Prop 1A borrowing. Also, cities, counties, and special districts all have the option of selling their receivables (repayment from the state) to the special purpose entity and to receive bond funds for early repayment of the state borrowing.

- Finally, unlike in the past, the Constitution now requires repayment and there is a bonding option that could significantly mitigate the local effects of the borrowing.
- \$1.5 billion in fund shifts, down from \$1.8 billion in the Conference version. The major changes are:
 - Lost \$300 million in Driver License Fees to provide CalWORKs realignment funding backfill.
 - Lost \$75 million due to updated spillover scoring.
 - Gain of \$100 million from the Tranquillon-Ridge slant drilling proposal. *This proposal failed passage in the Assembly.*
- \$1.2 billion in other solutions. This is down slightly from the Conference version due to the updated scoring of the paycheck deferral.

Summary of Various “Reforms” Demanded by the Governor as Part of July Changes

- Repeal SB 1419 (limits on school contracting-out): Rejected Governor’s proposal.
- Electronic Court Reporting: Rejected Governor’s proposal.
- Asset Management:
 - Provided authority to enter into sale/lease back agreements for 11 state properties, and to enter into long-term leases.
 - Provided authority to sell Orange County Fair Grounds.
- Procurement Reform: Approved limited proposal, modified from Administration original broader proposal.
- Elimination/consolidations: Eliminated and consolidated various boards, including the elimination of the Integrated Waste Management Board.
- Pension and Employee Health Rollbacks: Taken off the table.
- Centralized Eligibility Determination for certain programs: Provided authority to develop a plan; no authority to move forward on project without Legislative approval of the plan.
- Restructure of Medi-Cal to Include Greater Use of Managed Care and Medical Homes: Approved.
- Hospital Fee to Increase Rates and Offset State Costs: Taken off the table, pending discussion on policy legislation.
- CalWORKs Reforms:
 - Rejected most draconian proposals to limit length of program and to provide full family sanctions.
 - Approved graduated sanction policy, but only after interventions to assist the families with the appropriate services and programs.
 - Maintained 60-month lifetime limit, but only 48 months in any 60 month period.
- IHSS Reforms:
 - Rejected proposals to limit services.
 - Approved various "fraud" proposals, such as background checks, pay slip changes, fingerprinting, and unannounced visits in certain cases.
- Mid-Year Cut Authority: Taken off the table.
- Elimination of Statutory COLAs: Approved.

EXPENDITURE HIGHLIGHTS

Below, by major subject matter area, are some of the significant changes enacted as part of the overall 2009 Budget Act.

EDUCATION

- Proposition 98 Funding – K-14 Education. The budget provides \$49.1 billion for 2008-09 and \$50.4 billion for 2009-10 in total Proposition 98 funding for K-14 education, which provides funding at the minimum guarantee level and avoids suspension of Proposition 98.
- Proposition 98 - Programmatic Reductions. The February and July budget packages include the following major K-12 programmatic reductions to the 2008-09 and 2009-10 budgets.

2008-09

- \$1.9 billion in K-12 program reductions split evenly between revenue limits and categorical programs in 2008-09. Deficit factors are established for revenue limit reductions and foregone COLA. More than 50 categorical programs are subject to proportional reductions estimated at 15 percent in 2008-09.
- \$1.6 billion in Proposition 98 savings from the reversion of unallocated categorical program payments in 2008-09.

2009-10

- \$535 million in added program reductions split evenly between revenue limits (\$268 million) and categorical programs (\$268 million) to continue cuts that began in 2008-09, but at a somewhat higher rate. Deficit factors are established for revenue limit reductions and foregone COLA. More than 50 categorical programs are subject to proportional reductions estimated at 20 percent in 2009-10.
- \$4 billion in new revenue limit reductions in 2009-10, including commensurate categorical reductions for Basic Aid Districts. These reductions include a \$1.6 billion reduction to offset the restoration of categorical funds reverted in 2008-09. Deficit factors are established for revenue limit reductions and foregone COLA.
- Federal ARRA Funds. New, one-time, federal funds of \$6 billion authorized under the ARRA (American Recovery and Reinvestment Act), significantly offset K-12 funding reductions in 2008-09 and 2009-10. Of this amount, \$3.8 billion was added to the 2008-09 budget via Department of Finance budget revision letters late last spring. The July budget revisions authorize another \$2.2 billion of these anticipated funds in 2009-10.
- Categorical Program/Funding Flexibility. Continues categorical funding reductions beginning in 2008-09 through 2012-13 for more than 50 categorical programs and continues categorical flexibility for more than 40 of these categorical programs. Another 11 programs are subject to reductions, but are not subject to categorical flexibility programs. [Eight major Proposition 98 programs are excluded from any categorical reductions or flexibility, including Child

Development, Child Nutrition, Economic Impact Aid, Special Education, Home-to-School Transportation, After School Education & Safety, K-3 Class Size Reduction, and the Quality Education Investment Act.]

CHILD CARE

- Restores Child Care Services for CalWORKs families and families transitioning off CalWORKs.
- Rejects the Governor's proposal to increase family fees, which would have doubled fees for low income families.
- Denies the Governor's proposal to eliminate funding for ROC/P and Adult Education CalWORKs Services.
- Eliminates the Extended Day Care (Latchkey) program, but retains funding for services from July 1 until the start of school to ensure no children are immediately displaced, and adopts language to ensure that children receive priority placement in other subsidized programs.
- Holds the Regional Market Reimbursement rates constant at the 2005 levels, reimbursing up to a maximum of the 85th percentile.
- Appropriates \$110 million in American Recovery and Reinvestment Act (ARRA) federal stimulus funds in order to both hold program levels constant and increase child care slots in the voucher program.
- Clarifies that reimbursements to child care service providers based on a daily rate may only be authorized under specified circumstances.

HIGHER EDUCATION

- Community Colleges
 - Reduces funding by approximately \$700 million for community colleges consistent with the Proposition 98 minimum funding guarantee and the funding levels proposed by the Governor in the May Revise.
 - Provides smaller reductions to priority categorical programs, and places many (but not all) categorical programs into a flexible pot. Provides community colleges with some flexibility to achieve savings.
 - Increases student fees by \$6 per unit (to \$26 per unit), consistent with pre-2007 levels.
- University of California / California State University
 - Captures \$1.44 billion in General Fund savings from the UC and CSU attributable to the 2008-09 and 2009-10 fiscal years.

Total reductions of \$266 million to each segment (total of \$532 million) in 2009-10 are equal to the Governor's May Revise proposal, but unlike the Governor's proposal, cuts are equalized between UC and CSU.

Of these total reductions – \$1.97 billion over two years – approximately \$1.7 billion will be offset by federal economic stimulus funds.

- Does not eliminate funding for academic preparation as proposed by the Governor, but rather achieves savings through unallocated reductions.
- Hasting College of the Law. Rather than eliminate all funding for Hastings, the conference committee adopted a ten percent reduction.
- Student Financial Aid
 - Does not eliminate the Cal Grant Financial Aid Program. However, the Governor vetoed \$6.3 million in state operations, of which \$4.3 million is being set aside to be restored contingent upon enactment of legislation that authorizes the decentralization of the Cal Grant Program and other financial aid programs – AB 187 (Assembly Budget) is the measure attempting to implement a pilot program and appropriate \$4.3 million GF.
 - Achieves substantial savings by transferring \$32 million in excess funds in the Student Loan Operating Fund to the General Fund to offset Cal Grant costs.

HEALTH

- Healthy Families: The Legislature rejected the Governor's proposal to eliminate the program and, instead, reduced by \$124 million (GF) by establishing a waiting list for enrollment unless funds are provided by third-party philanthropic organizations, foundations, the California First Five Commission, donations, or other sources to continue enrollment of children throughout the year. *However, the Governor vetoed another \$50 million (GF) from the program which created a funding gap of about \$174 million (GF).*
- Medi-Cal: Did not adopt the Governor's proposals to eliminate Adult Day Health Care, state-only programs, clinic programs, services for legal immigrants, or recent family planning rate increases. Rather, it makes redirections to provide rates in selected areas, seeks federal repayment for certain Medi-Cal expenditures and makes other related reductions.
 - Reduces by about \$2.8 billion (GF) to reflect receipt of enhanced federal funds as provided under the American Recovery & Reinvestment Act (ARRA).
 - Assumes receipt of \$1 billion in federal funds for repayment to California for expenditures made within the Medi-Cal Program which should have been funded by the federal government.
 - Adopts the Governor's unallocated reduction of \$323.3 million (GF).
 - Reduces by \$22.5 million (GF) by requiring pharmacies to bill Medi-Cal at a rate that is comparable to private third-party payers as specified in trailer bill language.

- Reduces by \$37 million (GF) by making changes in the Medi-Cal reimbursement made to pharmacies as it pertains to the estimated acquisition cost of drugs.
 - Reduces payments to hospitals by sweeping the Distressed Hospital Fund for a savings of \$23 million (GF).
 - Reduces payments to private hospitals by \$23.9 million (GF) to reflect a ten percent reduction in disproportionate share hospital funding.
 - Reduces Adult Day Health Care coverage to three days per week and related changes, for a savings of \$26.8 million (GF).
 - Increases fees paid by skilled nursing facilities by expanding the amount of revenue upon which the AB 1629 fee is based, to include Medicare revenue, for increased revenue to the State of \$18 million.
 - Suspends cost-of-living increases effective August 1, 2009, for skilled nursing facilities and other long-term care for a General Fund savings of \$75.8 million in 2009-10.
 - Reduces by \$14 million (GF) to reflect the elimination of the state-only payment for ancillary health services provided in Institutions for Mental Disease (IMDs).
- Community-Based Clinics. Rather than eliminating all General Fund support as proposed by the Governor, the Legislature reduced community-based clinic programs by about one-third, or \$14 million (\$10 million General Fund and \$4 million Proposition 99 funds), including the following:
- Rural Health Services reduced by \$2.2 million, which left \$6 million (GF);
 - Seasonal Migratory Worker Clinics reduced by \$1.9 million, which left \$5 million (GF);
 - and
 - Expanded Access to Primary Care Clinics reduced by \$8.4 million (total funds), which left \$19 million (\$9 million GF and \$10 million Proposition 99 funds).

However, the Governor vetoed all of the remaining General Fund support for these important clinic programs, or about \$20 million (GF).

- Maternal and Child Health: Rather than total elimination of the various programs and services offered, a reduction of \$11.5 million was adopted. However, the Governor vetoed the remaining \$12 million in General Fund support in the Adolescent Family Life Program and the Black Infant Health Program.
- HIV/AIDS Programs:
- Education and Prevention Programs. Reduced by \$2.2 million (GF) in lieu of eliminating these extremely cost-beneficial programs as proposed by the Governor. *However, the Governor vetoed the remaining \$22.4 million (GF).*
 - HIV/AIDS Counseling and Testing Program. Rejected the Governor's proposal to eliminate this program for a reduction of \$8.2 million (GF). *However, the Governor vetoed the program.*

- AIDS Early Intervention Projects. Rejected the Governor's proposal to eliminate this cost-beneficial program for a reduction of \$7.4 million (GF). *However, the Governor vetoed the program.*
- HIV/AIDS Surveillance & Epidemiologic Studies. Reduced by \$1 million (GF) in lieu of elimination as proposed by the Governor. This reduction leaves a total of \$7.6 million (GF) for this purpose.
- Domestic Violence Shelters. Reduced by 20 percent, or \$4.1 million (GF) support for the Domestic Violence Shelter Program which left a total of about \$16.3 million (GF) for the program. *The Governor vetoed this remaining amount; however, the Legislature attempted to restore this funding in SBX3 13.*
- Emergency Medical Services Authority: Reduces funding for the California Poison Control System, which provides immediate free treatment advice and assistance over the phone, for a savings of \$3 million.
- Department of Mental Health: Proposes to reduce the Mental Health Managed Care Services and Early and Periodic Screening, Diagnosis, and Treatment (EPDST) Program for a combined General Fund savings of \$92 million.
- Developmental Services: Reduces by \$334 million, as proposed by the Governor, through a methodical and inclusive approach with substantial input from the communities that access these services.

HUMAN SERVICES

- CalWORKs: Rejected the Governor's proposal to eliminate the entire CalWORKs program, which would have ended cash assistance and supportive services to over 546,000 families.
 - Authorized local partnership initiatives to provide subsidized employment, short-term non-recurring benefits, and supplemental basic assistance for TANF-eligible, low-income families with \$365 million in federal ARRA funding and funds that were previously used for AB 98 subsidized employment activities. Under ARRA's Emergency Contingency Fund, the federal government pays 80 percent of the costs of specified expenditures.
 - Approved proposed suspension of the July 2009 Cost of Living Adjustment (COLA), resulting in savings of \$79.1 million in 2009-10. Amended statutes so that annual COLAs are no longer automatically granted.
 - Reduced 2009-10 funding for child care and employment services by \$375 million GF, and adopted corresponding trailer bill language to allow counties flexibility to temporarily exempt individuals with high supportive service costs, including parents of very young children, from work participation requirements. Stopped the 60-month time-clock of limitations on aid and services for individuals exempted under these policies.

- Reverted \$43 million of mid-year adjustment funding for 2008-09 eligibility and employment services and scored them as GF savings for 2009-10.
- In-Home Supportive Services (IHSS): Rejected the Governor's proposals to eliminate all services for up to 387,259 or 90 percent of recipients. Instead made the following changes, effective September 1, 2009, which result in savings of \$53.2 million GF:
 - Eliminated domestic and related services for individuals with the lowest levels of need for each particular service. This action was anticipated to impact approximately 85,000 individuals.
 - Eliminated all services for individuals with the lowest levels of overall need, as measured by a standardized scoring system (a functional index score below two). This action was anticipated to impact 9.3 percent of recipients, or around 39,000 individuals.
 - Established exemptions to both of the above reductions for individuals who receive paramedical services, protective supervision, or more than a total of 120 hours of services per month. The exemptions may be waived by the Director of DSS if necessary to maintain federal funding.

The Governor further reduced the budget for IHSS services by \$28.9 million, in anticipation of the waiver of some or all of these exemptions.

 - Adopted changes to further ensure program integrity and bolster fraud prevention efforts, anticipated by the Administration to save \$130 million GF in IHSS costs
- Supplemental Security Income/State Supplementary Program (SSI/SSP):
 - Rejected the Governor's proposal to reduce the maximum grants for individuals to the federal minimum level, and instead adopted a further reduction of .6 percent (\$5) to that maximum grant level (bringing it to \$845 from \$850), effective October 1, 2009. Adopted the proposed reduction of the maximum grants for couples to the federal minimum amount of \$1,407 (rather than \$1,489) as of October 1, 2009, which represents an \$82 reduction. Combined savings of these actions were \$115.9 million in 2009-10.
 - Approved the proposed suspension of the pass-through of the federal SSI COLA, effective May 1, 2009, resulting in \$79.8 million GF savings in 2008-09 and \$487.3 million GF savings in 2009-10. Suspended the June, 2010 state SSP COLA, resulting in additional savings of \$27 million in 2009-10.
 - Amended statutes so that annual COLAs are no longer automatically granted, except for the pass-through of any increase in federal SSI benefits.
- Foster Care: Rejected the Administration's proposal to impose an unallocated reduction of \$70.6 million GF to the budget for child welfare services. *The Governor made an even larger*

reduction of \$80 million GF to these programs. It is not yet known how the vetoed funding would be allocated among various child welfare services programs.

- Recognized \$51.6 million in savings to the state, as well as additional savings to the counties, due to enhanced 2009-10 federal financial participation (based on the Federal Medical Assistance Percentage or FMAP) in foster care and adoption assistance programs under ARRA.
 - Rejected a proposal to realign \$550 million of costs of child welfare services and foster care from the state to the counties.
- Safety Net and Food Programs for Poor Immigrants: Does not eliminate Cash Assistance Program for Immigrants (CAPI) or California Food Assistance Program (CFAP), as proposed by the Governor. However, CAPI recipients (approximately 12,000 aged, blind, and disabled legal immigrants who would be eligible for the SSI/SSP program but for their immigration status) will see a decrease in their grants consistent with the reductions adopted in the SSI/SSP program. CFAP would continue to provide food assistance to more than 30,000 low-income legal non-citizens between the ages of 18 and 65, who meet all the eligibility requirements for the federal Food Stamp program but have resided in the United States for less than five years.
- Alcohol and Drug Programs: Reduces funding by \$90 million for Proposition 36 programs that provide treatment to substance abuse offenders, but continues to fund treatment under the Offender Treatment Program (OTP). Provides federal Byrne funds of approximately \$45 million to supplement OTP services.

CORRECTIONS AND JUDICIARY

- Overall in Corrections: Achieved \$1.2 billion in various reductions to corrections.
- Eliminated \$503 million in General Fund support for various criminal justice local assistance programs and backfilled program funding on a two-year basis from an increase in the Vehicle License Fee (VLF). Programs receiving funding from the VLF instead of the General Fund are the following: Citizens' Option for Public Safety (COPS); Juvenile Justice Crime Prevention Act grants; Booking Fees; Small and Rural Sheriffs grants; Juvenile Probation Funding; Juvenile Camp Funding; Cal-MMET; Vertical Prosecution Block Grants; Evidentiary Medical Training; Public Prosecutors and Public Defenders funding; the California Gang Violence Suppression Program; the Multi-Agency Gang Enforcement Consortium; the Rural Crime Prevention program; the Sexual Assault Felony Enforcement program; and the High Technology Theft Apprehension and Prosecution Program. (SBX4 8, Chapter 4, Statutes of 2009).
- Judicial Branch: Approved \$393 million in budget reductions, special fund transfers, and additional revenues to offset the administration's proposals for unallocated reductions to the trial courts. These include the following:
- Approved one day per month court closures, estimated to save \$102 million.

- Approved use of \$71 million in trial court reserves to offset commensurate budget reductions.
- Approved transfer of \$130 million from various special funds to offset commensurate budget reductions.
- Approved a \$10 increase in the court security fee charged to criminal defendants. This increase is projected to generate an additional \$40 million in revenues to offset court security costs.
- Approved increases of \$5 in court reporter fees and \$10 in various post judgment fees, estimated to generate \$18 million in additional court revenues.
- Required Judicial Branch to absorb \$32 million funding increase associated with the State Appropriations Limit (SAL).
- Reduces funding, by \$168.6 million, by reducing general fund support to the courts by ten percent. This reduction will be achieved through various measures, including one-day per month court closures, transfer of reserves in various funds, and an increase in fees.

NATURAL RESOURCES AND THE ENVIRONMENT

- Offshore Oil Drilling: Attempts to work out an alternative agreement on slant oil drilling, to insure \$100 million in GF revenue, from the leasing of Tranquillon Ridge. *This proposal failed passage in the Assembly.*
- Department of Parks and Recreation: Provides for partial restoration of parks reductions proposed by the administration, in total the parks receive an unallocated GF reduction of approximately \$8 million.
- Department of Conservation: Reduces "Williamson Act" payments by approximately 20 percent, leaving \$28 million to counties for Agricultural and Open Space Land Preserves. These subventions currently backfill a portion of revenue lost by local governments when they enter into voluntary agreements with land owners for lower property tax assessments when those land owners agree to use the land only for agricultural or open space purposes.
- California Conservation Corps: Fully funds the local conservation corps, which would have been severely cut under the Governor's plan.
- Integrated Waste Management Board: Eliminates the California Integrated Waste Management Board (CIWMB) and creates efficiencies by combining the CIWMB functions with recycling into a new department.

STATE GOVERNMENT

- Consolidations and reorganizations: Adopted Governor's proposed \$50 million in GF savings from consolidations and reorganizations.

- Information Technology Savings: Reduced funding for state information technology services, consistent with recent IT consolidation, and provides the Office of the Chief Information Officer (OCIO) additional authority to achieve another \$100 million in savings.
- Cash Deferrals: Adopted various Governor's cash deferral proposals.
- Employee Compensation: Rejected Governor's proposal to reduce salaries by five percent – thereby maintaining a 2-day furlough for all employees. *The Governor instituted a third monthly furlough day for all employees under his authority.*

Assumes some savings that will be achieved if proposed labor agreements are not ratified by the Legislature. General Fund savings are estimated at \$60 million in 2008-09 and \$150 million in 2009-10.

- Paycheck Deferral: Defers June 30, 2010, state employee paychecks to July 1, 2010 to achieve budget savings.
- Public Employees' Retirement System (PERS): Rejects the Governor's proposal to save an estimated \$132.2 million, beginning in January 2010, by contracting for lower cost health care coverage either through PERS or directly from an insurer. This change could conflict with existing collective bargaining contracts. Instead assumes PERS' 2010 final adopted health and dental premium rate increase will be less than the nine percent increase assumed in the February enacted budget and scores \$50 million in savings. Additionally, recognizes the plan adopted by the PERS Board to rebate, via a two-month payment holiday in 2009-10, \$100 million in excess Preferred Provider Organization premiums paid by the state.
- State Compensation Insurance Fund: Adopts the Governor's proposal to sell a portion of the State Compensation Insurance Fund (SCIF) to a private entity for an estimated \$1 billion. The SCIF would remain the "insurer of last resort." SCIF was established in 1914 as a self-supporting, non-profit enterprise that provides workers' compensation insurance to California employers with no financial obligation to the public.
- Department of Industrial Relations: Shifts the majority of the remaining General Fund support in the Department of Industrial Relations (DIR) budget to fee-support.
 - Employer fees will be increased to fund the Occupational Safety and Health Program and the Labor Standards Enforcement Program. Similar fees on employers were increased in the 2008-09 budget to address funding shortfalls. Ongoing cost reductions beginning in 2010-11 will produce over \$60 million in GF savings.
- Department of General Services: Delays repairs to the State Capitol building and park, for one year, providing \$6.6 million in savings.
- Approved funding of \$4.8 billion GF for 2009-10 General Obligation (GO) bond debt service. In addition to the GF, GO debt service is funded from mass transportation funds (\$254 million), federal-stimulus Build America Bond interest subsidy payments (\$126.1 million), and funds

received from county offices of education for state programs (\$120 million - this is related to the Proposition 1A of 2004 suspension).

LOCAL GOVERNMENT AND TRANSPORTATION

- Suspended Proposition 1A in 2009-10. Initially, the Budget Conference Committee resisted the suspension of Proposition 1A; however, as increased taxes were discarded, additional solutions needed to be achieved. The budget now proposes to borrow \$1.94 billion from local governments through the suspension of Proposition 1A (of 2004). Suspension, which requires legislation, allows the state to divert to schools up to eight percent of property tax revenues of cities, counties, and special districts to counties and special districts. Repayment, with interest, must be made within three years. The proposal also authorized a joint powers authority to facilitate local government borrowing against the state's repayment promise.
- Adopted the Governor's proposals on public transit funds. This includes new General Fund relief of \$561 million by directing new transit "spillover" revenues to transportation-related debt service. Additionally, directs \$315 million in transit revenue formerly directed to home-to-school transportation, to transportation-related debt service.
- The Senate adopted the Governor's proposal to redirect the local gas tax for General Fund relief, but limits the shift to two years instead of becoming permanent. In 2009-10, the amount of the shift would be \$971 million (after small city exemption), and in 2010-11, the shift would be about \$750 million. These amounts are consistent with the limit on bond debt payment of 25 percent of fuel and weight fee revenues outlined in Article XIX, Section 5 of the California Constitution. Future legislation can provide local governments with new opportunities to raise funds for public transit and local transportation services. *This proposal failed passage in the Assembly.*
- Shifted \$1.7 billion in redevelopment revenues to the new Supplemental Educational Revenue Augmentation Fund in 2009-10 to benefiting the State General Fund. (An additional \$350 million is shifted in 2010-11.) For 2009-10, the state orders the shift of \$1.7 billion from redevelopment agencies to schools in order to save the same amount in State General Fund support.
 - For this year only, we suspend the statute that requires redevelopment officials to set aside 20 percent of their property tax increment revenues for affordable housing.
 - A redevelopment agency can pay the shift by borrowing from its affordable housing trust fund, but it has to repay the money in five years.
 - A redevelopment agency that pays its full shift amount gets a one-year extension on its time limits.
 - If a redevelopment agency fails to shift the money, its affordable housing requirement permanently increases from 20 percent to 25 percent.
- Created the State Educational Revenue Augmentation Funds (ERAF) account within the California Infrastructure and Economic Development Bank (I-Bank) and requires a

redevelopment agency, unless it opts out, to annually deposit ten percent of its tax increment revenue in this fund, which will then be securitized. Among other conditions, securitization may only move forward if the board of directors of the I-Bank certifies that at least \$7.4 billion in bond proceeds are achievable by June 30, 2010, from this act. If these same conditions are met, the implementation of Proposition 1A borrowing, redirection of local gas excise tax revenues, and the redevelopment shift, contained in associated legislation in the budget package would cease and the State General Fund would receive an equivalent amount of revenue from bond proceeds. *This proposal failed passage in the Assembly.*

- **Reduced Open Space Subventions.** Approved a 20 percent GF cut to Subventions for Open Space / Williamson Act grants, which resulted in 2009-10 funding of \$27.8 million. This is in addition to a ten percent reduction implemented in 2008-09. *The Governor vetoed funding down to \$1,000 for Williamson Act grants. Funding was set at \$1,000 to create an in lieu appropriation to the continuous appropriation in statute.*

Under this longstanding program, the state backfills a portion of the revenue lost by local governments when they enter into contracts with land owners to limit property tax assessments for lands that are maintained as open space or agricultural lands.

REVENUE AND TAXATION

In addition to the February 2009 revenue and taxation actions referenced above, in July, the Legislature took action on the following revenue and taxation items below:

Revenue Accelerations

- **Quarterly prepayments.** Accelerated \$610 million of Personal Income Tax and Corporation Tax revenues into 2009-10 by increasing the June (second) quarterly estimated payment from the current 30 percent of annual tax liability to 40 percent, beginning June 2010. The percentage due with the first quarterly estimated tax payment (due in April) is 30 percent, so the total amount due in the first half of the year would be 70 percent. However, the proposal would eliminate the third quarterly estimated payment (now 20 percent of annual liability) and increase the final quarterly payment (due in December) from the current 20 percent to 30 percent of annual tax liability.
- **Payroll Withholding.** Increased payroll withholding schedules by ten percent, effective January 2010, to accelerate \$1.7 billion of Personal Income Tax revenue into 2009-10.

Revenue Enforcement and Administration

- **Backup withholding:** Generally conforms California to federal income tax backup-withholding rules related to various non-wage payments. Requires a business to withhold seven percent of reportable payment of interest, dividends, compensation for services, and other forms of income if the IRS determines a condition for withholding exists (such as significant underreporting of non-wage payments by the recipient on tax returns). Revenue gain of \$26 million in 2009-10 and ongoing revenue gain of about \$26 million.

- Non-retailer registration at BOE: Requires non-retailers to register with the Board of Equalization (BOE). Businesses that provide services will be required to register with the board and file annual use tax returns by April 15. The annual use tax return and payment applies to purchases on which sales tax was not collected (generally from out-of-state sellers), excluding vehicles, vessels, and aircraft. This provision increases compliance, but does not change tax liabilities. Revenue gain of \$28 million in 2009-10, revenue gain of \$57 million in 2010, and potentially larger amounts in future years. Also, an increase in local use tax revenues.

**Final Budget Package
General Fund Budget Summary
With Solutions
(Dollars in Millions)**

	<u>2008-09</u>	<u>2009-10</u>
Prior Year Balance	\$4,070	-\$3,493
Revenues and Transfers	\$84,098	\$89,586
Total Resources Available	\$88,168	\$86,093
Non-Proposition 98 Expenditures	\$57,609	\$49,061
Proposition 98 Expenditures	\$34,052	\$35,032
Total Expenditures	\$91,661	\$84,093
Fund Balance	-\$3,493	\$2,000
Budget Reserves:		
Reserve for Liquidation of Encumbrances	\$1,079	\$1,079
Special Fund for Economic Uncertainties	-\$4,572	\$921

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
<u>FEBRUARY 2009 (THIRD EXTRAORDINARY SESSION)</u>				
SBX3 1	Ch 1 (3X)	2009-10 Budget	27-12	58-21
SBX3 2	Ch 2 (3X)	Budget Act of 2008: revisions	31-8	65-15
SBX3 4	Ch 12(3X)	Education finance (trailer bill)	28-8	54-19
SBX3 6	Ch 13(3X)	Human services (trailer bill)	28-10	68-11
SBX3 7	Ch 14(3X)	Transportation finance (trailer bill)	27-12	65-12
SBX3 8	Ch 4 (3X)	State and local government (trailer bill)	27-11	54-21
SBX3 10	Ch 15(3X)	The Mental Health Services Act: Prop 63 amends (trailer bill)	36-2	76-4
SBX3 14	Ch 16(3X)	Prison facilities: construction (trailer bill)	32-6	79-1
SBX3 15	Ch 17(3X)	Taxation: credits: apportionment: sales factor (trailer bill)	30-7	63-8
SBX3 19	Ch 7 (3X)	Elections (trailer bill)	31-4	58-12
SBX3 20	Ch 3 (3X)	Budget Act of 2009 (Maldonado) (trailer bill)	27-9	57-4
SBX3 24	Ch 24(3X)	Medi-Cal: continuous eligibility: semiannual status reports (trailer bill)	35-0	67-1
SBX3 27	Ch 25(3X)	Drinking water: federal stimulus funding (trailer bill)	36-0	73-0
ABX3 3	Ch 18(3X)	Income taxes: sales and use taxes: motor vehicle and diesel fuel taxes: vehicle license fees (trailer bill)	27-12	54-26
ABX3 5	Ch 20(3X)	Health (trailer bill)	27-6	67-12
ABX3 7	Ch 26(3X)	State funds: registered warrants (trailer bill)	35-0	73-0
ABX3 11	Ch 6 (3X)	Special election (trailer bill)	36-1	75-4
ABX3 12	Ch 8 (3X)	California State Lottery (trailer bill)	30-8	70-8
ABX3 13	Ch 9 (3X)	State and local government (trailer bill)	36-3	71-8
ABX3 15	<small>Chaptered out by SBX3 15</small>	Taxation: credits: apportionment: sales factor	26-7	63-8
ABX3 16	Ch 5 (3X)	State finance	27-11	63-11
ABX3 17	Ch 11(3X)	Budget Act of 2008. California Children and Families Act: use of funds: services for children	37-0	75-3
ABX3 18	Ch 19(3X)	Elections	34-0	71-0
ABX3 20	Ch 21(3X)	Federal transportation economic stimulus funds	36-0	72-0
ABX3 23	Ch 22(3X)	Unemployment insurance: extended benefits	38-0	77-0
ABX3 29	Ch 23(3X)	Unemployment insurance: claims: appeals	31-7	60-6
ACAX3 1	<small>Res Ch 1 (3X)</small>	State finance	30-8	74-6
ACAX3 2	<small>Res Ch 2 (3X)</small>	Education finance	28-10	68-11

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
<u>FEBRUARY 2009 (SECOND EXTRAORDINARY SESSION)</u>				
ABX2 5	Ch 3 (2X)	Employment: alternative workweek schedules	33-2	46-29
ABX2 7	Ch 5 (2X)	Residential mortgage loans: foreclosure	23-15	48-27
ABX2 8	Ch 6 (2X)	State government	26-10	48-28
SBX2 3	Ch 1 (2X)	Air pollution: grants: farm equipment	36-1	62-10
SBX2 4	Ch 2 (2X)	Public contract: design-build: public private partnerships	30-4	43-29
SBX2 7	Ch 4 (2X)	Residential mortgage loans: foreclosure	24-15	48-27
SBX2 9	Ch 7 (2X)	Public works: labor compliance	33-4	71-6
SBX2 10	Ch 8 (2X)	Vehicle license fees	37-1	67-8
SBX2 11	Ch 9 (2X)	Judges: employment benefits	32-6	69-3
SBX2 12	Ch 10 (2X)	Court facilities financing	35-3	73-4
SBX2 15	Ch 11 (2X)	Personal income taxes: credit: principal residence	37-1	62-11
SBX2 16	Ch 12 (2X)	Horse racing: license fees	34-2	63-4

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
<u>JULY 2009 (FOURTH EXTRAORDINARY SESSION)</u>				
ABX4 1	Ch 1 (4X)	Budget Act of 2009: revisions	27-13	56-23
ABX4 2	Ch 2 (4X)	Education (trailer bill)	29-6	55-18
ABX4 3	Ch 3 (4X)	Education finance (trailer bill)	27-13	56-20
ABX4 4	Ch 4 (4X)	Human services (trailer bill)	35-5	73-3
ABX4 5	Ch 5 (4X)	Health (trailer bill)	27-11	54-21
ABX4 6	Ch 6 (4X)	Medi-Cal (trailer bill)	39-0	76-2
ABX4 7	Ch 7 (4X)	Public social services: statewide enrollment process (trailer bill)	25-15	46-30
ABX4 8	Ch 8 (4X)	Human services (trailer bill)	21-18	47-25
ABX4 9	Ch 9 (4X)	Developmental services (trailer bill)	28-10	62-15
ABX4 10	Ch 10(4X)	Transportation (trailer bill)	27-12	54-25
ABX4 11	Ch 11(4X)	Public resources (trailer bill)	31-7	68-10
ABX4 12	Ch 12(4X)	State government (trailer bill)	27-12	54-24
ABX4 14	Ch 13(4X)	Property tax revenue allocations (trailer bill)	27-13	54-25
ABX4 15	Ch 14(4X)	Property tax revenue allocations (trailer bill)	28-9	59-14
ABX4 17	Ch 15(4X)	Taxation – Omnibus (trailer bill)	22-16	46-33
ABX4 18	Ch 16(4X)	Taxation – Tax Enforcement (trailer bill)	23-16	47-32
ABX4 19	Ch 17(4X)	In-home supportive services (trailer bill)	25-15	42-33
ABX4 20	Ch 18(4X)	Consumer affairs: regulatory boards: operations: reorganization (trailer bill)	39-0	78-0
ABX4 21	Ch 19(4X)	State contracts (trailer bill)	38-0	76-2
ABX4 22	Ch 20(4X)	State property: Orange County Fair: inventory: leases: sale and leaseback (trailer bill)	37-0	76-3
ABX4 25	Ch 24(4X)	Surplus state funds (trailer bill)	39-0	67-11
ABX4 26	Ch 21(4X)	Community redevelopment: Supplemental Educational Revenue Augmentation Fund (trailer bill)	21-17	41-31
SBX4 13	Ch 22(4X)	Courts omnibus bill: public safety (trailer bill)	29-8	56-21
SBX4 16	Ch 23(4X)	State finances (trailer bill)	33-6	55-22
SB 63	Ch 21	Waste Management Board Regular Session	21-15	54-20
SB 90	Ch 22	Budget Acts of 2007 and 2008: augmentation (Ducheny) Regular Session	29-3	56-22
SB 116	Ch 23	State warrants (Calderon) Regular Session	36-0	57-16

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
<u>SEPTEMBER / OCTOBER 2009 (CLEANUP)</u>				
AB 182	*	Community redevelopment: Supplemental Education Revenue Augmentation fund	27-9	
AB 187	Ch 644	Cal Grant Program	34-2	69-4
AB 188	Ch 645	Medi-Cal: quality assurance fee revenue	28-9	61-8
AB 189	Ch 646	Budget Act of 2009	37-0	64-9
SB 65	Ch 633	State finances	38-0	64-10
SB 66	Ch 637	California Small Business Expansion Fund	37-0	77-1
SB 67	Ch 634	Property tax revenues: Proposition 1A receivables	37-0	62-12
SB 72	Ch 340	State employees: payroll: health care	21-14	63-9
SB 73	Ch 341	State fees	22-15	51-22
SB 75	Ch 342	Judiciary	33-4	58-14
SB 83	Ch 554	Traffic congestion: motor vehicle registration fees	23-17	46-31
SB 85	**	Local government finance	22-14	
ABX3 56	Ch 31	Education finance (Quality Education Improvement Act (QEIA))	23-13	51-22

*** In Assembly, on concurrence**

**** In Assembly, on Third Reading**

Subcommittee No. 1 – Education

6110	Department of Education	6610	California State University
6420	California Postsecondary Education Commission	6870	California Community Colleges
6440	University of California	7980	Student Aid Commission
6600	Hastings College of the Law		

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

0540	Secretary for Resources	3810	Santa Monica Mountains Conservancy
0555	Secretary for Environmental Protection	3820	San Francisco Bay Conservation and Development Commission
2600	California Transportation Commission	3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy
2640	State Transit Assistance	3830	San Joaquin River Conservancy
2660	Department of Transportation	3835	Baldwin Hills Conservancy
2665	High Speed Rail Authority	3840	Delta Protection Commission
2670	Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun	3845	San Diego River Conservancy
2700	Office of Traffic Safety	3850	Coachella Valley Mountains Conservancy
2720	California Highway Patrol	3855	Sierra Nevada Conservancy
2740	Department of Motor Vehicles	3860	Department of Water Resources
3110	Special Resources Programs	3900	State Air Resources Board
3125	California Tahoe Conservancy	3910	Integrated Waste Management Board
3340	California Conservation Corps	3930	Department of Pesticide Regulation
3360	California Energy Commission	3940	State Water Resources Control Board
3460	Colorado River Board	3960	Department of Toxic Substances Control
3480	Department of Conservation	3980	Office of Environmental Health Hazard Assessment
3540	Department of Forestry and Fire Protection	7300	Agricultural Labor Relations Board
3560	State Lands Commission	8570	Department of Food and Agriculture
3600	Department of Fish and Game	8660	Public Utilities Commission
3640	Wildlife Conservation Board	8770	Electricity Oversight Board
3680	Department of Boating and Waterways	9350	Shared Revenues
3720	California Coastal Commission		
3760	State Coastal Conservancy		
3780	Native American Heritage Commission		
3790	Department of Parks and Recreation		

Subcommittee No. 3 – Health and Human Services

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

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

0250	Judicial Branch	8620	Fair Political Practices Commission
0280	Commission on Judicial Performance	8640	Political Reform Act of 1974
0390	Contributions to Judges’ Retirement System	8780	Milton Marks “Little Hoover” Commission
0502	Office of the Chief Information Officer	8820	Commission on the Status of Women
0510	Secretary for State and Consumer Services	8855	Bureau of State Audits
0520	Scty for Business, Trans, & Housing	8860	Department of Finance
0552	Office of the Inspector General	8885	Commission on State Mandates
0650	Office of Planning and Research	8910	Office of Administrative Law
0690	California Emergency Management Agency	8940	Military Department
0820	Department of Justice	8955	Department of Veterans Affairs
0840	State Controller	9100	Tax Relief
0845	Department of Insurance	9210	Local Government Financing
0850	State Lottery Commission	9350	Shared Revenues
0855	Gambling Control Commission	9600	Debt Service for General Obligation Bonds
0890	Secretary of State	9618	Economic Recovery Financing Committee
0911	Citizens Redistricting Initiative	9650	Support for Health and Dental Benefits for Annuitants
0950	State Treasurer’s Office	9800	Augmentation for Employee Compensation
1100	California Science Center	9840	Augmentation for Contingencies and Emergencies
1690	Alfred E. Alquist Seismic Safety Commission		
1700	Department of Fair Employment & Housing		Control Sections:
1705	Fair Employment and Housing Commission	3.55	Preferred Provider Organization Premium Rebate
1760	Department of General Services	3.60	Contributions to Public Employee Retirement Benefits
1870	Victim Compensation & Gvrnmt Claims Bd	3.90	Employee Compensation Reductions’
1880	State Personnel Board	4.04	Delete Price Increase
1900	Public Employees’ Retirement System	4.30	Lease Revenue Bond Debt Service Adjustments
1920	State Teachers’ Retirement System	4.85	Transfer Bond Proceeds to General Fund
1955	Department of Technology Services	8.25	Federal Economic Stimulus Funds That Offset General Fund
2100	Department of Alcoholic Beverage Control	8.30	Restore GF Items If Discretionary Federal Funds Available
2150	Department of Financial Institutions	8.52	Federal Funds That Offset Any Funds
2180	Department of Corporations	8.55	American Recovery and Reinvestment Act (ARRA) Oversight
2240	Dept of Housing and Community Dvlpmnt	8.88	Financial Information System for California (FI\$Cal)
2260	California Housing Financing Agency	12.45	Payroll Accounting Methodology Adjstmnt
2310	Office of Real Estate Appraisers	13.25	Reorganizations & Consolidations Rdctns
2320	Department of Real Estate	15.30	Information Technology Savings
2400	Department of Managed Health Care	15.45	Proposition 1A Suspension/Redevelopment Shift
5225	Department of Corrections & Rehabilitation	28.00	Program Change Notification
8120	Commission on Peace Officer Standards and Training (POST)	35.50	Budget Stabilization Account Transfer to GF
8140	State Public Defender		
8180	Payments to Counties for the Costs of Homicide Trials		
8260	California Arts Council		
8320	Public Employee Relations Board		
8380	Department of Personnel Administration		
8420	State Compensation Insurance Fund		
8500	Board of Chiropractic Examiners		
8550	California Horse Racing Board		

Subcommittee No. 5 – Revenues, the Economy, and Labor

0559 Labor and Workforce Development Agency
0860 Board of Equalization
1730 Franchise Tax Board
7100 Employment Development Department
7120 Workforce Investment Board
7350 Department of Industrial Relations
9620 Interest Payments on General Fund Loans
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 Receivable

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Gloria Romero, Chair
Bob Huff
Carol Liu

Consultant

Kim Connor

SUBCOMMITTEE No. 1

EDUCATION

K-12

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K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

Proposition 98 – K-14 Education

- **Proposition 98 Funding – K-14 Education.** The budget provides \$49.1 billion for 2008-09 and \$50.4 billion for the 2009-10 in total Proposition 98 funding for K-14 education, which provides funding at the minimum guarantee and avoids suspension of Proposition 98.
- **Proposition 98 Maintenance Factor.**
 - Certifies the amounts of the Proposition 98 minimum guarantee and outstanding balances for the 2005-06 through 2008-09 fiscal years.
 - Certifies that the maintenance factor for 2008-09 is \$11.2 billion and provides that this amount will be restored to the Proposition 98 base as otherwise provided in the State Constitution.
 - Creates an alternative statutory appropriation equivalent to the maintenance factor amount to guarantee that the Proposition 98 funding base is restored by the full \$11.2 billion.

