

Final Action Report: A Summary of the 2002 Budget Act

(CHAPTER 379, STATUTES OF 2002)

INCLUDING:

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

Senator Steve Peace, Chair
Senate Committee on Budget and Fiscal Review

September 13, 2002

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2002-03 GENERAL FUND CONDITION

On June 30, 2002, the state ended its fiscal year with a \$1.4 billion deficit. The 2002 budget package finances this deficit and makes significant adjustments to address the state's ongoing budget shortfalls.

The Department of Finance estimates that the state ends the 2002 budget year with a \$1 billion surplus. General Fund revenues are estimated to be *nearly \$2.5 billion higher than expenditures* for the fiscal year starting on July 1, 2002. Relative to the 2001 budget, the 2002 budget *reduces General Fund spending* slightly.

The General Fund condition is summarized in Table 1.

Table 1
General Fund Condition
2001-02 and 2002-03
Dollars in Millions

	<u>2001-02</u>	<u>2002-03</u>	<u>Difference</u>
<i>Beginning Resources</i>	\$3,037	\$72	-\$2,965
<i>Revenues and Transfers</i>	<u>73,898</u>	<u>79,158</u>	<u>5,260</u>
Total, Resources	\$76,935	\$79,230	\$2,295
Expenditures	\$76,863	\$76,722	-\$141
Fund Balance	\$72	\$2,508	
Encumbrances	\$1,473	\$1,473	
Special Fund for Economic Uncertainties (commonly known as the "Reserve")	-\$1,401	\$1,035	\$2,436

OVERVIEW OF THE 2002-03 BUDGET

After reviewing the state's likely fiscal condition, the Governor advised the Legislature that the state faced the largest deficit in its history. On May 14, the Governor estimated that without correction the state faced a \$24 billion gap between spending and available resources for the year ending June 30, 2003. The deficit was nearly one-third of the General Fund.

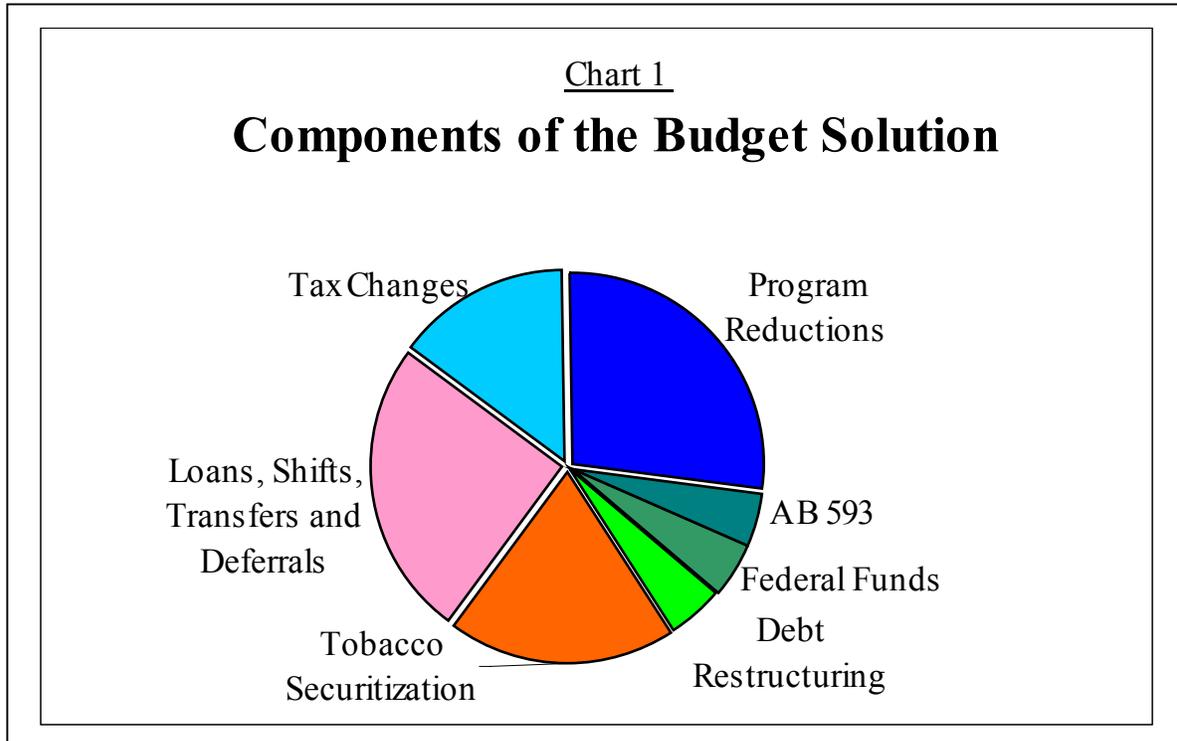
Erosion of General Fund Revenues since 2001. How did the deficit appear? When the Legislature passed the 2001-02 budget last July, the Department of Finance (DOF) estimated that resources would exceed expenditures by \$2.6 billion. DOF also estimated that the state's General Fund revenue stream would continue to grow at a rate sufficient to support spending at the levels budgeted for 2002-03.

Since the Legislature passed the 2001-02 budget, however, revenues eroded dramatically. Table 2 details the difference between the General Fund revenue forecast used to craft the 2001 Budget Act and the forecast presented in the 2002 May Revision. It shows that since July 2001, estimates of state revenues have fallen by over \$19 billion for the two-year period ending in June 2003. These revenue shortfalls account for more than 80 percent of the deficit.

	<u>2001-02</u>	<u>2002-03</u>	<u>Totals</u>
July 2001 Estimate	\$ 75.1	\$ 80.2	\$155.3
May 2002 Estimate	<u>66.5</u>	<u>69.6</u>	<u>136.1</u>
<i>Difference in Revenue Estimates</i>	<i>-\$8.6</i>	<i>-\$10.6</i>	<i>-\$19.2</i>

Expenditures also increased during the same period. Perhaps as much as 20 percent of the deficit is associated with higher-than-anticipated expenditures.

Filling the Hole. By a combination of actions, including spending cuts, special fund transfers and tax changes, the Legislature filled the deficit. The relative value of the actions is displayed in Chart 1.



More specifically, the Legislature took the following actions:

1. *Spending Reductions.* In January, the Legislature passed SB 1 XXX which reduced spending by \$2.2 billion in 2001-02 and \$.7 billion in 2002-03, thereby reducing the deficit by a total of about \$3 billion. The Budget Act (AB 425) reduced spending by another \$3.6 billion, for a total reduction of about \$6.5 billion.

The Budget Detail section of this report describes changes in the budget relative to the Governor's January 10 budget.

2. *AB 593* authorizes the Governor to reduce spending by \$1 billion more than authorized by SB 1 XXX and AB 425. Specifically, AB 593:
 - Authorizes the Director of Finance to reduce appropriations for state operations by as much as \$750 million. It is not clear whether the Director has sufficient statutory or administrative discretion to achieve this magnitude

of savings. As such, it is unlikely that all the savings attributable to the Director's authority to make "unallocated reductions" will materialize.

- Requires the Governor to issue an executive order to authorize early retirement for state employees. The early retirement provision is sometimes referred to as a "golden handshake" provision. All state employees would qualify for the handshake, including those supported by the special funds. Assembly staff estimate that this provision will save the state General Fund \$285 million.