K-12 Education

- **Proposition 98 - Programmatic Reductions.** The February and July budget packages include the following major K-12 programmatic reductions to the 2008-09 and 2009-10 budgets.

2008-09

- \$1.9 billion in K-12 program reductions split evenly between revenue limits and categorical programs in 2008-09. Deficit factors are established for

revenue limit reductions and foregone COLA. More than 50 categorical programs are subject to proportional reductions estimated at 15 percent in 2008-09.

- \$1.6 billion in Proposition 98 savings from the reversion of unallocated categorical program payments in 2008-09.

2009-10

- \$535 million in added program reductions split evenly between revenue limits (\$268 million) and categorical programs (\$268 million) to continue cuts that began in 2008-09, but at a somewhat higher rate. Deficit factors are established for revenue limit reductions and foregone COLA. More than 50 categorical programs are subject to proportional reductions estimated at 20 percent in 2009-10.
 - \$4.0 billion in new revenue limit reductions in 2009-10, including commensurate categorical reductions for Basic Aid Districts. These reductions include a \$1.6 billion reduction to offset the restoration of categorical funds reverted in 2008-09. Deficit factors are established for revenue limit reductions and foregone COLA.
- **Proposition 98 –Inter-Year Payment Deferrals.** The February and July budget packages added \$3.6 billion in new year-to-year payment deferrals as a means of achieving Proposition 98 savings in 2008-09 and 2009-10, as follows:
- \$2.9 billion in savings achieved by deferring various K-12 program payments 2008-09 to 2009-10.
 - \$1.7 billion in additional deferral savings achieved by shifting revenue limit payments from 2009-10 to 2010-11.

Together with \$1.1 billion in pre-existing deferrals, ongoing K-12 deferrals now total \$5.7 billion per year.

- **Federal ARRA Funds.** New, one-time, federal funds of \$6 billion authorized under the ARRA (American Recovery and Reinvestment Act), significantly offset K-12 funding reductions in 2008-09 and 2009-10. Of this amount, \$3.8 billion was added to the 2008-09 budget via Department of Finance budget revisions letters late last spring. The July budget revisions authorize another \$2.2 billion of these anticipated funds in 2009-10, including:
- \$600 million in anticipated ARRA State Fiscal Stabilization Funds to backfill K-12 revenue limit reductions and related categorical reductions for Basic Aid Districts;
 - \$634 million in anticipated ARRA Individuals with Disabilities Education Act (IDEA) funds for students with disabilities;
 - \$540 million in anticipated ARRA Title I Basic Grants for low-income students; and
 - \$44 million in anticipated ARRA Title I Set-Aside funds and \$346 million in anticipated ARRA School Improvement Grant funds.
- **Categorical Program/Funding Flexibility.** Continues categorical funding reductions beginning in 2008-09 through 2012-12 for more than 50 categorical programs and continues categorical flexibility for more than 40 of these categorical programs. Another 11 programs are subject to reductions, but are not subject to categorical flexibility programs. [Eight major Proposition 98 programs are excluded from any categorical reductions or flexibility, including Child Development, Child Nutrition, Economic Impact Aid, Special Education, Home-to-School Transportation, After School Education & Safety, K-3 Class Size Reduction, and the Quality Education Investment Act.]
- **Additional Program/Funding Flexibility Provisions for LEAs.**
- Continues the provisions enacted as a part of the February budget package and adds new provisions enacted as a part of the July revisions that provide K-12 local educational agencies (LEAs) with program and funding flexibility, as follows:

- High School Exit Exam. Suspends the California High School Exit Exam (CAHSEE) as a requirement for graduation for eligible students with disabilities, beginning in 2009-10, until the State Board of Education acts upon a recommendation for an alternative means of measurement for eligible students;
- Instructional Days. Allows school districts to reduce the number of instructional days by five – from 180 to 175 days per year -- through 2012-13 without losing longer-year incentive grants, beginning in 2009-10.
- Instructional Materials. Extends the suspension of the LEA requirement to purchase newly adopted instructional materials through 2012-13 (five years total) and prohibits the State Board from adopting materials during this period. The February budget package suspended the purchase requirement for two years only beginning in 2008-09.
- Surplus Property. Allows school districts to direct the proceeds from the sale of surplus property for general fund purposes through January 1, 2012. Only proceeds from the sale of non-state funded property are eligible for this additional flexibility, which commences in 2009-10.
- Routine Maintenance Requirements. Suspends the remaining routine maintenance reserve requirement of one percent for school districts that meet the facility requirements of the Williams settlement, beginning in 2009-10. The February budget package reduced the requirement from three to five percent from 2008-09 through 2012-13 for school districts generally.
- Ending Balances. Provides LEAs with access to additional, prior-year fund balances for general purposes in 2009-10 beyond those provided in February. LEAs may now access ending balances for the following additional programs: Targeted Instructional Improvement Grants; Instructional Materials; California High School Exit Exam; Adult Education; ROC/P Facilities; and Deferred Maintenance. [Economic Impact Aid; Special Education; Quality Education and Investment Act (QEIA); Home-to-School Transportation; English Language Learner Acquisition and Development Pilot Program; Child Development; and Child Nutrition remain protected.]

- Class Size Reduction. Continues the reduction of penalties for exceeding the maximum class sizes allowable under the K-3 CSR program for a four year period, beginning in 2008-09, as enacted in the February budget package.
- Deferred Maintenance Reserves. Continues the suspension of the reserve and reporting requirements for deferred maintenance for five years, beginning in 2008-09, as enacted by the February budget package.

➤ **Fiscal Oversight Relief.**

- Changes the minimum requirement for reserves for economic uncertainty to one-third of the currently required level in 2009-10, provided that LEAs make annual progress in restoring reserves and fully restore reserves in 2011-12.
- Allows LEAs to avoid a negative or qualified fiscal certification due to a substantial loss of federal ARRA Stabilization Funds in 2011-12 and 2012-13. To ensure consistent statewide implementation, the Superintendent of Public Instruction shall convene the Standards and Criteria Committee to modify the budget and fiscal review criteria to incorporate these changes.

➤ **Intra-Year Payment Deferrals.** The February budget actions shifted approximately \$2.5 billion in K-12 payments from July and August to October 2009. The July revisions defer an additional \$3.5 billion in payments from July, August and November to December, October and January, respectively. In addition, the July revisions permanently reschedule K-12 revenue limit and categorical program payments to provide five percent payments in July and August and nine percent payments for all remaining months in the fiscal year. This change will better align K-12 funding with local program expenditures and provide more predictable General Fund allocations at the state level.

➤ **Federal Program Improvement Funds.** The 2009-10 budget appropriates \$165 million in available federal Title I Set-Aside funds and \$403 million in anticipated federal School Improvement Grant funds that are set aside for the Quality Education Investment Act (QEIA) program and other program improvement purposes pursuant to legislation.

- **Quality Education Investment Act (QEIA).** The July budget package suspended a statutory General Fund appropriation of \$402 million for the QEIA program in 2009-10, and instead provides \$402 million in Proposition 98 funds to school districts to replace these funds. Reduced revenue limits for these school districts by \$402 million. Authorized districts to apply for federal Title I funds for the QEIA program in 2009-10. Extended the QEIA program for an additional year, through 2014-15.

ABX3 56/Evans (Chapter 31, Statutes of 2009 – Third Extraordinary Session) – passed by the Legislature in October -- repeals the funding mechanism enacted as a part of the July budget package for the QEIA program, and implements a new funding mechanism for the program in 2009-10. The new mechanism (1) redirects \$355 million in Proposition 98 funds previously available for categorical program backfill in 2009-10 to QEIA and appropriates an additional \$20 million in unspent Proposition 98 funds from prior years in order to fully fund the QEIA program in 2009-10, and (2) directs the Superintendent of Public Instruction (SPI) to allocate up to \$165 million in federal Title I Set Aside funds, which, if available, would offset Proposition 98 funding for QEIA in 2009-10. A related Department of Finance Budget Revision Letter allocates \$355 million in federal ARRA State Fiscal Stabilization Funds to backfill categorical reductions in 2008-09, which creates \$355 million in General Fund Proposition 98 savings utilized by this measure to fund QEIA in 2009-10.

- **Mandates.** The budget continues the practice of deferring annual K-14 mandate payments, instead of adopting the Governor’s proposal to eliminate K-14 education program mandates beginning in 2009-10. The Governor proposed to “suspend” all but two K-12 mandates and all community college mandates. This change in approach conformed to a recent lawsuit that requires the state to either fully fund or suspend education mandates. K-14 education mandate costs are estimated to total approximately \$348 million annually.

- **School Transportation Funding.**

- **Home-to-School Transportation.** Provides \$496 million in Proposition 98 funding for Home-to-School Transportation, partially replacing special funds provided for this program in 2008-09. This level of funding equates to a program reduction of nearly 20 percent, which is in line with reductions for

other categorical programs. The Home-to-School Transportation program is not subject to flexibility provisions affecting most categorical programs.

- **State Special Schools.** Provides \$3.9 million in federal funds to maintain transportation services at the State Special Schools in 2009-10.

➤ **Other Program Reductions and Savings**

- Eliminates Proposition 98 funding for (\$114.2 million) for the High Priority Schools Grant Program in 2009-10.
- Suspends one-time Proposition 98 funding (\$100 million) for the Emergency Repair Program in 2009-10.

➤ **Child Care & Development**

- Fully funds Stage 2 and Stage 3 child care services.
- Denied Governor's proposal to increase family fees and decrease reimbursement ceiling for child care providers.
- Retains child care reimbursement rates at the 85th percentile of 2005 Regional Market Rates.
- Adds \$110 million from federal ARRA funds to help maintain child care programs overall and to provide additional child care slots in the Alternative Payment program.
- Eliminates the Extended Day Care Program effective September 1, 2009, for a savings of \$27 million, and adopts language to ensure that displaced children and youth receive priority placements in other subsidized programs. The Extended Day Care Program is largely duplicative of the Proposition 49 After-School Education & Safety Program.

HIGHER EDUCATION

6440 UNIVERSITY OF CALIFORNIA &

6610 CALIFORNIA STATE UNIVERSITY

- Captures \$1.44 billion in General Fund savings from the University of California (UC) and California State University (CSU) attributable to the 2008-09 fiscal year.
- Provides reductions of \$266 million to each segment (total of \$532 million) in 2009-10, which are equal to the Governor's May Revise proposal, but unlike the Governor's proposal, are equalized between UC and CSU.
- Offsets total reductions above – \$1.97 billion over two-years – by approximately \$1.7 billion (\$868.5 million each for UC and CSU) in anticipated federal ARRA funds.

In addition, the budget assumes UC and CSU will receive additional revenue from student fee increases of \$166 million at UC (a 9.3 percent increase) and \$366 million at CSU (a 32 percent increase). About a third of this new revenue will be diverted to campus-based financial aid. Subsequent to enactment of the budget, the UC Regents were considering an additional fee increase to be imposed in the winter term.

- Denies reduction of funding for academic preparation as proposed by the Governor, but rather achieves savings through unallocated reductions for the two segments.
- Implements a number of intra-year payment deferrals for the two segments, including \$1 billion for UC and \$690 million for CSU, for the purpose of mitigating state cash shortages. (See *Cash Management* section for details.)

6600 HASTINGS COLLEGE OF THE LAW

- Reduces funding by a total of \$2 million, or 19 percent, which includes the Governor's veto of \$1 million.

6870 CALIFORNIA COMMUNITY COLLEGES (CCC)

- Reduces Proposition 98 programmatic funding – General Apportionment and categorical programs -- by approximately \$442 million for community colleges in 2009-10 compared to the revised 2008-09 budget.
- Allows community colleges to reduce workload (students served) to accommodate lower General Apportionment revenues. Expresses legislative intent that workload reductions be focused in areas other than transfer, vocational and basic skills education.
- Increases student fees by \$6 per unit (to \$26 per unit), consistent with pre-2007 levels. The additional fee revenue provides community colleges with \$80 million in new funds to partially offset apportionment reductions.
- Provides community colleges with \$130 million in federal economic stimulus funds – as estimated in July – to partially offset categorical program reductions.
- Provides categorical program flexibility to allow the community colleges to move funding among most – but not all – categorical programs.
- Defers a total of \$703 million in General Apportionment payments from the 2009-10 to the 2010-11 fiscal years, an increase of \$163 million over 2008-09.
- Implements a number of intra-year payment deferrals, including \$100 million intra-year deferrals enacted in September to mitigate state cash shortages. (See *Cash Management* section for details.)
- Shifts \$48 million in community colleges funding from the Quality Education Investment Act (QEIA) from General Fund to Proposition 98 in 2009-10; focuses all funding on Career Technical Education only beginning in 2010-11; and adds an extra year of program funding in 2014-15.

7980 CALIFORNIA STUDENT AID COMMISSION

- The Legislature rejected the Governor's plan to eliminate the Cal Grant Financial Aid (Cal Grant) Program and decentralize Cal Grant administration. Instead, the Legislature fully funded the Cal Grant program and achieved state savings by transferring \$32 million in excess funds from the Student Loan Operating Fund to the General Fund to offset Cal Grant costs. *[The Governor vetoed \$6.3 million in funding for Student Aid Commission operations and set aside \$4.3 million contingent upon legislation to implement a decentralization proposal. See AB 187 for status of partial restoration of GF.]*

SUBCOMMITTEE 2

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

S. Joseph Simitian, Chair
John Benoit
Alan Lowenthal

Consultants

Brian Annis
Seija Virtanen

SUBCOMMITTEE No. 2

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NATURAL RESOURCES

0540 Secretary for Natural Resources

- Approved \$28.3 million in Proposition 84 bond funds for the River Parkways grant program. Also, extended two existing positions for two years from Proposition 12 and 40 bond funds to administer the grant program.
- Approved \$24.8 million in Proposition 84 bond funds for the San Joaquin River restoration program.
- Approved \$2.9 million in Proposition 50 bond funds for the CALFED Science Program.
- Approved \$12 million in Proposition 84 bond funds for local assistance revolving loan programs and planning grants towards transportation and land use planning required by SB 375 (Steinberg, 2008).
- Approved two positions from existing Proposition 84 bond funds to support the activities of the Strategic Growth Counsel established by SB 732 (Steinberg, 2008).
- Approved \$800,000 from Proposition 84 bond funds for the City of Calexico's New River project.

Budget Bill Language

1. Approved budget bill language stating that the Secretary for Resources may continue to expend Proposition 84 bond funds for San Joaquin River Restoration only if the United States Bureau of Reclamation continues to provide federal funds and continues implementation of the settlement agreement.
2. Approved budget bill language stating that if legislation is enacted that establishes new policy priorities and a new governance structure for the Sacramento-San Joaquin Delta, the CALFED Science Program funds shall continue to be available if they are consistent with the new priorities and governance structure.
3. Approved budget bill language stating that \$12 million in Proposition 84 bond funds are for local assistance planning grants and incentives, including revolving loan programs and other methods for data gathering and model development necessary to comply with SB 375.

Trailer Bill Language

1. Adopted trailer bill language that raises the voluntary Environmental License Plate Fund fee by \$8 per plate (to \$48 for new plates and \$38 for renewals). This fee increase will generate approximately \$3 million in revenues annually and be used to off-set cuts in resources departments.
2. Adopted trailer bill language that requires the CALFED Bay-Delta Authority to post their science contracts on a publicly accessible website.

3110 Special Resources Program

- Approved as budgeted.

3125 California Tahoe Conservancy

- Approved \$1.6 million from various funding sources (Proposition 50 bond funds, Habitat Conservation Fund, Lake Tahoe Conservancy Account, and reimbursements) for the Lake Tahoe Environmental Improvement Program.

3340 California Conservation Corps

- Approved \$11.4 million in Proposition 84 bond funds for state operations.
- Approved \$6.7 million in Proposition 84 bond funds for local assistance to the local conservation corps.
- Approved \$8.25 million in Beverage Container Recycling Funds (BCRF) for the local conservation corps (these funds were a loan from AB 118 funds to the BCRF).
- Approved \$8.25 million GF for the local conservation corps (these funds were a loan from AB 118 to the GF). ***The Governor vetoed \$8.25 million GF.***

Budget Bill Language

1. Approved budget bill language stating that the Proposition 84 bond funds are to include, but are not limited to, outreach, education, and workforce training for California's foster youth.
2. Approved budget bill language stating that the local assistance Proposition 84 bond funds are to include, but are not limited to, outreach, education, and workforce training for California's foster youth.

3. Approved budget bill language allowing the California Conservation Corps (CCC) to bypass Joint Legislative Budget Committee (JLBC) 30-day approval process when receiving federal or local government funds during an emergency. The CCC will still be required to send a notification letter to the JLBC that a transfer of funds has taken place.

3460 Colorado River Board of California

- Approved as budgeted.

3480 Department of Conservation

- Approved \$3.5 million from Proposition 84 bond funds for the Watershed Coordinator Grant Program.
- Approved \$1.25 million from Proposition 50 bond funds for two years towards the CALFED Watershed Program.
- Approved \$2.5 million in one time Proposition 12 bond funds for local assistance grants to permanently protect farmland.
- Approved \$4.1 million from Proposition 84 bond funds for local assistance grants to permanently protect strategically important farmland.
- Approved \$2.7 million from special funds and 15 positions to implement AB 1960 (Nava, 2008), which requires the Department of Conservation to develop regulations for oil production facility spill contingency planning, as well as regulations for oil production facility maintenance, construction, ownership, and decommissioning.
- Approved \$1.4 million from special funds for contracting with the Department of Justice to combat fraud in the Beverage Container Recycling Program.
- Approved \$1.5 million from special funds for Recycling Starter Kits for locations without existing recycling infrastructure, and one new position to administer the program.
- Approved \$125,000 from special funds for abandoned mine remediation.
- Approved \$436,000 over four years from special funds for the increased costs of a building lease in Sacramento.
- Approved \$251,000 in 2009-10, growing to \$435,000 in 2010-11 from special funds for four limited-term positions to manage additional grants for beverage container recycling.
- Approved \$132,000 from special funds for information technology support.

- Approved \$27,792,000 GF for Williamson Act subventions. *The Governor vetoed \$27,791,000 GF to create a GF reserve.*
- Rejected the Governor's May Revise proposal to restructure the Beverage Container Recycling Fund grants and incentive payments.

3540 Department of Forestry and Fire Protection

- Approved \$1.7 million GF for 18 additional battalion chief positions to maintain staffing coverage that existed prior to the most recent Bargaining Unit 8 contract.
- Approved \$5.4 million from Proposition 84 bond funds for local assistance urban greening grants.
- Approved \$3.26 million from federal funds for fuels treatment projects in San Bernardino, Riverside, and San Diego Counties.
- Approved \$2.7 million from special funds for compliance with Air Resources Board regulations on mobile equipment.
- Approved \$1.35 million in reimbursements for a prototype mobile command center for the South Coast region.
- Approved \$1.1 million from Proposition 40 bond funds for eight positions to extend the Sierra Nevada fuels treatment program by one year.
- Approved \$1.3 million GF and 20 positions to provide additional accounting and procurement oversight of the Emergency Fund expenditures.
- Approved \$327,000 from special funds for the maintenance and support of the computer aided dispatch system.
- Approved \$166,000 from federal funds for three positions to continue expiring limited-term positions for the CALFED Bay-Delta Program.
- Approved \$285,000 from special funds and two positions to dispose of illegal fireworks.
- Approved \$293,000 from special funds for fire service training.
- Approved \$319,000 GF and 0.5 positions to perform background checks on Emergency Medical Technicians.
- Approved \$290 million in lease-revenue funded capital outlay projects.
- Approved a \$17 million GF reduction to vehicle replacements.
- Reduced Proposition 99 expenditure authority by \$53,000 to reflect decreased revenues in the fund.

- Rejected the Governor's Emergency Response Initiative (ERI). Restored \$76 million GF to CalFire's base budget so as not to reduce department functions and services due to rejection of ERI funding.
- Reduced \$7 million GF for the DC-10 plane contract.
- Reduced \$3 million GF for resources management.

Budget Bill Language

1. Approved budget bill language allowing for the one-time use of moneys in the Alternative and Renewable Fuel and Vehicle Technology Fund to comply with diesel vehicle regulations of the Air Resources Board.

Trailer Bill Language

1. Approved trailer bill language allowing for the use of federal American Recovery and Reinvestment Act of 2009 (ARRA) funds for the forestry management program.

3560 State Lands Commission

- Approved \$60,000 annually for two years from special funds for addressing implementation questions of the Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS).
- Approved \$100,000 from Reimbursements for one position to perform Granted Public Trust Lands Programs functions.
- Approved \$150,000 from Reimbursement for one limited-term position to work on the San Joaquin River Restoration Project.
- Approved \$184,000 from special funds for the working drawings phase of the Huntington Beach field office replacement project.

3600 Department of Fish and Game

- Approved \$22 million from Proposition 84 bond funds for the Ecosystem Restoration Program in the Bay-Delta, contingent upon passage of legislation in the current session of a new Bay-Delta governance structure.
- Approved \$8.9 million from Proposition 84 bond funds for projects associated with the Natural Community Conservation Plan (NCCP) for the CALFED Bay-Delta program.
- Approved \$7.6 million from reimbursements to address low levels of dissolved oxygen and methyl mercury in the Delta.

- Approved \$10.5 million from reimbursements and one position for San Joaquin River restoration.
- Approved \$9.7 million from Proposition 84 bond funds for Anadromous fish management.
- Approved \$5 million from special funds for Salton Sea restoration.
- Approved \$3.1 million from special funds for trout hatcheries pursuant to AB 7 (Cogdill, 2005).
- Approved \$3 million from special funds for 15 new warden positions.
- Approved \$2.3 million from reimbursements for Office of Spill Prevention and Response (OSPR) to provide oversight of the department's laboratories.
- Approved \$1.5 million from special funds and ten positions for a renewable energy action team to assist in the environmental conservation aspect of siting renewable energy generation projects.
- Approved \$1 million from reimbursements for the implementation of the Delta Fish Agreement 2008 Amendment.
- Approved \$900,000 from special funds for Air Resources Board mandated diesel vehicle clean air retrofits.
- Approved \$619,000 from special funds and one position for the Wildlife Forensics Lab DNA program.
- Approved \$500,000 from special funds for the Oiled Wildlife Care Network.
- Approved \$500,000 from reimbursements for CEQA document review of non-state applicants.
- Approved \$450,000 from special funds and four positions for lake and streambed alteration program mandatory reviews.
- Approved \$400,000 over two years from federal funds and one position for improving the Department of Fish and Game radio communications system.
- Approved \$250,000 per year for two years from special funds toward a multi-county joint effort pilot project to address the Quagga Mussel in the Bay Area.
- Approved \$221,000 from special funds and two positions for wildlife area and ecological reserve management.
- Approved \$85,000 from special funds and two positions for data analysis of salmon harvest cards and conducting a Spring-run Chinook salmon creel survey.
- Approved \$80,000 from special funds for abalone enforcement and the printing of new abalone report cards.
- Approved a one-time transfer of \$30 million from the Fish and Game Preservation Fund to replace GF appropriation for the department.

- Reduced Proposition 99 expenditure authority by \$362,000 to reflect decreased revenues in the fund.

Budget Bill Language

1. Approved budget bill language stating that the Department of Fish and Game may continue to expend Proposition 84 bond funds for San Joaquin River Restoration only if the United States Bureau of Reclamation continues to provide federal funds and continues implementation of the settlement agreement.
2. Approved budget bill language stating that the \$22 million in Proposition 84 bond funds only becomes available if a new Bay-Delta governance structure is passed and enacted in this legislative session.
3. Approved budget bill language requiring the department to notify the Joint Legislative Budget Committee if the transfer of \$30 million from the Fish and Game Preservation Fund results in the loss of federal funds.
4. Approved budget bill language allowing for the one-time use of moneys in the Alternative and Renewable Fuel and Vehicle Technology Fund to comply with diesel vehicle regulations of the Air Resources Board.

3640 Wildlife Conservation Board

- Approved \$18.4 million Proposition 1E transfer to the Habitat Conservation Fund.
- Approved \$10 million from Proposition 84 bond funds for the Natural Communities Conservation Plan (NCCP) implementation and establishment.
- Approved \$1 million from special funds for the public access program.
- Approved \$109,000 from reimbursements and one position to support the San Joaquin River Conservancy's acquisition efforts.

3680 Department of Boating and Waterways

- Approved \$4.2 million from special funds for the Imperial Beach restoration projects.
- Approved \$1.5 million from special funds for the Robert Crown Memorial State Beach restoration project.

- Approved \$1.25 million from special funds for a boating infrastructure grant program.
- Approved \$500,000 from special funds for the Abandoned Watercraft Abatement Fund grant program local assistance grants.
- Approved \$250,000 from special funds for the Coastal Data Information Program's monitoring and prediction of waves and shoreline change in California.
- Rejected \$4 million from special funds for state-wide minor capital outlay projects.
- Rejected \$1 million in special funds for state boating operations and facilities combined. This rejection left \$8.8 million for state boating operation and \$16 million for state facilities.

3720 California Coastal Commission

- Approved a one-time augmentation of \$245,000 from special funds for coastal and marine education local assistance grants.

3760 State Coastal Conservancy

- Approved \$30 million in Proposition 84 bond funds for the Conservancy's statewide programs.
- Approved \$20 million in Proposition 84 bond funds for the San Francisco Bay Area coastal enhancement and restoration.
- Approved \$12.4 million in Proposition 84 bond funds for the Santa Ana River Parkway programs.
- Approved \$10.6 million in Proposition 84 bond funds for the Monterey Bay and Watersheds programs.
- Approved \$5.2 million in Proposition 84 bond funds for the San Diego Bay and Watersheds programs.
- Approved \$26.7 million in Proposition 84 bond funds for the Ocean Protection Council for capital projects and science applications.
- Approved \$900,000 from special funds for the public access program.
- Approved \$960,000 from special funds for the Santa Clara River Parkway.

3780 Native American Heritage Commission

- Approved as budgeted.

3790 Department of Parks and Recreation

- Reduced the department's budget by \$8 million GF. *The Governor vetoed an additional \$6.2 million GF, for a total reduction of \$14.2 million GF. This reduction will lead to the closure of approximately 100 of the 278 state parks.*
- Approved \$324.8 million from various funding sources (\$33 million from special funds; \$14.8 million from federal funds; and \$277 million from Proposition 84 bond funds) for local assistance.
- Approved \$8 million from Proposition 84 bond funds for the Americans with Disabilities Act compliance retrofits in state parks.
- Approved \$5.7 million GF and six positions for Empire Mine remediation.
- Approved \$5.3 million from special funds and 45 positions to staff newly completed capital outlay projects in state parks.
- Approved \$1.6 million from special funds for Air Resources Board mandated diesel vehicle clean air retrofits.
- Approved \$1.8 million from Proposition 84 bond funds for the Natural Heritage Stewardship program.
- Approved \$1.27 million from Proposition 84 bond funds for the Cultural Stewardship program.
- Approved \$1.6 million from Proposition 84 bond funds for the Interpretive Exhibit program.
- Approved \$6 million from Proposition 84 bond funds for natural resource restoration projects.
- Approved \$16.3 million (\$5 million from Proposition 84 bond funds and \$11.3 million in reimbursement authority) for the Candlestick Point State Recreation Area Yosemite Slough restoration project.
- Approved \$870,000 from Proposition 84 bond funds and four limited-term positions for local assistance grant program delivery.
- Approved \$214,000 from reimbursements and two positions for the Office of Historic Preservation to assist in review of renewable energy projects.
- Approved \$9.2 million from special funds for Off-Highway Vehicle parks capital outlay projects.
- Approved \$5 million from federal funds for statewide capital outlay projects.

- Approved 23.3 million from Proposition 84 bond funds for various capital outlay projects.
- Approved a \$35 million loan from the Renewable Resources Trust Fund for state park operations (loaned through the GF).
- Reverted \$22 million in Off-Highway Vehicle Fund capital outlay projects from 2008-09 and loaned these funds for 2009-10 state park operations.
- Reduced Proposition 99 expenditure authority by \$1.25 million to reflect decreased revenues in the fund.

Budget Bill Language

1. Approved budget bill language allowing for the one-time use of moneys in the Alternative and Renewable Fuel and Vehicle Technology Fund to comply with Air Resources Board diesel vehicle regulations.

Supplemental Report Language

1. Approved supplemental report language detailing the concessions contracts in state parks approved by the Legislature as part of the 2009-10 Budget Act.

3810 Santa Monica Mountains Conservancy

- Approved \$8.3 million in Proposition 84 bond funds for land acquisition and local assistance grants.

3820 San Francisco Bay Conservation and Development Commission

- Approved \$170,000 in Reimbursement authority and one position for work related to the standard agreement with the Metropolitan Transportation Commission.

3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy

- Approved \$7 million in Proposition 84 bond funds for capital outlay and grants.
- Approved \$3.7 million in Proposition 50 bond funds for capital outlay.

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 and improvements.

3840 Delta Protection Commission

- Approved as budgeted.

3845 San Diego River Conservancy

- Approved as budgeted.

3850 Coachella Valley Mountains Conservancy

- Approved \$6 million from Proposition 84 bond funds for land acquisition.
- Approved \$456,000 from Proposition 40 bond funds for land acquisition.
- Approved \$343,000 from Proposition 12 bond funds for land acquisition.

3855 Sierra Nevada Conservancy

- Approved \$15.5 million in Proposition 84 bond funds for grants and cooperative agreements.

3860 Department of Water Resources

- Approved \$279.9 million in Proposition 1E and Proposition 84 bond funds and 31 positions for the FloodSAFE California Program.
- Approved \$119 million in Proposition 1E bond funds for systemwide levee evaluations and repairs.
- Approved \$35.2 million in Proposition 1E bond funds for system evaluation of the State Plan of Flood Control.
- Approved \$181.6 million in Proposition 1E bond funds and reimbursements for various capital outlay projects.

- Approved \$2.6 million from special funds and 17 temporary positions for the Delta Habitat Conservation and Conveyance Program to work on environmental planning, engineering, and right-of-way efforts for the Bay Delta Conservation Plan (BDCP) water conveyance options. Included Control Section 4.12 which states that none of the funds shall be used for construction of an alternative conveyance facility.
- Approved \$13.9 million in reimbursements for the San Joaquin River restoration project.
- Approved \$12 million in reimbursements for Salton Sea restoration.
- Approved \$10.3 million (\$7.3 million in Proposition 1E bond funds and \$3 million in reimbursements) for the South Sacramento County Streams project.
- Approved \$5.3 million in federal funds for floodplain mapping.
- Approved \$3.7 million (\$2.7 million from Proposition 13 bond funds and \$950,000 from reimbursements) for urban streams restoration.
- Approved \$4.3 million from Proposition 13 bond funds and 4.5 positions to address low levels of dissolved oxygen in the Stockton deepwater channel and methyl mercury in the Sacramento-San Joaquin Delta.
- Approved \$5 million from Proposition 1E bond funds for the Pajaro River Flood Control Project.
- Approved \$10.8 million from Proposition 50 bond funds for drinking water pilot projects.
- Approved \$3.1 million from special funds and 19 positions for State Water Project operations.
- Approved \$236,000 from special funds and one position for the State Water Project to address climate change issues.
- Approved \$750,000 from special funds and four positions to implement the Delta Fish Agreement 2008 Amendment.
- Approved savings of \$280,000 and four new positions for the transfer of 16 flow monitoring stations in the Delta from a U.S. Geological Survey contract to in-house work at the department.
- Shifted \$7 million GF for Delta levees to Proposition 1E bond funds.
- Shifted \$2,190,000 GF and 11 positions from the Central Valley Flood Protection Board to the department's Public Safety and Prevention of Damage program.
- Rejected \$38.5 million (\$31 million from State Water Project funds and \$7.5 million from Harbors and Watercraft Fund) for State Water Project facilities recreation to address Davis-Dolwig Act requirements.
- Rejected \$29.4 million (\$26.6 million from Proposition 13 bond funds and \$2.8 million from Proposition 50 bond funds) for the South Delta Improvement Project.
- Rejected \$800,000 from special funds and four positions for Delta fishery improvements.

- Rejected \$180,000 in Proposition 13 bond funds for the CALFED conveyance program.

Budget Bill Language

1. Approved budget bill language restricting the use of funds for the Delta Habitat Conservation and Conveyance Program to environmental planning, engineering, and right-of-way work, and preventing the use of those funds for construction of an alternative conveyance facility.
2. Approved budget bill language stating that the Department of Water Resources may continue to expend Proposition 84 bond funds for San Joaquin River Restoration if 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 requiring the Department of Water Resources to annually report on the State Water Project expenditures.

ENVIRONMENTAL PROTECTION

0555 Secretary for Environmental Protection

- Approved \$2.5 million from special funds and five positions to complete the Unified Hazardous Materials and Hazardous Waste Regulatory Management Program information management system by January 1, 2010.
- Approved \$219,000 from special funds and one position to support the operations of the Unified Program Data System and Exchange Node, a web-based inspection and enforcement reporting to the United States Environmental Protection Agency.
- Reduced Proposition 99 expenditure authority by \$8,000 to reflect decreased revenues in the fund.

Trailer Bill Language

1. Approved trailer bill language allowing the Secretary for CalEPA to both contract with and provide grants to Certified Unified Program Agencies (CUPAs) for information management services, rather than only provide grants.

3900 Air Resources Board

- Approved \$3 million in Proposition 1B bond funds for the Lower Emission School Bus program.
- Approved \$1.6 million from special funds for contracts and five positions to develop and implement a new diesel-powered vehicle program targeting new and existing on-road vehicles.
- Approved \$2 million from special funds for local assistance to the Oakland Unified School District to mitigate air quality impacts of the Caldecott Tunnel project.
- Approved \$682,000 from special funds and two positions to support greenhouse gas reduction strategies in the transportation and land use sectors pursuant to SB 375 (Steinberg, 2008).
- Approved \$362,000 from special funds and one position to support additional greenhouse gas reduction responsibilities pursuant to the regulation and verification of greenhouse gas emissions.
- Approved a \$35 million loan from the Beverage Container Recycling Fund to the Air Pollution Control Fund for AB 32 activities.

Budget Bill Language

1. Approved budget bill language specifying that \$2 million of the Air Quality Improvement Funds are for the Oakland Unified School District to mitigate the air quality impacts of the Caldecott Tunnel project at the Chabot Elementary School and the Claremont Middle School.
2. Approved budget bill language stating that the loan for AB 32 activities will be repaid from fees authorized under the AB 32 statute on or before June 30, 2012.

3910 Integrated Waste Management Board

- Approved \$26 million over three years from special funds and five positions to implement the Waste Tire Recycling Management program activities intended to increase the diversion rate of waste tires from landfills.
- Approved \$750,000 in reimbursement authority for the Education and Environment Initiative curriculum printing and dissemination.
- Approved \$800,000 redirection of special fund funding for six positions to implement programs that minimize methane emissions from landfills.
- Approved \$500,000 in one-time special funds for the Used Oil Block Grant program. These additional funds bring the 2009-10 Used Oil Block Grant program funding to \$5.6 million.
- Approved \$100,000 in federal funds for the National Environmental Information Exchange Network.
- Approved \$26,000 in federal funds for the Education and Environment Initiative.
- Abolished the Integrated Waste Management Board and established the Department of Resources Recycling and Recovery.

Budget Bill Language

1. Approved budget bill language authorizing the Integrated Waste Management Board to use no less than half of the funds remaining in the Used Oil Recycling Fund after certain expenditures for the Used Oil Block Grant. Without this budget bill language the mandatory Used Oil Block Grant would have been \$10 million, an amount that would have rendered the fund insolvent.

Trailer Bill Language

1. Approved trailer bill language that authorizes the Integrated Waste Management Board for two years to allocate block grant funding in a manner that distributes reductions equitably among all grantee operations.

Supplemental Report Language

1. Approved supplemental report language requiring the Integrated Waste Management Board to report to the Legislature by March 1, 2010, on its activities to reduce greenhouse gas emissions from solid waste.

3930 Department of Pesticide Regulation

- Approved \$404,000 from special funds to conduct a permanent Pesticide Pollution Prevention Alliance Grant program.
- Approved \$201,000 in reimbursements and two positions to oversee monitoring of the California Department of Food and Agriculture's Light Brown Apple Moth eradication program.
- Approved \$48,000 from special funds and 0.5 positions to administer a Pesticide Container Recycling and Certification program pursuant to SB 1723 (Maldonado, 2008).

3940 State Water Resources Control Board

- Approved \$16.24 million in federal funds for water quality planning and leaking underground petroleum storage tank cleanup projects.
- Approved a redirection of \$20 million from the Underground Storage Tank Cleanup Fund for orphan underground storage tank cleanup.
- Approved a redirection of \$10 million from the Underground Storage Tank Cleanup Fund for cleanup of underground storage tanks at school sites.
- Approved \$1.85 million in reimbursement authority to implement pilot studies on groundwater quality in the Tulare Lake Basin and Salinas Valley.
- Approved \$1 million (on-going) from special funds for local assistance to small and/or disadvantaged communities to meet their wastewater treatment obligations and improve water quality.

- Approved \$723,000 from special funds and five positions to eliminate the pending application backlog for waste dischargers.
- Approved \$719,000 from special funds and five positions to review claims for the Underground Storage Tank Cleanup Fund program that have been active for more than five years.
- Approved \$480,000 from federal funds and two limited-term positions to provide additional regulatory oversight at the Edwards Air Force Base.
- Approved \$397,000 from special funds and 0.5 positions to lead an interagency effort and report to the Legislature on the communities that rely on contaminated groundwater.
- Reduced Proposition 99 expenditure authority by \$303,000 to reflect decreased revenues in the fund.

Trailer Bill Language

1. Approved trailer bill language that allows the transfer of American Recovery and Reinvestment Act of 2009 (ARRA) funds into the Orphan Underground Storage Tank Cleanup Fund and allows those ARRA funds to be used in lieu of state funds for orphan site cleanup.

Supplemental Report Language

1. Approved supplemental report language requiring the State Water Resources Control Board to report to the Legislature by March 30, 2010 recommendations for creating greater efficiency in administering and enforcing water rights in the state. The report shall include a cost estimate for implementation of the recommendations.

3960 Department of Toxic Substances Control

- Approved \$5,752,000 from federal funds and \$500,000 from reimbursements for navy military base oversight as contaminated properties are transferred to a responsible party. Also, reduced state special fund spending for the same purpose by \$3,625,000.
- Approved \$501,000 from special funds and five positions to inspect aboveground storage petroleum tanks to protect groundwater, as well as to promote public health from toxic harm in Imperial County.
- Approved \$452,000 from special funds and three limited-term positions for the Santa Susana Field Laboratory clean-up.
- Approved \$242,000 from special funds for laboratory equipment to test electronic devices for toxic content so that non-compliant electronics are not sold in California.

- Approved a redirection of \$2.1 million in special funds for implementation of AB 1879 (Feuer and Huffman, 2008) to establish Green Chemistry procedures in regulation to evaluate alternatives to chemicals of concern in products, and to specify the regulatory responses when chemicals of concern are found in products.
- Approved a redirection of \$233,000 in special funds for implementation of SB 509 (Simitian, 2008) to create an online Toxics Information Clearinghouse.

Trailer Bill Language

1. Approved trailer bill language that provides technical clarifications to the Toxic Substances Control Account and Hazardous Waste Control Account funding for pollution prevention programs.

3980 Office of Environmental Health Hazard Assessment

- Approved \$675,000 from special funds and 4.5 positions to work on hazard identification activities related to Proposition 65 and to provide legal support for Office of Environmental Health Hazard Assessment (OEHHA).
- Approved \$665,000 in reimbursement authority and three positions to support the California Department of Food and Agriculture in its efforts to combat the Light Brown Apple Moth and other invasive species.
- Approved \$245,000 in reimbursement authority and one position to develop guidelines to assess the cumulative impacts of multiple environmental contaminants.
- Approved \$125,000 from special funds and one position to assess public health and fishing closures following oil spills.
- Redirected three existing positions to work on the Green Chemistry toxics information clearinghouse.
- Shifted \$5,797,000 from GF to special funds in order to continue fully funding OEHHA's operations.

ENERGY AND UTILITIES

3360 California Energy Commission

- Approved \$113 million in federal American Recovery and Reinvestment Act of 2009 (ARRA) funds for the State Energy Program.
- Approved \$101.3 million from the Alternative and Renewable Fuel and Vehicle Technology Program to implement AB 118. The approved funding includes three new positions and \$101 million in one-time funding for projects. See budget bill language below.
- Approved \$49.6 million in federal funds and five positions for energy efficiency and conservation block grants pursuant to AB 2176.
- Approved \$10.2 million (\$9.5 million in federal funds and \$703,000 from the Public Interest Research, Development, and Demonstration Fund) and five positions for the West Coast Regional Carbon Sequestration Partnership demonstration project.
- Approved \$2.25 million from the Energy Resources Programs Account for 18.5 positions to process an increased number of siting applications for energy projects.
- Approved \$2.6 million from the Energy Resources Programs Account for contracts and ten positions to site renewable energy generation and transmission.
- Approved \$1.4 million from the Energy Resources Programs Account to accelerate building energy efficiency standards development.
- Approved \$409,000 from the Energy Resources Programs Account for three positions to accelerate the appliance energy efficiency standards development.

Budget Bill Language

1. Approved budget bill language stating that the Alternative and Renewable Fuel and Vehicle Technology Program (AB 118) funds could not be used for hydrogen refueling stations during 2009-10.
The Governor vetoed this budget bill language.

Trailer Bill Language

1. Approved trailer bill language allowing the Energy Commission to award grants from ARRA funds consistent with the Commission's energy efficiency and conservation programs, as well as for green jobs. The trailer bill sets a cap on funds that can be used for administration.

2. Approved trailer bill language establishing the State Property Revolving Fund for use of ARRA funds to conduct energy efficiency retrofits on state buildings.

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

- Approved as budgeted

8660 Public Utilities Commission (PUC)

- Approved \$50 million from the California Advanced Services Fund for two positions and payments to telephone corporations to deploy additional broadband infrastructure in unserved and underserved areas in California as required under SB 1193 (Padilla, 2008).
- Approved \$3.4 million in reimbursement authority per year for eight years for the California Solar Initiative monitoring, evaluation, and consultants.
- Approved \$2.5 million per year for two years from the PUC Utilities Reimbursement Account for outside legal counsel and economic consultants in ongoing litigation by the PUC before the Federal Energy Regulatory Commission (FERC) to seek refunds for California consumers for overcharges exceeding \$1.4 billion during the 2000-01 energy crisis.
- Approved \$1.4 million from special funds and one position to implement an up-to-date integrated database system maintaining large inventories of rail inspection, accident, infrastructure, security, complaint, formal proceeding, and historical data.
- Approved \$1 million from California High Cost Fund B (CHCF-B) for a study on the affordability of telephone service in areas receiving CHCF-B support.
- Approved \$553,000 total, including (\$415,000 from the PUC Ratepayer Advocate Account) and three positions to provide legal support for staffing cases for the Division of Ratepayer Advocates and (\$138,000 from the PUC Utilities Reimbursement Account) one position to provide legal services for the PUC litigation at the FERC to pursue refunds from the 2000-01 energy crisis.
- Approved \$461,000 from the PUC Utilities Reimbursement Account and four positions for the Statewide Energy Efficiency Strategic Plan implementation, coordination, and ongoing revisions and updates; as well as evaluation, measurement, and verification of energy savings.
- Approved \$417,000 from the PUC Utilities Reimbursement Account and four positions to implement the Waste Heat and Carbon Emissions Reduction Act of 2007 (AB 1613, Blakeslee), and to establish a program for the purchase of excess electricity generated by combined heat and power units up to 20 megawatts.
- Approved \$238,000 from the PUC Ratepayer Advocate Account and two positions to accommodate new applications for major transmission projects.

FOOD AND AGRICULTURE

7300 Agricultural Labor Relations Board

- Approved as budgeted.

8570 Department of Food and Agriculture

- Approved \$16.2 million in federal funds and seven positions for enhancing awareness, consumption, and competitiveness of specialty crops.
- Approved \$1 million in federal funds and two temporary position to detect and eradicate the Asian Citrus Psyllid.
- Approved \$810,000 in federal funds to permanently transfer the Senior Farmer's Market Nutrition program from the California Department of Aging to the Department of Food and Agriculture.
- Approved \$565,000 in federal funds for the National Organic Certification Cost-Share program to assist organic producers and handlers with costs of certification for production and processing of organic agricultural products.
- Approved \$500,000 from special funds for the maintenance and equipment replacement at the Center for Analytical Chemistry.
- Approved a one-time augmentation of \$1,350,000 from the Agricultural Building Fund for relocation of department staff to another building.

- Approved \$138,000 from the PUC Utilities Reimbursement Account and one position to enforce prepaid calling cards.
- Rejected \$322,000 from the PUC Utilities Reimbursement Account and three positions for implementation of a 33 percent Renewable Portfolio Standard (RPS) and renewable transmission.
- Rejected \$174,000 from the PUC Utilities Reimbursement Account and two positions to monitor the California Independent System Operator (CAISO) market after the implementation of a new market design.

Budget Bill Language

1. Approved budget bill language stating that the Public Utilities Commission shall not directly engage in workforce education and training curriculum development as part of the Commission's energy efficiency programs.

Supplemental Report Language

1. Approved supplemental report language requiring the PUC to report to the Legislature semiannually on its outside legal contracts in litigation before the Federal Energy Regulatory Commission to seek refunds for California consumers for overcharges exceeding \$1.4 billion during the 2000-01 energy crisis.

8770 Electricity Oversight Board

- Budgeted at zero dollars.

TRANSPORTATION

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved as budgeted – no budget changes were requested for the Commission. Budget funding is \$3.7 million from various special funds, 21 positions for operations, and \$25 million in Proposition 116 bond funds.

2640 STATE TRANSIT ASSISTANCE

- Approved Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding of \$350 million for transit capital investments.
- Local transit entities will receive about \$1 billion in American Recovery and Reinvestment Act (ARRA) federal stimulus funds, but no state legislation was necessary to allocate these funds.

Trailer Bill Language

Adopted trailer bill language to implement the Governor's proposal to suspend state funding for local transit operations; however, made the suspension temporary (through 2012-13) instead of permanent. The amount suspended is directed to General Fund relief via reimbursement of bond debt service and other mechanisms. Using July 2009 revenue assumptions, the amount shifted in 2009-10 from local transit agencies to state General Fund relief is approximately \$600 million. (Additional detail on GF relief from transit funds is included in the Department of Transportation summary below).

2660 DEPARTMENT OF TRANSPORTATION

Transportation Revenue and Finance

- Approved \$2.6 billion in American Recovery and Reinvestment Act (ARRA) federal stimulus funds for expenditure by the California Department of Transportation (Caltrans) and local transportation entities. Enactment was not in a budget trailer bill, but rather in ABX3 20 (Bass). Of the \$2.6 billion, \$935 million is directed to the State Highway Operations and Protection Program (SHOPP); however, up to \$310 million of that amount can be loaned to continue Proposition 1B bond projects that were affected by bond cash flow issues. \$1.6 billion in ARRA funds were directed to local transportation entities and \$77 million is directed to transportation enhancement projects such as bicycle and pedestrian facilities. Additionally, local transit entities will receive about \$1.0 billion in ARRA funds, but no state legislation was

necessary to allocate these funds. The state hopes to successfully obtain future ARRA funds from competitive programs in areas including highways and high-speed rail. The July budget package included the following additional actions to implement the ARRA program:

- Reduced the Governor's limited-term funding request from \$8.6 million to \$7.0 million, and approved 67 positions for new Local Assistance staff to fulfill federal oversight and reporting requirements for ARRA funds allocated to local governments.
- Approved one-time funding of \$29.9 million for the Maintenance Program to implement pavement projects that qualify for ARRA funds. An additional \$31.9 million was approved by the Legislature for 2008-09 via the Section Letter process.
- Approved limited-term funding for Capital Outlay Support (COS) resources to implement ARRA projects. Embedded in the COS May Revision letter was the assignment of 328 positions/contractors to work on ARRA-funded projects.
- Approved Proposition 1B bond funding of \$2.8 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):
 - \$1,368 million for the Corridor Mobility Improvement Account (CMIA)
 - \$57 million for the State Transportation Improvement Program (STIP)
 - \$490 million for the Trade Corridors Improvement Fund (TCIF)
 - \$75 million for the State Highway Protection and Preservation Program (SHOPP)
 - \$200 million for the State Local Partnership (SLP)
 - \$1 million for Grade Separation
 - \$433 million for State Route 99
 - \$31 million for Local Bridge Seismic Retrofit
 - \$126 million for Intercity Rail

Other Prop 1B bond appropriations are in the budgets of State Transit Assistance (Transit); the California Emergency Management Agency (Transportation Security); Shared Revenue (Local Streets and Roads); and the Air Resources Board (Air Quality and School Bus Retrofit). Included in the above numbers is limited-term funding of \$515,000 in 2009-10 and \$530,000 in 2010-11 for audit and investigation activities. Excluded from these numbers is any savings resulting from the Governor's furloughs – Caltrans indicates furlough savings associated with Proposition 1B funds may be about \$19 million.

- Approved full Proposition 42 funding of \$1.4 billion in 2009-10. A portion of this revenue is from the temporary 1-cent increase in the sales tax. The budget also includes an \$83 million Proposition 42 loan repayment per the requirements of Proposition 1A of 2006.
- Approved \$1.0 billion in GF relief from "spillover" and other transit funds. The spillover revenue is about \$650 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:
 - \$876 million to reimburse the GF for transportation-related general obligation bond debt.
 - \$138 million for regional center transportation budgeted in the Department of Developmental Services.

To achieve this level of GF relief, the State Transit Assistance transfers to local transit agencies were suspended through 2012-13 (see also the State Transit Assistance item).

- Loaned \$135 million from the State Highway Account to the General Fund. This loan is subject to the Constitutional requirements in Article XIX and must be repaid within three years. Legislative budget reductions and furlough savings exceed the amount loaned, so highway funding is not reduced below that proposed in the January budget.
- Approved the use of Grant Anticipation Revenue Vehicle (GARVEE) bond funding of \$675 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 a funding shift from State funds to federal funds for \$85 million in pavement maintenance work. This change does not produce any net gain in federal funds but may accelerate the receipt of federal dollars.

Highway Transportation

- Approved the Governor's budget reduction of \$13.2 million for Capital Outlay Support (COS) engineering workload. Approved an additional reduction of \$10.2 million, which was recommended by the Legislative Analyst. The allocation of the funding cut maintained the historic workload split with 90 percent of workload addressed by state staff and ten percent of the workload addressed by contractors.
- Approved funding of \$880,000 in 2009-10, \$605,000 in 2010-11, and \$200,000 in 2011-12 and thereafter (special funds) to develop, implement, and maintain a new Pavement Management System information technology project. As part of the 2008 Budget Act, the Legislature approved a related \$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 an April Finance Letter for the Legal Division to permanently increase funding for tort obligations by \$20.0 million – to a new total of \$68.6 million. Additionally, approved a one-time increase of \$8.0 million for legal consultants and professional services to defend the State Route 125 lawsuit.
- Approved a budget reduction of \$12.3 million (special fund) to adjust the budget for updated forecasts of fuel prices. Note, the 2008 Budget Act permanently increased the Caltrans budget by \$21.3 million (special funds) for higher fuel prices.

Rail, Aeronautics, Bicycle and Environmental Mitigation

- Approved total funding of \$13.2 million (a \$7.4 million increase from base funding) for rail heavy equipment overhaul and, additionally, total funding of \$90.3 million (a \$4.0 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 May Revision funding request for an additional \$1.2 million operations augmentation, because the final cost of the Amtrak payment was still pending.

- Approved funding of \$7.2 million (special fund) for Bicycle Transportation Account grants – this is the same level of funding provided in 2008-09.
- Approved the following in the area of environmental mitigation:
 - Approved \$48 million (special funds) to replace and retrofit equipment to conform to air quality requirements. This amount conforms to a revised Administration funding request – the January budget request was \$53.4 million, but further analysis suggested a lower 2009-10 cost.
 - Approved three-year limited-term funding of \$330,000 (special funds) in Capital Outlay Support for a consulting contract to assess and develop training and guidance for compliance with federal and state air quality mandates on highway projects.
 - Approved two-year limited-term funding of \$603,000 (federal funds) for six positions in Local Assistance to implement federal environmental requirements resulting from changes in federal law and regulations.
 - Approved funding of \$10 million (special fund) for the Environmental Enhancement and Mitigation Program – this is the same level of funding provided in 2008-09.

Approved-as-Proposed January Budget Requests

- Approved with the February budget package the following Governor’s Budget Change Proposals, which are not otherwise mentioned in the above bullets:
 - Approved permanent funding of \$6.1 million, special funds, for lease expenses at the new District 3 Office Building in Marysville.
 - Approved an extension of funding for 26 three-year limited-term positions and two permanent positions for a total of \$2.4 million (special fund) for federal-required activities in the administration of Safe, Accountable, Flexible, Efficient Transportation Equity Act – a Legacy for Users (SAFETEA-LU).
 - Approved \$1.1 million in permanent funding and \$1.4 million in one-time funding (special funds) for the new Southern Regional Lab in District 8 (San Bernardino) and for new leased office space in District 2 (Redding).
 - Approved a \$263,000 fund shift for three positions involved in Federal Transit Administration (FTA) grant administration – positions will now be funded from federal funds instead of from the state Public Transportation Account.
 - Approved a permanent increase of \$1.8 million in operating expenses to address increased material costs associated with maintaining the Department’s equipment fleet.
 - Approved a two-year limited-term extension of five positions and \$442,000 in federal funds to continue administration of the Job Access Reverse Commute (JARC) and New Freedom mass transportation grant programs.

- Approved 2009-10 funding of \$2.7 million (federal funds) for federally-required indirect cost / incurred cost audits. Of this amount \$1.6 million will be paid to the State Controller via interagency agreement for audit services.
- Approved a technical correction to convert \$2.3 million from operating expenses to personal service in the Maintenance Program – this relates to a 2007-08 budget change.
- Approved a permanent increase of \$40,700 (local reimbursements) to continue to conduct Federal Aviation Administration airport safety inspections at State-permitted airports.
- Approved a two-year limited-term increase of \$86,000 (federal funds) and two part-time positions to identify and address federally-required Disadvantaged Business Enterprise (DBE) requirements.
- Approved \$695,000 (special funds) for the preliminary plans phase of the Eureka District Office building safety and infrastructure repairs project.

All Caltrans Areas

Budget Bill Language

1. Adopted language requiring Caltrans to convene a workgroup with local agencies to improve the Project Initiation Documents (PIDs) process and report recommendations to the Legislature. Approved a reduction of \$18 million and 137 position to rebase staffing for the PIDs workload. Rejected a proposal to shift \$12.5 million from state funds to local reimbursements.
2. Added language requiring Caltrans to explain and justify the workload for the department's legal, information technology, administrative and civil rights activity for all department programs. Related budget action adjusted the scheduling of expenditure to better tie the budget display to the area of actual expenditure. Caltrans has previously shifted funding across scheduled items without Section 26.00 approval in a process they labeled "cross allocation."
3. Added language to require reporting and allow a funding augmentation of up to \$6.9 million if individual projects are identified to be advanced in the Public Private Partnership (P3) program. Funding of \$2.5 million was included in the budget to implement the base P3 program.
4. Added language to implement a two-year workforce development pilot program. Each year the program would receive \$1 million – half from the State Highway Account and half from federal funds. A report is due to the Legislature no later than March 1, 2011.
5. Amended language to improve budget transparency by specifying the budgeted amount in the Capital Outlay Support Program for state staff, external engineering consultants (also known as 232 contracts) and other operating expenses.

Trailer Bill Language

1. Approved a shift of \$100 million in tribal gaming revenue from transportation loan repayment to the General Fund. This shift occurs in both 2008-09 and 2009-10 for a total of \$200 million in General Fund relief. In 2010-11 and thereafter, the tribal funds will again flow to Caltrans to repay prior transportation loans to the General Fund (SBX3 7).
2. Approved language implementing about \$1 billion in General Fund relief from transit funds for 2009-10. Approved language to make technical fixes to the 2008-09 transit allocation (SBX3 7 and ABX4 10).
3. Suspended local airport grants for 2009-10 and transferred \$4 million from the Aeronautics Account to the General Fund (ABX4 10).
4. Approved language to extend the period for which cities can encumber Proposition 1B bond funds appropriated in the 2008 Budget Act. This language provides an additional year – to June 30, 2010 (ABX4 10).
5. Approved economic stimulus legislation associated with the February budget package to exempt specified transportation projects from the California Environmental Quality Act (CEQA) requirements, as specified (ABX2 8).
6. Approved economic stimulus legislation associated with the February budget package to streamline and expand design-build and public private partnerships, as specified (SBX2 4).

2665 HIGH SPEED RAIL AUTHORITY

- Approved total budget funding of \$139.2 million for the High Speed Rail Authority (Authority) all from Proposition 1A of 2008 bond funds (the Safe, Reliable High-Speed Train Bond Act for the 21st Century). Budget funding was approved for the following:
 - Design/Project-Level Environmental Review: \$105.3 million.
 - Program Management Services: \$26.6 million.
 - Ridership/Revenue Forecast: \$2.0 million.
 - Financial Plan and Public Private Partnership (P3) consulting services: \$2.0 million.
 - Right-of-Way Plan development: \$750,000
 - Program Management Oversight consulting: \$350,000.
 - Visualization Simulation Plan Development: \$255,000.
 - Department of Justice services: \$136,000.
 - Base department staffing and operations: \$1.9 million.

Budget Bill Language

1. Adopted language specifying that State bond funds may be reduced and replaced with federal funds. The Authority is required to notify the Legislature within 30 days of such a fund shift.
2. Adopted language requiring the Authority to post its budget on its Internet Web site in order to insure public access and transparency.
3. Adopted language that restricts use of \$69.6 million in budget funding until after submittal and review of a revised business plan.

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

- Approved \$242,000 (special funds) to support a new Assistant Director position and to fund a six-month limited-term attorney position. These budget changes relate to reforms and legal issues associated with the November 2007 collision of the COSCO BUSAN tanker with a tower of the San Francisco Oakland Bay Bridge, which resulted in an oil spill.

2700 OFFICE OF TRAFFIC SAFETY

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

2720 CALIFORNIA HIGHWAY PATROL

- Approved revised funding of \$24.3 million (special fund) to add 240 new uniformed positions over two years and eight Automotive Technicians. The original request was for \$34.9 million, but this was reduced to account for staggered hiring and cadet attrition.
- Approved 2009-10 funding of \$101.9 million (special fund) for the five-year \$500 million public safety radio system approved with the 2006 Budget Act. The project will enhance radio interoperability with other public safety agencies and provide additional radio channels for tactical and emergency operations.
- Approved \$11.9 million (special fund) to replace the existing Computer Aided Dispatch (CAD) system. This is a three-year information technology project with a total cost of \$27.8 million. The CHP indicates the existing system was no longer dependable and lacked new technology to improve response times and otherwise improve public safety.
- Approved three new Attorney positions which will be funded within existing budget resources. The CHP will reduce legal services contracted to the Department of Justice and perform the legal work in-house.
- Approved \$109,000 (special fund) and two positions to assist with the increase in workload at the Academy Food Services Unit due to an increase in cadet and in-service training population and emergency operations.

- Approved \$279,000 in federal funds to purchase and install two Adaptable Radiation Area Monitor detectors and the Tecate Commercial Vehicle Inspection Facility.
- Approved a request to add one position to administer various statewide driving under the influence enforcement-related traffic safety projects. The position is funded within existing budget resources with federal funds awarded by the Office of Traffic Safety.
- Approved \$253,000 (special fund) to accommodate an increase in the demand for motorcycle safety training. This program is funded by motorcycle users through an existing \$2 fee on motorcycle registrations.
- Rejected funding of \$13.4 million for four capital outlay projects to renovate or build new CHP Area Offices. These projects have a total multi-year cost of approximately \$50 million. The Administration may resubmit these projects in future years, when the budget situation is more favorable.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved funding of \$6.6 million (special funds) for first-year costs to replace the aging Department of Motor Vehicles (DMV) driver license and identification card information technology system and vendor. Adopted related budget bill language (see below).
- Rejected the Governor's January Budget request for \$4.2 million (special funds) to implement the federal REAL ID Act.
- Approved a one-time transfer of \$70 million from the Motor Vehicle Account to the General Fund for the purpose of General Fund relief. The funds transferred are not subject to the expenditure restrictions in Article XIX of the Constitution and the transfer is not considered a loan.
- Approved a permanent augmentation of \$5.1 million (special funds) to pay credit card fees that have increased due to increased customer use of on-line payment options.
- Approved \$11.6 million and 108.6 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. The 2008 Budget Act also included funding to move the SB 1500 application in-house.
- Approved \$2.1 million (special funds) and 20 new information-technology positions to promote information privacy and security protection while improving and maintaining customer service applications.
- Approved \$8.4 million (special funds) and 20 new information-technology positions, as well as data center costs, in association with the ongoing information Technology Modernization project.

- Approved \$793,000 in federal funds from the Federal Motor Carrier Safety Administration and eight new positions to perform additional analysis and programming necessary to comply with federal rules in the area of commercial licensing.
- Approved \$189,000 (special funds) and three positions to better manage and maintain DMV's existing office facilities.
- Approved the conversion of 225 permanent-intermittent personnel years into permanent positions. This is a truth-in-budgeting action, as these positions are already filled with permanent state staff. This adjustment does not change the level of funding in the DMV budget.
- Implementation of new legislation – approved funding for the following recent legislation. All costs are covered by new fees included in the same prior legislation.
 - AB 2241 (Chapter 451, Statutes of 2008, Saldana): approved \$378,000 and seven positions to issue temporary operating permits when a certificate of smog compliance is required.
 - AB 2522 (Chapter 677, Statutes of 2008, Arambula): approved \$173,000 for implementing an air quality fee imposed on specified motor vehicle registration in the San Joaquin Valley Unified Air Pollution Control District.
 - AB 1388 (Chapter 404, Statutes of 2008, Torlakson): approved \$1.5 million and 26 positions to administer the program requiring installation of ignition interlock devices when a person is convicted of driving while under the influence of alcohol or drugs.
- Rejected funding of \$21.6 million (special funds) for eight capital outlay projects to renovate or build new DMV facilities. These projects have a total multi-year cost of approximately \$63 million. The Administration may resubmit these projects in future years, when the budget situation is more favorable.

Budget Bill Language

1. Adopted language to prohibit DMV from purchasing, installing, or using the biometric technology of facial-recognition software.

Trailer Bill Language

Adopted language to increase driver license fees by \$2, which will increase revenue by about \$16 million per year to support DMV operations. These fees are typically paid once every 5 years. The Governor had requested a \$3 increase, but the Legislature's rejection of new spending related to the federal REAL ID Act reduced the amount of new revenue needed.

9350 SHARED REVENUE

- Approved \$700 million in Proposition 1B bond funds to cities and counties for local streets and roads. This funding represents the remaining Proposition 1B funding available for this purpose.

Budget Bill Language

1. Adopted language specifying that of the \$700 million, \$258 million is for cities, or a city and county and \$442 million is for counties and a city and county. The language also specifies the requirements and timeline for allocation and encumbrance of these funds.

SUBCOMMITTEE 3

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Mark Leno, Chair
Elaine Alquist
Roy Ashburn

Consultants

Jennifer Troia
Diane Van Maren

SUBCOMMITTEE No. 3

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HEALTH

0530 Secretary of Health & Human Services

Office of Systems Integration (OSI):

- Shifted \$15.3 million in funds for the Case Management, Information and Payrolling System Replacement Project (CMIPS II) from 2008-09 to 2009-10 to accommodate delays in project development.
- For actions impacting OSI's project management for other systems managed on behalf of the Department of Social Services (DSS), please see the DSS section beginning on page 3-19.

Other Issues:

- Adopted budget bill language to allow the Department of Finance to augment the budget for health privacy enforcement costs commensurate with the collection of administrative fines.

4120 Emergency Medical Services Authority

- **Poison Control Center.** Reduced by \$2.95 million (General Fund) state support for the California Poison Control Center. The state will continue to provide \$3 million (General Fund) to the Center. It should be noted that funding for the Center is discretionary and that other sources of funding are available for its support, including industry contracts, philanthropic endeavors, foundations, in-kind support from UC San Francisco, and the California Children and Families First Commission and other relevant entities.
- **Stand-By Pharmaceutical Cache.** Rejected an augmentation of \$448,000 (General Fund) for "stand-by" pharmaceutical caches for the Mobile Field Hospitals since these drugs can be readily obtained in the event of an emergency if they are needed. The state has a considerable stockpile of supplies, as does the federal government in addition to local county assistance. Due to the fiscal crisis, funds are not available for this "stand-by" purpose.

4260 Department of Health Care Services

Highlights for the Medi-Cal Program

- **Enhanced Federal Funds from ARRA.** Reduced by about \$2.8 billion (GF) to reflect receipt of enhanced federal funds as provided under the American Recovery & Reinvestment Act

(ARRA). The enhanced Medicaid funding under ARRA of 61.59 percent for California is to continue until December 2010.

- **Additional Federal Funds.** Assumed receipt of \$1 billion in federal funds for repayment to California for expenditures made within the Medi-Cal Program which should have been funded by the federal government.
- **Unallocated Reduction.** Adopted the Governor's unallocated reduction of \$323.3 million (GF) to Medi-Cal which reflects the DHCS' estimated range of variance in its budget calculations.
- **Plan for Expansion of Medi-Cal Managed Care and Use of Medical Homes.** Adopted legislation, as proposed by the Governor and as contained in ABX4 6, for the Administration to obtain a Waiver from the federal Center for Medicare and Medicaid (CMS) to expand the enrollment of Medi-Cal enrollees into some form of an organized delivery system for health care services. Potential savings would not be recognized for several years.
- **No Medi-Cal Eligibility Reductions.** Rejected the Governor's entire January proposal to eliminate over 500,000 people from receiving vital health care services within the Medi-Cal Program. This includes: (1) rolling back eligibility for working families eligible under the 1931 (b) program; (2) rolling back eligibility for aged, blind and disabled individuals; (3) changing to a month-to-month eligibility for individuals without documentation; and (4) rolling back eligibility for legal immigrants and individuals permanently residing under the color of law (PRUCOL). This action, enacted in February, restored \$485.1 million (General Fund) to the program to continue eligibility. With the approval of the federal American Recovery and Reinvestment Act (ARRA) by President Obama in late February, it was clear that eligibility reductions would be precluded in order to receive enhanced federal funds.
- **Children's Eligibility.** Restored 12 month continuous eligibility in the Medi-Cal program for children from birth to 18 years through the period of the American Recovery & Reinvestment Act enhanced federal financial participation (through December 2010).
- **State Only Programs.** Rejected the Governor's May Revision proposal to eliminate non-emergency services, including breast and cervical cancer treatment, postpartum care, dialysis, and non-digestive nutrition for individuals without documentation status.
- **Restrict Medi-Cal Services for Newly Qualified Legal Immigrants and PRUCOL Individuals.** Rejected the Governor's May Revision which would have restricted Medi-Cal services for legal immigrants residing in California to emergency services only.
- **Eliminates Certain Medi-Cal Optional Benefits for Adults.** Deleted \$258.8 million (\$129.4 million General Fund) as proposed by the Administration 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 effective as of July 1, 2009. This action occurred since the trigger established in SBX3 1 (Chapter 1), Statutes of 2009, for receipt of federal stimulus funds to offset General Fund

support was not met as specified. It should be noted that services to children will continue since federal law requires it. Services provided to individuals with developmental disabilities who receive Regional Center services will also continue to receive these benefits which will be funded under the Department of Developmental Services (DDS). Further, comprehensive mental health services provided under the Mental Health Managed Care Waiver through the Department of Mental Health is not affected by this Medi-Cal change.

- **Adult Day Health Centers.** In lieu of eliminating the Adult Day Health Center benefit as proposed by the Governor, several actions were taken for a savings of \$26.8 million (GF). First, trailer bill language was adopted to: (1) limit the maximum participation rate for enrollees to three days as of August 1, 2009 and until a higher threshold for medical necessity/medical acuity is established by the Department of Health Care Services; (2) establish definitions of medical acuity; and (3) engage a stakeholder workgroup process to proceed with implementation aspects of the definition for a phase in period. Savings attributable for this action are \$36.6 million (\$18.3 million GF) for 2009-2010.

Second, the rates reimbursed for ADHC services were frozen at 2008-09 levels as proposed by the Governor for a savings of \$3.7 million (GF). Third, provided seven nurse evaluator positions to the department for a cost of \$736,568 (\$184,000 GF) to conduct on-site treatment authorization reviews of ADHCs, and reduced by \$5 million (GF) from this increased review of ADHCs.

- **Public Hospitals.** Deleted \$54.2 million (federal funds), or ten percent, from public hospitals and uses these funds to backfill for General Fund expenditures in the California Children Services Program, the Medically Indigent Adult-Long Term Care Program, and the Genetically Handicapped Persons Program as proposed by the Governor.
- **Distressed Hospital Fund.** Reduced payments to hospitals by sweeping the Distressed Hospital Fund for a savings of \$23 million (GF).
- **Private Hospitals.** Reduced payments to private hospitals by \$23.9 million (GF) to reflect a ten percent reduction in disproportionate share hospital funding for certain private hospitals who participate in the Hospital Financing Waiver as proposed by the Governor.
- **Small and Rural Hospitals.** Reduced by ten percent the reimbursement paid to small and rural hospitals that are *not* contracting with the California Medical Assistance Commission (CMAC), except for those hospitals designated by the federal Medicare Program to be “critical access” or “rural referral” sites for savings of about \$7 million General Fund.
- **Medi-Cal Managed Care Plans.** Adjusted the rates paid to Medi-Cal Managed Care Plans to reflect caseload adjustments and estimated capitation payments. About \$161 million (General Fund) was provided for increased caseload and \$27.8 million (General Fund) for a rate adjustment in order to be actuarially sound as required by federal law.

- **Payment Deferral.** Provided for the deferral of Medi-Cal reimbursements made to Medi-Cal Managed Care organizations and entities that contract with the department in order to provide assistance with the state's cash management as proposed by the Governor.
- **Medi-Cal Eligibility Processing by Counties.** The Legislature eliminated the cost-of-doing-business provided to counties for them to conduct Medi-Cal eligibility processing as an agent for the state as proposed by the Governor for a reduction of \$49.4 million (\$24.7 million General Fund) in 2009-10. However, the Governor vetoed an additional \$60 million (GF) from this appropriation.
- **Plan for Centralized Eligibility.** Adopted legislation, as proposed by the Governor and as contained in ABX4 7, for the Administration to develop a plan for conducting statewide eligibility processing and enrollment for Medi-Cal, CalWORKs, and SNAP. This plan would have to be reviewed and approved by the Legislature, and an appropriation would have to be provided, prior to any implementation.
- **Freestanding Nursing Homes and Quality Assurance Fee.** Increased fees paid by certain skilled nursing facilities by expanding the amount of revenue upon which the AB 1629 fee is based, to include Medicare revenue, for increased revenue to the State of \$18 million as proposed by the Governor.
- **Nursing Homes and Other Long-Term Care Facilities.** Suspended cost-of-living increases effective August 1, 2009, for skilled nursing facilities *and* other long-term care for a General Fund savings of \$75.8 million in 2009-10 as proposed by the Governor.
- **Pharmacy Reimbursement.** Reduced by \$22.5 million (GF) by requiring pharmacies to bill Medi-Cal at a rate that is comparable to private third-party payers as specified in trailer bill language and as proposed by the Governor.
- **Acquisition Cost of Drugs.** Reduced by \$37 million (GF) by making changes in the Medi-Cal reimbursement made to pharmacies as it pertains to the estimated acquisition cost of drugs as proposed by the Governor.
- **Generic Drugs.** Assumed implementation of a Maximum Allowable Ingredient Cost for Generic Drugs for savings of \$2 million (\$1 million General Fund) as proposed by the Governor.
- **Therapeutic Category Review of Antipsychotics.** Assumed implementation of a therapeutic category review of antipsychotic drugs for a reduction of \$1.5 million (General Fund) as proposed by the Governor. Therapeutic Category Reviews have been done for many years on several categories of drugs according to specified protocols as contained in Section 14105.37 of Welfare and Institutions Code.
- **Drug Rebates.** Assumed implementation of mandatory drug rebates for drugs used to treat Cancer and HIV/AIDS for a savings of \$1.25 million (General Fund) as proposed by the Governor.

- **Entities Designated as “340B” under Federal Law.** Required eligible entities to use “340B” Drug pricing for Medi-Cal enrollees for a savings of \$3.750 million (General Fund) as proposed by the Governor.
- **Supplemental Mental Health Payments.** Adopted statutory changes to provide for a Mental Health Services Supplemental Payment Program to be administered by the Department of Health Care Services (DHCS). This program will enable local government to submit certified public expenditures to the DHCS for the purpose of claiming additional federal funds to reimburse counties for the cost of certain mental health services provided to Medi-Cal enrollees. It is anticipated that over \$50 million in additional federal funds can be obtained by counties through this effort.
- **Ancillary Health Services in IMD Facilities.** Reduced by \$14 million (GF) to reflect the elimination of the state-only payment for ancillary health services provided in Institutions for Mental Disease (IMDs) as proposed by the Governor. County indigent health programs will need to provide reimbursement for these services as presently required under existing law.
- **Prospective Payment Reimbursement for Community Clinics.** Provided an increase of \$42.7 million (\$21.4 million General Fund) as proposed for Federally Qualified Health Centers and Rural Health Clinics to reflect the Medicare Economic Index adjustment.