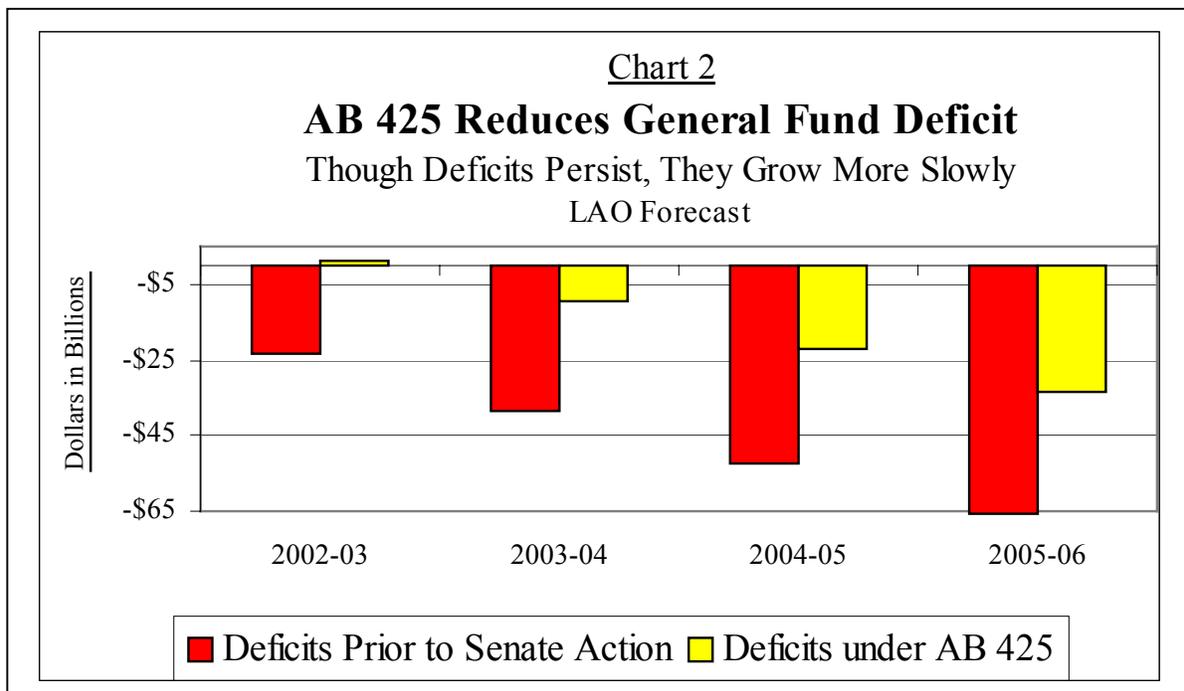
The unallocated reduction authority and golden handshake requirement are intended to create savings in addition to the reductions authorized specifically in SB 1 XXX and AB 425.

3. *Loans, Shifts, Transfers, and Deferrals.* The budget package includes loans, shifts, and transfers from special funds to the General Fund. Cumulatively, these changes increase General Fund resources by \$4.3 billion. The loans and transfers are detailed at the end of this essay. In addition, the budget agreement defers a payment to schools, saving the General Fund about \$1.7 billion in 2002-03. Taken together, these actions reduce the deficit by about \$6 billion.
4. *Tobacco Settlement.* The Legislature authorized securitizing the tobacco settlement, for a gain in General Fund resources of about \$4.5 billion.
5. *Federal Funds.* The budget assumes that federal funds will increase by about \$1.1 billion.
6. *Debt Restructuring.* By revising the state's debt payments, the Treasurer reduced state debt payments in 2002-03 by about \$1 billion (General Fund).
7. *Tax Law Changes.* The Assembly leadership negotiated a set of tax changes that generate \$2.4 billion in additional revenue for 2002-03. These changes were included in AB 2065. Table 2 summarizes the revenue impact for changes for the 2002-03 fiscal year.

Table 2
Tax Law Changes in AB 2065
 Dollars in Millions
 (effect on General Fund Revenues for 2002-03)

Suspend Net Operating Loss for Two Years <i>(and increase tax relief in outyears)</i>	\$ 1,200
Increase Withholding on Stock Options <i>(accelerates collection of tax, but does not increase tax)</i>	400
Increase Withholding on Real Estate Transactions <i>(accelerates collection of tax, but does not increase tax)</i>	225
Conform to Federal Law on Bad Debt	285
Suspend Teacher Tax Credit	170
Collection on High Risk Accounts <i>(authorizes settlement of disputed taxes)</i>	<u>145</u>
Total, Tax Changes (AB 2065)	\$ 2,425

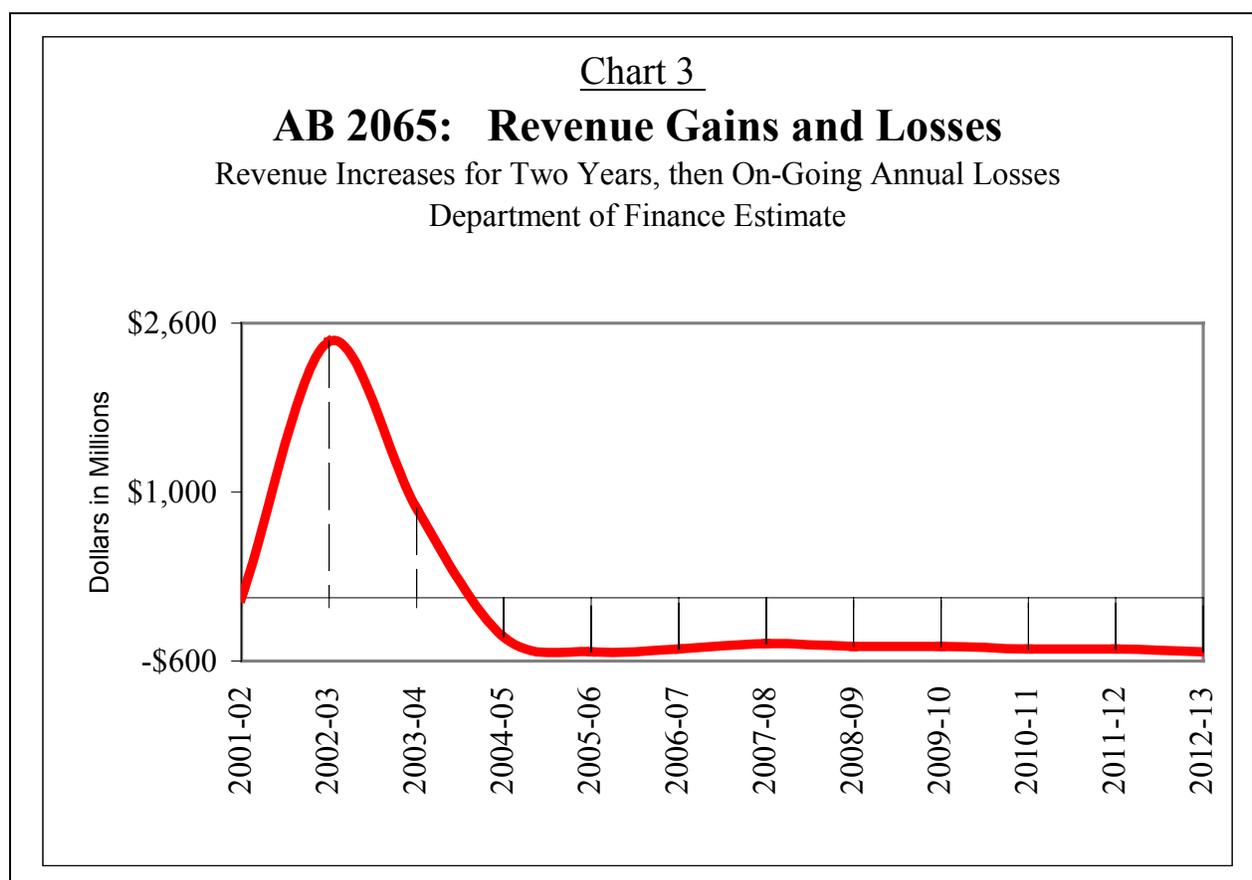
The 2002 Budget Package Improves the State’s Out-Year Fiscal Condition. The Legislative Analyst estimates that without the corrective action taken as part of the 2002 budget settlement, the state would run a cumulative deficit of \$65 billion for the four-year period ending on June 30, 2006.