4260 DEPARTMENT OF HEALTH CARE SERVICES

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

- **Community-Based Clinics.** Rather than eliminating all General Fund support as proposed by the Governor, the Legislature reduced community-based clinic programs by about one-third, or \$14 million (\$10 million General Fund and \$4 million Proposition 99 funds), including the following:
 - Rural Health Services reduced by \$2.2 million, which left \$6 million (GF);
 - Seasonal Migratory Worker Clinics reduced by \$1.9 million, which left \$5 million (GF); and
 - Expanded Access to Primary Care Clinics reduced by \$8.4 million (total funds), which left \$19 million (\$9 million GF and \$10 million Proposition 99 funds).

However, the Governor vetoed all of the remaining General Fund support for these important clinic programs, or about \$20 million (GF).

- **California Children’s Services Program.** Adopted the Governor’s May Revision to increase by \$7.1 million (\$5.1 million Safety Net Care Pool Funds) to fund caseload adjustments.
- **Genetically Handicapped Persons Program (GHPP)—Program Premiums.** Adopted the Governor’s proposal to reduce by \$1.8 million (General Fund) by increasing enrollment fees to:

(1) 1.5 percent of Adjusted Gross Income for families with incomes greater than 200 percent but not more than 300 percent of the federal poverty level; and (2) three percent of Adjusted Gross Income for families with incomes greater than 300 percent of the federal poverty level.

- **Genetically Handicapped Persons Program (GHPP)—Insurance Premiums.** Assumes savings of \$600,000 (General Fund) in the GHPP through the state's assistance in coordinating enrollment of GHPP eligibles into commercial insurance product lines and fund their premium payments.
- **Maternal and Child Health Programs.** Decreased by a total of \$11.6 million (GF) several maternal and child health programs as follows:
 - **Adolescent Family Life.** Reduced by \$1.7 million (GF), leaving \$9 million (GF).
 - **Black Infant Health.** Reduced by \$900,000 (GF), leaving \$3 million (GF).
 - **Other Programs.** Adopted the Governor's May Revision to eliminate General Fund support for county positions, provider training, and state operations, including the Birth Defects Monitoring Program, and shifted \$3 million in Title V reserve funds to the California Children's Services Program.

However, the Governor vetoed the remaining \$12 million in General Fund support in the Adolescent Family Life Program and the Black Infant Health Program.

4265 Department of Public Health

- **AIDS Drug Assistance Program (ADAP).** Rejected the Governor's proposal to reduce the ADAP formulary and to require a premium payment for clients making less than 200 percent of poverty, and instead, increased funding from the AIDS Drug Rebate Fund and made conforming technical adjustments for a savings of \$25.5 million (GF). This action maintained full funding for ADAP, as well as a prudent reserve of \$24.4 million in the special fund.
- **AIDS Therapeutic Monitoring Program.** Reduced by \$714,000 (GF) from this program that provides T-Cell monitoring for individuals with AIDS to track the effectiveness of drug therapies, in lieu of elimination as proposed by the Governor. *However, the Governor vetoed the remaining amount of \$7.3 million (GF).*
- **HIV/AIDS Education and Prevention Programs.** Reduced by \$2.2 million (GF) in lieu of eliminating these extremely cost-beneficial programs as proposed by the Governor. *However, the Governor vetoed the remaining \$22.4 million (GF).*
- **HIV/AIDS Counseling and Testing Program.** Rejected the Governor's proposal to eliminate this program for a reduction of \$8.2 million (GF). *However, the Governor vetoed the program anyway.*
- **AIDS Early Intervention Projects.** Rejected the Governor's proposal to eliminate this cost-beneficial program for a reduction of \$7.4 million (GF). *However, the Governor vetoed the program anyway.*

- **AIDS Home and Community-Based Care.** Reduced by \$538,000 (GF) in lieu of elimination as proposed by the Governor. *However, the Governor vetoed the program..*
- **HIV/AIDS Surveillance & Epidemiologic Studies.** Reduced by \$1 million (GF) in lieu of elimination as proposed by the Governor. This reduction leaves a total of \$7.6 million (GF) for the studies.
- **HIV/AIDS Housing.** Reduced by \$101,000 (GF) in lieu of elimination as proposed by the Governor. *However, the Governor vetoed the program.*
- **Domestic Violence Shelters.** Reduced by 20 percent, or \$4.1 million (GF) support for Domestic Violence Shelter Program which left a total of about \$16.3 million (GF) for the program. *However, the Governor vetoed this remaining amount.*
- **County Health Services.** Eliminated \$25.6 million in Proposition 99 funds used for reimbursing certain emergency services at the county level and redirected these funds to backfill for General Fund support within the Medi-Cal Program as proposed by the Administration.
- **Immunization Assistance Program.** Adopted LAO recommendation to reduce by \$18 million (GF) the Immunization Assistance Program since California was receiving \$23 million (federal funds) in federal ARRA funds specifically for this purpose.
- **Alzheimer's Research Centers.** Reduced by 50 percent, or \$3.1 million (GF), the amount provided for these centers.
- **Children's Dental Disease Prevention Program.** Adopted the Governor's proposal to suspend this program for a reduction of \$2.9 million (GF).
- **Safe Drinking Water.** Increased by \$74.9 million (federal funds) to reflect receipt of federal ARRA funds.
- **Valley Fever Research.** Provided an increase of \$1 million (General Fund) for Valley Fever research and related activities to the Department of Public Health.

4280 Managed Risk Medical Insurance Board

- **Healthy Families Program (HFP).** The Legislature rejected the Governor's proposal to eliminate the program and instead, reduced by \$124 million (GF) by establishing a waiting list for enrollment unless funds are provided by third-party philanthropic organizations, foundations, the California First Five Commission, donations or other sources to continue enrollment of children throughout the year. *However, the Governor vetoed another \$50 million (GF) from the program which created a funding gap of about \$174 million (GF).*

Presently, the California First Five Commission has pledged to provide \$81 million (special funds) to Healthy Families to reduce the waiting list. In addition, AB 1422 (Bass), as amended,

is proceeding through the Legislature to establish a Medi-Cal Managed Care Plan tax which would provide support to the Healthy Families Program, as well as the Medi-Cal Program. This pending legislation would also provide adjustments to the premiums paid by families for enrollment of their children, as well as other cost-saving adjustments.

In addition, as proposed by the Governor, payments made to certified application assistants to facilitate enrollment of children into the HFP were eliminated for a reduction of \$2.7 million (GF).

- **Access for Infants and Mothers (AIM) Program.** Adopted the Governor's May Revision to cap new enrollment into AIM as of January 1, 2010, due to a reduction in the transfer from the Cigarette and Tobacco Surtax Revenues (i.e., Proposition 99 Funds) to the Perinatal Insurance Fund. The reduction of \$33.4 million results in an annual enrollment decrease of 56 percent or 5,900 pregnant women.

4300 Department of Developmental Services

Summary of Reduction. In January, the Governor proposed to reduce the state's support for community-based services provided through the Regional Centers by \$334 million (GF). In lieu of the Administration's proposal, the Legislature enacted a \$100 million (GF) reduction as part of the February budget package and adopted trailer bill language to require the DDS to submit a plan to the Legislature to achieve this reduction. A key aspect of the legislation was to direct the DDS to use a comprehensive "stakeholder process" to include statewide organizations representing the interests of consumers, family members, service providers, and statewide advocacy organizations, to craft the components of the plan.

At May Revise, with the economy still soft and statewide voter rejection of \$6 billion in various budget solutions, the additional \$224 million (GF) reduction as proposed by the Governor was enacted as part of the budget revision in July. While members of the stakeholder process may not support the budget reduction, the final package reflects the valuable input of the workgroup.

Each of the adjustments to achieve the \$334 million (GF) reduction are discussed below. It should be noted that these adjustments do not change the Individualized Program Plan process, nor do they change existing appeal rights and processes which are available to clients and their families.

- **New Federal Funds to Offset General Fund Expenditures.** Identified a total of \$79.6 million in new federal funds, to backfill for General Fund support, is assumed through five actions as follows:
 - Receipt of \$60 million is assumed through an amendment to the state's Medi-Cal State Plan (i.e., a 1915(i) amendment) which will enable California to receive federal funds for services to DDS clients who are enrolled in Medi-Cal but are not eligible for the DDS' Home and Community-Based Waiver.

- Receipt of \$13 million is assumed by adding certain services, such as day care, to DDS' existing Home and Community-Based Waiver.
- Receipt of \$4.6 million by having the DDS become an Organized Health Care Delivery System which relates to Intermediate Care Facilities for the Developmentally Disabled (ICF-DD facilities) and the provision of certain services, such as transportation.
- Receipt of \$2 million by having 30 existing residents at Porterville Developmental Center entered into a specialized treatment area where their services will be eligible for federal financial participation.
- Enactment of legislation which directs Regional Centers to not newly vendor any licensed Community Care Facilities (CCFs) with a capacity of 16 or more beds which do not qualify for federal financial participation commencing as of July 1, 2012.
- **Transportation Reform.** Reduced by \$16.9 million (GF) from this service category by requiring Regional Center's to pursue lower cost transportation services as follows:
 - If a client can use public transportation, they will be assisted to do so, rather than purchase special transportation;
 - While still meeting the consumer's need, the least expensive transportation option will be used;
 - Regional Centers will purchase services near the client's home to save transportation costs when such service meets the client's needs as identified on their Individual Program Plan; and
 - When feasible, families will provide transportation for their children.
- **Establishment of General Standards for Authorizing Services.** Reduced by a total of \$45.9 million (GF) through a series of changes which pertain to the purchase of services as follows:
 - The Lanterman Act requires Regional Centers to utilize "generic services", such as Medi-Cal and In-Home Supportive Services, prior to purchasing a specialized service. Now if a client or family chooses not to access available generic services as identified on an Individual Program Plan, Regional Centers will not be able to pay for the service.
 - Medical and dental services covered by generic services, health plans or private insurance will not be purchased by Regional Centers for applicable clients aged three and over without proof of denial from the insurance provider. Services can be provided pending approval, initiation or denial of service.
 - Regional Centers shall not purchase experimental treatments, therapeutic services or devices that have not been clinically determined or scientifically proven to be effective or safe.

- Regional Centers will provide information to clients or applicable representative about the type and costs of services provided each year to the consumer.
- The cost of providing services by different service vendors, if available, shall be reviewed and the least costly vendor who is able to meet the consumer's needs as identified on the IPP shall be selected.
- **Holiday Schedule.** Reduced by \$16.3 million (GF) by standardizing the holiday schedule for day programs, look-alike day programs and work activity programs and increased the total number of holidays to 14. These programs will now have the same 14 holidays. The statute does provide flexibility to the Department of Developmental Services to make adjustments to this schedule when applicable.
- **Behavioral Services.** Reduced by \$19.3 million (GF) and established specific standards for Regional Centers to purchase behavioral services. Key aspects of these standards are as follows:
 - Regional Centers can purchase Applied Behavior Analysis or Intensive Behavior Intervention services if the service provider uses evidence-based practices and the services promote positive social behaviors and help address issues with learning and social interactions.
 - Parents of children receiving these services must participate, as specified, in the established intervention plan.
 - These services may not be used for purposes of providing respite, day care, or school services, or solely as emergency crisis services.
 - Regional Centers will discontinue purchasing services once a client's treatment goals as identified in their IPP are met. The IPP team must review progress regularly and change the service if it is not effective.
 - Regional Centers will evaluate these services for each client receiving them at least every six months.
- **Group Training for Parents on Behavior Intervention Techniques.** Saved \$6.4 million (GF) by requiring Regional Centers to consider, based on the IPP, proving group training to parents in lieu of proving some or all of the in-home parent training component of the behavior intervention services.
- **Use of Generic Service—In Home Supportive Services.** Required Supportive Living Providers to assist clients to obtain In Home Supportive Services within five days of moving into supported living. While the client is waiting for IHSS services, the Supported Living Provider will be paid the IHSS rate for IHSS type services provided to the consumer. This does not change the IPP process.

- **Supported Living Services.** Reduced by \$6.9 million (GF) expenditures for Supported Living Services through the following actions:
 - Regional Centers will strive to have clients who share a home use the same Supported Living Services provider to be more cost effective as long as it meets the clients' needs as identified.
 - Regional Center's will no longer pay a client's rent unless needed to implement a client's IPP in specified limited and unique circumstances.
 - Administrative costs for Supported Living Services must be reasonable and the rates of payment for services must be cost effective as specified.
- **Custom Endeavors Option.** Reduced by \$12.7 million (GF) by requiring existing Day Programs and work activity programs to offer a new "custom endeavor option" as a component of their current program design. This option would be provided based upon an IPP. The Custom Endeavors Option is less costly than Day Programs and work activity programs.
- **New Service for Seniors.** Reduced by \$1 million (GF) by requiring existing Day Programs to offer a senior component to their current program design for aging consumers who desire a less intensive Day Program structure. This option would be based upon an IPP.
- **Utilization of Neighborhood Preschools.** Recognized savings of \$8.9 million (GF) by using local neighborhood preschools in lieu of segregated infant development programs when applicable with the Regional Centers providing necessary supports.
- **Use of Private Insurance—Under 3 Years of Age.** Reduced by \$6.5 million (GF) by requiring parents of children under 3, where applicable, to ask their private insurance or health care service plan to pay for medical services covered by the insurance or health plan. Intake and assessment services provided by Regional Centers will still remain free of charge.
- **Early Start Program Changes.** A total of \$35 million (GF) was reduced from this program through a series of eligibility and services changes as follows:
 - **Eligibility.**
 1. Toddlers aged 24 months or greater with a delay currently can enter the program with a delay of 33 percent or greater in or of the five domains (i.e., cognitive, self-help, physical, communication and social-emotional). Beginning July 1, 2009, they will need to have a delay of 50 percent or greater in one domain or 33 percent or greater in two domains.
 2. As of October 1, 2009, infants and toddlers who are "at risk" will no longer be eligible for the Early Start Program. However, these infants and toddlers will be eligible for services in a new prevention program.

- **Services.**
 1. Effective October 1, 2009, discontinue provision of services in the Early Start Program that are not required by the federal government, with the exception of durable medical equipment. The services not to be included are child care, diapers, dentistry, interpreters, translators, genetic counseling, music therapy, and respite services not related to the developmental delay of the infant or toddler.
 2. As of July 1, 2009, families will be required to use their private insurance for medical services. Regional Centers will continue to pay for medical services that are required for the infant or toddler for those without insurance or for those services insurance does not cover.
- **Children's Services—Governor's Veto.** The Governor vetoed \$50 million (GF) from the Regional Centers for services provided to infants, toddlers, and children from birth to five years of age. The Governor contends that the First Five Commission has funds to provide to the Regional Centers for this purpose; however at this time, no action has been taken by the Administration or the Commission to obtain or provide this funding to the DDS for this purpose.
- **In-Home Respite Agency Worker Duties.** Recognized a reduction of \$3 million (GF) by allowing respite workers to assist clients with colostomies, catheters, and gastrostomies, consistent with the abilities of trained program staff. The respite worker must be trained by a licensed professional and will receive an increase in compensation for the time performing these duties.
- **Wellness Projects.** Suspended the Wellness projects and physician training programs for a reduction of \$1.3 million (GF).
- **Triennial Quality Assurance Reviews.** Eliminated these reviews conducted by Regional Centers for a savings of \$1 million (GF).
- **Reduction to Regional Center Operations.** A total of \$10.5 million (GF) was reduced from Regional Center Operations allocation directly. Of this amount, \$3.5 million pertains to one-time only costs and the remaining \$7 million pertains to case management and related expenditures.
- **Reduction to Developmental Centers.** In addition to employee furloughs and staff reductions, a total of \$25.2 million (GF) was reduced from the state-operated Developmental Centers and Community Facilities by taking the following actions:
 - Sierra Vista Community Facility will be closed effective as of December 2009 and the residents will relocate to living options based upon their needs for a savings of \$2 million (GF).
 - Elimination of about \$23 million (GF) by deleting certain capital outlay projects.

- **Parental Fee Program.** Obtained savings of \$900,000 (GF) by increasing the fee paid by parents of children under the age of 18 living in any out-of-home care arrangement (such as a community care facility). These fees had not been updated since 1989, except for an increase in the maximum fee amount in 2003. Parents with income below the current federal poverty level will not be assessed a fee. The fee increase for the maximum fee would increase from \$662 to \$1,875 per month for the highest income families.
- **Individual Choice Budget.** ABX4 9 provided a framework for a new service delivery model for the DDS, in consultation with stakeholders, to develop an “individual choice budget”. This new model will provide individuals with resources to obtain quality services and supports within a defined budget, while providing choice and flexibility that, in total, saves money in purchase of services expenditures. At such time as this model is implemented and is deemed by the DDS to be achieving specific levels of savings, some or all of the cost saving strategies in certain areas will sunset.
- **Respite Program—Temporary Service Standards Pending Individual Choice Budget.** Reduced by \$4.8 million (GF) by implementing standards to be used by Regional Centers in authorizing respite services as follows:
 - Regional Centers may purchase respite services when the needs of a client are greater than that of an individual of the same age without developmental disabilities. Exemptions to this rule can be provided under certain circumstances.
 - Consistent with the need for respite services established in an IPP, no more than 90 hours of in-home respite services in a three-month period, or no more than 21 days of out-of-home respite services in a fiscal year, may be purchased by a Regional Center. Exemptions to this rule can be provided under certain circumstances.
 - Day care services cannot be used in-lieu of respite services.

These respite program standards will be lifted upon certification of the Director of the DDS that the Individual Choice Budget has been implemented as specified.

- **Temporarily Suspend Certain Services.** Reduced by \$27.4 million (GF) by temporarily suspending certain services pending implementation of the Individual Choice Budget model. The services to be temporarily suspended include: camping services; educational services for minor, school-aged children, non-medical therapies (such as art and dance); and social/recreation activities, except those vendored as community-based day programs.
- **Quality Assurance Consolidation.** Reduced by \$2 million (GF) to reflect changes pertaining to the quality assurance system used in the community to be implemented in January 2010.
- **Payments to Providers in the Community.** Reduced by three percent, as proposed by the Governor in January, certain payments for services delivered from February 1, 2009 to June 30, 2010. This reduction results in a reduction of \$40.4 million (\$24.1 million General Fund) in

2008-09 and \$100.8 million (\$60.2 million General Fund) in 2009-10. This reduction is in addition to the \$334 million (GF) that was enacted in July.

- **Medi-Cal Optional Benefits.** Increased funding to provide Medi-Cal Optional Benefits to all individuals with developmental disabilities receiving services through the Regional Centers and are enrolled in Medi-Cal.

4440 Department of Mental Health

Community-Based Services

- **Early and Periodic Screening, Diagnosis and Treatment Program.** Adopted the Governor's May Revision for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program to provide a total of \$1.038 billion (\$364.8 million General Fund and \$674.1 million federal reimbursements). This reflects a net reduction of \$14.6 million (GF) as compared to the 2008-09, and includes the following adjustments:
 - Reduced by \$53.4 million (GF) to reflect elimination of state support for county programs developed using Mental Health Services Act (MHSA) funds that the department contends increased services within the EPSDT Program.
 - Increased by \$226.7 million (GF) to reflect the lack of passage of Proposition 1E and use of MHSA funds.
 - Increased by \$19 million (GF) to reflect Emily Q court order requiring the department to implement a nine point plan regarding certain services.
 - Decreased by \$4.9 million (GF) to reflect revised caseload and expenditures.
 - Decreased by \$122.1 million (GF) to reflect enhanced federal funds under the federal American Recovery & Reinvestment Act.
- **Deferral of Payment for EPSDT.** Deferred \$15.8 million (GF) in payments to counties to reimburse prior year cost settlement claims for the EPSDT Program. These claims are to be paid in future years.
- **Mental Health Managed Care Program.** Adopted the Governor's May Revision to reduce by \$113.4 million (GF) the Mental Health Managed Care Program. This reduction includes the following adjustments:
 - Reduced by \$64 million (GF) the amount of state support to reflect the level of state funding not being claimed under federal financial participation as identified by the department.
 - Provided an increase of \$9.2 million (\$4.1 million GF) for increases to patient caseload.

- Reduced by \$53.3 million (GF) to recognize increased federal funds as provided in the American Recovery & Reinvestment Act.
- **Special Education Students—AB 3632 Program.** Adopted the Governor's May Revision to defer 50 percent, or \$52 million (GF), of the state's payment for county claims for providing mental health services to students with serious emotional disturbances who are enrolled in special education. Budget Bill Language requires that first priority of these funds be used to offset the mandate reimbursement claims for 2006-07, with remaining funds used to offset the mandate for 2007-08, 2008-09, and 2009-2010.
- **Caregiver Resource Centers.** Reduced by \$3.5 million (GF) the Caregiver Resource Centers which provide services and supports to caregivers of family members with a cognitive impairment to enable those adults to remain in their homes for as long as possible. This reduction would have left \$7.6 million (GF) remaining for these centers. However, the Governor vetoed this remaining amount.

State Hospitals and Headquarters Support

- **Summary of State Hospital Appropriation.** Adopted the Governor's May Revision to provide a total of \$1.274 billion (\$1.090 billion GF) for a net increase of \$5 million (GF) over the February budget package.
- **Coleman Court.** Approved an increase of \$25.3 million (GF) to meet immediate Coleman Court needs of 162 beds, mainly at the acute psychiatric and Intermediate Care levels.
- **Psychological Evaluations.** Adopted the Legislative Analyst's Office recommendation to reduce by a total of \$8.3 million (GF) the amount appropriated for psychological evaluations on inmates who meet screening criteria as potential Sexually Violent Predators based on reduced caseload.

HUMAN SERVICES

4140 Office of Statewide Health Planning and Development

- Approved as budgeted.

4170 California Department of Aging

- Rejected the Governor's proposal to eliminate the **Multi-Purpose Senior Services Program (MSSP)**. The proposal would have eliminated case management services for 14,000 high-risk, Medi-Cal-eligible individuals who are also eligible for out-of-home care with skilled nursing or require constantly available nursing services.
- Adopted \$5.3 million GF savings in MSSP program by swapping GF resources for new federal funds under the American Recovery and Reinvestment Act (ARRA).
- Increased support for the **Senior Nutrition and Senior Community Employment Services programs** by \$8 million in federal ARRA funds, and adopted budget bill language to allow the funds to be available until September 30, 2010.
- Rejected proposal to eliminate all GF (\$405,000) for the **Brown Bag senior nutrition program CBSP** as of October 1, 2009. *Governor vetoed all GF support as of October 1, 2009.*¹
- Rejected proposal to eliminate the following programs, and instead adopted the reductions listed below:
 - \$2.4 million GF from the **Linkages** program, effective October 1, 2009. This program provides case management services to 5,500 adults with functional impairments who are at risk of institutionalization.
 - \$1.2 million GF from the **Alzheimer's Day Care Resource Center (ADCRC) Community Based Services Program (CBSP)**, effective October 1, 2009. ADCRCs provide support so that Adult Day Care and Day Health Centers can serve 3,200 individuals with dementia.
 - \$238,000 GF from the **Senior Companion CBSP**, which eliminated all GF support as of October 1, 2009. The program provides support services to 413 at-risk adults.
 - \$238,000 GF from the **Respite Purchase of Services CBSP**, which eliminated all GF support as of October 1, 2009. The program provides relief to caregivers of frail elderly or impaired adults at risk of institutionalization.

¹ As of the date of publication of this document, all reductions made by vetoes to programs within the Department of Aging are the subject of currently pending lawsuits that question their constitutionality. The final disposition of these budget items that the Governor attempted to alter by veto is thus in flux.

- \$117,000 GF from local administration of CBSPs.

The Governor further reduced the funding for Linkages by \$4 million, which eliminated all GF support for the program after that date. Similarly, the Governor further reduced funding for ADCRCs by \$1.6 million and for CBSP local and state administration by \$157,000 and \$106,000, which eliminated all GF support for those programs after that same date.

- Adopted trailer bill language to prioritize direct services and the provision of services to low-income individuals in Alzheimer’s Day Care Resource Centers and Linkages programs.
- Adopted proposed budget bill language to allow for use of specified “one-time only” federal funds in a subsequent state fiscal year in order to accommodate differences between the federal and state fiscal calendars.
- Approved the carry-over of \$410,000 in unspent 2008-09 federal funds to support the **Health Insurance Counseling and Advocacy Program**. Adopted budget bill language requiring the Department of Finance to notify the Joint Legislative Budget Committee within ten working days of its authorization of the adjustment.
- Increased by \$250,000 and \$17,000 the local assistance and state operations federal funds for use of a grant to the California Alzheimer’s Disease project’s **Savvy Caregiver program**.

4180 Commission on Aging

- Approved as budgeted.

4185 California Senior Legislature

- Approved as budgeted.

4200 Department of Alcohol and Drug Programs (ADP)

- Restored \$311.5 million GF to the ADP budget after rejecting the Governor’s proposed increase to the alcohol excise tax.
- Approved proposed reduction of \$90 million GF (all GF support) for **Substance Abuse and Crime Prevention Act (Proposition 36)** programs.
- Rejected proposal to eliminate \$18 million GF from **Offender Treatment Program (OTP)**, and augmented OTP funding with \$45 million in federal Byrne-JAG funds. Additionally approved the conversion of three previously limited-term OTP positions into permanent positions.
- Approved proposed reduction by ten percent of **Drug Medi-Cal rates** for all modalities.

- Reduced GF support for Regular and Perinatal Drug Medi-Cal by \$24.2 million, which was offset by an equivalent amount of federal stimulus funding.
- Eliminated remaining GF support of the Licensing and Certification Division and replaced those funds with additional expenditure authority from the Residential and Outpatient Program Licensing Fund.
- Approved contract authority of \$96,000 for research to support Driving Under the Influence programs.
- Approved another two-year term for five complaint investigation positions in LCD. Rejected proposal for eight additional, new positions to carry out post-service, post-payment reviews.

4700 Department of Community Services and Development

- Rejected proposal to eliminate the department and consolidate some of its functions into other state departments' responsibilities.
- Increased federal funding for the **Weatherization Assistance Program (WAP) and Community Services Block Grant (CSBG)** by \$148.6 million in local assistance and \$14.9 million in state operations due to ARRA. Separately increased, on a one-time basis, the baseline federal funding for WAP local assistance and state operations by \$6.7 million and \$1.2 million respectively.
- Adopted trailer bill language to expand eligibility criteria for CSBG federal funds, during the time specified stimulus funds are available, from 100 percent of the federal poverty level to 200 percent.

5160 Department of Rehabilitation

- Approved as budgeted.

5170 State Independent Living Council

- Approved as budgeted.

5175 Department of Child Support Services (DCSS)

- Approved an overall budget of \$118.6 million (\$40.3 million GF) for the recently completed **California Child Support Automation System (CCSAS)**, after taking these actions:
 - Reverted \$144.6 million (\$27 million GF) in unused funding from prior years for development of CCSAS;

- Removed \$27.1 million (\$9.2 million GF) in funding for project enhancements, subject to further justification of need;
 - Reduced local assistance budget by \$10.1 million GF and \$19.6 million federal funds to reflect updates in planning for system changes, procurements, and migrations;
 - Reduced state operations budget by \$3.2 million GF and \$6.3 million federal funds to reflect reduced contract staffing needs;
 - Further reduced overall project budget by \$500,000 GF and corresponding federal funds, to be apportioned among state operations, local assistance, and personnel by the Director of Finance in consultation with DCSS.
- Adopted trailer bill language to require the Office of the Chief Information Officer (OCIO) and the DCSS to jointly report annually, beginning March 1, 2010, on the implementation of CCSAS.
 - Reduced local assistance funding by \$27.7 million GF, offset by an equivalent amount of new federal funds due to changes in how the state can leverage federal performance incentive funds for purposes of state matching requirements.
 - Approved revenue stabilization funding increase of \$18.7 million (\$6.4 million GF) and related trailer bill and reporting language to allow for caseworker retention. The augmentation is expected to result in increased recoupment of \$14.4 million in public assistance costs (\$6.6 million GF), and an additional \$70 million in child support payments passed on to custodial parents and their children.
 - Approved proposal and trailer bill language to begin collection of federally-established \$25 fee from never-assisted parents as of October 1, 2010. Included \$2.6 million (\$900,000 GF) in one-time costs for related automation changes and \$116,000 (\$39,000 GF) for mailing notices to families in 2009-10. DCSS estimates annual fee revenue of \$5.8 million (\$2 million GF) in future years.
 - Approved shift of \$192,000 (\$65,000 GF) from interagency agreement with FTB to DCSS for three positions to enter information into the Child Support Enforcement System.

5180 Department of Social Services

CalWORKs

- Rejected the Governor's proposal to eliminate the entire CalWORKs program, which would have ended cash assistance and supportive services to over 546,000 families.
- Rejected proposal to shift \$216.9 million in federal funds from CalWORKs to the Department of Developmental Services and California Student Aid Commission.

- Authorized local partnership initiatives to provide subsidized employment, short-term non-recurring benefits, and supplemental basic assistance for TANF-eligible, low-income families with \$365 million in federal ARRA funding and funds that were previously used for AB 98 subsidized employment activities. Under ARRA's Emergency Contingency Fund, the federal government pays 80 percent of the costs of specified expenditures.
- Approved proposed suspension of the July 2009 Cost of Living Adjustment (COLA), resulting in savings of \$79.1 million in 2009-10. Amended statutes so that annual COLAs are no longer automatically granted.
- Reduced 2009-10 funding for child care and employment services by \$375 million GF, and adopted corresponding trailer bill language to allow counties flexibility to temporarily exempt individuals with high supportive service costs, including parents of very young children, from work participation requirements. Stopped the 60-month time-clock of limitations on aid and services for individuals exempted under these policies.
- Reverted \$43 million of mid-year adjustment funding for 2008-09 eligibility and employment services and scored them as GF savings for 2009-10.
- Approved proposal to suspend the Pay-for-Performance program, which provides incentives for counties to improve work participation. Resulted in savings of \$40 million GF.
- Rejected the Governor's proposal to reduce grants by 10 percent. Instead approved, in the absence of notice from the Director of Finance to the Joint Legislative Budget Committee of the receipt of sufficient federal stimulus funds², a reduction of maximum monthly aid payments by 4 percent (for \$146.9 million GF savings). For a family of three, this cut resulted in loss of \$29 monthly, reducing the average monthly grants from \$723 to \$694.
- Adjusted caseload estimates from proposed 15.5 percent to 13 percent anticipated growth, for savings of \$17.5 million GF.
- Transferred \$20 million from the Employment Training Fund to offset GF costs in CalWORKs.
- Adopted the following changes to the budget for the four Statewide Automated Welfare System (SAWS) consortia and the Welfare Data Tracking Implementation Project:
 - Increased by \$1.4 million the budget for ongoing maintenance and operations for the C-IV consortia;
 - Delayed by six months the replacement of Los Angeles County's automated benefits and eligibility determination case management system, which resulted in savings of \$14.6 million GF;
 - Increased by \$2.9 million the budget for the Welfare Data System.

² This notice would have pulled the "trigger," and this and other reductions referred to as subject to a "trigger" would not have taken place. Such notice was not given, and the reductions thus remained in effect.

- Reduced the overall maintenance and operations budget for SAWS by \$4.5 million, and adopted corresponding trailer bill language allowing flexibility for counties to implement the reductions; and
- Made corresponding changes to OSI's project management funding.
- Rejected \$1.8 million in requested funds for DSS and OSI to begin planning and procurement for the CalWORKs Business Analytics and Reporting System (CBARS).
- Rejected proposals to eliminate safety net or child-only benefits for families who do not meet work requirements; to impose a time-limit on grants for children whose parent or caretaker is not also assisted; and to limit aid to a lifetime limit of 24 months.
- Adopted future changes to CalWORKs program, effective July 1, 2011, to:
 - Require counties, with specified exceptions, to conduct and report on self-sufficiency reviews with recipients who are required to meet, yet are not meeting, work participation requirements;
 - Revise procedures for imposing sanctions on recipients by reducing, at specified intervals and up to a maximum of 50 percent of the child-only grant, the grant amount received by a family that includes an individual who is not in compliance with work requirements that apply to him/her;
 - Count a month in which an individual is in sanction status toward the 60-month limit on cash assistance, but not toward receipt of specified welfare-to-work services.
 - Revise the time limits applicable for receipt of aid so that adults may not receive aid for more than 48-months in any 60-month period. An adult who times off of aid after 48 months can return to the assistance unit 12 months later for up to an additional 12 months.
- Required, in trailer bill language, that DSS collaborate with specified stakeholders on the implementation of the above program changes.
- Adopted trailer bill language to delay to April 1, 2012 (from April 1, 2010) the deadline for implementation of the Governor's Work Incentive Nutritional Supplement (WINS) program and a Pre-Assistance Employment Readiness Program, and to April 1, 2010 (instead of April 1, 2009) the deadline for implementation of the Temporary Assistance Program.

Food Programs

- Rejected the Governor's proposal to eliminate the California Food Assistance Program (CFAP), which would have removed food benefits from approximately 30,000 non-citizen Californians who are legal immigrants.
- Increased funding for food stamp administration by \$22.1 million in federal ARRA funds.

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

- Approved the proposed suspension of the pass-through of the federal SSI COLA, effective May 1, 2009, resulting in \$79.8 million GF savings in 2008-09 and \$487.3 million GF savings in 2009-10. Suspended the June, 2010 state SSP COLA, resulting in additional savings of \$27 million in 2009-10.
- Amended statutes so that annual COLAs are no longer automatically granted, except for the pass-through of any increase in federal SSI benefits.
- Reduced, effective July 1, 2009 in the absence of notice from the Director of Finance of the receipt of sufficient federal stimulus funds³ and subject to some exemptions, maximum grants by 2.3 percent (by \$20 for individuals and \$35 for couples). This action resulted in savings of \$267.8 million GF in 2009-10.
- Rejected the Governor's proposal to reduce the maximum grants for individuals to the federal minimum level, and instead adopted a further reduction of .6 percent (\$5) to that maximum grant level (bringing it to \$845), effective October 1, 2009. Adopted the proposed reduction of the maximum grants for couples to the federal minimum amount of \$1,407 as of October 1, 2009, which represents an \$82 reduction.⁴ Combined savings of these actions were \$115.9 million in 2009-10.
- Rejected the Governor's proposal to eliminate the Cash Assistance Program for Immigrants (CAPI), which provides benefits equivalent to SSI/SSP to nearly 13,000 aged, blind, and disabled legal immigrants.

In-Home Supportive Services (IHSS) Program

- Rejected the Governor's proposals to eliminate all services for up to 387,259 or 90 percent of recipients. Instead made the following changes, effective September 1, 2009, which result in savings of \$53.2 million GF:
 - Eliminated domestic and related services for individuals with the lowest levels of need for each particular service. This action was anticipated to impact approximately 85,000 individuals.
 - Eliminated all services for individuals with the lowest levels of overall need, as measured by a standardized scoring system (a functional index score below two). This action was anticipated to impact 9.3 percent of recipients, or around 39,000 individuals.

³ See footnote 2.

⁴ Although the reduction made to the maximum grant for couples was larger in this instance than the reduction made in the maximum grants for individuals, it is also important to note SSI/SSP benefits for couples are higher when compared to the federal poverty line for couples than are grants for individuals when compared to the federal poverty line for individuals.

- Established exemptions to both of the above reductions for individuals who receive paramedical services, protective supervision, or more than a total of 120 hours of services per month. The exemptions may be waived by the Director of DSS if necessary to maintain federal funding.

The Governor further reduced the budget for IHSS services by \$28.9 million, in anticipation of the waiver of some or all of these exemptions.⁵

- Reduced funding for Public Authorities by 20 percent or approximately \$4.6 million GF.

The Governor further reduced the budget for the Public Authorities by \$8.7 million GF, leaving a total appropriation of \$27.1 million (\$10 million GF) statewide.

- Rejected the Administration's proposals to limit the state's participation in the cost of IHSS provider wages and benefits to the minimum wage of \$8.00 per hour, plus \$0.60 per hour for benefits. Instead approved, in the absence of notice from the Director of Finance to the Joint Legislative Budget Committee of the receipt of sufficient federal stimulus "trigger" funds, a reduction of \$74.2 million in savings from lowering state participation in worker wages and benefits. As a result, the law requires the state to pay its share of wages and benefits on up to \$10.10 per hour (reduced from a maximum of \$12.10 per hour).⁶
- Eliminated, subject to notice regarding the receipt of sufficient "trigger" funds, the state's share-of-cost contribution for newly enrolling IHSS recipients on or after July 1, 2009. This resulted in \$3.8 million GF savings in 2009-10. Later eliminated the state's share-of-cost contribution for all recipients as of October 1, 2009, resulting in additional 2009-10 savings of \$41.1 million GF. Consequently, as of October, recipients who have sufficient resources will pay a share-of-cost as determined by Medi-Cal policy.
- Approved the creation of one new position and extension of two additional positions, but rejected the request for a fourth position, to review recipients' claims for reimbursement under the *Conlan v. Shewry* court order.
- Adopted the following changes to further ensure program integrity and bolster fraud prevention efforts, anticipated by the Administration to save \$130 million GF in IHSS costs:
 - 25 additional staff at DSS and the Department of Health Care Services in 2009-10, at a cost of \$3 million (\$1.5 million GF), to focus on goals related to program integrity.
 - A \$10 million augmentation for county fraud investigation efforts, to be allocated by DSS in consultation with the counties and subject to approval of a county plan.

⁵ As of the date of publication of this document, all IHSS reductions made by veto are also the subject of currently pending lawsuits that question their constitutionality.

⁶ This change in state participation in IHSS providers' wages is also the subject of a pending lawsuit.

- The development of a process, by the end of 2011, for ensuring that IHSS providers receive a list specifying the approved duties to be performed for recipients under their care and the overall list of IHSS tasks.
- Criminal background checks for all providers (to be conducted on new providers as of October 1, 2009 and for providers offering care prior to that date by July 1, 2010).
- The development, by DSS in consultation with the counties, of protocols and \$8.2 million (\$4.4 million GF) in funding to obtain fingerprints of recipients for identification purposes.
- A requirement that providers turn in enrollment forms and documentation of their identity in-person.
- Timesheet-related reforms, including: 1) a certification, to be signed by the provider and recipient, verifying the accuracy of the information they contain; 2) effective July 1, 2011, a space for provider and recipient fingerprints, and 3) civil penalties for intentional deception or misrepresentation on timesheets that results in a conviction of fraud.
- Creation, by July 1, 2010, of a standardized curriculum and training materials for county social workers in order to prevent fraud.
- A prohibition on the use of post office boxes for providers to receive paychecks, unless a county approves a written or oral request for such use.
- The development, by DSS in consultation with the counties, of protocols for targeted mailings to inform providers and recipients of program rules and for unannounced home visits when there is cause for concern regarding program integrity.
- A report on quality assurance and fraud prevention efforts.
- Collaboration between DSS and specified stakeholders on the implementation of these changes.

Children and Family Services Programs

- Rejected the Administration's proposal to impose an unallocated reduction of \$70.6 million GF to the budget for child welfare services.

The Governor made an even larger reduction of \$80 million GF to these programs.⁷ It is not yet known how the vetoed funding would be allocated among various child welfare services programs.

⁷ \$19.1 million GF of the \$80 million GF in cuts are included in the lawsuit previously mentioned.

- Recognized \$51.6 million in savings to the state, as well as additional savings to the counties, due to enhanced 2009-10 federal financial participation (based on the Federal Medical Assistance Percentage or FMAP) in foster care and adoption assistance programs under ARRA.
- Rejected a proposal to realign \$550 million of costs of child welfare services and foster care from the state to the counties.
- Reduced by 10 percent the rates paid to group homes, foster family agencies, and other programs for which rates are tied to these, for care and services provided to foster children. Resulted in savings of \$26.6 million GF.
- Rejected proposals to eliminate, for \$765,000 in savings, the supplemental clothing allowance and a specialized care increment that is applied in cases when a child faces certain health or behavioral challenges.
- Increased funding and adopted trailer bill language to allow for implementation of the following new federal requirements under the Fostering Connections to Success and Increasing Adoptions Act (P.L. 110-351), including:
 - \$2 million GF and corresponding federal funds for enhanced oversight of foster children's health;
 - \$2 million (\$1.1 million GF) for notice to relatives within 30 days of a child's removal from his/her family;
 - \$6.6 million (\$1.3 million GF) for transportation to a child's school of origin;
 - \$369,000 (\$214,000 GF) for transition planning prior to youth emancipating from foster care.
- Increased funding and adopted trailer bill language, to allow for implementation of the state's Program Improvement Plan (PIP) resulting from the federal government's second Child and Family Services Review (CFSR). Funding for PIP goals included:
 - \$8.6 million GF and corresponding federal funds for the search for and engagement of relatives; and
 - \$4.1 million GF and corresponding federal funds for participatory case planning.
- Approved the following changes to the budget for the Child Welfare Services/Case Management System (CWS/CMS):
 - \$1.3 million augmentation to support full functionality of system after a relocation in May, 2010;
 - \$2.2 million for the CWS/CMS Web project;

- An increase of \$1.7 million for consultant and Data Center maintenance and operations services, with a corresponding impact on the budget for OSI's project management.
- A decrease of \$8.8 million (\$4 million GF) to the maintenance and operations budget, including a related decrease to the budget for OSI.
- Reduced by \$5 million GF the budget for the Transitional Housing Program Plus (THP+), which provides housing and supportive services to former foster youth between the ages of 18 and 24.
- Rejected proposal to opt state in to new federal policy that allows for federal financial participation in Kinship Guardianship Assistance Program (Kin-GAP). During the period of ARRA, it is more advantageous for the state to continue counting Kin-GAP expenditures as part of the state's maintenance of efforts for its Temporary Assistance for Needy Families (TANF) block grant.
- Reformed the adoption assistance program to better tie benefit levels to need by prohibiting automatic increases in payments based on a child's age, which resulted in anticipated savings of \$900,000 GF in 2009-10.
- Adopted trailer bill language to:
 - Ensure that children who are eligible for Kinship Guardianship Assistance Payments (Kin-GAP) and also consumers of regional center services receive a higher dual-agency rate (consistent with the higher dual agency rate paid to children in other placement types) under specified circumstances; and
 - Allow DSS to conduct group home program audits that cover a period of fewer than 12 months.

Community Care Licensing

- Rejected the Governor's proposal to eliminate \$19.5 million or all GF resources from the budget for CCL, raise fees for most facilities by 80 percent, and severely reduce licensing responsibilities.
- Approved increase in application and annual fees by 10 percent and offset \$5.3 million GF with other child care funding on a one-time basis, for total 2009-10 GF savings of \$7.4 million.
- Rejected request for \$3.5 million (largely from a 16 percent fee increase, proposed prior to the larger increase proposal mentioned above) and 30 positions to conduct criminal background checks and enhance existing safeguards against the presence of sex offenders in licensed facilities.
- Rejected request for \$97,000 increase to address new DSS workload from return of licensing responsibilities for 56 foster family homes and 107 family child care homes from Mendocino

County to the state. The workload amounts to less than one full position under DSS caseload standards.

Other Issues

- Adopted, subject to the approval of Proposition 1D by voters in a February, 2009 special election, the use of Health and Human Services Fund (known as Proposition 10) monies to fund \$343 million of the costs for social service programs in place of GF resources. The voters rejected Proposition 1D, and the GF resources were thus restored to DSS's budget.
- Approved funding for the **State Hearings Division** to hire four new Administrative Law Judges (ALJ) and one Office Technician to address growth in the hearings caseload. Rejected remainder of request for two additional ALJs.
- Approved request for \$3.7 million for new **Statewide Fingerprint Imaging System (SFIS)** vendor contract, and offset \$3 million GF in system costs with newly available federal funds.

SUBCOMMITTEE 4

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Mark DeSaulnier, Chair
Tom Harman
Gloria Negrete McLeod
Roderick D. Wright

Consultants

Daniel Alvarez
Brian Annis
Brian Brown
Bryan Ehlers

SUBCOMMITTEE No. 4

STATE ADMINISTRATION, GENERAL GOVERNMENT, JUDICIAL AND VETERANS AFFAIRS

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STATE ADMINISTRATION

0502 OFFICE OF THE STATE CHIEF INFORMATION OFFICER

- Implemented technical budget adjustments to reflect the Governor's Reorganization Plan Number One (GRP No. 1) which consolidated under the Office of the State Chief Information Officer (OCIO) the following: (1) the Department of Technology Services (DTS); (2) the Telecommunications Division within the Department of General Services (DGS), and (3) the Office of Information Security within the State and Consumer Services Agency (SSCA). See also Items 0510 (SSCA), 1760 (DGS), and 1955 (DTS).
- Authorized the OCIO to identify at least \$125 million GF in information technology (IT) and related savings achieved in association with GRP No. 1 (see also Control Sections 13.25 and 15.30).
- Rejected \$6.4 million (including \$3.7 million GF) and 27 positions for expansion of the OCIO. Approved six new positions (but no new funding) to enable the OCIO to better meet the state's IT needs pursuant to Chapter 183, Statutes of 2007 (SB 90).
- Rejected \$2 million GF and one position to support convening of a working group and drafting of a strategic plan pursuant to Chapter 561, Statutes of 2008 (SB 1298—Linked Education Data Systems).
- Approved \$900,000 federal funds to initiate development of a statewide Geographical Information System.

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

- Appropriated \$971,000 GF for support of the Secretary's functions.

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Reduced base funding for the Small Business Loan Guarantee Program by \$1.7 million, or half the 2008-09 level. See below for additional changes to the program through trailer bill.
- Rejected funding of \$221,000 (special fund) and two new positions at the Infrastructure Bank. Note, the 2008 Budget Act included permanent funding of \$446,000 (special fund) and five new positions for the Infrastructure Bank.

- Approved reduced funding of \$392,000 and three new positions for the Film Commission to implement the Film Tax Credits that were approved in the February budget package. The Administration had originally requested \$644,000 and five new positions.

Trailer Bill Language

1. Temporarily suspended the Small Business Loan Guarantee Program and reverted about \$8.3 million in program funds to the General Fund. With the budget reduction above, total General Fund relief from the program in 2009-10 is \$10 million.
2. Transferred all unencumbered funds and proceeds from future loan repayments from the Chrome Plating Pollution Prevention Fund to the General Fund. The amount of General Fund relief for 2009-10 was scored at \$3.5 million.

0650 OFFICE OF PLANNING AND RESEARCH

- Approved May Revise request for the Office of Planning and Research (OPR) to act as the pass-through agency for approximately \$2.1 billion in American Recovery and Reinvestment Act (ARRA) funds to be distributed to the California State University (CSU), the University of California (UC), the California Department of Corrections and Rehabilitation, and the California Department of Education. *The Administration subsequently requested a technical correction to address the fact that the OPR inadvertently requested approximately \$537 million too little in federal authority to pass-through all available dollars for UC and CSU.*
- Approved reappropriation of \$777,000 GF contained in the 2008-09 budget for the 2010 Census Program. Pursuant to prior approval in the 2008-09 budget, the 2009-10 budget also contains \$1 million GF in the OPR baseline budget for the same effort.

Trailer Bill Language

1. Suspended indefinitely the annual \$5 million GF appropriation for the Cesar Chavez Day of Service Learning Program (Chapter 4, Statutes of 2009; SX3 8). The program was suspended for three years in the 2008-09 budget.

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

- Denied various spending requests totaling \$17.8 million in 2009-10 which were requested to be funded primarily from the revenues generated from the Governor's Emergency Response Initiative proposal. This proposal would have generated an estimated \$119 million in revenue in 2009-10 (and \$479 million ongoing) from implementing a 4.8 percent surcharge on property

insurance. The specific Emergency Response Initiative requests proposed for funding in CalEMA's budget were the following:

- \$12.2 million annually for five years for the purchase of 131 additional fire engines.
 - \$3.2 million for additional positions in the regional offices to improve the state's response to emergencies.
 - \$650,000 in 2009-10 (and \$1.3 million ongoing) for additional administrative positions to collect and administer the new revenues generated by the proposed surcharge.
 - \$560,000 for four positions to act as coordinators with law enforcement agencies, as well as to improve planning and coordination with the Mass Fatality Management Program and the Search and Rescue Mutual Aid Program.
 - \$500,000 in one-time funding to hire a contractor to study how to store, manage, and transport critical goods immediately after an emergency or disaster event.
 - \$360,000 to add two limited-term positions to establish the Sacramento-to-San Joaquin Delta Multi-Hazard task force, as required by Chapter 608, Statutes of 2008 (SB 27, Simitian).
 - \$181,000 for an additional supervisory position in the California State Warning Center.
 - \$155,000 to reimburse CalFIRE for a full time fire captain position based out of the State Emergency Command Center.
- Approved \$786,000 in federal funds to establish the Office of Access and Functional Needs with the purpose of identifying the needs of people with disabilities before, during, and after a disaster and to integrate disability needs and resources into all aspects of emergency management systems.
 - Approved \$1.2 million (\$599,000 GF, \$598,000 Federal Trust Fund) to address the increase in workload related to the department's disaster recovery activities.
 - Approved reduction in expenditure authority of \$324,000 in the Equality in Prevention Services for Domestic Abuse Fund based on a reduction in revenues generated from same sex domestic partnership registrations.
 - Approved \$448,000 in Federal Trust Fund authority for additional positions to meet workload demands of the Public Assistance Program which provides technical assistance and administrative oversight of the federal grants to state and local agencies for disaster recovery activities.
 - Approved creation of two permanent positions for the California Specialized Training Institute's Hazardous Materials Training Program. Funding for the positions will be shifted from an existing contract for the same services at no additional costs to the state.

- Approved \$713,000 from the Nuclear Planning Assessment Special Account to comply with Chapter 292, Statutes of 2007 which set the budget for the Nuclear Power Plant Program. Also approved accompanying trailer bill language which changed the calculation of future adjustments based on the consumer price index from a calendar year to a fiscal year.
- Approved three administrative positions to be funded from existing resources in order to meet additional administrative workload associated with a 13 percent increase in agency workforce.
- Approved a reduction of \$614,000 in federal funds associated with the sunset of the Rural Domestic Violence and Child Victimization Program.
- Approved \$4.5 million in federal funds to complete six federally funded projects approved in the 2008 Public Safety Interoperability Communications Grant.
- Approved the merger of the budgets of the Office of Emergency Services and the Office of Homeland Security as required by AB 38 (Chapter 372, Statutes of 2008). The merger required an increase of \$5.8 million in Distributed Administration from existing appropriations.
- Approved \$1.9 million in federal fund authority for the development of preliminary plans for the construction of a southern regional facility.
- Approved \$603,000 in Federal Trust Fund authority from the national Oceanic and Atmospheric Administration for California's Tsunami Program.
- Approved \$1.1 million bond fund authority to administer the Transit System Safety, Security, and Disaster Response Account Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 to continue the administration of this grant program.
- Approved \$15.8 million in federal stimulus funds for the Victims of Crime Act and Violence Against Women Act funding for victim services.
- Approved increase of \$7.4 million in Federal Trust Fund authority to address the increased workload created by the projected increase in the ongoing Justice Assistance Grant (Byrne/JAG) program.
- Increased Governor's request for authority to spend one-time federal stimulus dollars for the Byrne/JAG to \$135 million in 2009-10. The Governor had proposed to spend the funds over two years. The Legislature further enacted budget bill language designating the specific programs for which funds were to be used.
- Approved trailer bill language that establishes that when funds for compensation for disaster service workers are temporarily unavailable for disbursement, the State Compensation Insurance Fund (SCIF) may provide compensation to, and benefits for, eligible claimants who have injuries that have previously either been accepted or found to be compensable by the Workers' Compensation Appeals Board.

0840 STATE CONTROLLER

- Deleted \$1 million GF for modular furniture replacement (Chapter 3, Statutes of 2009; SBX3 20). (See also budget bill language below.)
- Approved May Revise request for \$22.4 million (including \$7.2 million GF over and above the \$9.6 million GF contained in the 2009-10 budget adopted in February—see below; and \$15.2 million special fund contained in Control Section 25.25) and seven positions for re-procurement and continuation of the 21st Century Project. (See also budget bill language below.)
- Approved May Revise request to redistribute the (February) 2009 Budget Act Veto (see more below) and in order to restore \$987,000 GF. Amended Control Section 25.50 accordingly.
- Approved the Governor's Budget as proposed January 10, including:
 - \$9.6 million GF for the 21st Century Project;
 - \$2.1 million (special funds and reimbursements) for increased lease costs for SCO facilities in Rancho Cordova and Culver City;
 - \$2 million (reimbursements) to address payments workload volume increases and other contractual responsibilities;
 - \$1.6 million (reimbursements) and 12.6 two-year limited-term positions to provide the California Department of Transportation (Caltrans) with indirect cost allocation plans for local transportation agencies; and
 - \$1.2 million (Unclaimed Property Fund) for two years to address lawsuits filed against the SCO for its Unclaimed Property Program.
- In signing SBX3 1 (the 2009-10 budget adopted in February 2009), the Governor vetoed 10 percent of the SCO's personal services budget (across all items of appropriation, including \$4.7 million GF) in order to ensure equity with state employees in other departments receiving compensation reductions through furloughs, overtime reform, and elimination of two state holidays. At the time, the Controller refused to recognize the Governor's furlough authority over his employees.
- Approved May Revise request to increase reimbursement authority by \$772,000 and provide 7.4 three-year limited-term positions to perform audits for Caltrans and the California Department of Public Health.
- Approved April Finance Letter to recognize reduced savings as a result of new requirements for the Unclaimed Property System. Accordingly, reduced the State Controller's Office (SCO) budget by \$224,000 (Unclaimed Property Fund).

Budget Bill Language

1. Specified that no Controller funds could be used for modular furniture in order to supplant the above reduction.
2. Authorized budget adjustments (both GF and in various special and non government cost funds) to the 21st Century Project, consistent with the most recently approved Special Project Report, and pursuant to 30-day notification to the Legislature.

Trailer Bill Language

1. Adopted language to authorize discharge of a \$345,000 GF loan made by the state in 1986 to the Local Agency Self Insurance Authority because the agency was dissolved and there are no assets to pay back the loan.
2. Required, on a permanent basis, the State Controller to provide salaries for state workers paid through the Uniform State Payroll System, for the pay period ending June 30th, no sooner than July 1st. (See also Control Section 12.45.)

0845 DEPARTMENT OF INSURANCE

- Approved Governor's request to provide \$8.9 million (Insurance Fund) ongoing increase to District Attorneys (DAs) for workers' compensation fraud investigation workload increases.
- Approved Governor's request of one-time \$8.9 million (Insurance Fund) increase in local assistance to DA automobile insurance fraud investigation programs. Additionally, approved a \$2.2 million increase beginning in 2010-11 and ongoing.
- Approved Governor's request of one-time \$4.4 million (Insurance Fund) augmentation to fund workload increases in local DA Organized Automobile Fraud Activity Interdiction Program (Urban Grant Program). Additionally, approved a \$907,000 million increase beginning in 2010-11 and ongoing.
- Approved Governor's request of \$2.5 million (Insurance Fund) and 2 two-year limited-term positions to complete the second-year implementation of an enterprise electronic management "paperless" workflow system.
- **In signing SBX3 1 (the 2009-10 Budget adopted in February 2009), the Governor vetoed ten percent of all Department of Insurance appropriation authority (including the above), resulting in an overall reduction of \$17.4 million to state operations and \$6.6 million to**

local assistance. No subsequent restorations or augmentations were made in the amendments to the 2009-10 budget enacted in July 2009.

0850 STATE LOTTERY COMMISSION

Trailer Bill Language

1. Adopted technical clarifications (Chapter 8, Statutes of 2009; ABX3 12) to the lottery modernization trailer bill for the 2008-09 budget (Chapter 764, Statutes of 2008; AB 1654). Among other things, the language made clear that GF appropriated for K-12 education and community colleges under the lottery proposal would be in addition to the Proposition 98 minimum guarantee. ***The Lottery Modernization initiative (Proposition 1C) was subsequently defeated in the May 2009 special election.***

0890 SECRETARY OF STATE

- Approved Governor's request to increase expenditure authority by \$3.8 million (federal funds), consistent with the most recent Help America to Vote Act (HAVA) spending plan (which did not include funding for the HAVA VoteCal project).
- Approved Governor's request for \$2.8 million (federal funds) to implement the HAVA VoteCal project in anticipation of additional requests (pursuant to provisional language) following submission and approval of an updated Special Project Report containing costs for system integration, hardware, and software.
- **In signing SBX3 1 (the 2009-10 Budget adopted in February 2009), the Governor vetoed ten percent of the Secretary of State's personal services budget (including the above) in order to ensure equity with state employees in other departments receiving compensation reductions through furloughs, overtime reform, and elimination of two state holidays. At the time, the Secretary of State refused to recognize the Governor's furlough authority over her employees. The veto resulted in an overall reduction of \$3.4 million (including approximately \$1.3 million GF). No subsequent restorations or augmentations were made in the amendments to the 2009-10 budget enacted in July 2009.**

0911 CITIZENS REDISTRICTING INITIATIVE

- Approved Governor's request to provide \$3 million GF for costs associated with implementation of the Voters FIRST Act (Proposition 11).

Budget Bill Language

1. Adopted language making Voters FIRST Act funds available to the Citizens Redistricting Commission, the Secretary of State, and the Bureau of State Audits (BSA) for a three-year period (until the next round of redistricting is complete). Additionally, maintained the independence of the Auditor by specifying that the BSA must submit any request for funding to the Legislature who will then direct DOF to release the funds.

0950 STATE TREASURER'S OFFICE

- Approved most January Governor's budget proposals, including the following augmentations:
- Approved \$97,000 (\$36,000 General Fund) and one new position in the Securities Management Division to support three new program activities related to the payment of California Debt Service.
- Approved a net increase of \$93,000 (special fund) and one new position for the California Health Facilities Financing Authority to support new workload associated with Proposition 3 – the Childrens' Hospital Bond Act of 2008.
- Approved \$30,000 (special fund) for the California Debt and Investment Advisory Commission to meet the demand by local governments for services from the Commission. Participating local governments pay fees to fund the cost of the service.
- Approved \$360,000 (special fund) for two new positions for the California Tax Credit Allocation Committee to carry out federally-required compliance and monitoring activities.
- Approved \$517 million in federal stimulus funds for the California Tax Credit Allocation Committee for programs that stimulate the production of affordable rental housing for low-income families and households. An additional \$550 million was approved for 2008-09 through the Section Letter process. Approved an additional \$500,000 for the Committee's administrative costs. The Committee will work in cooperation with the Department of Housing and Community Development and the California Housing Finance Agency.
- **In signing SBX3 1 (the 2009-10 Budget adopted in February 2009), the Governor vetoed \$825,000 from the State Treasurer's Office budget to conform to his furlough proposal as it existed at that point in time.**

1100 CALIFORNIA SCIENCE CENTER

- Appropriated \$21.9 million GF for support of operations and programs within the jurisdiction of the California Science Center.
- Approved \$293,000 under Control Section 12.55, for the African American Museum.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

- Approved as budgeted.

1705 FAIR EMPLOYMENT AND HOUSING COMMISSION

- Approved as budgeted.

1760 DEPARTMENT OF GENERAL SERVICES

- Approved May Revise request to: (1) suspend \$5.4 million GF for Capitol repair projects for one year; and (2) shift Capitol Security Barrier System funding (\$1.2 million) from GF to special fund.
- Implemented technical budget adjustments to reflect the IT reorganization set forth in GRP No. 1, including transfer of the Telecommunications Division within the DGS and approximately \$200 million in spending authority (primarily special fund) to the OCIO (see also 0502).
- Approved Governor's request for \$2.3 million (special funds) for energy efficiency improvements within DGS-owned buildings in the Los Angeles Department of Water and Power (LADWP) service territory. The funds are part of a \$9.7 million settlement with the LADWP for capital fees overcharges.
- Denied Governor's request for \$5 million (Service Revolving Fund) for implementation of energy efficiency retrofit projects at twelve state-owned facilities. The proposed expenditures were to be supported by rents from building occupants, approximately 75 percent of which was to be paid out of the GF. The estimated 5-year payback period was deemed inadequate to justify additional GF expenditures in view of the state's fiscal crisis.
- Approved April Finance Letter to reappropriate unencumbered balances of 2008-09 appropriations for the Library and Courts Building renovation project (\$59.6 million) and the structural retrofit of the Hospital Building at Deuel Vocational Institution in Tracy (\$3.7 million). The projects were delayed when the state's 2008-09 cash crisis required suspension of disbursements from the Pooled Money Investment Account.

- Approved Governor's request for \$278,000 (special fund) and three positions to address increased green building standards workload stemming primarily from enactment of Chapter 719, Statutes of 2008 (SB 1473).
- Approved Governor's request for \$2.5 million (Service Revolving Fund) and six positions to manage and operate the new Central Heating and Cooling Plant which supports the climate control needs of 22 downtown buildings.
- Approved Governor's request for \$90,000 (Schools Facilities Fund) and one position for the Office of Public School Construction (OPSC) to address increased School Facilities Program (SPF) workload associated with Chapter 691, Statutes of 2007 (AB 1014). The bill provided districts with additional options to project student enrollment, which is used to establish eligibility under the SFP.
- Approved Governor's request for \$132,000 (School Facilities Fund) and one position to address increased OPSC accounting workload resulting from various school facility bond funding measures passed in recent years.
- Approved Governor's request for \$469,000 (School Facilities Fund) for the OPSC to hire the Department of Finance's Office of State Audits and Evaluation, to perform departmental bond oversight audits of the Kindergarten-University Public Education Facilities Bond Act of 2006 (Proposition 1D).
- Approved Governor's request to redirect savings from the Fleet Asset Management System to: (1) fund one new analyst position to ensure data integrity, data analysis, and ultimate success of the project; and (2) provide \$250,000 savings to the Service Revolving Fund.

1880 STATE PERSONNEL BOARD

- Approved 10.5 new positions (and no new funding) to replace contracted psychological screening services for peace officer applicants with state psychologists.
- Approved \$507,000 (reimbursement authority) and two positions to establish a court-ordered concurrent medical quality and disciplinary hearings unit for physicians employed by the California Department of Corrections and Rehabilitation.

1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- Adopted the budget approved by the Public Employees' Retirement Systems' (PERS) board.
- Rejected the Governor's proposal to achieve \$132 million GF savings through lower cost health care coverage by transferring contracting authority from PERS to a state department within the Executive Branch.
- See also 9650 and Control Section 3.55 for additional actions related to public retirement.

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Approved as budgeted, including the following augmentations:
- \$192,000 (Teachers' Retirement Fund—TRF) and three positions to address workload and improve efficiency in the Contract Services Office;
- One position (and no new funding) to replace consultant contracts in support of the Information Security Program;
- One position (with funding redirected from the elimination of contract consultants—see above) to support Legal Services workload;
- One position (with funding redirected from elimination of contract consultants—see above—as well as reduced contracts with the Attorney General and the Department of Personnel Administration) to represent the California State Teachers' Retirement System (STRS) in administrative hearings;
- \$10 million (TRF) for rent and operating expenses for the new headquarters in West Sacramento;
- \$1.2 million (TRF) for increased transaction costs associated with the State Controller's processing of STRS' monthly benefit payments;
- \$1.6 million (TRF) and nine positions in Investments Support to reduce risk and generate additional return to the investment portfolio;
- \$86,000 (TRF) and one position to provide vendor support and system administration for new IT systems designed to allow STRS to better serve its members;
- \$122,000 (TRF) and two positions to improve response time, reduce backlog, and increase customer satisfaction in the Correspondence Center;
- \$96,000 (TRF) and one position to serve as the Owner of the Master Calculator whose responsibility is the accuracy of all calculations in the Corporate Database; and
- \$61,000 (TRF) and one position to provide walk-in assistance and counseling to members who visit the front counter at the new headquarters.

1955 DEPARTMENT OF TECHNOLOGY SERVICES

- Approved as budgeted, including the following augmentations:
- \$4.3 million (Department of Technology Services (DTS) Revolving Fund) and one position to purchase and operate mainframe processing capacity in order to meet projected workload increases and upgrade software;

- \$7.2 million (DTS Revolving Fund) and four positions to purchase and operate midrange server capacity in order to meet customer-driven workloads;
- \$1.3 million (DTS Revolving Fund) to replace switches, routers, and network modules located at customer sites;
- \$3.8 million (DTS Revolving Fund) to purchase and upgrade existing enterprise data storage capacity and safeguard customer data in order to meet anticipated growth needs;
- \$353,000 (DTS Revolving Fund) and two positions to maintain compliance and certification with both the Payment Card Industry-Data Security Standard and the International Standards Organization; and
- \$743,000 (DTS Revolving Fund) for increased lease costs associated with consolidation of three existing leases into the new Administration Facility.
- Additionally, adopted the following reductions: (1) \$24.1 million to align appropriations with the ongoing costs of related projects; and (2) \$2.6 million (DTS Revolving Fund) stemming from lower lease costs associated with the relocation of Cannery and South Annex building operations.
- Implemented technical budget adjustments to reflect the IT reorganization set forth in GRP No. 1, including transfer of the DTS (henceforth to be known as the Office of Technology Services) and approximately \$240 million in spending authority (DTS Revolving Fund) to the OCIO (see also 0502).

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

- Approved as budgeted, including the following:
- Approved an administration request to increase fees by 3.49 percent, which ties to the Consumer Price Index (CPI) inflation from April 2007 to April 2008.
- Approved one-time funding of \$736,000 (special fund) to replace a portion of the department's laptop computers and other computing equipment.
- Approved \$169,000 (special fund) and one new attorney position. This new General Counsel position will act as a separate high-level legal advisor to the Director for enforcement cases where other departmental staff act as prosecuting attorneys. This new structure complies with the requirements of a recent California Supreme Court ruling.
- Approved \$331,000 (special fund) to adjust the department's budget for higher rental costs for some relocated office facilities.
- Approved \$71,000 (special fund) and one new position to address the new workload associated with Assembly Bill 2293 (Chapter 638, Statutes of 2008, DeLeon). AB 2293 established an

allowance for specific distilled spirits and wine suppliers to host events at which such suppliers may provide alcoholic beverages, food, and entertainment, free of charge, to invited consumers.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Approved as budgeted, including \$546,000 (special fund) and four new positions to address the higher bank examination workload that is resulting from the economy and an increase in the number of banks in less-than-satisfactory condition.

2180 DEPARTMENT OF CORPORATIONS

- Approved as budgeted, including \$632,000 (special funds) in 2009-10 (a total of \$7.6 million over three years) and seven limited-term positions to replace the department's information technology (IT) system. This new system would partially address shortcomings outlined in a January 2007 Bureau of State Audits report. The current IT system is incapable of integrating its various licensing, examination, complaint, and other reporting systems.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Approved Governor's proposed baseline Proposition 1C (Housing and Emergency Shelter Trust Fund Act of 2006—Prop 1C) bond funding for the following bond categories that are budgeted directly in the Department of Housing and Community Development's (HCD'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.
 - \$61 million for the Affordable Housing Innovation Fund.
 - \$83 million for Supportive Housing.
 - \$19 million for Homeless Youths.
 - \$31 million for Serna Farmworker Loans/Grants.
 - \$27 million for Emergency Housing Assistance.
 - \$190 million for Infill Incentive Grants.
 - \$34 million for Transit-Oriented Development
 - \$10 million for Housing Urban-Suburban-Rural Parks.
- Restored \$231,000 in Employee Housing Program reimbursement authority originally deleted in the Governor's Budget and augmented that amount by an additional \$241,000. Denied the Governor's request to eliminate the HCD/state responsibility for employee housing inspections, and instead adopted trailer bill language (see below) to generate an estimated \$472,000 annually in order for the HCD to maintain 3.5 positions and conduct inspections of at least 25 percent of

all state-supervised employee housing. (Historically, HCD inspected approximately 75 percent of all state-supervised employee housing annually, but the Governor's 2008-09 budget veto deleted \$761,000 GF support for the program.)

- Approved May Revise request for \$500,000 (reimbursement authority) to underwrite and provide loan origination services for the Tax Credit Assistance Program administered by the Tax Allocation Credit Committee (see also 0950).
- Approved April Finance Letter request for \$55.2 million (ARRA funds), including \$10.7 million for the Community Development Block Grant Program, and \$44.5 million for a Homeless Prevention and Rapid Re-Housing Program. Directed the Administration to submit notification to the Legislature via the Control Section 28.00 process when the federal government issues guidelines and the HCD has a detailed spending plan for approximately \$74 million the state expects to receive for the Neighborhood Stabilization Program.
- Approved April Finance Letter request for reappropriation of \$335 million Prop 1C funding. Expenditure of funding approved in the 2008-09 budget for the Infill Incentive Grant Program (Infill), the Transit-Oriented Development Program (TOD), and the Building Equity and Growth in Neighborhoods Program (BEGIN) was delayed when the state's 2008-09 cash crisis required suspension of disbursements from the Pooled Money Investment Account. Consistent with original appropriations, the HCD requested and was provided with a five-year liquidation period for the reappropriated funds which are as follows: Infill – \$200 million; TOD – \$95 million; BEGIN – \$40 million.
- Approved \$1.8 million in additional local assistance expenditure authority for rehabilitation and repair of Office of Migrant Services migrant centers. In late August 2008, the HCD was awarded \$3.6 million by the United State Department of Agriculture's Rural Development Agency for the above purposes, but this amount exceeded the \$1.8 million in authority originally contained in the HCD budget, thus requiring an augmentation.
- Approved Governor's request for trailer bill language (see below) and the following budget adjustments affecting oversight of the mobilehome parks and the manufactured housing/mobilehome industry: (1) a \$4.1 million and 18.6 position reduction to programs supported by the Mobilehome-Manufactured Home Revolving Fund (Mobilehome Fund), including the Factory-Built Housing Program, the Manufactured Housing Program, the Occupational Licensing Program, and the Registration and Titling Program; and (2) a \$0.1 million and 3.4 position reduction to the Mobilehome and Special Occupancy Parks Program supported by the Mobilehome Park Revolving Fund (Park Fund). Additionally, approved the following loans to ensure near-term solvency of funds impacted by the downturn in the economy: (1) \$2.1 million from the Mobilehome Park Purchase Fund (Purchase Fund) to the Mobilehome Fund; and (2) \$0.9 million from the Purchase Fund to the Park Fund.
- Approved Governor's request for \$222,000 (Building Standards Administration Special Revolving Fund) and two positions to develop and enhance the California Green Building Standards Code.

- Approved Governor's request for \$1 million (federal funds) and ten positions to administer the federal Neighborhood Stabilization Program.

Trailer Bill Language

1. Set minimum employee housing program fee levels, including \$200 for the permit to operate employee housing and \$27 for each bed/lot/site. Additionally, exempted the HCD through June 30, 2012, from current requirements to provide an annual employee housing report to the Legislature.
2. Increased the registration fee for manufactured housing, mobilehomes, and commercial modulars from \$11 to \$23; the permit-to-operate fee for mobilehome parks from \$25 to \$140; and the per-lot fee in mobilehome parks from \$2 to \$7.

2260 CALIFORNIA HOUSING FINANCE AUTHORITY

Trailer Bill Language

1. Authorized the California Housing and Finance Agency (CalHFA) to permit the down payment assistance loan to be subordinated to refinancing (refinancing may take place prior to loan repayment), if CalHFA determines the borrower has demonstrated hardship and is at risk of foreclosure.

2310 OFFICE OF REAL ESTATE APPRAISERS

- Approved as budgeted, including Governor's request for \$615,000 (special fund) and five positions to address enforcement program workload growth and complete licensee enforcement investigations within the 12-month timeframe specified in federal regulations.

2320 DEPARTMENT OF REAL ESTATE

- Denied Governor's request for \$1 million (special fund) to relocate and consolidate the Department of Real Estate's (DRE) downtown headquarters and examination center.
- Provided a \$500,000 loan from the Real Estate Fund to the Foreclosure Consultants Regulation Fund.

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved as budgeted, including the following augmentations:
 - Approved \$355,000 (special fund) and three positions to address workload associated with the licensing of discount health plans for the Office of Health Plan Oversight.
 - Approved \$427,000 (special fund) and four positions to address the increase in consumer complaints, requests for regulatory assistance, and Independent Medical Reviews.
 - Approved \$1.4 million (special fund) to support four new positions and to fund a \$934,000 external contract. The positions will support increased audit and investigations, and licensing review, to ensure equitable health care to individuals with mental health conditions and Autism Spectrum Disorders. The contract will assist with non-routine surveys of health plans.
 - Approved \$465,000 (special fund) and three positions to address the increased enforcement legal workload.
 - Approved \$553,000 and five positions to review the provider contract terminations to ensure California consumers have access to adequate provider networks for their health care.

8260 CALIFORNIA ARTS COUNCIL

- Appropriated \$1.1 million GF for support of the Arts Council.

8320 PUBLIC EMPLOYEE RELATIONS BOARD

- Approved as budgeted.

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Deleted \$14.6 million GF from the Rural Health Care Equity Program (RHCEP), and adopted trailer bill language to eliminate the program (see below).
- Approved the Governor's request for \$193,000 (special fund and reimbursements) and two positions to provide employer training and consulting for the state's 401(k) and 457 Defined Contribution Plans, the Part-Time, Seasonal, and Temporary Employees Retirement Program, and the Alternate Retirement Program.
- Approved the Governor's request for \$845,000 (special fund) to fund increased costs to the Third Party Administrator for providing recordkeeping and trustee services to the state's 457 and 401(k) Defined Contribution Plans.
- Approved the Governor's request for \$186,000 GF and two positions to address increased workload associated with grievances and arbitrations for the Department of Corrections and Rehabilitation.

Trailer Bill Language

1. Effective July 1, 2009, eliminated the RHCEP for all bargaining units (BU) except BU 5 (CHP Officers), which is currently under contract until July 2, 2010. Eliminated the RHCEP for BU 5 upon expiration of the current contract.

8420 STATE COMPENSATION INSURANCE FUND

- Approved sale of a portion of the State Compensation Insurance Fund's "book of business" (see below). Scored \$1 billion GF revenue.

Trailer Bill Language

1. Authorized the Director of Finance, in consultation with the State Treasurer, to sell assets, as deemed appropriate by the SCIF Board of Directors, so as to: (1) obtain the highest price or maximum value for the state; (2) assure the greatest security for the payment of the purchase price; and (3) provide for the continued satisfactory performance of the workers' compensation insurance services offered for sale or other disposition.

8500 BOARD OF CHIROPRACTIC EXAMINERS

- Appropriated \$3.95 million from State Board of Chiropractic Examiners Fund for support of the board.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Approved as budgeted.

8640 POLITICAL REFORM ACT OF 1974

- Approved as budgeted.

8780 MILTON MARKS "LITTLE HOOVER" COMMISSION

- Appropriated \$946,000 GF for support of the commission.

8820 COMMISSION ON THE STATUS OF WOMEN

- Appropriated \$489,000 for support of the commission.

8855 BUREAU OF STATE AUDITS

- Approved \$1.6 million GF loan (to be repaid within the fiscal year) to support the Bureau of State Audits' (BSA) ARRA oversight efforts. The BSA anticipates receiving reimbursement from ARRA funds for these activities, but final clarification from the federal government was not available at the time of budget enactment. (See also Control Section 8.55 below).
- Reduced the BSA budget by \$514,000 GF (five percent). (Note: This reduction appears in Control Section 13.10 of the Budget Act of 2009.)

8860 DEPARTMENT OF FINANCE

- Appropriated \$19.4 million GF for support of the department.
- Approved one position and \$182,000 in reimbursement authority to address the increased workload associated with the upcoming 2010 census.

Trailer Bill Language

1. Required the Director of Finance to report to the Legislature on the Financial Information System for California (FI\$Cal) fit-gap analysis before executing the contract for the project's prime vendor.

Budget Bill Language

1. Provided direction on the expenditure of \$4.1 million in GF loan to insure compliance with federal AARA; the loan to be repaid with a like amount of federal funds. Also see Control Section 8.55.

8885 COMMISSION ON STATE MANDATES

- Approved a proposal to defer payment of \$75 million GF for old mandate claims (pre-July 2004 claims) in 2009-10.
- Suspended additional mandates that were not already suspended in the January Governor's Budget to achieve new 2009-10 GF savings of \$70.6 million. Generally, all reimbursable state mandates on local governments were suspended *except* those in the following categories:
 - Law enforcement and crime victim rights mandates.

- Voting procedure mandates (to maintain necessary uniformity across the state).
- Property tax administration mandates (to maintain necessary fiscal information).
- Medi-Cal beneficiary death notices (due to greater savings from fraud prevention).
- Brown Act / open meetings mandate (to maintain transparency and access to government).