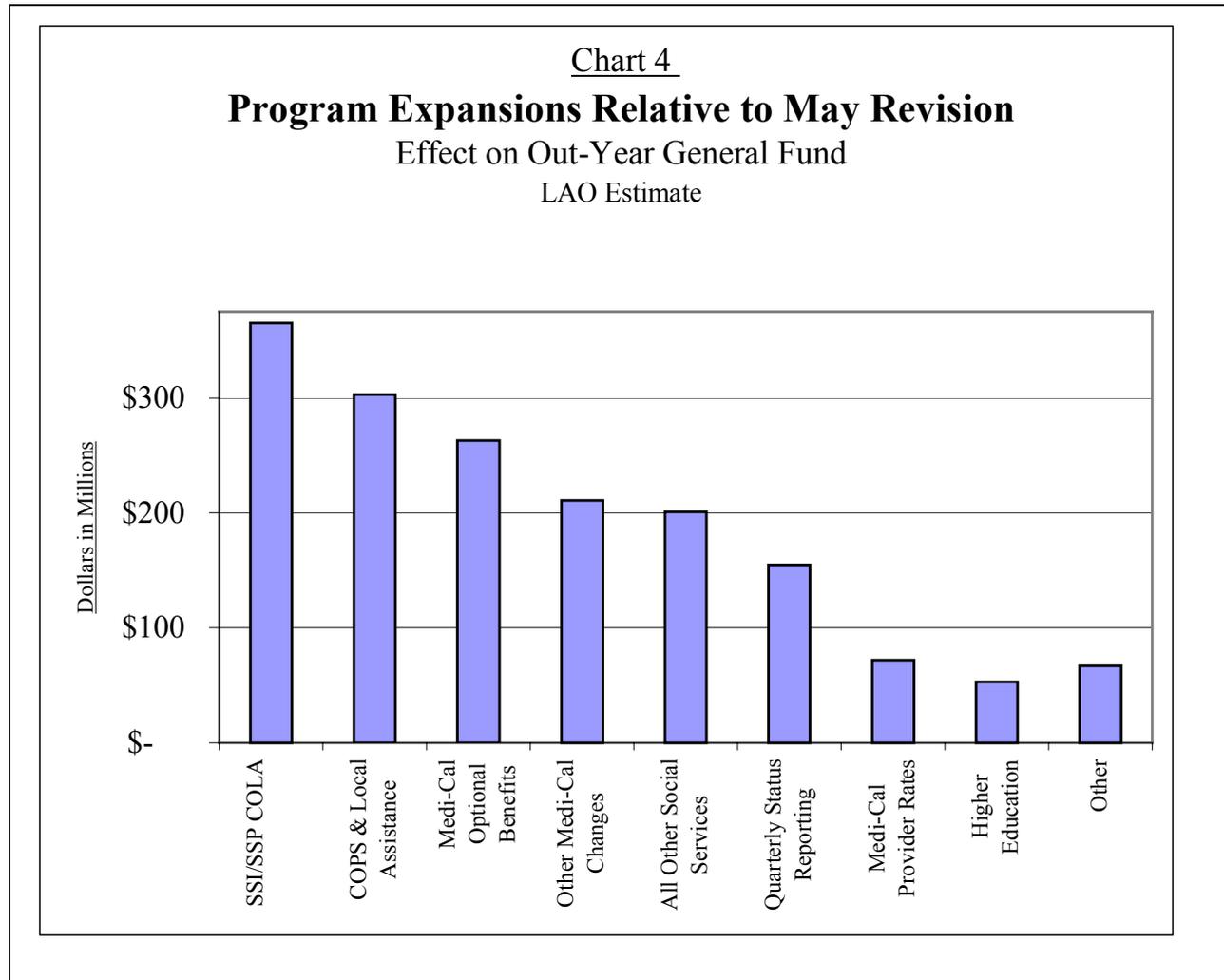
The budget package, with its combination of cuts, shifts, loans, deferrals and tax changes reduce the cumulative deficit from \$65 billion to about \$33 billion. Chart 2 compares the cumulative deficits that would have occurred under prior law and those which are forecast to occur under the provisions of the 2002 budget package.

Despite its general improvement in the state's fiscal condition, certain aspects of the 2002 budget package contribute to the out-year deficits. For example the tax bill, AB 2065, reduces General Fund revenues on a permanent basis in the out-years. Although the tax bill raises revenues in 2002-03 and 2003-04, it reduces General Fund revenues each year by about \$500 million.

The revenue losses are associated with increasing the amount of net operating losses (NOL) taxpayers may deduct beginning in 2005. Under the provisions of AB 2065, a taxpayer may now deduct 100 percent of his or her NOL, rather than the current-law 65 percent. Chart 3 displays the revenue impact of AB 2065 for the period ending June 30, 2013.



Several program expansions authorized in the budget package increase future spending and therefore contribute to the on-going deficit. The LAO estimates that these expansions will increase General Fund costs in 2003-04 by about \$1.6 billion.



These expansions are summarized in Chart 4. As displayed in the chart, the largest increase finances the cost-of-living adjustment for the aged, blind and disabled recipients of SSI/SSP. The second largest increase provides funding for local assistance programs, including law enforcement programs, like the COPS program.

LOANS AND TRANSFERS TO THE GENERAL FUND

The budget authorizes loans and transfers from special funds to address the shortfall in the General Fund. Loans may total nearly \$2 billion and transfers over \$500 million. Pages 11 and 13 detail the loan and transfer authorities in the 2002 budget package.

Loan Conditions. AB 3000 sets conditions makes for the loans. Money may be loaned from one state fund or account, provided that the following conditions are met:

- 1) The loan is authorized in the Budget Act,
- 2) The terms and conditions of the loan are set forth in the loan authorization, including an interest rate,
- 3) The loan is considered part of the balance of the fund or account, and
- 4) Fees and assessments will not be increased as a result of the loan.

Loaned moneys may not be considered a transfer of resources for purposes of determining the legality of using the funds.

AB 3000 requires the Director of Finance to order the repayment of all or a portion of the loan if either the fund or account *making the loan* needs cash, or the fund or account *receiving the loan* does not need the money.

Reporting Requirements. AB 3000 requires DOF to report to the Joint Legislative Budget Committee (JLBC) whenever a fund or account repays its loan. Annually, it must also report to the committee year-end balances for each outstanding loan.

The Governor's Budget, released on or before January 10 of each year, must also detail any outstanding loan balances.