The 2009-10 GF cost of those mandates left in force is \$76.4 million.

Budget Bill Language

1. Adopted language requiring the Department of Finance to consult with the California State Association of Counties concerning election-related mandates and to develop revised or simplified mandate reimbursement processes. The 2009-10 GF payment of election-related mandates is deferred until June 1, 2010, unless the above parties agree on an improved process. A report is due to the Legislature by October 1, 2009.
2. Adopted language requiring the Department of Finance and the Department of Justice to review the mandates funded under this item related to domestic violence and rape counseling. The above parties will submit a report to the Legislature by January 1, 2010, with recommendations regarding consolidating the mandated requirements, coordinating the mandated requirements with voter-approved measures, and, if appropriate, reallocating funding for these mandates to victims' assistance programs.
3. Adopted language requiring the Department of Finance to review the reimbursement process mandate and report to the Legislature by April 1, 2010, with recommendations for simplifying this process and reducing costs.

Trailer Bill Language

1. Authorized local fire authorities or the State Fire Marshall to charge fees adequate to cover their costs for pre-inspection of prospective community care facilities. This language will save the State about \$700,000 annually in GF costs (included in the above savings numbers).
2. Revised victim notification requirements to be consistent with the requirements of the voter-approved initiative Victims' Bill of Rights Act of 2008: Marsy's Law. Mandates imposed by voter-approved measures do not require state reimbursement. This language will save the State about \$580,000 in GF costs (included in the above

savings numbers).

3. Required the Director of Finance to identify those provisions of state law regarding sexually violent predators that are necessary to implement Jessica's Law (Proposition 83 of 2006). Sexually violent predators mandates were fully funded at \$17.2 million GF in this budget; however, some of the mandates associated with Jessica's Law would not require state reimbursement. The report will provide information for further discussion next year.
4. Explicitly recognized that the previous requirement for a 72-hour holding period for dogs and cats in animal shelters remains in effect during the suspension of the Animal Adoption Mandate. The suspension of the mandate saves \$24.6 million GF (included in the above savings numbers).

8910 OFFICE OF ADMINISTRATIVE LAW

- Approved as budgeted.

8940 MILITARY DEPARTMENT

- Approved \$1.8 million GF and two positions for the half-year costs of a new California National Guard Education Assistance Award Program (see below for trailer bill language).
- Denied \$1 million GF and eight positions to establish a full-time Service Member Care Team, and approved \$451,000 (Proposition 63 Mental Health Service Act Fund) and three positions to develop a county-based mental health services liaison pilot program.
- Denied Governor's request for \$2.3 million (special fund) for aerial firefighting equipment in support of the proposed Emergency Response Initiative.
- Denied Governor's request for \$2.8 million (\$1.2 million GF; and \$1.6 million federal funds) for capital outlay projects including: (1) latrine renovations; (2) kitchen renovations; and (3) advance plans and studies.
- Approved ongoing reimbursement authority of \$7.5 million and eight limited-terms positions (including extension of seven expiring limited-term positions originally established in 2006-07) for the Military Department (CMD) to continue to provide the necessary personnel to the Governor's Office of Homeland Security (OHS) for management of the statewide terrorism training and exercise programs for weapons of mass destruction. The amount requested will also fund 25 continuing CMD positions at OHS

- Approved Governor's request for \$500,000 (federal funds) and three positions to meet planning and management requirements for civil support planning/operations of emergency response capabilities in support of civil authorities during emergency events.
- Approved Governor's request for \$1.4 million (\$816,000 federal funds; and \$600,000 reimbursement authority) and ten positions to enable the CNG's two Youth Challenge Programs to annually host 50 Nevada high school drop outs each (100 total).
- Approved Governor's request for \$66,000 (\$49,500 federal funds; \$16,500 GF) and one position to staff the new Sacramento Readiness Center and Field Maintenance Shop.
- Approved Governor's request for \$90,000 (50 percent federal funds; 50 percent GF) and one position to support the new Consolidated Dining Facility at Camp San Luis Obispo.

Trailer Bill Language

1. Established the California National Guard (CNG) Education Assistance Award Program, under the administration of the Student Aid Commission, to provide qualifying members of the CNG, State Military Reserve, and the Naval Militia with financial assistance in pursuing higher education.

9100 TAX RELIEF

- Fully funded the constitutionally-required transfer of \$445 million GF to local governments to backfill for the homeowner property tax exemption on the first \$7,000 of the assessed value of their principal place of residence.
- Continued the suspension of the Senior Citizen Renters' Tax Assistance Program for GF savings of about \$150 million. For 2008-09, the Legislature had cut the program by ten percent, but the Governor vetoed all funding. This year, the Governor proposed to again suspend all program funding and that was adopted for 2009-10.
- Continued the suspension of the Senior Citizen Property Tax Deferral Program for GF savings of about \$26 million. For 2008-09, the Legislature had cut the program by ten percent, but the Governor vetoed all funding. This year, the Governor proposed to again suspend all program funding and that was adopted for 2009-10.
- Continued the suspension of the Senior Citizens' Property Tax Assistance Program for GF savings of about \$41 million. For 2008-09, the Legislature had cut the program by ten percent, but the Governor vetoed all funding. This year, the Governor proposed to again suspend all program funding and that was adopted for 2009-10.
- Approved a 20 percent GF cut to Subventions for Open Space / Williamson Act grants, which resulted in 2009-10 funding of \$27.8 million. This is in addition to a ten percent reduction implemented in 2008-09. *The Governor vetoed funding down to \$1,000 for William Act*

grants. Funding was set at \$1,000 to create an in lieu appropriation to the continuous appropriation in statute.

9210 LOCAL GOVERNMENT FINANCING

- Approved funding of \$5.3 million GF for disaster relief assistance associated with reimbursement to local taxing authorities for property tax revenue losses pursuant to Chapter 386, Statutes of 2008.
- Approved funding of \$500,000 GF for special subventions to redevelopment agencies (RDAs). This funding is allocated by the Controller to RDAs who lost revenue in the 1980s when the State eliminated personal property tax supplemental subventions, and who would otherwise not be able to meet debt service obligations funded by personal property tax supplemental subventions.

Trailer Bill Language

1. Suspended Proposition 1A of 2004. This Governor's proposal borrows \$1.9 billion, or eight percent of property tax revenues of cities, counties, and special districts, under the specifications of Proposition 1A. Pursuant to constitutional requirements, the loan must be fully repaid with interest within three years. However, the implementing legislation authorizes a joint powers authority to facilitate local government bonding against the state's repayment promise. The State will fund the costs of bond issuance, and if the bonding occurs on the anticipated timeline, locals will see no revenue impact from the suspension. (ABX4 14, Chapter 13; ABX4 15, Chapter 14; and SB 67, Chapter 634 – all Statutes of 2009)
2. Shifted \$1.7 billion in Redevelopment Agency (RDA) funds to the new Supplemental Education Revenue Augmentation Fund (SERAF) in 2009-10 to benefit the GF. An additional \$350 million is shifted in 2010-11. To help fund the shift, RDAs may borrow from their Low and Moderate Income Housing Fund, but the loan must be fully repaid within five years. A RDA that pays its full shift amount gets a one-year extension of its time limits, which will provide addition revenue to RDAs beyond the amount of the shift. A RDA that fails to pay its full shift amount must increase its set-aside for the Low and Moderate Income Housing Fund by five percent. (ABX4 26, Chapter 21; and SB 68 – both Statutes of 2009)
3. Eliminated \$503 million in General Fund support for various criminal justice local assistance programs and backfilled program funding on a two-year basis from an increase in the Vehicle License

Fee (VLF). Programs receiving funding from the VLF instead of the General Fund are the following: Citizens' Option for Public Safety (COPS); Juvenile Justice Crime Prevention Act grants; Booking Fees; Small and Rural Sheriffs grants; Juvenile Probation Funding; Juvenile Camp Funding; Cal-MMET; Vertical Prosecution Block Grants; Evidentiary Medical Training; Public Prosecutors and Public Defenders funding; the California Gang Violence Suppression Program; the Multi-Agency Gang Enforcement Consortium; the Rural Crime Prevention program; the Sexual Assault Felony Enforcement program; and the High Technology Theft Apprehension and Prosecution Program. (SBX4 8, Chapter 4, Statutes of 2009)

4. Redefined the tax increment limit for Glendora Community Redevelopment Agency, Project Area Number 3, and established a formula for increasing that limit on an annual basis. (SBX4 8, Chapter 4, Statutes of 2009)
5. Authorized a qualifying county to shift from that county's Educational Revenue Augmentation Fund (ERAF) to the county, an amount of \$35 million in both 2009-10 and 2010-11, and \$50 million in 2011-12 and thereafter. The state General Fund would backfill education for this shift. A qualified county is defined as a county that, of all the counties in the state, was allocated the lowest percentage of countywide ad valorem property tax revenue for 2006-07. The county that meets that criterion is Orange County. (SBX4 8, Chapter 4, Statutes of 2009).

9350 SHARED REVENUES

- Approved \$700 million in Proposition 1B of 2006 bond funds for cities and counties to invest in local streets and roads. Of this amount, \$258 million goes to cities and \$442 million goes to counties. Additional information on Proposition 1B funding is included in the Department of Transportation summary.

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

- Approved funding of \$4.8 billion GF for 2009-10 General Obligation (GO) bond debt service. In addition to the GF, GO debt service is funded from mass transportation funds (\$254 million), federal-stimulus Build America Bond interest subsidy payments (\$126.1 million), and funds received from county offices of education for state programs (\$120 million - this is related to the Proposition 1A of 2004 suspension).

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved funding of \$1.3 billion GF for the 2009-10 cost of health and dental benefits provided to annuitants. However, recognized health care rate and enrollment figures adopted by the PERS board in June 2009 that will result in costs of only \$1.2 billion. As a result, scored \$60.8 million GF savings to be achieved via executive order by the Governor (i.e., the savings does not appear in the final 2009-10 budget). (Note, over \$500 million of the GF cost in Item 9650 is recovered from special funds and federal funds through the pro-rata / SWCAP process.)

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved May Revision adjustments to the original cost estimates for this item, including \$3.8 million GF reduction to original appropriation level (\$44.5 million) adopted in the February-approved 2009-10 budget. *The Governor vetoed \$25 million GF and ordered affected departments (who would have received funding from this item for increased employee compensation costs) to absorb the costs through redirection of existing resources.*
- Scored \$16.1 million GF savings to reflect health care rate and enrollment figures adopted by CalPERS in June 2009. Savings are not reflected in the final 2009-10 budget, but will be achieved via executive order by the Governor.

9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIES

- Approved funding for contingencies at \$44.1 million GF – this was the level requested by the Governor. The Governor vetoed funding down to \$20.1 million. The veto message indicated a desire to create a reasonable reserve and that the reduced funding level is consistent with the amount of unanticipated expenses funded by this Item in the previous fiscal year.

CONTROL SECTIONS

3.55 PREFERRED PROVIDER ORGANIZATION PREMIUM REBATE

- Scored \$100 million GF savings based on the PERS board decision to recognize “excess reserves” and provide a Preferred Provider Organization rebate (equivalent to a two-month payment holiday).

3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- Adopted revised rates for the six retirement classes, in light of the PERS board adoption of new rates in June 2009. Although the board recognized total state retirement contributions of \$3.3 billion in 2009-10, the budget is based on a slightly lower estimate (approximately \$3.1 billion, including \$1.8 billion GF) due to the three-day furlough ordered by the Governor (equivalent to a 13.85 percent employee compensation reduction) and an overall reduction in the state workforce.

3.90 EMPLOYEE COMPENSATION REDUCTIONS

- Reduced each item of appropriation in the 2009-10 budget, except those items for the California State University, the University of California, Hastings College of Law, the Bureau of State Audits the Legislature (including the Legislative Council Bureau), and the judicial branch, to reflect a reduction in employee compensation achieved through the collective bargaining process for represented employees or through existing administration authority (e.g., furloughs) and a proportionate reduction for nonrepresented employees (utilizing existing authority of the administration to adjust compensation for nonrepresented employees) in the total amounts of \$1.5 billion from GF items and \$973 million from items relating to other funds. Authorized the Director of Finance to allocate the reductions to each item of appropriation as necessary.

4.04 DELETE PRICE INCREASE

- Adopted budget control section to delete the Governor’s proposal to augment all Executive Branch budgets by 3.2 percent for inflation. Scored \$136 million GF savings.

4.30 LEASE REVENUE BOND DEBT SERVICE ADJUSTMENTS

- Adopted Governor’s May Revise proposal to decrease GF expenditures by \$51.4 million (and

other fund expenditures by \$31.8 million) to reflect revised debt service payments on lease revenue funded construction projects. A portion of the savings resulted from identification of certain excess construction funds that can be used to pay debt service.

4.85 TRANSFER BOND PROCEEDS TO GENERAL FUND

- Approved May Revision request to adopt new control section to allow transfer to the GF of energy-related bond proceeds for which authorization has expired. Scored \$12.5 million GF revenue.

8.25 FEDERAL ECONOMIC STIMULUS FUNDS THAT OFFSET GENERAL FUND

- Authorized the Director of Finance, notwithstanding Control Section 28.00, but with 30-day notice to the Legislature, to: (1) authorize expenditure of federal stimulus funds received in either the 2008-09 or 2009-10 fiscal year that offset GF expenditures otherwise authorized in the budget; and (2) reduce, by a like amount, any GF items of appropriation due to receipt of federal funds as described above.

8.30 RESTORE GF ITEMS IF DISCRETIONARY FEDERAL FUNDS AVAILABLE

- Required restoration of specified budget items, if the amount of discretionary federal stimulus funding pursuant to Government Code Section 99030 is sufficient to offset GF expenditures.

8.52 FEDERAL FUNDS THAT OFFSET ANY FUNDS

- Authorized the Director of Finance, with 30-day notice to the Legislature and subject to the provisions of Control Section 28.00, to: (1) reduce items of appropriation upon receipt or expenditure of federal funds in lieu of the amount appropriated for the same purpose; and (2) make allocations for the purpose of offsetting expenditures (with each allocation applied as a negative expenditure to the appropriation where the expenditure is charged).

8.55 AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OVERSIGHT

- Identified the Bureau of State Audits (BSA) as the central, independent auditing and oversight agency required under various provisions of ARRA and provided a funding mechanism to support the BSA in this capacity. Additionally, recognized the role of various state agencies in ARRA coordination and administration activities and provided a funding mechanism to support the Administration in this capacity. Specifically, authorized cash flow loans of \$1.6 million GF and \$4.1 million GF to the BSA and the Department of Finance, respectively, to begin ARRA

activities with the expectation that the loans will be repaid when the federal government clarifies guidance for the use of ARRA funds to reimburse states for their administration, oversight, and audit costs. Additionally, provided for release of additional amounts to the BSA and the Administration subject to various criteria, including submission to the Legislature of detailed spending plans.

8.88 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA (FI\$CAL)

- Denied Governor's request for a new control section granting the Director of Finance broad authority to establish positions and increase reimbursement authority for FI\$Cal's partner organizations.

Trailer Bill Language

1. Required the Director of Finance to report to the Legislature on the Financial Information System for California (FI\$Cal) fit-gap analysis before executing the contract for the project's prime vendor.

12.45 PAYROLL ACCOUNTING METHODOLOGY ADJUSTMENT

- Authorized the Director of Finance to reduce items of appropriation to conform to new accounting method in which state employee salaries for June 30 are paid no earlier than July 1 (in the subsequent fiscal year). Scored one-time GF savings of \$860 million. (See also 0840 above.)

13.25 REORGANIZATIONS AND CONSOLIDATIONS REDUCTIONS

- Authorized the Director of Finance to reduce any item of appropriation to reflect reorganizations and consolidations of departments or functions of departments approved by the Legislature. Scored \$50 million GF savings, including \$25 million associated with the IT consolidation pursuant to GRP No. 1 (see also Control Section 15.30 below).

15.30 INFORMATION TECHNOLOGY SAVINGS

- Authorized the Director of Finance to reduce items of appropriation by at least \$100 million GF to reflect IT and related savings achieved by state agencies as identified by the State Chief Information Officer pursuant to GRP No. 1 (see also 0502 and Control Section 13.25 above).

15.45 PROPOSITION 1A SUSPENSION / REDEVELOPMENT SHIFT

- Authorized the Controller to offset GF expenditures with any funds received from county offices of education (about \$3.6 billion) for state program costs under the provisions of the Proposition 1A suspension and the Redevelopment Agency fund shift (these are also discussed above in Budget Item 9210).

28.00 PROGRAM CHANGE NOTIFICATION

- Adopted amendments to identify any federal funds received as a result of federal legislation enacted after January 1, 2009, as unanticipated for the purposes of this section.

35.50 BUDGET STABILIZATION ACCOUNT

- Via Executive Order S-07-09, dated May 29, 2009, the Governor suspended the September 30, 2009, transfer from the General Fund to the Budget Stabilization Account (BSA). Absent this suspension, \$2.8 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.

CORRECTIONS AND REHABILITATION

5225 Department of Corrections and Rehabilitation

Corrections Reform Highlights

- Rejected Governor's January proposals to (1) directly discharge (no parole) all inmates released from prison who have no current or prior serious, violent, or sex offenses, (2) allow certain inmates to earn additional credits that would reduce the time they would otherwise serve in prison, and (3) update property crime thresholds for inflation. These proposals, including some additional ancillary savings and costs associated with implementing these changes, would have saved the state \$598 million GF in 2009-10.
- Approved net budget reductions totaling \$1.2 billion in CDCR from various corrections reforms. (This total includes implementation of \$400 million vetoed from the department's budget within the state budget approved in February.) The changes resulting in this budget reduction are described below.
- Approved reduction of \$179 million GF by putting parolees who have no current or prior serious, violent, or sex offenses and who are not evaluated as high risk to reoffend on banked caseloads.
- Approved increase of \$72.9 million GF for increased supervision of higher risk parolees, including reducing general parole agent caseloads from 70 parolees to 45 parolees, adding 1,000 GPS units in the field to enhance supervision, and expand parolee apprehension teams that search for parole absconders.
- Approved reduction of \$42.1 million GF by allowing inmates to earn additional credits that would reduce the time they would otherwise serve in prison. Most of the savings would result from two specific changes: (1) allowing many inmates to earn the same level of credits while in local jails, awaiting transfer to state prison, that they can already earn in state prison (one day of credit for each day served) and (2) allowing many inmates to earn additional credits for completing rehabilitation programs, including academic or vocational education and substance abuse treatment.
- Approved reduction of \$34.2 million GF from updating the dollar value thresholds for various property crimes, such as grand theft, for inflation.
- Approved Governor's proposal to reduce \$182.1 million GF to commute the sentences of inmates serving time in state prison but who have been identified by the Federal government for deportation. Also approved reduction of \$6.8 million GF to remove deported parolees from parole agent caseloads.

- Approved trailer bill language to implement the California Community Corrections Incentives Act of 2009 which is designed to provide greater resources to counties for the successful supervision and rehabilitation of probationers. Approved reduction of \$30 million GF associated with an anticipated reduction in the number of probationers sent to prison.
- Approved trailer bill language to implement reentry courts designed to provide parole violators with substance abuse problems or mental illness with greater supervision and treatment in the community rather than returning them to prison. Approved reduction of \$10 million GF associated with an anticipated reduction in the number of parolees sent to prison.
- Approved reduction of \$16.2 million GF from expanding the use of GPS technology to supervise parole violators instead of sending them back to prison.
- Approved unallocated budget reductions totaling \$115 million GF. The Governor proposed that \$15 million of these savings would come from position reductions in headquarters. At least an additional \$20 million of the savings is to come from headquarters operations.
- Rejected the Governor's proposal to change all "wobblers" – crimes that can be prosecuted as felonies or misdemeanors – to misdemeanors. This proposal would have saved \$99.9 million GF in 2009-10. These estimated savings were included in the total reduction to CDCR's budget. However, enacting trailer bill language was not approved.
- Rejected the Governor's proposal to allow the Secretary of CDCR to place specified inmates on alternative custody in the community before the conclusion of their prison term. Under this proposal, specified inmates who had less than 12 months to serve, were elderly, or who were medically infirm could be placed onto parole supervision early and would be supervised with GPS technology. This proposal would have saved \$120.5 million GF in 2009-10. These estimated savings were included in the total reduction to CDCR's budget. However, enacting trailer bill language was not approved.
- Approved net reduction of \$157.2 million GF from various ancillary savings and additional costs associated with implementing the above corrections reforms. This includes savings from reduced usage of local jails to house parole violators, cuts to inmate and parolee programs, a reduction in the hiring and training of new officers, and the one-time elimination of the department's special repairs budget.

Adult Population Highlights

- Approved reduction of \$57.9 million GF to support the projected decline in the adult inmate and parolee population for 2009-10. These reductions also reflect rejections of the Governor's population-based budget adjustments to increase spending related to administrative segregation, parole revocation hearings, and a cost of living increase provided to local jails for the costs of housing state parole violators.

- Approved budget bill language requiring the department to continue its efforts to revise its methodology for developing its population budget request for caseload-related funding in order to create a more accurate and transparent process.

Juvenile Justice Highlights

- Approved total reductions of \$31.5 million GF to reflect the reduction of department positions and contracts, reflecting the reduction in the state ward population.
- Approved budget bill language that allows the department, upon notification of the Joint Legislative Budget Committee, to reduce its budget in 2009-10 related to implementing reforms to the Division of Juvenile Justice.
- Approved trailer bill language establishing annual county reporting requirements on the expected uses of Youthful Offender Block Grant funds provided by the state, as well as the outcomes associated with those uses.
- Approved trailer bill language specifying that Youthful Offender Block Grant funds will be provided to counties on a quarterly basis, rather than in a single annual payment.

Rehabilitation Program Highlights

- Rejected the Governor's proposal to assess a "nickel-a-drink" excise tax on alcoholic beverages and use a share of the projected revenues – \$219 million GF – to offset existing state spending on inmate and parolee substance abuse treatment programs.
- Approved reduction of \$175 million GF from inmate and parolee rehabilitation programs.
- Approved budget bill language requiring that in the process of enacting budget cuts to rehabilitation programs, the department prioritize the preservation of those programs with evidence demonstrating their effectiveness at reducing recidivism, as well as other factors. The budget bill language further requires CDCR to report to the Legislature twice during the year on its progress identifying and implementing program cuts.
- Approved \$3.3 million GF for the ongoing implementation of risk and needs assessments of all state inmates.
- Approved \$631,000 for transportation costs associated with the expansion of Female Rehabilitative Community Correctional Center beds.
- Approved proposal to realign CDCR's existing funding authority for various inmate and parolee rehabilitation programs funded as part of the Recidivism Reduction Strategies proposals of past years to be consistent with adjustments made through previous notifications of changes made to the Joint Legislative Budget Committee.

Inmate Health Care Highlights

- Approved an unallocated reduction of \$180 million GF reducing the department's inmate health care budget by ten percent.
- Approved a reduction of \$50 million GF based on the enactment of maximum allowable reimbursement rates for health care services provided to inmates outside of prisons. The maximum allowable rates are specified in trailer bill language and vary depending on the type of health care service and whether the service is provided by an entity under contract with CDCR.
- Approved \$1 million GF from the conversion of 12 limited-term positions to permanent positions to continue in department recruitment efforts to fill vacancies in CDCR's inmate dental and mental health programs in accordance with the *Perez v. Schwarzenegger* and *Coleman v. Schwarzenegger* lawsuits.
- Approved \$13.3 million to convert 134 positions from limited-term to permanent in order to permanently staff two mental health crisis bed units at the California Medical Facility (CMF) in Vacaville in accordance with the *Coleman v. Schwarzenegger* lawsuit.
- Approved \$4.6 million for additional staffing at the mental health crisis bed facility at CMF.
- Approved \$3.6 million to staff the mental health crisis bed unit at San Quentin State Prison.

Other Highlights

- Rejected Governor's proposal for \$35.7 million GF for costs associated with correctional officer overtime.
- Approved budget bill language requiring the department to report to the Legislature on the causes of high correctional officer overtime costs, as well as a plan for how CDCR would control those costs in the future. ***The Governor vetoed this provisional language citing additional workload on the department. However, the Governor's veto message also specifies that his instructions to the department to comply with the language to the extent their existing resources permit.***
- Approved redirection of \$5.6 million in existing resources within CDCR for the ongoing development and implementation of the Business Information System (BIS) IT project.
- Approved \$7.7 million GF for additional staffing, training, and travel costs required to comply with a recent Federal court injunction in the *Armstrong v. Schwarzenegger* case requiring the state to make state prisons compliant with the Americans with Disabilities Act.
- Approved \$2.2 million GF related to additional workload and transportation costs needed to implement parolees into the In-Custody Drug Treatment Program within five days of referral, in order to be in compliance with Federal court requirements in the *Valdivia v. Schwarzenegger* case related to parole revocation procedures.

- Approved \$394,000 from the Restitution Administrative Fee Fund for four additional positions to identify victims for whom restitution has been collected by CDCR and ensure that collections are distributed to those victims.
- Approved a redirection of \$186,000 GF from CDCR to the Department of Personnel Administration for workload associated with CDCR employee grievances and arbitration matters.
- Approved technical adjustment that redirects \$10.2 million GF within the department's budget to align the spending authority with the correct budget program. The adjustments were related to the department's out-of-state inmate housing program and tuberculosis testing of staff.
- Approved the creation of a Division of Litigation Prevention within CDCR to preemptively identify fixes to class action lawsuits. The new office would be funded through the redirection of \$7.3 million GF and 13 positions from CDCR's Office of Court Compliance.
- Approved budget bill language specifying that if the budgeted amounts for specified department programs and operations are not fully expended in the budget year, any unspent funds must revert to the GF. *The Governor vetoed this provisional language citing its restrictive nature.*

Infrastructure Highlights

- Reduced a reduced amount of \$2 million for statewide budget packages and planning. The Governor proposed \$3 million for this purpose.
- Approved \$5 million GF to complete site evaluation activities related to the construction of reentry facilities.
- Approved \$278,000 GF to fund preliminary plans and working drawings for the construction of 100 small management yards to ensure that all inmates in administrative segregation get at least ten hours of out of cell time weekly in order to comply with department regulations.
- Denied a total of \$6.6 million GF for projects designed to replace barred cell doors in administrative segregation units at three prisons with solid cell fronts.
- Approved \$1.8 million GF to mitigate fire, life, and safety issues at the California Institution for Men as identified by the State Fire Marshall.
- Approved a total of \$6.4 million GF to convert an existing unit to a Psychiatric Services Unit at the California Institution for Women.
- Approved \$15 million lease-revenue bond authority for construction of dormitories at the California Rehabilitation Center to replace existing facilities.
- Approved Governor's request to remove previously approved funding of \$959,000 GF to install a bar screen and pumps in the sewer discharge line at the California Rehabilitation Center.

- Approved \$4.9 million GF for an effluent disposal system at the Sierra Conservation Center. This project will be funded from previously appropriated funds authorized under AB 900 (Solorio, Chapter 7, Statutes of 2007).
- Approved \$5.1 million GF for waste water treatment plant improvements at the Mule Creek State Prison. This project will be funded from previously appropriated funds authorized under AB 900 (Solorio, Chapter 7, Statutes of 2007).
- Approved Governor's proposal to remove previously approved funding of \$9.2 million GF to improve the heating, ventilation, and air conditioning systems at Ironwood State Prison.
- Approved \$1.1 million GF for the working drawings phase of building office and treatment space for seriously mentally ill inmates housed at the California State Prison, Sacramento. The Legislature denied the Governor's request to fund the construction phase in 2009-10.
- Approved a total of \$750,000 in existing general obligation bond authority for planning and construction of a new dining facility for the minimum support facility at Deuel Vocational Institution.
- Approved \$3.8 million for 13 minor capital outlay projects. About half of the funding was for planning and construction of multiple medical and recreation units at Herman G. Stark Youth Correctional Facility.
- Approved a reduction of \$20 million GF by allowing funds designated for prison infrastructure projects in AB 900 (Solorio, Chapter 7, Statutes of 2007) to be used for existing GF infrastructure construction projects.
- Approved budget bill language restricting the ability of the department to encumber additional funds for the Condemned Inmate Complex project until three specified conditions had been met. *The Governor vetoed this provisional language citing the possibility of construction delays among the reasons for his veto.*

0552 Office of the Inspector General

- Approved \$3.3 million GF within the Bureau of Audits to annually perform medical inspections at all 33 CDCR adult institutions, as well as to perform follow-up inspections at selected institutions. The audits will provide information to the federal court, state, and other stakeholders regarding the level of medical care provided to inmates, consistent with the requirements of the *Plata v. Schwarzenegger* lawsuit.

JUDICIARY

0250 Judicial Branch

- Approved \$393 million in budget reductions, special fund transfers, and additional revenues to offset the administration's proposals for unallocated reductions to the trial courts. These include the following:
 - Approved one day per month court closures, estimated to save \$102 million.
 - Approved use of \$71 million in trial court reserves to offset commensurate budget reductions.
 - Approved transfer of \$130 million from various special funds to offset commensurate budget reductions.
 - Approved a \$10 increase in the court security fee charged to criminal defendants. This increase is projected to generate an additional \$40 million in revenues to offset court security costs.
 - Approved increases of \$5 in court reporter fees and \$10 in various post judgment fees, estimated to generate \$18 million in additional court revenues.
 - Required the Judicial Branch to absorb a \$32 million funding increase associated with the State Appropriations Limit (SAL).
- Approved a \$21.3 million unallocated reduction for state operations in the Judicial Branch which include the Supreme Court, Courts of Appeal, Judicial Council, Judicial Branch Facility Program, and the California Habeas Corpus Resource Center.
- Rejected a \$56 million special fund augmentation for the continuation of the deployment of the California Court Case Management System IT project.
- Approved \$1.7 million from the State Court Facilities Construction Fund for annual lease payments for the construction of the New Fresno Area Juvenile Delinquency Courthouse.
- Approved \$5 million from the State Court Facilities Construction Fund to accommodate an increase in workload due to the transfer of additional trial court facilities from the counties to the state.
- Approved \$15 million from the State Court Facilities Construction Fund, Immediate and Critical Needs Account to support renovations, repairs, and modifications at various court house facilities.

- Approved \$2.6 million from the State Court Facilities Construction Fund for additional staff resources to support the court construction projects funded through the enactment of SB 1407 (Perata) (Chapter 311, Statutes of 2008).
- Approved \$1.5 million from the GF to fund facility operations costs for four trial court facilities transferred to the state.
- Approved \$570,000 from the Mental Health Services Fund to address increased workload relating to mental health issues in the areas of prevention and early intervention services for juveniles.
- Approved \$64.8 million from the Court Facilities Trust Fund for ongoing maintenance and operations costs associated with court facilities transferred to state responsibility in accordance with the Trial Court Facilities Act (Chapter 1082, Statutes of 2002).
- Approved technical adjustments creating a new budget fund for the Immediate and Critical Needs Account for construction projects associated with SB 1407 (Perata) (Chapter 311, Statutes of 2008).
- Rejected budget bill language which would have provided additional allowance for the Judicial Branch to submit deficiency requests for the Courts of Appeal Court Appointed Counsel program.
- Approved budget bill language to provide authority for the Judicial Council to recover costs related to the administration of the Dependency Representation, Administration, Funding and Training (DRAFT) Program related to the court appointed juvenile dependency counsel program.
- Rejected a \$13 million reduction associated with expanded use of electronic court reporting.
- Approved trailer bill language allowing the courts to use electronic recording equipment for the internal personnel purpose of monitoring judicial officer performance.
- Approved reductions of \$4.1 million to reflect a one percent increase in judges' salaries that had been previously budgeted but not approved by the Department of Personnel Administration.
- Approved trailer bill language requiring that the court reimburse Sheriffs for the costs of providing court security based on the average compensation cost of the security classifications used in providing that security.
- Approved trailer bill language requiring that all Judicial Branch projects estimated to cost more than \$5 million be reviewed by the State Chief Information Officer who shall be required to submit her findings and recommendations to the Joint Legislative Budget Committee.
- Approved trailer bill language specifying that any person shall have the right to obtain specified budget, expenditure, and other fiscal information of the courts.

- Approved trailer bill language requiring the Judicial Council to provide annual reports to the Legislature regarding all approved allocations and reimbursements to the trial courts.
- Approved a total of \$175 million for construction of 20 new court facilities. Funding for these projects is proposed from various special funds. Specific projects include the following:
 - New Madera Courthouse (Madera), \$4.9 million State Court Facilities Construction Fund (SCFCF) – working drawings;
 - New San Bernardino Courthouse (San Bernardino), \$17.3 million SCFCF – working drawings;
 - New Stockton Courthouse (San Joaquin), \$13.2 million SCFCF – working drawings;
 - New Riverside Mid-County Region Courthouse (Riverside), \$3.1 million SCFCF – working drawings;
 - New Porterville Courthouse (Tulare), \$4.6 million SCFCF – working drawings;
 - New Susanville Courthouse (Lassen), \$33.9 million Public Buildings Construction Fund – construction;
 - New Woodland Courthouse (Yolo), \$8.1 million SCFCF – site acquisition;
 - New North Butte County Courthouse (Butte), \$14.5 million SCFCF – site acquisition;
 - New Red Bluff Courthouse (Tehama), \$16.3 million SCFCF – site acquisition;
 - New Southeast Los Angeles Courthouse (Los Angeles), \$22.7 million SCFCF – site acquisition;
 - New Indio Juvenile and Family Courthouse (Riverside), \$4.4 million SCFCF – site acquisition;
 - New Sacramento Criminal Courthouse (Sacramento), \$3.1 million SCFCF – site acquisition;
 - New South Monterey County Courthouse (Monterey), \$686,000 SCFCF – site acquisition;
 - New El Centro Family Courthouse (Imperial), \$2.7 million SCFCF – site acquisition;
 - New Yuba City Courthouse (Sutter), \$1.1 million SCFCF – site acquisition;
 - New Redding Courthouse (Shasta), \$7.0 million SCFCF – site acquisition;
 - New Lakeport Courthouse (Lake), \$2.6 million SCFCF – site acquisition;
 - New Santa Rosa Criminal Courthouse (Sonoma), \$14.7 million SCFCF – site acquisition.

- New East County Courthouse (Alameda), involves capitalized lease purchase agreement with county rather than requiring the state to pay construction costs;
- New Family Justice Center (Santa Clara), involves capitalized lease purchase agreement with county with most construction costs born by the county and no state costs in 2009-10.
- Approved \$1.7 million from the SCFCF for the acquisition and preliminary plan phases of a construction project to renovate the Fairfield Old Solano Courthouse (Solano).
- Approved reauthorization of funding for six previously approved construction projects. Specific projects include the following:
 - New San Andreas Courthouse (Calaveras), \$2.4 million SCFCF – working drawings;
 - New Susanville Courthouse (Lassen), \$2.1 million SCFCF – working drawings;
 - New Madera Courthouse (Madera), \$3.7 million SCFCF – preliminary plans;
 - New Hollister Courthouse (San Benito), \$3.3 million SCFCF – preliminary plans and working drawings;
 - New Stockton Courthouse (San Joaquin), \$9.9 million SCFCF – preliminary plans;
 - New Mammoth Lakes Courthouse (Mono), \$18.5 million SCFCF – construction.

0280 Commission on Judicial Performance

- Approved as budgeted.

0390 Contributions to the Judges' Retirement System

- Approved as budgeted.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0820 Department of Justice

- Approved a \$575,000 GF request for additional staff to investigate and prosecute underground economy operations.
- Denied a \$3.2 million GF request to enhance the state's legal defense on class action lawsuits.
- Denied a \$4.5 million request for additional staffing to support the growing correctional habeas corpus workload.
- Approved \$537,000 of one-time GF to fund maintenance and repair projects for state owned forensic laboratories.
- Approved Attorney General's request to restructure and consolidate the Divisions of Civil Law, Criminal Law, and Public Rights into the Division of Legal Services. No additional resources were requested or approved for this consolidation.
- Approved \$2.2 million GF and \$168,000 from the Central Services Cost Recovery Fund to continue funding for a specialist counsel with expertise in insurance-coverage litigation for the *Underwriters* litigation.
- Approved \$2.3 million in federal funds and \$780,000 from the False Claims Fund for additional positions in the department's Bureau of Medical Fraud and Elder Abuse to address backlogged cases that are anticipated to result in recoveries for the Medi-Cal system and the GF.
- Approved \$2.4 million from the DNA Identification Fund for additional positions to address an anticipated increase in workload due to requirements of Proposition 69 that a DNA sample be taken from all adults arrested for, or charged with, any felony offense beginning January 1, 2009.
- *In signing SBX3 1 (the 2009-10 Budget adopted in February 2009), the Governor vetoed \$23.7 million from DOJ's GF budget in order to ensure equity with state employees in other departments receiving compensation reductions through furloughs, overtime reform, and elimination of two state holidays. At the time, the Controller refused to recognize the Governor's furlough authority over his employees.*

0855 Gambling Control Commission

- Approved \$789,000 from the California Bingo Fund on a two-year limited-term basis for licensing, regulatory, and other responsibilities related to the California Remote Caller Bingo Act (SB 1369, Chapter 748, Statutes of 2008).

- Approved provisional language to update references to certain approved tribal-state compacts.
- Approved trailer bill language specifying that moneys allocated from the Indian Gaming Special Distribution Fund to Individual Tribal Casino Account but not spent by the end of the 2008-09 fiscal year shall be available for expenditure through December 31, 2009.

1690 Alfred E. Alquist Seismic Safety Commission

- Approved trailer bill language reauthorizing the Commission's funding source from the Insurance Fund through July 1, 2012.

1870 California Victim Compensation and Government Claims Board

- Approved \$8.1 million in one-time federal stimulus funds for the Victim Compensation Program designed to provide assistance to victims of crime for purposes such as medical expenses, mental health counseling, and funeral expenses.

8120 Commission on Peace Officer Standards and Training

- Approved \$425,000 for two years from the Peace Officers Training Fund to develop online courses, as well as provide other educational resources, for California law enforcement.
- Approved an additional position to support and maintain the department's Learning Portal, a secure website for California law enforcement to receive online training. The position will be funded from within the department's existing budget.
- Approved \$125,000 from the Peace Officers Training Fund to contract with a vendor to redesign the department's online course catalog.

8140 State Public Defender

- Denied request for additional provisional language allowing the Office to request deficiency funding if the Supreme Court makes specified orders resulting in additional workload related to habeas corpus legacy cases.

8180 Payments to Counties for Costs of Homicide Trial

- Approved as budgeted.