Table 3
Special Fund Loans Contained in the 2002 Budget Package
 Loans by Budget Item Number, Department and Fund
 Dollars in Millions

Item Number	Department	Description	Total
0845-011-0217	Insurance	Insurance Fund	\$ 10
0959-011-0169	CA Debt Allocation Committee	Fund	2
0968-011-0448	CA Tax Credit Allocation Committee	Occupancy Compliance Monitoring Account	35
0968-011-0457	CA Tax Credit Allocation Committee	Tax Credit Allocation Fee Account	27
0974-011-0930	CA Pollution Control Fin. Authority	Pollution Control Financing Authority Fund	25
1111-011-0421	Automotive Repair	Vehicle Inspection and Repair Fund	100
1111-011-0069	Bureau of Barbering & Cosmetology	Fund	9
1120-011-0704	Board of Accountancy	Accountancy Fund	6
1170-011-0773	Behavioral Sciences	Behavioral Science Examiners Fund	6
1230-011-0735	Contractors' State License Board	Contractors' License Fund	11
1250-011-0741	Dental Board	State Dentistry Fund	5
1450-011-0310	Board of Psychology	Psychology Fund	5
1485-011-0264	Osteopathic Medical Board	Osteopathic Medical Board Contingent Fund	3
1490-011-0767	Pharmacy Board	Pharmacy Board Contingent Fund	6
1510-011-0761	Board of Registered Nurses	Registered Nursing Fund	12
1530-011-0775	Structural Pest Control Board	Structural Pest Control Fund	2
1760-011-0006	General Services	Disability Access Account	10
1760-011-0328	General Services	Pub. Schl. Plan., Design & Constr. Review Revolving Fd	35
1760-013-0002	General Services	Property Acquisition Law Money Account	3
2150-011-0298	Financial Institutions	Financial Institutions Fund	2
2150-011-0299	Financial Institutions	Credit Union Fund	3
2180-011-0067	Corporations	State Corporation Fund	20
2240-011-0530	Housing & Comm. Dev'ment	Mobilehome Park Purchase Fund	8
2240-116-0929	Housing & Comm. Dev'ment	Housing Rehabilitation Loan Fund	20
2320-011-0317	Real Estate	Real Estate Commissioner's Fund	11
2660-011-3007	Caltrans	Traffic Congestion Relief Fund	1,045
SB 1834	Caltrans	State Highway Account	123
2920-115-0440	Tech, Trade & Commerce	Petroleum Underground Storage Tank	17
2920-115-0521	Tech, Trade & Commerce	Fund	8
2920-115-0694	Tech, Trade & Commerce	Petroleum Financing Collection Account	1
2920-115-0918	Tech, Trade & Commerce	Small Business Expansion Fund	11
3360-011-0382	Energy Commission	Renewable Resource Trust Fund	150
3480-011-0133	Conservation	Beverage Container Recycling Fund	218
3960-011-0014	Toxics	Hazardous Waste Control Account	15
8570-112-0111	Food and Agriculture	Agriculture Fund	<u>15</u>
Total, Loans			\$ 1,978

Table 4
Special Fund Transfers Contained in the 2002 Budget Package
 Transfers by Budget Item Number, Department and Fund
 Dollars in Millions

<u>Item Number</u>	<u>Department</u>	<u>Description</u>	<u>Total</u>
0450-111-0159	State Trial Court Funding	Trial Court Improvement Fund	\$ 43
0820-011-0017	Department of Justice	Fingerprint Fees Account	2
0820-011-0378	Department of Justice	False Claims Act Fund	2
0890-011-0228	Secretary of State	Business Fees Fund	1
0890-011-0274	Secretary of State	Business Reinvestment Fund	3
2180-012-0067	Corporations	State Corporations Fund	9
2240-011-0474	Housing and Community	Childcare and Development Facilities	3
2240-115-0843	Housing and Community	Housing Trust Fund	2
2240-115-0949	Housing and Community	Housing Rehabilitation Loan Fund	1
2660-012-0041	Caltrans	Aeronautics Account	6
2660-015-0042	Caltrans	State Highway Account	14
2920-115-0649	Tech, Trade, & Commerce	Infrastructure and Economic	8
2920-115-0809	Tech, Trade, & Commerce	Export Finance Fund	8
3360-011-0381	Energy Commission	Pub. Interest Research, Dev. & Dem.	7
3360-011-0382	Energy Commission	Renewable Resource Trust Fund	7
3480-011-0141	Conservation	Soil Conservation Fund	1
3600-002-0643	Fish and Game	Upper Newport Bay Ecological	1
3640-011-0447	Wildlife Conservation Board	Wildlife Restoration Fund	3
3680-011-0560	Boating and Waterways	Small Craft Harbor Improvement Fund	5
3790-011-0392	Parks	Parks and Recreation Fund	20
3860-011-0050	Water Resources	Colorado River Management Account	22
3960-011-0018	Toxics	Site Remediation Account	1
4260-012-0099	Health Services	Health Statistics Special Fund	4
5100-011-0184	Employment Development	EDD Benefit Audit Fund	10
5100-011-0185	Employment Development	EDD Contingent Fund	25
5180-011-0270	Social Services	Technical Assistance Fund	1
C.S. 24.30	School Facilities Aid	State School Building Aid Fund	25
8350-011-0222	Industrial Relations	Workplace Health and Safety Revolving	4
8350-011-0223	Industrial Relations	Workers' Compensation Administration	3
8350-011-0284	Industrial Relations	Loss Control Certification Fund	2
8350-011-3022	Industrial Relations	Apprenticeship Training Contribution	1
8660-011-0464	Public Utilities Commission	High-Cost Fund A	27
8660-011-0470	Public Utilities Commission	High-Cost Fund B	251
Total, Transfers			\$ 523

BUDGET PACKAGE (“TRAILER BILLS”)

What we commonly refer to as the “budget” is a package of legislation necessary to implement the state’s annual spending plan. The package includes the budget bill, which appropriates General Fund and special fund revenues. The budget bill usually includes language limiting the use of the appropriations. This year’s bill, AB 425, was passed by the Legislature on August 31, 2002.

Any statutory changes necessary to implement the budget bill, often contained in legislation referred to as “trailer bills,” are passed to the Governor with the budget bill.

The list below details the budget package passed by the Legislature as part of the 2002 Budget.

Vehicle	Author	Subject
AB 425	Oropeza	2002 Budget Act
AB 442	Budget Committee	Health omnibus
AB 444	Budget Committee	Social services omnibus
AB 593	Oropeza	Unallocated reductions & golden handshake
AB 692	Aroner	Clean up of AB 444
AB 1100	Simitian	Education (Simitian provisions)
AB 1768	Oropeza	General government clean up
AB 2065	Oropeza	Tax changes
AB 2781	Oropeza	Education finance
AB 2785	Oropeza	Education clean up
AB 2996	Budget Committee	Transportation omnibus
AB 2997	Budget Committee	Resources omnibus
AB 2998	Budget Committee	Charter schools
AB 3000	Budget Committee	General government
AB 3004	Budget Committee	Forgiveness for City of Millbrae
AB 3006	Budget Committee	Medi-Cal provider rate change
AB 3008	Budget Committee	Education finance (current year deferral)
AB 3009	Budget Committee	ERPA tax authority & defer natural heritage tax credit
AB 3010	Budget Committee	Unemployment insurance (alternate base)
AB 3011	Budget Committee	Education finance (current year)
SB 1831	Peace	Tobacco securitization
SB 1834	Budget & Fiscal	Transportation loans
ACA 11	Richman	Infrastructure finance

BUDGET DETAIL, BY SUBCOMMITTEE

Subcommittee No. 1 – Education

0558	Office of Secretary of Education
4220	Child Development Policy Advisory Commission
6110	Department of Education
6120	California State Library
6255	Summer School for the Arts, California
6330	Occupational Information Coordinating Committee, California
6360	Commission on Teacher Credentialing
6420	California Postsecondary Education Commission
6440	University of California
6600	Hastings College of the Law
6610	California State University
6870	California Community Colleges
7980	Student Aid Commission
12.32	Proposition 98 Funding Guarantee
12.40	Mega Item Flexibility
12.50	Charter Schools Categorical Funding
14.00	Special Fund Loans Between Bds of the Dept of Consumer Affairs
24.00	State School Fund Allocations
24.03	Reading Control
24.60	Report of Lottery Funds Received
24.70	Local Educational Agency Fiscal Accountability

Subcommittee No. 2 - Resources, Environmental Protection, Judiciary, Transportation, and Energy

0250	Judiciary		Conservancy
0280	Commission on Judicial Performance	3830	San Joaquin River Conservancy
0390	Contributions to Judges' Retirement Fund	3835	Baldwin Hills Conservancy
0450	State Trial Court Funding	3840	Delta Protection Commission
0540	Secretary for Resources	3850	Coachella Valley Mountains Conservancy
0555	Secretary for Environmental Protection	3860	Department of Water Resources
0690	Office of Emergency Services	3900	State Air Resources Board
0820	Department Of Justice	3910	California Integrated Waste Management Board
0855	Gambling Control Commission		
2600	California Transportation Commission	3930	Department of Pesticide Regulation
2640	Special Transportation Program	3940	State Water Resources Control Board
2660	Department Of Transportation	3960	Department of Toxic Substances Control
2665	High Speed Rail Authority	3980	Office of Environmental Health Hazard Assessment
2700	Office of Traffic Safety		
2720	California Highway Patrol	8100	Office of Criminal Justice Planning
2740	Department of Motor Vehicles	8120	Commission on Peace Officer Standards And Training (POST)
3110	Special Resources Program		
3125	California Tahoe Conservancy	8140	Office of the State Public Defender
3340	California Conservation Corps	8180	Payment to Counties for Costs of Homicide Trials
3360	Energy Resources Conservation & Development Commission	8300	Agricultural Labor Relations Board
3365	Energy Initiatives	8550	California Horse Racing Board
3460	Colorado River Board of California	8570	Department of Food and Agriculture
3480	Department of Conservation	8660	Public Utilities Commission
3540	Department of Forestry and Fire Protection	8690	Seismic Safety Commission
3560	State Lands Commission	8700	Victim Compensation & Government Claims Board, California
3600	Department of Fish and Game		
3640	Wildlife Conservation Board	8770	Electricity Oversight Board
3680	Department of Boating and Waterways	8830	California Law Revision Commission
3720	California Coastal Commission	8840	Commission on Uniform State Laws
3760	State Coastal Conservancy	9670	California Victim Compensation and Government Claims Board
3780	Native American Heritage Commission		
3790	Department of Parks and Recreation	9913	Department of Justice Attorney Fees
3810	Santa Monica Mountains Conservancy	05.25	Attorney's Fees
3820	San Francisco Bay Conservation and Development Commission	24.10	Transfer Surplus of Driver Training Penalty Assessment Fund to the GF
3825	San Gabriel and Lower Los Angeles Rivers		

Subcommittee No. 3 - Health, Human Services and Veterans Affairs

0530	Health and Human Services Agency	4700	Department of Community Services and Development
0553	Office of Inspector General for Veterans Affairs	5100	Employment Development Department
2400	Department of Managed Health Care	5120	California Workforce Investment Board
4100	State Council on Developmental Disabilities	5160	Department of Rehabilitation
4110	Area Boards on Developmental Disabilities	5170	State Independent Living Council
4120	Emergency Medical Services Authority	5175	Department of Child Support Services
4130	Health and Human Services Agency Data Center	5180	Department of Social Services
4140	Office of Statewide Health Planning and Development	8350	Department of Industrial Relations
4170	Department of Aging	8450	Workers' Compensation Benefits, Subsequent Injuries
4180	Commission on Aging	8460	Workers Compensation Benefits, Disaster Service Workers
4200	Department of Alcohol and Drug Programs	8955	Department of Veterans' Affairs
4260	Department of Health Services	8960	Veterans' Home of California -- Yountville
4270	California Medical Assistance Commission	8965	Veterans' Home of California -- Barstow
4280	Managed Risk Medical Insurance Board	8966	Veterans' Home of California -- Chula Vista
4300	Department of Developmental Services	9909	Health Insurance Portability & Accountability Act (HIPAA) Compliance
4440	Department of Mental Health	12.10	Brown vs U.S. Dept of Human Services Settlement Payments

Subcommittee No. 4 – Legislative, Executive, Public Safety, and General Government

0110	Senate	2100	Department of Alcohol Beverage Control
0120	Assembly	2120	Alcoholic Beverage Control Appeals Board
0130	Legislative Analyst's Office	2150	Department of Financial Institutions
0160	Legislative Counsel Bureau	2180	Department of Corporations
0500	Governor	2240	Department of Housing and Community Development
0505	Department Of Information Technology		
0510	Secretary for State and Consumer Services	2310	Office of Real Estate Appraisers
0520	Secretary For Business, Transportation and Housing	2320	Department of Real Estate
		2780	Stephen P. Teale Data Center
0550	Secretary for Youth and Adult Correctional Agency	2920	Technology, Trade and Commerce Agency
		5240	Department of Corrections
0552	Office of the Inspector General	5430	Board of Corrections
0650	Office of Planning and Research	5440	Board of Prison Terms
0750	Office of Lieutenant Governor	5450	Youthful Offender Parole Board
0840	State Controller	5460	Department of the Youth Authority
0841	Information Technology Projects,Statewide, SCO	5480	Commission on Correctional Officers Standards and Training (CPOST)
0845	Department of Insurance	8260	California Arts Council
0850	California State Lottery Commission	8320	Public Employment Relations Board
0860	State Board of Equalization	8380	Department of Personnel Administration
0890	Secretary of State	8385	CA Citizens Compensation Commission
0950	State Treasurer	8500	Board of Chiropractic Examiners
0954	Scholarshare Investment Board	8510	Osteopathic Medical Board of California
0956	California Debt & Investment Advisory Commission	8530	Board of Pilot Commissioners, Bays of San Francisco, San Pablo and Suisun
0959	California Debt Limit Allocation Committee	8620	Fair Political Practices Commission
0965	California Industrial Development Financing Advisory Commission	8640	Political Reform Act Of 1974
		8780	Milton Marks "Little Hoover" Commission
0968	California Tax Credit Allocation Committee	8800	Membership in Interstate Organizations
0971	CA Alternative Energy & Adv. Trans. Auth.	8820	Commission on Status of Women
1100	California Science Center	8855	Bureau of State Audits
1111-	Department of Consumer Affairs and	8860	Department of Finance
1600	Related Boards	8885	Commission on State Mandates
1700	Department of Fair Employment & Housing	8910	Office of Administrative Law
1705	Fair Employment and Housing Commission	8940	Military Department
1730	Franchise Tax Board	9100	Tax Relief
1760	Department of General Services	9210	Local Government Financing
1880	State Personnel Board	9620	Payment of Interest on General Fund Loans
1900	Public Employees' Retirement System	9625	Interest Payments to the Federal Government
1920	State Teachers' Retirement System		