8550 California Horse Racing Board

- Approved \$300,000 from the Fair and Expositions Fund to conduct a study of racetracks to develop safety standards in accordance with Business and Professions Code Section 19481(a).
- Approved \$150,000 from the Fair and Expositions Fund for the Equine Medical Director program and UC Davis.
- Approved trailer bill language requiring the Board to develop a new method of funding the Board and the establishment of the Horse Racing Fund. Further approved trailer bill language requiring racing association and fairs to pay \$5.5 million to the Fair and Expositions Fund over the next six years in lieu of payments owed prior to the adoption of the Board's new funding methodology.

VETERANS AFFAIRS

8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved May Revise request, with amendments, to: (1) revise member fees at the Veterans Homes of California by removing the dollar caps; (2) increase the income percentage rate for the Residential Care for the Elderly; and (3) revise the fee structure for non-veteran spouses (but only for spouses of prospective members). Scored \$2.7 million GF revenue. (See trailer bill language below.)
- Suspended opening of Adult Day Health Care services at the Greater Los Angeles/Ventura County (GLAVC) veterans homes and scored \$1.8 million GF savings.
- Reduced the Governor's \$18.5 GF (and 181.6 position) request for GLAVC Activation Phase III by \$5 million GF in recognition of an approximately three-month delay in construction and associated delays in hiring for various levels of care at the homes.
- Approved the Governor's request for \$1.3 million GF and 11 positions to convert expiring limited-term positions to permanent status in order to support the ongoing needs of the Ew-VHIS Project. Additionally, approved the Governor's request for \$878,000 GF and conversion of eight limited-term information technology (IT) positions to permanent status to support the Project Management Office and the department's ongoing and future IT projects.
- Approved the Governor's request for conversion of overtime funding to five full-time civil service positions to support the Dietary and Food Service program in order to meet mandates from the Department of Public Health, the United State Department of Veterans Affairs, the Occupational Safety and Health Administration, and the Environmental Protection Agency.
- Approved the Governor's request for conversion of contracted custodial services at Chula Vista to 29 full-time civil service positions (no new funding.)
- Approved the Governor's request to transfer \$1.5 million (federal funds) and 12 positions associated with the California State Approving Agency for Veterans Education from the Department of Consumer Affairs to the Department of Veterans Affairs.
- Approved the Governor's request for the following capital outlay projects: (1) \$2.2 million (\$691,000 GF; and \$1.5 million federal funds) for the construction phase of the Yountville fire alarm system upgrade; (2) \$945,000 GF for the construction phase of a new emergency generator and kitchen cooling improvement at Barstow; and (3) \$658,000 (federal funds) for the working drawings and construction phase of the Northern California Veterans Cemetery expansion.

Trailer Bill Language

1. Removed the income caps on member fees for all levels of care at California Veterans Homes. Established a separate fee structure for the Residential Care for the Elderly level-of-care in which the member income contribution percentage is set to 55 percent. Set a new level of member fees, based on the federal monthly per diem for a veteran, for non-veteran spouses who enter veteran's homes on or after July 1, 2009, with the fee not to exceed 90 percent of total income.

SUBCOMMITTEE 5

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

Members

Denise Moreno Ducheny, Chair
Robert Dutton
Alex Padilla

Consultants

Daniel Alvarez
Brian Annis
Bryan Ehlers

SUBCOMMITTEE NO. 5

REVENUES, THE ECONOMY AND LABOR

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REVENUES

TEMPORARY TAX INCREASES

Trailer Bill Language

The following temporary tax increases were enacted as part of the February 2009 budget package and were contained in ABX3 3 (Chapter 18, Statutes of 2009). The duration of the tax increases was dependent on voter action on Proposition 1A (State Budget. Changes California Budget Process. Limits State Spending. Increases “Rainy Day” Budget Stabilization Fund) in the May 19, 2009, special election. The level of the Personal Income Tax surcharge was dependent on a trigger mechanism relating to the level of federal stimulus funds received by the State to offset GF expenditures. Proposition 1A failed at the polls and federal stimulus funds were less than the trigger level. The tax rates and duration of the temporary taxes outlined below are consistent with the outcome of the special election and the federal funds trigger mechanism. At the time of enactment of ABX3 3, the total revenues raised from these temporary taxes was estimated at \$1.6 billion in 2008-09 and \$11.4 billion in 2009-10.

1. Increased the rate of the GF portion of the state Sales and Use Tax (SUT) by one percent—from the current rate of five percent to a rate of six percent. The increase became effective April 1, 2009, and will sunset on June 30, 2011. Increased GF revenue by \$1.2 billion in 2008-09 and \$4.6 billion in 2009-10.
2. Added a Personal Income Tax (PIT) surcharge of 0.25 percent—each existing PIT tax rate (base rates ranging from one percent to 9.3 percent) are increased by 0.25 percent (so the one percent rate would change to 1.25 percent, the 9.3 percent rate would change to 9.55 percent, etc.). Under Proposition 63 of 2004, there is an additional one percent tax applied to incomes over \$1 million. The increase became effective with the 2009 tax year and will sunset at the conclusion of the 2010 tax year. No GF revenue was scored in 2008-09 and the GF revenue gain in 2009-10 was scored at \$3.7 billion.
3. Rolled back the dependent credit amount under the Personal Income

Tax (PIT) from \$309 per dependent to \$99 per dependent. The change became effective with the 2009 tax year and will sunset at the conclusion of the 2010 tax year. No GF revenue was scored in 2008-09 and the GF revenue gain in 2009-10 was scored at \$1.4 billion.

4. Increased the rate of the Vehicle License Fee (VLF) by 0.5 percent—from the current rate of 0.65 percent of a vehicle's value to 1.15 percent of a vehicle's value. The increase became effective May 19, 2009, and will sunset on June 30, 2011. Revenue from the portion of the increase from 0.65 percent to one percent will be retained by the GF (\$121 million in 2008-09 and \$1.2 billion in 2009-10) and revenue from the additional increase of 0.15 percent is transferred to the newly created Local Safety and Protection Account, which is continuously appropriated for specific local public safety programs (\$82 million in 2008-09 and \$502 million in 2009-10). More information on expenditures from the Local Safety and Protection Account is included in the Subcommittee #4 section of this summary under budget Item 9210, Local Government Finance.

TAX CUTS AND TAX CREDITS

Trailer Bill Language

The following tax expenditures (tax cuts or tax credits) were enacted as part of the February 2009 budget package. At the time of enactment, the total revenue loss from these tax expenditures was estimated at about \$15 million in 2008-09 and about \$360 million in 2009-10. The GF revenue loss increases in the out-years and was estimated at over \$900 million in 2011-12.

1. Created a permanent elective single sales factor for apportionment of business income across states. In contrast, prior law averaged a business's proportion of sales, property, and payroll in California (with the sales factor double-weighted) to apportion the California share of multi-state business income. Businesses that proportionally have fewer sales in California relative to property and payroll will see their taxable income in California fall. No GF revenue loss in 2008-09 or 2009-10, but decreases GF revenue by \$225 million in 2010-11, with the annual revenue loss increasing to \$750 million GF by 2012-13. (ABX3 15, Chapter 17, Statutes of 2009)

2. Established a motion picture production tax credit. The issuance of the film credit is capped at \$100 million per year during a five-year period (2009-10 through 2013-14). The credit can be claimed beginning in the 2011 tax year. No GF revenue loss in 2008-09 or 2009-10, but decreases GF revenue by \$60 million in 2010-11, increasing to \$175 million in 2011-12. (ABX3 15, Chapter 17, Statutes of 2009)
3. Established a small business jobs tax credit. The issuance of the jobs credit is capped at a total of \$400 million. Each qualified new hire at a small business (businesses with 20 or fewer employees) results in a \$3,000 tax credit. The GF revenue loss is estimated at \$15 million in 2008-09 and \$330 million in 2009-10. (ABX3 15, Chapter 17, Statutes of 2009)
4. Established a personal income tax credit for purchasers of a qualifying new home. The issuance of the housing credit is capped at a total of \$100 million. Each qualified homebuyer can receive a tax credit up to \$10,000, which can be claimed over three tax years in equal amounts up to \$3,333 annually. The GF revenue loss is estimated at up to \$33 million in tax years 2009 through 2011. (ABX2 15, Chapter 11, Statutes of 2009)

TAX ADMINISTRATION AND REVENUE ACCELERATION

Trailer Bill Language

The following changes to the administration of taxes do not increase any tax, but do increase revenue from tax compliance and/or accelerate the collection of tax revenue. These trailer bills were enacted as part of the July 2009 budget package. At the time of enactment, the total GF revenues gain for 2009-10 was estimated at about \$2.4 billion. Most of this revenue benefit is one-time; however, about \$350 million is on-going.

1. Approved the Governor's proposal to increase personal income tax withholdings by ten percent—increasing GF revenue by \$1.7 billion in 2009-10. This does not change the final tax liability as taxpayers will either be due a larger refund or have a small amount due when they file their tax returns. Taxpayers also can adjust their withholding amount if they believe the recalculated withholding is not reflective of their anticipated tax liability. There is an ongoing

GF benefit of about \$98 million. (ABX4 17, Chapter 15, Statutes of 2009).

2. Approved the Governor's proposal to accelerate personal income and corporate income quarterly prepayments such that 30 percent is paid in each April, 40 percent is paid each June, and the remaining 30 percent is paid in December—increasing GF revenue by \$610 million in 2009-10. This does not change the final tax liability but rather moves more of the prepayment into the first half of the calendar year, which accelerates tax revenue by state fiscal year. There is an ongoing GF benefit of about \$95 million. (ABX4 17, Chapter 15, Statutes of 2009).
3. Adopted language to generally conform to federal income backup withholding, which is additional wage withholding when risk factors are present such as prior underreporting of wages. The revenue gain was estimated at \$32 million in both 2009-10 and 2010-11. (ABX4 18, Chapter 16, Statutes of 2009).
4. Adopted language to require non-retailer registration with the Board of Equalization, which should increase compliance with use tax payment. The revenue gain was estimated at \$26 million in 2009-10, growing to \$123 million in 2010-11. (ABX4 18, Chapter 16, Statutes of 2009).

0860 STATE BOARD OF EQUALIZATION

- Approved as proposed most augmentations in the January Governor's Budget, including the following:
 - Approved \$5.7 million (\$3.3 million GF, \$894,000 special funds, and \$1.6 million reimbursements) and six new positions to mitigate problems at the Board of Equalization (BOE) headquarters (HQ) building. The funding will support reducing staff at the HQ to the designed capacity, ongoing repair for mold and other problems at the HQ, and study of a replacement facility.
 - Approved \$856,000 (special fund) and five new positions. The funding will support the implementation of SB 1040 (Chapter 17, Statutes of 2008), which requires BOE to impose the 911 surcharge on Voice over Internet Protocol (VoIP), a technology that allows voice calls using a broadband internet connection instead of regular phone lines. New revenue of \$4.3 million is scored for 2009-10.

- Approved \$258,000 (\$190,000 GF, \$68,000 reimbursements) and two new positions. The funding will support the implementation of AB 2047 (Chapter 222, Statutes of 2008), which creates a new mandated workload for the BOE's Offer-in-Compromise program. New revenue of \$2.2 million is scored for 2009-10.
- Approved \$545,000 (\$306,000 GF, \$75,000 special funds, and \$164,000 reimbursements) and three new positions to provide additional legal resources to effectively litigate the growing tax refund and related damage claims being made against the State.
- Approved \$1.5 million (\$1.4 million GF, \$43,000 special funds, and \$94,000 reimbursements) and ten new positions to accelerate the collection of tax, interest, and penalty revenue represented by increased workload and inventory of unassigned appeals.
- Approved \$8.5 million (\$936,000 GF, \$7.6 million special funds) and 96.9 positions (most of which are re-classified limited-term positions to permanent) to continue to administer and enforce the Cigarette and Tobacco Products Licensing Act. A revenue benefit of \$74.4 million is scored for 2009-10.
- Approved \$815,000 (\$595,000 GF, \$220,000 reimbursements) and 11.5 positions (all of which are re-classified limited-term positions to permanent) to continue to address the workload associated with the U.S. Customs Program. A revenue benefit of \$9.2 million is scored for 2009-10.
- Approved \$2.8 million (\$1.9 million GF, \$852,000 reimbursements) and 23 positions to address the out-of-state workload currently not being met and to help close the tax gap. A revenue benefit of \$8.3 million is scored for 2009-10.
- Approved \$938,000 (\$563,000 GF, \$375,000 reimbursements) and 13.1 positions (all of which are reclassified limited-term positions to permanent) to continue to administer workload related to the expansion of the Environmental Fee Program, the Electronic Waste Recycling Fee Program and the Underground Storage Tank Maintenance Fee Program. A revenue benefit of \$11.3 million is scored for 2009-10.
- Approved \$257,000 (special funds) and two limited-term positions to address workload consisting of identifying, registering, auditing and verifying Natural Gas, Public Purpose Programs Surcharge payments required from natural gas utilities. A revenue benefit of \$4.4 million is scored for 2009-10.
- Rejected funding of \$1.3 million GF and 5.9 positions to address workload associated with new regulations that would clarify the definition of a "distilled spirit" to include flavored malt beverages. In the January Governor's budget, a GF revenue benefit of \$38.3 million was scored. However, manufacturers re-formulated their beverages to avoid the higher tax rate and no new GF revenue will be realized.
- Rejected funding of \$126,000 (\$87,000 GF, \$39,000 reimbursements) and one position. The funding was requested to support the implementation of SB 3079 (Chapter 306, Statutes of 2008), which re-establishes the in-state voluntary disclosure program. A revenue benefit of

\$2.5 million was scored for 2009-10. Given this high revenue benefit to cost ratio, the BOE should use existing authority to shift existing staff to this high-revenue-producing activity.

- Rejected funding of \$1.2 million (\$880,000 GF and \$342,000 reimbursements) and 13.3 positions to address workload associated with the temporary 1-cent increase in the sales and use tax. The BOE will have to absorb this workload. Rejected a reallocation of base costs between locals and the State due to the new temporary tax that would have increased GF costs by \$1.2 million in 2008-09 and by \$6.4 million in 2009-10. Trailer bill language was included ABX4 12 (Chapter 12, Statutes of 2009) to exclude the temporary sales tax increase from the calculation of cost allocation between locals and the State.
- Reduced by half a requested augmentation of \$2.3 million (\$570,000 GF and \$1.7 million reimbursements) and 22.5 positions to administer new Special Taxing Jurisdictions. Instead approved a net augmentation of \$1.2 million (a GF reduction of \$411,000 and a reimbursement increase of \$1.6 million) and 11 positions.
- Rejected a redirection of \$965,000 in anticipated e-file savings (\$454,000 GF) to implement the Return Process Efficiencies information technology project. Instead, reduced the GF budget by the amount of the e-file savings (\$454,000). The IT project had a modest GF benefit in the out-years – about \$464,000 in increased interest earnings in 2010-11.
- Approved a request to reduce baseline operating expenses and equipment funding by \$286,000 (\$130,000 GF, \$55,000 special funds, and \$101,000 reimbursements). The BOE double-counted some operating expenses in the January Budget request.
- Added funding of \$13.5 million (\$9.6 million GF and \$3.9 million reimbursements) and 123.5 new positions to implement non-retailer registration. The revenue gain from non-retailer registration was estimated at \$26 million GF in 2009-10, growing to \$123 million GF in 2010-11. Non-retailer registration was implemented by ABX4 18 (Chapter 16, Statutes of 2009).
- *In signing SBX3 1 (the 2009-10 Budget adopted in February 2009), the Governor vetoed \$9.9 million GF from the Board of Equalization budget to conform to his furlough proposal as it existed at that point in time. Similar reductions were made for other departments led by Constitutional Officers, due to the Constitutional Officers declining to participate in the Governor's furlough plan.*

1730 FRANCHISE TAX BOARD

- Approved as proposed most augmentations in the January Governor's Budget, including the following:
 - Approved \$1.4 million (\$1.3 million GF, \$76,000 special funds, and \$9,000 reimbursements) primarily for computer hardware and software to increase the processing capacity and storage for both the Mainframe and the Enterprise Customer, Asset, Income and Return (ECAIR) data warehouse.

- Approved \$1.1 million GF and the conversion of ten limited-term positions to permanent to continue to investigate cash-pay / underground economy cases. A revenue benefit of \$3.8 million in 2009-10 is associated with this proposal.
- Approved \$1.5 million (special funds) and the conversion of 24 limited-term positions to permanent to address the continuing workload in the Vehicle Registration Collection program. Under this program, the Franchise Tax Board (FTB) performs collection activity on behalf of the Department of Motor Vehicles related to delinquent vehicle registration taxes and fees. A revenue benefit of \$162.0 million in 2009-10 is associated with this proposal. About six percent of that revenue benefit, or about \$10 million, is GF.
- Approved \$3 million GF and 14 new positions to implement and administer the provisions of SB 1146 (Chapter 345, Statutes of 2008). This legislation requires cities that administer a business tax program to provide specific data to FTB, upon request. New revenue of \$4 million is scored for 2009-10, growing to \$40 million by 2013-14.
- Approved \$24,000 (special funds) to establish and maintain four new voluntary contribution check-offs on tax forms. The four new charitable check-offs are: (1) ALS/Lou Gehrig's Disease Research Fund; (2) California Ovarian Cancer Research Fund; (3) Northern California Cancer Research Fund; and (4) Low Cost/Free Spay-Neuter Fund.
- Reduced funding by \$4.8 million GF to reflect administrative savings from the suspension of the Homeowners and Renters Assistance Programs. The programs were suspended by Governor's veto in the 2008 Budget Act, and no funding was included for these programs in the 2009 Budget Act.
- Approved a revised Administration request of \$5.2 million GF and 57 positions to begin implementation of the Enterprise Data to Revenue information technology project. The total cost over the multi-year implementation of this project is \$300 million; however, a revenue gain of \$2.8 billion is anticipated over the project timeline. The proposed procurement methodology is benefit-fund approach, such that the vendor will not be paid until the project benefit of increased revenues are realized.
- Approved a reduced augmentation of \$265,000 GF and three positions for new staff to implement new tax credits included in the February 2008 budget package (the homebuyers' tax credit, the small business hiring credit, and the film production credit). The Administration had requested \$663,000 GF and eight positions.

9655 AUGMENTATION FOR STATEWIDE ACCOUNTS RECEIVABLE

- Approved a reduced augmentation of \$1.1 million GF to implement a new accounts receivable strategy that sets aside \$1.1 million GF to fund successful debt collection by private collection agencies. No new authority is authorized for private debt collection; however, this item will allow departments to utilize collection services without having to absorb the cost within their

existing budget authority. The Administration had requested \$3.3 million GF, but the Legislature determined the Board of Equalization had sufficient expertise in-house collection expertise and dropped that portion of the funding.

Trailer Bill Language

1. Authorizes state agencies to impose a reasonable fee for the actual cost of its collection of past due accounts. Increases the amount of debt that state agencies can discharge from collections activity from \$250 to \$500. The Administration estimates these changes will increase annual GF revenues by \$4.4 million. (SBX4 16, Chapter 23, Statutes of 2009)

CASH MANAGEMENT

9620 INTEREST PAYMENTS ON GENERAL FUND LOANS

- Approved \$150 million GF to cover anticipated *internal* cash flow borrowing costs. Funding for *external* cash-flow borrowing, such as a Revenue Anticipation Notes (RANs), is continuously appropriated and the Department of Finance estimates 2009-10 costs of \$390 million GF. This item funds interest costs for cash-flow borrowing within the fiscal year. This borrowing is necessary because of uneven receipt and uneven expenditure of General Fund revenue during the fiscal year.

IMPROVEMENTS TO CASH MANAGEMENT

Trailer Bill Language

The following language reduced the needed level of more-costly *external* cash-flow borrowing, or otherwise improved cash management.

1. Added additional special funds to those available for General Fund cash-flow borrowing, which expands the pool of such funds by approximately \$2 billion. (ABX3 13, Chapter 9; and SBX4 16, Chapter 23; - both Statutes of 2009)
2. Specified that registered warrants (or “IOUs”) can have fixed maturity dates. (ABX3 13, Chapter 9, Statutes of 2009)
3. Clarified statute related to Revenue Anticipation Notes (RANs) to provide greater assurance to financial markets concerning the State’s ability to manage cash and repay RANs.
4. Approved non-education payment deferrals in the February budget package (in SBX3 8, Chapter 3, Statutes of 2009):
 - Permanently rescheduled annual mandate payments to local governments from August to October.
 - Deferred payment of local gasoline excise tax revenue to cities and counties for the months of February, March, and April of 2009, to be fully repaid in May of 2009.
 - Deferred payments to counties for benefits or aid grants, administration, and for employment and supportive services for the months of July and August of 2009, to be fully repaid in

- September 2009.
- Deferred payments to Medi-Cal program providers on a one-month rolling cycle through June 30, 2009.
 - Deferred payments to health benefit plans for State annuitants in February and March 2009, to be fully paid in April 2009.
5. Approved payment deferrals in the July budget package (in SBX4 16, Chapter 23, Statutes of 2009):
- Deferred certain K-12 education payments, including \$1.7 billion deferred from 2009-10 to 2010-11, and various deferrals within 2009-10.
 - Deferred certain higher education payments, including \$750 million for the University of California and \$290 million for the California State University – all deferred amounts are fully repaid within 2009-10.
 - Deferred quarterly payment of Proposition 42 transportation payments to cities and counties in October 2009 and January 2010, to be fully repaid in May 2010.
 - Deferred payment of local gasoline excise tax revenue to cities and counties for the months of July through December of 2009, to be fully repaid after January 1, 2010.
6. Approved additional cash management changes in budget cleanup legislation enacted in October (in SB 65; Chapter 633, Statutes of 2009):
- Deferred additional higher education payments, including \$250 million for the University of California, \$400 million for the California State Universities, and \$100 million for community colleges—all deferred amounts are fully repaid within 2009-10.
 - Modified the existing deferral schedule for local gasoline excise tax apportionments and excluded small counties.
 - Deferred Supplemental Security Income / State Supplementary Payment (SSI/SSP) payments to the federal government in February and March 2010 until after April 20, 2010, but no later than May 31, 2010.
7. Increased the cap from 2 percent to 3 percent on expenses the State can incur in connection with letters of credit. According to the Treasurer, this produces a cost avoidance of \$150 million in 2009-10. (AB 189, Chapter 646, Statutes of 2009)

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Transferred \$6 million from the Labor and Workforce Development Fund (LWDF) to the GF.
- Approved in concept the Governor's request for a heat-related illness prevention campaign, but instead of \$1.4 million requested from the LWDF, shifted the campaign to the Department of Industrial Relations and provided \$1.5 million from the Occupational Safety and Health Fund (see Item 7350 below).

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved an April Finance Letter to acknowledge a \$20.2 million benefit to the GF (relative to the February-approved 2009-10 budget) as a result of the American Recovery and Reinvestment Act (ARRA) deferment (until December 31, 2010) of interest payments and interest accrual on loans taken out from the Federal Unemployment Trust Account (FUTA). California's Unemployment Insurance (UI) program is currently relying on loans from the FUTA to bridge the gap between the amount of money coming into the program from employers and the amount going out to the record-high number of unemployed.
- Approved May Revise request (via budget bill language below) to provide ARRA funding for UI modernization projects, including implementation of an Alternate Base Period and conversion of the Single Client Database (to a relational database management system).
- Approved May Revise projected increases in Workforce Investment Act (WIA)—including additional ARRA funds; however, reapportioned WIA discretionary funds, including \$15 million for Department of Corrections and Rehabilitation and job-training programs and \$3 million for new Academic Bridge Summer Employment Curriculum. (See also trailer bill language below.)
- Approved Governor's request to augment baseline Employment Training Panel (ETP) funding by \$20 million GF (for a total of \$76 million GF), and transferred \$20 million GF from the ETP to CalWORKS.
- Approved Governor's request (including May Revise Letter) to appropriate approximately \$200 million Wagner-Peyser and Reemployment Services funds (including \$36 million provided under ARRA).
- Approved Governor's request (including May Revise Letter) for fourth-year funding of the Automated Collection Enhancement System (ACES) project—\$10.3 million (including \$8 million GF) and 76.2 positions. ACES is a new collection system that will increase the effectiveness of the Employment Development Department (EDD) tax collection operations.

- Approved Governor's request for fourth-year funding for the Disability Insurance Automation (DIA) project—\$11.3 million (special fund) and 28.1 positions. DIA will provide greater access to services for claimants, medical providers, and employers. (See also budget bill language below.)
- Approved May Revise request to reimburse the EDD \$4.5 million from the Energy Resources Conservation and Development Commission's Alternative and Renewable Fuel and Vehicle Technology Program for Workforce Training Program funds distributed through the WIA program.
- Approved May Revise Letter adjustments to state operations and benefit payments, to reflect the May 2009 forecast of increased claims for the Unemployment Insurance Program, the Disability Insurance Program, and the School Employees Fund Program.

Budget Bill Language

1. Authorized the Director of Finance, subject to 30-day notification to the Legislature, to increase expenditure authority for UI modernization projects funded by ARRA.
2. Authorized the Director of Finance, subject to 30-day notification to the Legislature, to increase or decrease expenditure authority for the DIA project upon approval of a post-vendor procurement Special Project Report.

Trailer Bill Language

1. Specified that the EDD must coordinate with the California Workforce Investment Board to ensure Green Collar Job funds are spent consistently with the green collar strategic initiative.
2. Required entities and their subcontractors receiving WIA discretionary funds identified for veterans demonstrate: (1) knowledge, experience, and capacity to provide the desired veteran services; and (2) that a majority of their WIA resources are dedicated to serving the needs of veterans and their families.
3. Authorized the ETP to accept and expend funds other than the Employment Training Tax.

7120 WORKFORCE INVESTMENT BOARD

- Approved May Revise request to provide \$290,000 in additional ARRA WIA discretionary funds for regional planning and an evaluation of the EDD's One-Stop Career Center costs.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Provided \$1.5 million (Occupational Safety and Health Fund) for the Department of Industrial Relations (DIR) to conduct a targeted outreach campaign to reduce the incidence of heat-related illness in the California workplace. (See also budget bill language below.)
- Approved May Revise request to shift GF costs of the Labor Standards Enforcement and the Occupational Safety and Health Programs (\$15.2 million and \$24.8 million, respectively) to fees. The increased assessments for the Occupational Safety and Health fee and the new Labor Enforcement and Compliance fee will be assessed based on the size of the employer. (See also budget bill language below.)
- Denied May Revise request to provide augmentations to the Labor Standards Enforcement Program (\$13.5 million and 131.5 positions—to be phased in over three years) and Occupational Safety and Health Program (\$7.8 million and 50 positions). Additionally, denied Governor’s proposal to modify existing statutes “that encourage lawsuits, rather than administrative remedies, and inhibit job creation.”
- Approved April Finance Letter to provide \$1.3 million for the Public Works Labor Compliance Program established pursuant to Chapter 7, Statutes of 2009, Second Extraordinary Session (SB 9)—part of the February 2009 budget deal. The program will receive initial funding via a GF loan (to be repaid no later than June 30, 2012), but will thereafter be fee-supported.
- Approved May Revise request for \$844,000 GF and eight positions to allow the Prevailing Wage Program to conduct a survey of the prevailing wages paid to workers on residential construction projects in the 18 Central Valley counties. The data will allow the program to make residential prevailing wage determinations for use in residential public works projects.
- Approved Governor’s request for \$3.6 million (special fund) and 12 positions to meet the initial maintenance and operation costs of the Electronic Adjudication Management System, which was implemented in August 2008. Future funding requests will address the issue of access (as appropriate) once stress/load testing of the system is complete.
- Approved Governor’s request for \$795,000 (special fund) and 12 positions to establish an Internal Audit Unit to provide executive management with skilled, independent personnel to monitor the utilization of resources and review the sufficiency of accounting and administrative controls.
- Approved Governor’s request for \$275,000 (reimbursement authority) and two limited-term positions for the State Mediation and Conciliation Services (SMCS) to replace GF reductions in the 2008-09 budget and allow the SMCS to meet historical demands for assistance in avoiding work stoppages and litigation. (See also trailer bill language below.)
- Approved Governor’s request for \$185,000 to assist any school or district that has high risk of occupational injury or illness and a need for establishing and maintaining effective occupational Injury and Illness Prevention Program pursuant to labor code.

- Approved Governor's request to shift \$2.5 million in GF expenditures to the Uninsured Employers Benefits Trust Fund to support workers' compensation enforcement activities within the Bureau of Field Enforcement.

Budget Bill Language

1. Required funds allocated for heat-related illness outreach to be focused on direct outreach to workers identified by the DIR as most at risk, and specified that no more than 50 percent of the funds could be expended on purchase of radio air time. Additionally, required the DIR to track and report to the Legislature on the air time purchased and the efficacy of the campaign.
2. Provided \$19 million GF cash flow loan (to be repaid before the end of the 2009-10 fiscal year) to the Occupational Safety and Health Fund to cover seven months of increased expenses until increased assessment revenues are sufficient to cover the day-to-day costs of the program.

Trailer Bill Language

1. Permitted the Department of Industrial Relations to be reimbursed for mediation services provided.
2. Created, until 2013, the Labor Enforcement and Compliance Fund, supported by revenue from surcharges on employers, not to be adjusted by more than the state-local government deflator, for support of the activities of the Division of Labor Standards Enforcement.
3. Effective July 1, 2013, returned the surcharge level for the Occupational Safety and Health Fund to the level in place on June 30, 2009, adjusted for inflation by the state-local government deflator.

GOVERNOR'S VETOES

SB 1, CHAPTER 1
(THIRD EXTRAORDINARY SESSION)
VETOES

State of California
Governor's Office

Item 0110-001-0001—For support of Senate

I am not reducing the Legislature's budget to reflect the \$24.9 million in cuts included in my proposed budget. While I am not reducing the Legislature's budget, I expect the Legislature to achieve savings that equal 10 percent of their budget, by taking action to offset General Fund expenditures in state programs and other areas of the budget.

Item 0120-011-0001—For support of Assembly

I am not reducing the Legislature's budget to reflect the \$24.9 million in cuts included in my proposed budget. While I am not reducing the Legislature's budget, I expect the Legislature to achieve savings that equal 10 percent of their budget, by taking action to offset General Fund expenditures in state programs and other areas of the budget.

I object to the following appropriations contained in Senate Bill 1 Third Extraordinary Session.

Item 0750-001-0001—For support of Office of the Lieutenant Governor. I reduce this item from \$2,778,000 to \$1,044,000.

I am reducing the Lieutenant Governor's budget by \$1,734,000 to ensure that sufficient resources are reserved for key programs within state government. In these tough times, we cannot continue to fund the Office of the Lieutenant Governor at the level provided in recent years.

Item 0820-001-0001—For support of Department of Justice. I reduce this item from \$369,594,000 to \$345,933,000 by reducing:

- (8) Amount payable from the Fingerprint Fees Account (Item 0820-001-0017) from -\$70,079,000 to -\$66,615,000;
- (10) Amount payable from the Motor Vehicle Account, State Transportation Fund (Item 0820-001-0044) from -\$25,109,000 to -\$23,834,000;
- (11) Amount payable from the Department of Justice Sexual Habitual Offender Fund (Item 0820-001-0142) from -\$2,321,000 to -\$2,218,000;
- (15) Amount payable from the Indian Gaming Special Distribution Fund (Item 0820-001-0367) from -\$15,636,000 to -\$14,080,000;
- (16) Amount payable from the False Claims Act Fund (Item 0820-001-0378) from -\$10,657,000 to -\$10,090,000;
- (17) Amount payable from the Dealers' Record of Sale Special Account (Item 0820-001-0460) -\$10,787,000 to -\$9,907,000;
- (19) Amount payable from the Gambling Control Fund (Item 0820-001-0567) from -\$8,050,000 to -\$7,271,000;

- (21) Amount payable from the Federal Trust Fund (Item 0820-001-0890) from -\$41,174,000 to -\$37,914,000;
- (25) Amount payable from the Missing Persons DNA Data Base Fund (Item 0820-001-3016) from -\$3,765,000 to -\$3,376,000;
- (26) Amount payable from the Public Rights Law Enforcement Special Fund (Item 0820-001-3053) from -\$5,957,000 to -\$5,615,000;
- (27) Amount payable from the Ratepayer Relief Fund (Item 0820-001-3061) from -\$5,463,000 to -\$4,896,000;
- (28) Amount payable from the DNA Identification Fund (Item 0820-001- 3086) from -\$32,144,000 to -\$29,267,000;
- (29) Amount payable from the Unfair Competition Law Fund (Item 0820-001-3087) from -\$3,475,000 to -\$3,247,000;
- (31) Amount payable from the Legal Services Revolving Fund (Item 0820-001-9731) from -\$122,601,000 to -\$114,653,000;

and by adding:

97.20.001-Unallocated Reduction -\$47,896,000.

I am reducing this appropriation by 10 percent of the Attorney General's personal services budget which reflects the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays. I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0820-001-0017—For support of Department of Justice. I reduce this item from \$70,079,000 to \$66,615,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0044—For support of Department of Justice. I reduce this item from \$25,109,000 to \$23,834,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0142—For support of Department of Justice. I reduce this item from \$2,321,000 to \$2,218,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0367—For support of Department of Justice. I reduce this item from \$15,636,000 to \$14,080,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0378—For support of Department of Justice. I reduce this item from \$10,657,000 to \$10,090,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0460—For support of Department of Justice. I reduce this item from \$10,787,000 to \$9,907,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0567—For support of Department of Justice. I reduce this item from \$8,050,000 to \$7,271,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0890—For support of Department of Justice. I reduce this item from \$41,174,000 to \$37,914,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3016—For support of Department of Justice. I reduce this item from \$3,765,000 to \$3,376,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3053—For support of Department of Justice. I reduce this item from \$5,957,000 to \$5,615,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3061—For support of Department of Justice. I reduce this item from \$5,463,000 to \$4,896,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3086—For support of Department of Justice. I reduce this item from \$32,144,000 to \$29,267,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3087—For support of Department of Justice. I reduce this item from \$3,475,000 to \$3,247,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-9731—For support of Department of Justice. I reduce this item from \$122,601,000 to \$114,653,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0840-001-0001—For support of the Controller. I reduce this item from \$56,976,000 to \$52,264,000 by reducing:

- (1) 100000-Personal Services from \$111,076,000 to \$99,968,000;
- (3) Reimbursements from -\$51,348,000 to -\$48,353,000;
- (4) Amount payable from the Motor Vehicle Fuel Account, Transportation Tax Fund (Item 0840-001-0061) from -\$4,149,000 to -\$3,907,000;
- (5) Amount payable from the Highway Users Tax Account, Transportation Tax Fund (Item 0840-001-0062) from -\$1,184,000 to -\$1,115,000;
- (6) Amount payable from the Local Revenue Fund (Item 0840-001-0330) from -\$600,000 to -\$565,000;
- (7) Amount payable from the Federal Trust Fund (Item 0840-001-0890) from -\$813,000 to -\$766,000;
- (8) Amount payable from the State Penalty Fund (Item 0840-001-0903) from -\$1,332,000 to -\$1,254,000;
- (9) Amount payable from the Unclaimed Property Fund (Item 0840-001-0970) from -\$28,250,000 to -\$26,602,000;
- (10) Amount payable from various other unallocated nongovernmental cost funds (Retail Sales Tax Fund) (Item 0840-001-0988) from -\$242,000 to -\$228,000;
- (11) Amount payable from the 2006 State School Facilities Fund (Item 0840-001-6057) from -\$978,000 to -\$921,000;
- (12) Amount payable from the Central Service Cost Recovery Fund (Item 0840-001-9740) from -\$19,098,000 to -\$17,984,000;
- (13) Amount payable from other unallocated special funds (Item 0840-011-0494) from -\$96,000 to -\$90,000;
- (14) Amount payable from unallocated bond funds (Item 0840-011-0797) from -\$631,000 to -\$594,000;
- (15) Amount payable from various other unallocated nongovernmental cost funds (Item 0840-011-0988) from -\$90,000 to -\$85,000;
- (16) Amount payable from the Public Transportation Account, State Transportation Fund (Section 25.50) from -\$18,000 to -\$17,000;
- (17) Amount payable from the Highway Users Tax Account, Transportation Tax Fund (Section 25.50) from -\$289,000 to -\$272,000;

- (18) Amount payable from the Motor Vehicle License Fee Account, Transportation Tax Fund (Section 25.50) from -\$16,000 to -\$15,000;
- (20) Amount payable from the Trial Court Trust Fund (Section 25.50) from -\$165,000 to -\$155,000;
- (22) Amount payable from the Public Safety Account, Local Public Safety Fund (Section 25.50) from -\$255,000 to -\$240,000; and
- (23) Amount payable from the Local Revenue Fund (Section 25.50) from -\$95,000 to -\$90,000.

I am reducing this appropriation by 10 percent of the State Controller's personal services budget which reflects the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays. I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0840-001-0061—For support of the Controller. I reduce this item from \$4,149,000 to \$3,907,000.

I am reducing this item by \$242,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0062—For support of the Controller. I reduce this item from \$1,184,000 to \$1,115,000.

I am reducing this item by \$69,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0330—For support of the Controller. I reduce this item from \$600,000 to \$565,000.

I am reducing this item by \$35,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0890—For support of the Controller. I reduce this item from \$813,000 to \$766,000.

I am reducing this item by \$47,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0903—For support of the Controller. I reduce this item from \$1,332,000 to \$1,254,000.

I am reducing this item by \$78,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0970—For support of the Controller. I reduce this item from \$28,250,000 to \$26,602,000.

I am reducing this item by \$1,648,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0988—For support of the Controller. I reduce this item from \$242,000 to \$228,000.

I am reducing this item by \$14,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-6057—For support of the Controller. I reduce this item from \$978,000 to \$921,000.

I am reducing this item by \$57,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-9740—For support of the Controller. I reduce this item from \$19,098,000 to \$17,984,000.

I am reducing this item by \$1,114,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-011-0494—For support of the Controller. I reduce this item from \$96,000 to \$90,000.

I am reducing this item by \$6,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-011-0797—For support of the Controller. I reduce this item from \$631,000 to \$594,000.

I am reducing this item by \$37,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-011-0988—For support of the Controller. I reduce this item from \$90,000 to \$85,000.

I am reducing this item by \$5,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0845-001-0217—For support of Department of Insurance. I reduce this item from \$174,200,000 to \$156,780,000 by adding:

97.20.001-Unallocated Reduction -\$17,420,000.

While the budget bill provides for a modest reserve, constitutional requirements, federal law and court required payments drive the majority of 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, I am taking the action reflected in this veto to further control state spending.