Subcommittee No. 4 continued

9650	Health and Dental Benefits For Annuityants	37.00	Urgency Clause
9840	Augmentation for Contingencies or Emergencies	99.00	Alphabetical Organization Index
		99.50	Numerical Control Section Index
9860	Unallocated Capital Outlay		
9908	Janitor/Contract Services		
9911	Utilities Costs		
9914	Postage Rate Increase		
01.00	Budget Act Citation		
01.50	Intent and Format		
02.00	Availability of Appropriations		
03.00	Defines Purposes of Appropriations		
03.50	Benefit Charges Against Salaries and Wages		
03.60	Contribution to Public Employees' Retirement Benefits		
04.20	Contribution to Public Employees' Contingency Reserve Fund		
04.60	Rent Increases		
04.80	State Public Works Board Interim Financing		
06.00	Project Alterations Limits		
08.50	Federal Funds Receipts		
08.51	Federal Funds Account		
09.20	Administrative Costs for Property Acquisition		
09.30	Federal Levy of State Funds		
09.50	Minor Capital Outlay Projects		
11.00	EDP/Information Technology Reporting Requirements		
11.11	Privacy of Information in Pay Stubs		
11.52	Transfer of Unencumbered Balance of Various Funds to the General Fund		
11.80	Mandate Appropriation for prior year deficiencies		
12.00	State Appropriations Limit (SAL)		
12.30	Special Fund for Economic Uncertainties		
13.00	Legislative Counsel Bureau		
26.00	Intraschedule Transfers		
27.00	Deficiency Reporting Requirements		
28.00	Program Change Notification		
28.50	Agency Reimbursement Payments		
29.00	Personnel-Year Estimates of Governor's Budget, May Revision and FCB		
30.00	Continuous Appropriation		
31.00	Administrative Procedures for Salaries and Wages		
32.00	Prohibits Excess Expenditures		
33.00	Item Veto Severability		
34.00	Constitutional Severability		
36.00	Provides that Budget Act is for Usual and Current Expenses		

SUBCOMMITTEE 1

LEGEND: The *Senate* column shows changes to the Governor's January budget proposal, as adopted by the Senate in May. The **AB 425** column indicates whether the Senate action was sustained (Adopted) or an alternative action was taken when the Senate passed the budget on June 29th and August 31st.

Senate Budget and Fiscal Review

Members

Jack O'Connell, Chair
John Vasconcellos
Bob Margett

Consultants

Tanya Lieberman
Susan Ronnback
Amy Supinger

Senate AB 425

0558 OFFICE OF THE SECRETARY FOR EDUCATION

- | | | |
|---|-------------|------------|
| 1. Eliminated the Volunteer and Mentor Service Program. Administration reduced by \$4.3 million to \$5.7 million in its May Revision letter. The Subcommittee reduced the program by the remaining \$5.7 million. | -10,000,000 | -5,000,000 |
|---|-------------|------------|

6110 DEPARTMENT OF EDUCATION

- | | | |
|---|-------------|------------|
| 1. Adjusted January 10 average daily attendance (ADA) funding by \$290.0 million GF to account for a May Revision ADA adjustment from 1.07 to 1.37. Conference Committee sustained this adjustment. | 290,000,000 | Adopted |
| 2. Approved \$107.6 million GF for the K-12 cost of living adjustment (COLA) funding from May Revision adjusted 1.66 percent (from the 2.15 percent January 10 estimate) to 2.0 percent for district and county office of education (COE) apportionments and special education. Conference Committee sustained this adjustment. | -43,045,000 | Adopted |
| 3. Approved a \$12.0 million GF decrease in COLA funding for various categorical programs due to the May Revision COLA adjustment from 2.15% to 1.66%. Conference Committee provided a 2.0% COLA to these categorical programs, at an additional cost of \$26 million. | -12,000,000 | 14,000,000 |
| 4. Approved a 2.0% COLA adjustment for ROCP programs rather than the proposed 1.66 percent. The amount necessary to increase the COLA to 2.0 percent would be transferred from the ROCP growth funding. Conference Committee provided a 2.0% COLA for this program, with full growth funding. | 7,317,000 | Adopted |
| 5. Approved \$36.0 million GF for PERS reduction. This restores funding for this Item in 2002-03. Senate Bill SB 5xxx (Peace), which enacted the Administration's proposed 2001-02 "November Revision," as revised by the Legislature, had suspended funding for PERS reduction until 2003-04. Conference Committee sustained this adjustment. | 36,000,000 | Adopted |
| 6. Approved \$42.0 million GF for school district equalization. This continues funding for this Item in 2002-03. Senate Bill SB 5xxx (Peace), which enacted the Administration's proposed 2001-02 "November Revision," as revised by the Legislature, excluded the 2001-02 appropriation from the school district base revenue limits and delayed, until 2003-04 continued funding for school district equalization which would be included in the school district base revenue limits. Conference Committee sustained this adjustment. | 42,000,000 | Adopted |

	Senate	AB 425
7. Restored \$23.1 million GF for a proposed 10 percent apportionment reduction for school districts for students participating in independent study programs. Conference Committee sustained this adjustment.	23,100,000	Adopted
8. Restored \$14.6 million GF for a January 10 proposed County Office of Education, County Community Schools "Type C" student, apportionment reduction to the level of the student's district of origin and an additional 10 percent reduction. Conference Committee sustained this adjustment.	14,600,000	Adopted
9. Restored \$23.0 million GF of a January 10, \$36.0 million reduction for Adult Education CalWORKs "overcap" funding. Conference Committee sustained this adjustment.	-13,000,000	Adopted
10. Restored the Healthy Start program for 2002-03 with \$19.0 million GF. The Governor's Jan 10, budget did not provide any funding for this program. The base funding for this program in 2001-02, before the "November Revision" \$38 million reduction, was \$39.0 million. Conference Committee sustained this adjustment.	19,000,000	Adopted
11. Approved \$197.0 million for the Low Performing High Priority Schools Program. Conference Committee sustained this appropriation level.	197,000,000	Adopted
12. Reserved \$20.0 million GF in planning grant funding for High Priority, decile 2 schools, as provided in SB 1xxx (Peace), which reduced the 2001-02, \$197.0 appropriation for the High Priority School program (AB 961, Statutes of 2001), to \$38.0 million. Conference Committee provided this level of funding from budget year funding.	20,000,000	
13. Approved \$10.0 million GF for facilities for charter schools that operate in low-income attendance areas. Conference Committee sustained this funding level.	10,000,000	Adopted
14. Restored \$5.0 million in 2001-02 GF for facilities for charter schools that operate in low income attendance areas. This item was reduced by \$5.0 million in 2001-02, per the enactment of SB 1xxx (Peace). Conference Committee reverted this funding.	5,000,000	
15. Maintained funding for the Advancement Via Individual Determination (AVID) program at \$12.0 million GF. The May Revision proposed reducing this Item by \$6.3 million. The \$300,000 reduction is to be taken from program administration. Conference Committee restored all funding for this program.	6,000,000	6,300,000
16. Restored a line item and \$17.5 million (ongoing) GF for K-4 classroom and school libraries. The Administration's Jan 10 budget proposed \$100.0 million in one-time, Proposition 98 Reversion Account funds for K-12 school, and K-4 classroom libraries. The May	17,500,000	24,429,000

Senate

AB 425

Revision proposed (through urgency statute to be enacted prior to June, 30, 2003) to transfer to 2001-02 the funding provided in the Proposition 98 Reversion Account in order to “free up” a like amount of GF in 2002-03. This is possible because the state is substantially above the 2001-02 Proposition 98 “Test 3” minimum funding level and will not affect the statutory requirement to meet this minimum. This funding was The Administration has proposed, per AB 1781 (Hertzberg), to subsume funding for school and classroom libraries into a consolidated Instructional Materials Block Grant. Conference Committee provided \$24.4 million for this program.