Item 0845-101-0217 – For local assistance, Department of Insurance. I reduce this item from \$65,601,000 to \$59,041,000 by adding:

97.20.001-Unallocated Reduction -6,560,000.

While the budget bill provides for a modest reserve, constitutional requirements, federal law and court required payments drive the majority of 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, I am taking the action reflected in this veto to further control state spending.

Item 0860-001-0001—For support of State Board of Equalization. I reduce this item from \$255,493,000 to \$245,549,000 by reducing:

- (1) 100000-Personal Services from \$340,997,000 to \$327,541,000;
- (4) Amount payable from the Breast Cancer Fund (Item 0860-001-0004) from -\$696,000 to -\$662,000;
- (5) Amount payable from the State Emergency Telephone Number Account (Item 0860-001-0022) from -\$1,527,000 to -\$1,459,000;
- (6) Amount payable from the Motor Vehicle Fuel Account, Transportation Tax Fund (Item 0860-001-0061) from -\$22,636,000 to -\$21,068,000;
- (7) Amount payable from the Occupational Lead Poisoning Prevention Account (Item 0860 001-0070) from -\$736,000 to -\$668,000;
- (8) Amount payable from the Childhood Lead Poisoning Prevention Fund (Item 0860-001-0080) from -\$513,000 to -\$479,000;
- (9) Amount payable from the Cigarette and Tobacco Products Surtax Fund (Item 0860-001-0230) from -\$8,727,000 to -\$8,385,000;
- (10) Amount payable from the Oil Spill Prevention and Administration Fund (Item 0860-001-0320) from -\$264,000 to -\$230,000;
- (11) Amount payable from the Integrated Waste Management Account, Integrated Waste Management Fund (Item 0860-001-0387) from -\$477,000 to -\$409,000;
- (12) Amount payable from the Underground Storage Tank Cleanup Fund (Item 0860-001-0439) from -\$3,338,000 to -\$3,133,000;
- (14) Amount payable from the California Children and Families First Trust Fund (Item 0860-001-0623) from -\$15,171,000 to -\$14,523,000;
- (17) Amount payable from the Gas Consumption Surcharge Fund (Item 0860-001-3015) from -\$670,000 to -\$636,000;
- (18) Amount payable from the Water Rights Fund (Item 0860-001-3058) from -\$431,000 to -\$397,000;
- (19) Amount payable from the Electronic Waste Recovery and Recycling Account (Item 0860-001-3065) from -\$4,742,000 to -\$4,401,000; and
- (20) Amount payable from the Cigarette and Tobacco Products Compliance Fund (Item 0860-001-3067) from -\$682,000 to -\$648,000.

I am reducing this appropriation to reflect savings in the Board of Equalization's budget which would normally be expected to occur as a result of the state employee furloughs I ordered, net of the tentative bargaining agreements reached with Units 1, 3, 4, 11, 14, 15, 17, 20 and 21. Because the Board of Equalization has declined to participate in the furloughs, I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0860-001-0004—For support of State Board of Equalization. I reduce this item from \$696,000 to \$662,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0022—For support of State Board of Equalization. I reduce this item from \$1,527,000 to \$1,459,000.

I am reducing this item by \$68,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0061—For support of State Board of Equalization. I reduce this item from \$22,636,000 to \$21,068,000.

I am reducing this item by \$1,568,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0070—For support of State Board of Equalization. I reduce this item from \$736,000 to \$668,000.

I am reducing this item by \$68,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0080—For support of State Board of Equalization. I reduce this item from \$513,000 to \$479,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0230—For support of State Board of Equalization. I reduce this item from \$8,727,000 to \$8,385,000.

I am reducing this item by \$342,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0320—For support of State Board of Equalization. I reduce this item from \$264,000 to \$230,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0387—For support of State Board of Equalization. I reduce this item from \$477,000 to \$409,000.

I am reducing this item by \$68,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0439—For support of State Board of Equalization. I reduce this item from \$3,338,000 to \$3,133,000.

I am reducing this item by \$205,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0623—For support of State Board of Equalization. I reduce this item from \$15,171,000 to \$14,523,000.

I am reducing this item by \$648,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-3015—For support of State Board of Equalization. I reduce this item from \$670,000 to \$636,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-3058—For support of State Board of Equalization. I reduce this item from \$431,000 to \$397,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-3065—For support of State Board of Equalization. I reduce this item from \$4,742,000 to \$4,401,000.

I am reducing this item by \$341,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-3067—For support of State Board of Equalization. I reduce this item from \$682,000 to \$648,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0890-001-0001—For support of Secretary of State. I reduce this item from \$31,970,000 to \$30,699,000 by reducing:

- (6) Reimbursements from -\$7,339,000 to -\$7,030,000;
- (7) Amount payable from the Secretary of State's Business Fees Fund (Item 0890-001-0228) from -\$38,672,000 to -\$37,126,000;
- (8) Amount payable from the Federal Trust Fund (Item 0890-001-0890) from -\$5,629,000 to -\$5,388,000;
- (9) Amount payable from the Victims of Corporate Fraud Compensation Fund (Item 0890-001-3042) from -\$1,626,000 to -\$ 1,557,000;

and by adding:

97.20.001 – Unallocated Reduction -\$3,436,000.

I am reducing this appropriation by 10 percent of the Secretary of State's personal services budget which reflects the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays. I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0890-001-0228—For support of Secretary of State. I reduce this item from \$38,672,000 to \$37,126,000.

I am reducing this item to conform to the action I have taken in Item 0890-001-0001.

Item 0890-001-0890 – For support of Secretary of State. I reduce this item from \$5,629,000 to \$5,388,000.

I am reducing this item to conform to the action I have taken in Item 0890-001-0001.

Item 0890-001-3042 – For support of Secretary of State, I reduce this item from \$1,626,000 to \$1,557,000.

I am reducing this item to conform to the action I have taken in Item 0890-001-0001.

Item 0950-001-0001—For support of the Treasurer. I reduce this item from \$5,116,000 to \$4,538,000 by reducing:

- (1) 100000-Personal Services from \$21,207,000 to \$20,382,000; and
- (5) Amount payable from the Central Service Cost Recovery Fund (Item 0950-001-9740) from -\$1,795,000 to -\$1,548,000.

I am reducing this appropriation to reflect savings in the Treasurer's budget which would normally be expected to occur as a result of the state employee furloughs I ordered, net of the

tentative bargaining agreements reached with Units 1, 3, 4, 11, 14, 15, 17, 20 and 21. Because the Treasurer has declined to participate in the furloughs, I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0950-001-9740—For support of the Treasurer. I reduce this item from \$1,795,000 to \$1,548,000.

I am reducing this item by \$247,000 to conform to the action I have taken in Item 0950-001-0001.

Item 2660-013-0042—For transfer by the Controller from the State Highway Account, State Transportation Fund, to the Transportation Debt Service Fund to be used as specified in Section 16965 of the Government Code.

I am eliminating this item consistent with the Budget agreement to eliminate the proposed \$0.12 excise tax increase on gasoline and diesel fuel.

Item 2660-302-0042—For capital outlay, Department of Transportation. I reduce this item from \$570,000,000 to \$295,000,000 by reducing:

- (1) 20-Highway Transportation from \$1,795,000,000 to \$1,520,000,000, and
- (a) State Highway Operation and Protection Program (\$1,795,000,000) to (\$1,520,000,000).

I am reducing this item by \$275,000,000 to be consistent with the Budget agreement to eliminate the proposed \$0.12 excise tax increase on gasoline and diesel fuel.

Item 5225-001-0001—For support of Department of Corrections and Rehabilitation. I reduce this Item from \$7,287,426,000 to \$6,887,426,000 by adding:

97.20.001-Unallocated Reduction -\$400,000,000

I am reducing this appropriation by \$400,000,000 to reflect savings I expect to be achieved as a result of various reforms and actions implemented by the Secretary of the California Department of Corrections and Rehabilitation. Federal court mandates, employee compensation, rehabilitation programming, and population related costs have contributed to making the Corrections budget one of the fastest growing in state government in recent years. Between 2005-06 and 2007-08, the Corrections budget grew by nearly 30 percent. Savings in this area are necessary to address the fiscal crisis and I will be working with the Legislature to achieve these reductions. These savings will be achieved in a manner that promotes rehabilitation and preserves public safety.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$43,139,000 to \$40,401,000 by reducing:

- (8) Reimbursements from -\$17,258,000 to -\$16,163,000;
 - (9) Amount payable from the Federal Trust Fund (Item 6110-001-0890) from -\$155,590,000 to -\$145,715,000;
 - (10) Amount payable from the Mental Health Services Fund (Item 6110-001-3085) from -\$709,000 to -\$664,000;
- and by adding:

97.20.001-Unallocated Reduction -\$13,753,000

I am reducing this appropriation by 10 percent of the Department of Education's personal services budget which reflects the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays. I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 6110-001-0140—For support of Department of Education, Program 20.10.055-Instructional Support, Environmental Education. I reduce this item from \$48,000 to \$45,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-0178—For support of Department of Education, Program 20.30.003-Instructional Support, Schoolbus Driver Instructor Training. I reduce this item from \$1,624,000 to \$1,521,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-0231—For support of Department of Education, Program 20.10.045-Instructional Support, Curriculum Services-Health and Physical Education-Drug Free Schools. I reduce this item from \$990,000 to \$927,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-0687—For support of Department of Education, Program 30.50-Donated Food Distribution. I reduce this item from \$7,483,000 to \$7,008,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$155,590,000 to \$145,715,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-3085—For support of Department of Education. I reduce this item from \$709,000 to \$664,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-6057—For support of Department of Education, Program 20.30-Administrative Services. I reduce this item from \$2,778,000 to \$2,602,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-003-0001—For support of Department of Education, Program 20.30.020-Instructional Support, Standardized Account Code Structure. I reduce this item from \$1,178,000 to \$1,103,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-005-0001—For support of Department of Education. I reduce this item from \$38,736,000 to \$36,279,000 by reducing:

- (1) 10.60.040-Instruction from 39,135,000 to 36,678,000;
- (a) 10.60.040.001-School for the Blind, Fremont from 5,644,000 to 5,289,655;
- (b) 10.60.040.002-School for the Deaf, Fremont from 17,979,000 to 16,850,230;
- (c) 10.60.040.003-School for the Deaf, Riverside from 15,512,000 to 14,538,115; and

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-008-0046—For support of Department of Education. I reduce this item from \$4,158,000 to \$3,894,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6440-001-0001—For support of University of California. I am reducing this item from \$2,896,355,000 to \$2,641,355,000 by reducing:

- (1) Support from \$2,812,859,000 to \$2,557,859,000.

I am reducing this item by an additional \$255,000,000 on a one-time basis to achieve General Fund savings. This unallocated reduction will be offset by federal funds the state will receive as part of the Federal American Recovery and Reinvestment Act. Consequently, this veto will not impact the University's core instructional functions. In addition, the increase in funding for federal Pell Grants contained in the Act will provide further relief to the University.

Item 6610-001-0001—For support of California State University. I am reducing this item from \$2,793,502,000 to \$2,538,502,000 by reducing:

- (1) Support from \$2,793,502,000 to \$2,538,502,000.

I am reducing this item by an additional \$255,000,000 on a one-time basis to achieve General Fund savings. This unallocated reduction will be offset by federal funds the state will receive as part of the Federal American Recovery and Reinvestment Act. Consequently, this veto will not impact the University's core instructional functions. In addition, the increase in funding for federal Pell Grants contained in the Act will provide further relief to the University.

Item SEC. 25.50—State Controller's Office Apportionments Payment System Assessments.

I am revising Control Section 25.50 to conform to the action I have taken in Item 0840-001-0001, as follows:

"SEC. 25.50. Notwithstanding any other provision of law, an amount not to exceed ~~\$844,000~~ \$822,000 is hereby appropriated from various funds to the Controller, as specified below, for reimbursement of costs for the ongoing maintenance and support of the Apportionment Payment System:

0046 Public Transportation Account	\$ 18,000	
0062 Highway Users Tax Account	289,000	282,000
0064 Motor Vehicle License Fee Account	16,000	

0330 Local Revenue Fund	95,000	93,000
0877 DMV Local Agency Collection Fund	2,000	
0932 Trial Court Trust Fund	165,000	161,000
0965 Timber Tax Fund	1,000	
0969 Public Safety Account	255,000	249,000
Total, All Funds	\$841,000	\$822,000

The Controller shall assess these funds for the costs of the Apportionment Payment System because apportionment payments in excess of \$10,000,000 are made annually from these funds. Assessments in support of the expenditures for the Apportionment Payment System shall be made monthly, and the total amount assessed from these funds may not exceed the total expenditures incurred by the Controller for the Apportionment Payment System for the 2009-10 fiscal year.”

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 1 Third Extraordinary Session.

/s/ ARNOLD SCHWARZENEGGER

ARNOLD SCHWARZENEGGER

SB 2, CHAPTER 2
(THIRD EXTRAORDINARY SESSION)
VETOES

Arnold Schwarzenegger
Governor

February 20, 2009

State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 2 Third Extraordinary Session.

Item 2660-013-0042—For transfer by the Controller from the State Highway Account, State Transportation Fund, to the Transportation Debt Service Fund to be used as specified in Section 16965 of the Government Code.

I am eliminating this item consistent with the Budget agreement to eliminate the proposed \$0.12 excise tax increase on gasoline and diesel fuel.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 2 Third Extraordinary Session.

/s/ ARNOLD SCHWARZENEGGER

ARNOLD SCHWARZENEGGER

AB 1, CHAPTER 1
(FOURTH EXTRAORDINARY SESSION)
VETOES

State of California
Governor's Office

I object to the following appropriations contained in Assembly Bill 1, Fourth Extraordinary Session.

Item 3340-101-0001—For local assistance, California Conservation Corps. I delete this item.

In order to create a reasonable reserve, I am making additional reductions so we have resources to address emergencies or additional revenue shortfalls. In addition, the Legislature did not make changes to improve the cost-effectiveness of the Beverage Container Recycling Program and address the shortfall in the Fund in a manner that supports recycling objectives. I look forward to working with the Legislature to enact comprehensive reform to the Beverage Container Recycling Program.

Item 3360-001-3117—For support of Energy Resources Conservation and Development Commission. I delete Provision 2.

I am deleting Provision 2, which would prohibit the Energy Commission from making any expenditure from this appropriation for hydrogen refueling stations. The goal of the Alternative and Renewable Fuel and Vehicle Technology program is to develop and deploy innovative technologies that transform California's fuel and vehicle types to help attain the state's climate change policies. This provision would limit the program's technology options, and would discourage continued development of hydrogen fuels and related vehicles and technology.

Item 3790-001-0001—For support of Department of Parks and Recreation. I reduce this item from \$133,988,000 to \$127,788,000 by reducing:

(1) For support of the Department of Parks and Recreation from \$428,717,000 to \$422,517,000.

In order to create a reasonable reserve, I am making additional reductions so we have resources to address emergencies or additional revenue shortfalls. I know this reduction will likely lead to closure of additional parks but we are facing unprecedented budget challenges and we have limited choices. I am directing the Department to do everything it can to work with local governments, the federal government, community based organizations, and other interested parties who can partner with the state to help mitigate any state park closures.

Item 4170-001-0001—For support of California Department of Aging. I reduce this item from \$4,227,000 to \$4,121,000 by reducing:

(4) 40-Special Projects from \$8,680,000 to \$8,574,000.

I am reducing this item by \$106,000 and 0.5 personnel years for the following programs:

- \$79,000 for the Linkages Program, and
- \$27,000 for Community Based Services Programs.

This action conforms to my action in Control Section 17.50.

Item 4260-101-0890—For local assistance, Department of Health Care Services. I am reducing this item from \$26,592,825,000 to \$26,532,256,000 to conform to the action I have taken in Control Section 18.00.

Item 4265-111-0231—For local assistance, Department of Public Health. I reduce this item from \$54,154,000 to \$47,354,000.

I am deleting the \$6,800,000 one-time augmentation of Proposition 99 funds for the Tobacco Control Program for anti-tobacco media campaigns and competitive grants to local entities. While I proposed this augmentation, tobacco tax revenues have since declined to levels insufficient to support these efforts.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from \$763,375,000 to \$702,494,000 by reducing:

(1) 25.30-Children and Adult Services and Licensing from \$2,159,705,000 to \$2,098,824,000.

I am reducing this item by \$60,881,000 to increase the reserve for economic uncertainties and to reduce the state's structural deficit, consistent with my May Revision proposal to achieve an unallocated reduction in the Child Welfare Services Program. I am reducing a total of \$79,956,000 for this purpose: \$60,881,000 from this Item and \$19,075,000 from subdivision (f) of Control Section 18.50.

Item 5225-001-0001—For support of the Department of Corrections and Rehabilitation. I revise this item by deleting Provisions 7 and 9.

I am deleting Provision 7, which would require the California Department of Corrections and Rehabilitation (CDCR) to report 2008-09 and 2009-10 overtime expenditures for custody staff. This reporting requirement would result in additional workload 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 CDCR to comply with the legislative request for this report to the extent that compliance can be achieved using existing resources and without impairing the CDCR's ability to perform its essential functions.

I am deleting Provision 9, which would restrict certain expenditures within the CDCR's budget for specified purposes, require the CDCR to report on the expenditure of these funds, allow for the redirection of funds as specified, and provide that any funds not spent revert to the General Fund. While my Administration is committed to ensuring that funds are spent for the purposes for which they are appropriated, this language is too restrictive for CDCR in 2009-10 as they implement major population reforms and other reductions, including a significant unallocated reduction.

Item 5225-002-0001—For support of the Department of Corrections and Rehabilitation. I revise this item by deleting Provision 6.

I am deleting Provision 6, which would restrict certain expenditures within the California Department of Corrections and Rehabilitation's (CDCR) budget for specified purposes, require the CDCR to report on the expenditure of these funds, allow for the redirection of funds as specified, and provide that any funds not spent revert to the General Fund. While my Administration is committed to ensuring that funds are spent for the purposes for which they are appropriated, this language is too restrictive for CDCR in 2009-10 as they implement major population reforms and other reductions, including significant unallocated reductions.

Item 5225-301-0660—For capital outlay, Department of Corrections and Rehabilitation. I revise this item by deleting Provision 5.

I am deleting Provision 5, which prohibits the Department from making any further encumbrances or expenditures of funding appropriated for the San Quentin State Prison: Condemned Inmate Complex until three specified conditions are met. This project is needed to remedy significant operational deficiencies associated with the existing condemned inmate housing and address issues cited in the *Plata* and *Coleman* lawsuits regarding sufficient health care access and accessibility for aging and disabled inmates. This project is ready to begin construction. Having to delay the construction start to comply with these conditions will cause unnecessary increased costs. In addition, this appropriation provides no increased expenditure authority for those costs. This increases the likelihood that the Public Works Board would be required to augment earlier appropriations as provided for by law. I therefore veto this provision so as to control the expenditures of the state.

Item 6110-001-0001—For support of the Department of Education. I reduce this item from \$38,210,000 to \$37,505,000 by reducing:

(2) 20-Instructional Support from \$158,747,000 to \$158,042,000,

and by deleting Provision 7.

I am reducing this item by \$705,000 to capture the maximum amount of savings from the instructional materials flexibility provided in the Education trailer bill to school districts, which suspends the adoption of instructional materials by the State Board of Education (Board) and the subsequent purchasing requirements for school districts until 2013-14. As a result, it is unnecessary for the Curriculum Development and Supplemental Materials Commission to continue to advise the Board on content frameworks and instructional materials adoptions for the next five years or until an agreed-upon process is reestablished. This reduction removes funding for unnecessary Commission per diem and travel as well as funding for Department staff.

Item 6110-008-0001—For support of Department of Education, as allocated by the Department of Education to the State Special Schools for student transportation allowances. I delete this item.

This item would provide \$3,894,000 Proposition 98 General Fund for student transportation at the State Special Schools. However, the Legislature subsequently provided special education federal funds (Provision 11 of Item 6110-161-0890) for the same purpose with the understanding that this Proposition 98 appropriation is no longer necessary. Therefore, on a technical basis, I delete this item to remove duplicative funding for student transportation at the State Special Schools.

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

Item 6600-001-0001—For support of Hastings College of the Law. I am reducing this item from \$9,270,000 to \$8,270,000.

I am reducing this item by an additional \$1,000,000 to achieve General Fund savings. Combined with the 10-percent reduction approved by the Legislature, this unallocated reduction will reduce Hastings' state support to be more in line with the General Fund reductions made to the University of California and the California State University since the 2008-09 Budget was first enacted. Because Hastings has increased its student fees by almost 38 percent since 2007-08, including a 13-percent increase for 2009-10, funding for the instructional program still increases by 5 percent in 2009-10 which should be sufficient in this fiscal climate.

Item 7980-001-0001—For support of California Student Aid Commission. I reduce this item from \$12,623,000 to \$6,323,000 by reducing:

(1) 15-Financial Aid Grants Program from \$13,049,000 to \$6,749,000

I am vetoing \$6,300,000 from the California Student Aid Commission, of which \$4,300,000 is set aside to be restored contingent upon enactment of legislation that authorizes the decentralization of the Cal Grant Program and other financial aid programs as warranted. The \$2,000,000 difference represents savings that would be achieved through efficiencies resulting from the decentralization and other over-budgeting that currently exists.

Under my January proposal, a proposal that was broadly supported by the higher education segments, the Student Aid Commission's intermediary role in approving awards will be largely eliminated. The proposal would establish colleges and universities as the single point of contact for most students' financial aid needs. This change would significantly reduce the Student Aid Commission's General Fund operating costs on an ongoing basis and save money at the postsecondary segments by reducing double-handling of awards between the colleges and the Commission. This action illustrates my commitment to put the students first and to improve the efficiency of state government. I look forward to working with the Legislature on legislation that will better serve our students and the higher education segments.

Item 9100-101-0001—For local assistance, Tax Relief. I reduce this item from \$472,370,000 to \$444,579,000 by reducing:

(5) 60-Subventions for Open Space from \$27,792,000 to \$1,000.

I am reducing this item by \$27,791,000 to suspend funding for this program, which backfills a portion of property taxes foregone when local governments voluntarily enter into contracts with property owners who agree to use their land for agricultural or open space purposes in exchange for a lower property tax assessment. This is necessary to provide a prudent reserve in the General Fund.

Item 9620-001-0001—For payment of interest on General Fund loans, upon order of the Director of Finance, for any General Fund loan. I delete Provision 4.

I have reviewed the Legislature's action on my proposal for deficiency funding in the event that the Controller must implement a payment delay plan to manage emergency cash needs. My proposal would have appropriated any amount necessary to pay the interest expenses, late payment penalties, and other costs incurred by the Controller in implementing such a plan, and it would have accelerated the review and approval process that currently exists for funding such deficiencies.

Provision 4 serves as an appropriation for specific costs incurred by the Controller. The use of this appropriation is contingent upon the occurrence of various actions and events. The legislative action on this appropriation would, in effect, exempt the Controller from obtaining approval from Finance before incurring a deficiency. It might also have the unintended effect of relieving the Controller of the personal responsibility requirements contained in Control Section 32.00. In light of this, I have determined that the provisions of Item 9840-001-0001 are adequate for the review and approval of Controller costs related to a payment delay plan and I hereby veto Provision 4.

Item 9800-001-0001—For Augmentation for Employee Compensation. I reduce this item from \$40,742,000 to \$15,742,000.

I am reducing funding by \$25,000,000 for employee compensation and am instructing my administration to absorb this reduction to build a prudent reserve. To effect this reduction, I am directing the Director of Finance to reduce the amount that would have been allocated to each department for increases in employee compensation costs, including health care. This reduced amount available for allocation to departments will not affect pay or benefits for employees in any way. Employees will receive full pay, and the funding for pay and benefits not available from Item 9800 will be funded by a redirection within existing resources by individual departments. All previously negotiated employee compensation increases, and all employee compensation increases for medical, mental, and dental health positions arising from the *Coleman*, *Plata*, and *Perez* court cases will be unaffected by my action to reduce this appropriation.

Item 9800-001-0494—For Augmentation for Employee Compensation. I reduce this item from \$51,589,000 to \$31,589,000.

I am reducing funding by \$20,000,000 for employee compensation and am instructing my administration to absorb this reduction to build a prudent reserve. To effect this reduction, I am directing the Director of Finance to reduce the amount that would have been allocated to each department for increases in employee compensation costs, including health care. This reduced amount available for allocation to departments will not affect pay or benefits for employees in any way. Employees will receive full pay, and the funding for pay and benefits not available from Item 9800 will be funded by a redirection within existing resources by individual departments. All previously negotiated employee compensation increases, and all employee compensation increases for medical, mental, and dental health positions arising from the *Coleman*, *Plata*, and *Perez* court cases will be unaffected by my action to reduce this appropriation.

Item 9800-001-0988—For Augmentation for Employee Compensation. I reduce this item from \$25,410,000 to \$15,410,000.

I am reducing funding by \$10,000,000 for employee compensation and am instructing my administration to absorb this reduction to build a prudent reserve. To effect this reduction, I

am directing the Director of Finance to reduce the amount that would have been allocated to each department for increases in employee compensation costs, including health care. This reduced amount available for allocation to departments will not affect pay or benefits for employees in any way. Employees will receive full pay, and the funding for pay and benefits not available from Item 9800 will be funded by a redirection within existing resources by individual departments. All previously negotiated employee compensation increases, and all employee compensation increases for medical, mental, and dental health positions arising from the *Coleman*, *Plata*, and *Perez* court cases will be unaffected by my action to reduce this appropriation.

Item 9840-001-0001—Augmentation for Contingencies or Emergencies. I reduce this item from \$44,100,000 to \$20,100,000.

In order to create a reasonable reserve, I am making additional reductions so we have resources to address additional revenue shortfalls. Therefore, I am reducing this item by \$24,000,000 to fund higher competing priorities. I have determined that this reduced level of funding, which is consistent with the amount of unanticipated expenses funded by this Item in the previous fiscal year, is adequate for the purposes of this Item.

SEC. 17.50—I am reducing the item of General Fund appropriation in this section by \$6,160,000 as opposed to approving the item as presented without reduction. Thus, I am increasing the General Fund reduction from \$9,483,000 to \$15,643,000.

The effect of my action reflects a reduction of \$6,160,000 to Special Projects (Program 40) to increase the reserve for economic uncertainties and to reduce the state's structural deficit. This reduction is consistent with my May Revision proposal to eliminate the Linkages Program and Community Based Services Programs. Specifically, I am reducing \$3,879,000 from the Linkages Program and \$2,281,000 from Community Based Services Programs. Funding of these non-mandated programs cannot be continued due to the state's severe budget constraints.

“Sec. 17.50. The amount appropriated in Item 4170-101-0001 of Section 2.00 is hereby reduced by ~~\$9,483,000~~ \$15,643,000.”

SEC. 18.00—I am reducing the item of General Fund appropriation in subdivision (a) of the section by \$60,569,000 as opposed to approving the item as presented without reduction. I am also reducing the item of General Fund appropriation in subdivision (e) of this section by \$25,000,000 as opposed to approving the item as presented without reduction. Thus, I am revising subdivision (e) of this Section by increasing the General Fund reduction from \$4,303,000 to \$29,303,000, and County Administration by \$60,569,000.

The effect of my action reflects a reduction of \$25,000,000 (from \$39,909,000 to \$14,909,000) to Primary and Rural Health (Program 20.35) to increase the reserve and to reduce the state's structural deficit. This reduction is consistent with my May Revision proposal to eliminate General Fund grants for Community Clinic Programs. Many, if not all of these clinics, will continue to receive funding through remaining state programs, federal programs, local programs, and private funds. Increased federal stimulus funds are available to many of these clinics and will help to minimize the overall impact of this reduction.

I am also reducing County Administration by \$60,569,000 (from \$2,893,363,000 to \$2,832,794,000) to increase the reserve and to reduce the state's structural deficit.

“SEC. 18.00. (a) The amount appropriated in Item 4260-101-0001 of Section 2.00 is hereby reduced by ~~\$2,789,402,000~~ \$2,849,971,000.

(b) Schedule (7) of Item 4260-101-0001 of Section 2.00 is hereby deleted.

(c) Provision 13 is added to Item 4260-101-0001 of Section 2.00, to read:

13. It is the intent of the Legislature to actively pursue the receipt of federal funds within the Medicaid (Medi-Cal) Program which are past due from the federal government, including, but not limited to: (a) disability insurance benefits that resulted in state expenditures instead of federal Medicare expenditures, (b) the retroactive payment of Part B premiums due to systemic errors by the federal Social Security Administration, (c) needed adjustments to formulas that penalize California, such as the Medicare Part D “clawback,” and (d) receipt of federal funds due to California under various existing Medi-Cal waiver programs.

(d) Schedule (4) of Item 4260-101-0001 of Section 2.00 is hereby revised to be ~~-\$284,246,000.~~

(e) The amount appropriated in Item 4260-111-0001 of Section 2.00 is hereby reduced by ~~\$4,303,000~~ \$29,303,000.

(f) Provision 3 is added to Item 4260-111-0001 of Section 2.00, to read:

3. The State Department of Health Care Services shall convene a diverse workgroup as applicable that, at a minimum, represents families enrolled in the California Children’s Services (CCS) Program, counties, specialty care providers, children’s hospitals, and medical suppliers to discuss the administrative structure of the CCS Program, including eligibility determination processes, the use and content of needs assessment tools in case management, and the processes used for treatment authorizations. The purpose of this workgroup will be to identify methods for streamlining, administrative cost-efficiencies, and better utilization of both state and county staff, as applicable, in meeting the needs of children and families accessing the CCS Program. The department may provide the policy and fiscal committees of each house of the Legislature with periodic updates of outcomes as appropriate.

(g) Schedule (3) of Item 4260-111-0001 of Section 2.00 is hereby revised to be ~~-\$58,188,000.~~

(h) The amount appropriated in Item 4260-113-0001 of Section 2.00 is hereby reduced by \$47,265,000.”

SEC. 18.10—I am reducing the item of General Fund appropriation in subdivision (c) of this section by \$80,473,000 as opposed to approving the item as presented without reduction. Thus, I am increasing the General Fund reduction from \$62,967,000 to \$143,440,000.

The effect of my action reflects the deletion of various legislative restorations for public health local assistance programs to increase the reserve and to reduce the state's structural deficit, consistent with my May Revision proposals. When making these difficult reductions to important program services, I have sought to protect the continued delivery of drug therapies to low-income individuals living with HIV and thus retained funding for the AIDS Drug Assistance Program.

Specifically, I am eliminating:

- \$52,133,000 General Fund for various programs administered by the Office of AIDS: Education and Prevention, Therapeutic Monitoring, Counseling and Testing, Early Intervention, Home and Community Based Care, and Housing,
- \$16,337,000 General Fund for the Domestic Violence Program,
- \$9,000,000 General Fund for the Adolescent Family Life Program, and

- \$3,003,000 General Fund for the Black Infant Health Program.

I am deleting subdivision (d) of this section to conform to this action.

“SEC. 18.10. (a) The amount appropriated in Item 4265-001-0001 of Section 2.00 is hereby reduced by \$6,981,000.

(b) Schedule (6) of Item 4265-001-0001 of Section 2.00 is hereby revised to be -\$38,739,000.

(c) The amount appropriated in Item 4265-111-0001 of Section 2.00 is hereby reduced by ~~\$62,967,000~~ \$143,440,000.

~~(d) Provision 2 is added to Item 4265-111-0001 of Section 2.00, to read:~~

~~2. It is the intent of the Legislature that the funds appropriated in this item be used to maintain core active surveillance activities to meet federal reporting requirements and to continue HIV/AIDS prevention and education efforts for which federal funds are not available.~~

(e) Provision 3 is added to Item 4265-111-0001 of Section 2.00, to read:

3. The appropriation in this item for the Alzheimer's Research Centers shall be used for direct services, including, but not limited to, diagnostic screening, case management, disease management, support for caregivers, and related services necessary for positive client outcomes.”

SEC. 18.20—I am reducing the item of General Fund appropriation in subdivision (a) of this section by \$47,050,000 as opposed to approving the item as presented without reduction. I am also reducing the item of General Fund appropriation in subdivision (c) of this section by \$2,950,000 as opposed to approving the item as presented without reduction. Thus, I am increasing the General Fund reduction in Item 4280-101-0001 from \$125,581,000 to \$172,631,000, and in Item 4280-102-0001 from \$3,046,000 to \$5,996,000.

The effect of my action reflects a reduction of \$50,000,000 (from \$275,251,000 to \$225,251,000 in total General Fund program funding) to increase the reserve and to reduce the state's structural deficit. While this is a very difficult reduction, the Healthy Families program is not an entitlement and is a program that can be reduced during this difficult economic period. I hereby direct the Health and Human Services Agency to continue to work with the California Children and Families Commission, with local commissions, foundations, and other interested parties to provide additional resources to supplement General Fund appropriations and provide health care coverage for as many children as possible.

“Section 18.20. (a) The amount appropriated in Item 4280-101-0001 of Section 2.00 is hereby reduced by ~~\$125,581,000~~ \$172,631,000.

(b) Provision 2 is added to 4280-101-0001 of section 2.00, to read:

2. It is the intent of the Legislature, during these unprecedented fiscal times, to maintain the integrity of the Healthy Families Program to continue to provide health, dental, and vision coverage to low-income children. However, assistance from philanthropic organizations and other sources will be necessary in order for California to obtain its full allotment of federal funds to support this program. In the event funds are not available, it is the intent of the Legislature for the Managed Risk Medical Insurance Board to utilize its existing authority to establish a waiting list of children for enrollment in the program.

(c) The amount appropriated in Item 4280-102-0001 of Section 2.0 is hereby reduced by ~~\$3,046,000~~ \$5,996,000.”

SEC. 18.30—I am reducing the item of General Fund appropriation in subdivision (a) of this section by \$50,000,000 as opposed to approving the item as presented without reduction. Thus, I am increasing the reduction in subdivision (a) from \$214,828,000 to \$264,828,000.

I am reducing Regional Center Purchase of Services by \$50,000,000 for services to children up to age five, as these services are due to program growth and thus eligible for funding from the California Children and Families Commission. I am directing the Secretary for the Health and Human Services Agency, the Department of Developmental Services, and the Department of Finance to immediately request funds from the Commission for this purpose. I do not intend to pursue separate legislation changing eligibility or services for these children for purposes of achieving these savings. I urge the Commission to provide supplemental funding for the growth in these services.

“SEC. 18.30. (a) The amount appropriated in Item 4300-101-0001 of Section 2.00 is hereby reduced by ~~\$214,828,000~~ \$264,828,000.
(b) Schedule (4) of Item 4300-101-0001 of Section 2.00 is hereby revised to be ~~-\$1,663,363,000.~~”

SEC. 18.40—I am reducing the item of General Fund appropriation in subdivision (e) of this section by \$4,082,000 as opposed to approving the item as presented without reduction. Thus, I am increasing the General Fund reduction from \$3,547,000 to \$7,629,000. I am vetoing \$4,082,000 to increase the reserve and to reduce the state's structural deficit, consistent with my May Revision proposal to eliminate this program.

The effect of my action reflects a partial veto of the legislative restoration for the Caregiver Resource Centers.

“SEC. 18.40. (a) The amount appropriated in Item 4440-001-0001 of Section 2.00 is hereby reduced by \$8,447,000.
(b) The amount appropriated in Item 4440-103-0001 of Section 2.00 is hereby reduced by \$113,380,000.
(c) The amount appropriated in Item 4440-104-0001 of Section 2.00 is hereby reduced by \$52,000,000.
(d) (1) Provision 1 of Item 4440-104-0001 of Section 2.00 is hereby deleted.
(2) Provision 3 is added to Item 4440-104-0001 of Section 2.00, to read:
3. These funds are for costs incurred in the 2006–07, 2007–08, 2008–09, and 2009–10 fiscal years. The first priority of funds appropriated in this item shall be used to offset the mandate reimbursement claims for the 2006–07 fiscal year. Remaining funds may be used to offset the mandate reimbursement claims for the 2007–08, 2008–09, and 2009–10 fiscal years.
(e) The amount appropriated in Item 4440-111-0001 of Section 2.00 is hereby reduced by ~~\$3,547,000~~ \$7,629,000.”

SEC. 18.50—I am reducing the item of General Fund appropriation in subdivision (d) of this section by \$37,555,000 as opposed to approving the item as presented without reduction. Additionally, I reduce the item of General Fund appropriation in subdivision (f) of this section by \$19,075,000 as opposed to approving the item as presented without reduction. Thus, I am increasing the General Fund reduction from \$1,167,507,000 to \$1,224,137,000.

The effect of my action reflects a reduction of \$37,555,000 to In-Home Supportive Services (IHSS, Program 25.15) to reflect the following reductions:

- \$28,900,000 due to the determination that it is necessary to waive exemptions included in paragraph (2) of subdivision (e) of Section 29 of X4 AB 4 to maintain federal financial participation. Due to this determination, more IHSS recipients will be impacted by the reduction in services authorized in X4 AB 4.
- \$8,655,000 from reducing funding for IHSS Public Authority administration. This leaves \$10,000,000 General Fund available for the Public Authorities to provide assistance to recipients in finding IHSS providers, investigate qualifications of potential IHSS providers, and offer training to IHSS providers.

These reductions total \$37,555,000, which I am reducing from subdivision (d) of this Control Section. I am making these reductions so we have a prudent reserve and resources to address emergencies or additional revenue shortfalls.

My action also reflects a reduction of \$19,075,000 to Title IV-E Waiver (Program 26) to increase the reserve for economic uncertainties and to reduce the state's structural deficit, consistent with my May Revision proposal to achieve an unallocated reduction in the Child Welfare Services Program. I am reducing a total of \$79,956,000 for this purpose: \$19,075,000 from subdivision (f) of this Control Section and \$60,881,000 from Item 5180-151-0001.

“Sec. 18.50. (a) The amount appropriated in Item 5180-001-0001 of Section 2.00 is hereby reduced by \$7,337,000.
 (b) Provision 9 of Item 5180-001-0001 of Section 2.00 is hereby deleted.
 (c) The amount appropriated in Item 5180-101-0001 of Section 2.00 is hereby reduced by \$500,501,000.
 (d) The amount appropriated in Item 5180-111-0001 of Section 2.00 is hereby reduced by ~~\$643,248,000~~ \$680,803,000.
 (e) Schedule (5) of Item 5180-111-0001 of Section 2.00 is hereby deleted.
 (f) The amount appropriated in Item 5180-153-0001 of Section 2.00 is hereby reduced by ~~\$16,421,000~~ \$35,496,000.”

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 1, Fourth Extraordinary Session.

ARNOLD SCHWARZENEGGER