17. Approved \$250.0 million for an Instructional Materials Block Grant to be allocated pursuant to legislation enacted in the 2002-03 Regular Session. Conference Committee sustained this funding level.	250,000,000	Adopted
18. Approved \$150.0 million (one-time) GF for Instructional Materials to be allocated pursuant to legislation enacted in the 2002-03 Regular Session. As proposed by the Governor’s Budget, \$200 million in one-time Proposition 98 Reversion Account funds were to be allocated to districts for standards-based Reading and Language Arts materials. The May Revision reduced this amount to \$150.0 million and proposed provisional language that required school districts to certify that it would purchase standards-aligned Reading and Language Arts materials. Conference Committee sustained this funding level.	150,000,000	Adopted
19. Approved \$30.4 million for the Elementary schools Intensive Reading Program. Conference Committee increased the COLA for this program to 2.0%.	30,447,000	30,549,000
20. Approved \$12.7 million for the 7 th and 8 th Grade Math Academies Program. Conference Committee increased the COLA for this program to 2.0%.	12,717,000	12,760,000
21. Approved \$448,226,000 for Remedial Supplemental Instruction Programs. Conference Committee increased the COLA for this program to 2.0%.	448,226,000	449,726,000
22. Approved \$1.7 billion for the K-3 Class Size Reduction (CSR) Program. Conference Committee increased the COLA for this program to 2.0% and provided \$10.3 million in one-time funds for a current year deficiency in this program.	1,653,804,000	1,659,336,000

	Senate	AB 425
23. Approved \$135.2 million for the 9 th Grade Class Size Reduction (CSR) Program. Conference Committee increased the COLA for this program to 2.0% and reduced funding due to anticipated savings.	135,185,000	110,185,000
24. Adopted May Revision proposal to delay the Governor's Reading Awards Program by one year (-\$4.0 million). Also deleted funding for the California READS program (-\$0.750 million). Conference Committee sustained these adjustments.	-4,750,000	Adopted
25. Set-aside \$5.0 million of federal, adult education, English Literacy Civics funding for an agreement with the Department of Community Services and Development to provide citizenship and naturalization services. Conference Committee sustained this adjustment.	5,000,000	Adopted
26. Transferred \$6.0 million in expected Immediate Intervention / Underperforming Schools Program (II/USP) funds to a new "Corrective Actions" schedule under the Public School Accountability Act (PSAA) Item. The funds are to support schools working with School Assistance and Intervention Teams as part of the II/USP program.	Adopted	Adopted
27. Approved \$1.0 million of additional federal IDEA funds, for an FSR to be developed by the CDE to develop and implement an integrated data system for special education that incorporates data from all monitoring sources. The funds would be set aside contingent upon DOF approval of an FSR. Conference Committee deleted this augmentation.	1,000,000	
28. Augmented by \$1.7 million, federal funding for Family Empowerment Centers on Disabilities pursuant to Chapter 690, Statutes of 2001 (SB 511, Alpert). The January 10 budget provides \$2.4 million for this purpose. Conference Committee sustained this adjustment.	1,700,000	Adopted
29. Approved \$10.5 million, federal NCLB Act funds, to be set-aside for allocation pursuant to legislation to be enacted in the 2001-02 Regular Session, for various data requirements of the reauthorized federal re-authorized ESEA: No Child Left Behind (NCLB) Act of 2001, including the development of a longitudinal database. Conference Committee reduced the funding level for this project.	10,500,000	6,880,000
30. Approved \$78.8 million federal NCLB Act Title V Innovative Program funds for the Intermediate Intervention and Underperforming Schools Program (\$39.7 million) and the federal Comprehensive School Reform Demonstration Program, subject to the 30/45 day notification language specified below. Conference Committee sustained this adjustment.	78,874,000	Adopted

	Senate	AB 425
31. Approved \$400,000 for an interagency agreement with DOF to fund a study to determine the cost of a potential Special Education behavior Intervention mandate. Conference Committee sustained this adjustment.	400,000	Adopted
32. Approved May Revision proposal to reduce funding to the California School Information Services (CSIS) local assistance from \$11.0 million to \$7.0 million. Funding for the Fiscal Crisis Management Assistance Team (FCMAT) administration for this program was also reduced from \$4.5 million to \$4.29 million. Due to the Proposition 98 Reversion Account funding “swap,” this program is now funded with 2002-03 GF. Conference Committee sustained this adjustment.	7,000,000	Adopted
33. Approved \$1.4 million federal funds, for the continued development of the Alternative Schools Accountability Model to include alternative schools within the state’s system of accountability. Conference Committee sustained this adjustment.	1,445,000	Adopted
34. Approved \$500,000, one-time federal funds, to develop training materials and provide technical assistance to schools regarding statewide standards and assessments for pupils with disabilities. Conference Committee sustained this adjustment.	500,000	Adopted
35. Approved \$3.0 million in one-time federal funds to study and develop an alternative assessment for pupils who cannot participate in the High School Exit Examination even with accommodations or modifications. Conference Committee deleted funding for this purpose. Costs for this project may be paid for through the Title VI “set aside.”	3,000,000	
36. Approved \$800,000 in federal funds for development of the fifth grade STAR science test to comply with the federal NCLB Act of 2001. Conference Committee deleted funding for this purpose. Costs for this project may be paid for through the Title VI “set aside.”	800,000	
37. Approved \$4.4 million GF for the California English Language Development Test (CELDT). Conference Committee increased the COLA for this program to 2.0%.	4,436,995	4,437,000
38. Approved \$1.0 million federal NCLB funds for the CELDT to be distributed equally between a pilot program of a computer-based version of the CELDT and additional test item development. Conference Committee provided no funding for the computer-based pilot, and \$2 million for CELDT item development.	1,000,000	2,000,000
39. Approved \$8.8 million federal NCLB funds to be set-aside for activities related to developing and improving the statewide system of testing and accountability. Conference Committee reduced this amount.	8,800,000	3,700,000

	Senate	AB 425
40. Approved \$4.3 million, federal funds for Title I No Child Left Behind (NCLB) Act for the Neglected and Delinquent Children program. Conference Committee sustained this adjustment.	4,320,000	Adopted
41. Approved deletion of \$50.0 million that was included in the January 10 budget for the Certificated Staff Awards program. Conference Committee sustained this adjustment.	-50,000,000	Adopted
42. Approved delayed payment of \$157.0 million for the Governor's Performance Awards to 2003-04. Conference Committee approved \$77 million for this purpose in 2002-03.	-157,000,000	-80,000,000
43. Deleted funding for the School Crime Report II Mandate. Conference Committee sustained this adjustment.	-7,500,000	Adopted
44. Approved \$244.7 million in federal Title III Language Acquisition funds (\$110.3 million) and Title I Migrant Education funds (\$134.4 million). Conference Committee sustained this adjustment.	244,668,000	-224,688,000
45. Approved \$83.8 million federal funds for Education Technology. Conference Committee reduced this amount.	83,312,000	83,000,000
46. Approved \$131.6 million for Title I Part B of the NCLB Act (Reading First Program). Conference Committee sustained this adjustment.	131,600,000	Adopted
47. Deleted \$8.0 million for the Secondary Schools Reading Program. Conference Committee sustained this adjustment.	-8,000,000	Adopted
48. Conference Committee deferred funding for the Digital High School Program to the 2003-04 fiscal year. Budget year funding for this program will be provided in the 2003-04 budget.		-61,000,000
49. Conference Committee deferred funding for several mandates to the 2003-04 fiscal year.		-20,460,000
50. Conference Committee deferred funding for the School Improvement program to the 2003-04 fiscal year. 2002-03 funding for this program was appropriated in separate legislation.		-429,191,000
51. Conference Committee approved \$406 million in 2003-04 funding for revenue limit equalization. The appropriation for this purpose was contained in separate legislation.		406,000,000
52. Conference Committee deferred \$46.6 million in funding for the STAR program to the 2003-04 fiscal year. 2002-03 funding for this program was appropriated in separate legislation.		46,600,000
53. Approved \$28.9 million for the Miller-Unruh Basic Reading Act. Conference Committee increased the COLA for this program to 2.0%.	28,833,000	28,929,000

Senate

AB 425

Budget Bill Language

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|----|---|---------|---------|
| 1. | Adopts language that would allow one district to encumber the remaining funds from the Licensed Children's Institute/Nonpublic School Pilot program established in the 2001-02 Budget Act. Sweetwater Union School District was the sole district meeting the criteria in 2001-02 for the pilot program funded out of federal emergency impaction funds. The funds are to be available in the event a court orders or advises the closure of a NPS /LCI and the SELPA in which the LCI is located is required to provide for special education and related services to those individuals being served by the LCI at the time of closure. Conference Committee sustained this action. | Adopted | Adopted |
| 2. | Specifies that the federal funds (\$8.8 million) set-aside for activities related to developing and improving the statewide testing and accountability shall be available for encumbrance only upon the prior approval by the Department of Finance of an expenditure plan submitted by the Department of Education detailing the proposed use of this funding and subject to the notification requirement outlined in #3 below. Conference Committee sustained this action. | Adopted | Adopted |
| 3. | Specifies that the State Board of Education and the Superintendent of Public Instruction may not adopt or amend any plan for the expenditure of federal NCLB funds (as specified) except upon advance notice provided to the Joint Legislative Budget Committee and the chairs of the fiscal and policy committees that consider education and appropriations in both houses of the Legislature. Advance notice shall be 30 days if the plan for the expenditure is submitted between January 1 st and August 30 th of the year, and advance notice shall be 45 days if the plan for expenditure is submitted between September 1 st and December 31 st of the year. Conference Committee sustained this action. | Adopted | Adopted |
| 4. | Specifies that the CDE will issue a request for applications that gives equal priority for receipt of 2002-03 Comprehensive School Reform Demonstration Program (CSRSD) funding for the following two groups of schools: 1) Title I school identified as being in need of improvement or corrective action and 2) schools in decile 1 of the API that were invited to apply for the High Priority schools Grant Program and not already funded by that program or by the CSRSD program. Schools from group 2 above that submit CSRSD application meeting required criteria may choose to be funded at \$400 per pupil for one year with continuation grants for two additional years and are required to meet the requirements of the High Priority Schools Grant Program. Schools not participating in the High Priority | Adopted | Adopted |

	Senate	AB 425
Schools Grant program that are selected for the CSRD program will be funded at \$200 per pupil. Conference Committee sustained this action.		
5. Authorizes SPI to authorize not more than twenty school districts for a pilot program to claim and implement funding provided by the Elementary School Intensive Reading Program, as a block grant for the purposes of providing intensive reading instruction to students in K-4. As part of the district's application a district may request, and the SPI may approve, waivers of specific requirements for the elementary Schools Intensive Reading Program. Conference Committee sustained this action.	Adopted	Adopted
<i>Trailer Bill Language</i>		
1. Suspends School Bus Safety II Mandate for 2002-03. Conference sustained this action.	Adopted	Adopted
2. Restores authorization for 70 percent state revenue limit funding for "basic aid" school districts, for those students who were transferred to surrounding school districts pursuant to a desegregation court order. Statutory authorization for this payment was repealed in the 2001-02 budget which consolidated the funding for court-ordered desegregation programs into the Targeted Instructional Improvement Block Grant. Conference Committee sustained this action.	Adopted	Adopted
3. Imposes a three-year (30-50-70 percent) phase-in of SB 955 to ultimately implement a 70 percent in-lieu, property tax transfer for basic aid districts. This represents a "clean-up" of the provisions of Chapter 586, Statutes of 2001-02, SB 955 (Alpert) which limits—to the lesser of the charter school's revenue limit or the basic aid district property tax per pupil—the amount of property tax transferred in support of pupils who reside in a basic aid district, but attend a charter school in a non-basic aid district. Conference Committee sustained this action. This language appears in AB 1100 (Simitian)	Adopted	Adopted
4. Allows special education local plan areas to receive funds provided to permanently increase the amount per unit of average daily attendance in 2002-03. (Allows "pass-through of \$10.9 million after first ensuring full funding of special education instruction including preschools is funded in 2002-03, to local SELPAs on a per ADA basis). Conference Committee sustained this action.	Adopted	Adopted
5. Adopts the May Revision COLA factors. Conference Committee changed the COLA percentage provided to categorical programs to 2.0%.	Adopted	Revised

	Senate	AB 425
6. Denies May Revision proposal to fund the Charter School Categorical Block Grant (CSCBG) based on a one-year lag in Proposition 98 appropriations (i.e. the 2001-02 Budget Act). Approved funding for CSCBG based on 2002-03 Budget Act. Conference Committee sustained this action.	Adopted	Adopted

6110 DEPARTMENT OF EDUCATION – CHILD CARE, CHILD DEVELOPMENT AND NUTRITION PROGRAMS

1. Supported the Administration’s withdrawal of the child care system reforms proposed in January.		
2. Fully-funded Stage 2 child care services for CalWORKS recipients and the Stage 3 “set-aside” for former Cal WORKS recipients. Funding to support the Stage 3 “set-aside” was derived from a variety of predominately one-time state GF and federal fund sources.		
3. Provided a total of \$63 million from both state General Fund (\$22.2 million) and the new Federal 21 st Century Learning Program (\$40.9 million) to expand before and after school programs. Development and implementation of the new 21 st Century Learning Program will occur pursuant to provisional Budget Bill Language.	75,000,000	63,000,000
4. Restored the Child Development Policy Advisory Committee (CDPAC), which the Governor proposed to eliminate as part of his January budget.	133,000	Adopted

Budget Bill Language

1. Adds Sacramento to the list of public television stations eligible for state funding to support pre-school educational programming.	Adopted	Adopted
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Trailer Bill Language

1. Denies trailer bill language proposed by the Administration which would have eliminated the Child Development Policy Advisory Committee (CDPAC).		
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Senate

AB 425

6110 DEPARTMENT OF EDUCATION – TEACHER TRAINING & PROFESSIONAL DEVELOPMENT

1. Provided funding, pursuant to the May Revision, to support the Principal Training Program (\$7.5 million GF and \$1.6 million federal funds).	9,100,000	Adopted
2. Adopted the Governor's May Revision proposal to shift funding for the University of California Professional Development Institutes (PDIs) to K-12 and fund with new federal funds.	Adopted	Adopted
3. Approved Governor's proposed funding level for the Peer Assistance and Review Program, as adjusted for growth and COLA in the May Revision.	86,737,000	Adopted
4. Restored funding for teacher professional development through the Exploratorium (using federal funds).	500,000	Adopted
5. Reduced funding for the University of California Subject Matter Projects (-15.3 million) and augmented the Science Project with (\$5 million federal funds).	-10,300,000	Adopted
6. Retained Governor's level of support for the Teacher Incentives National Board Certification.	10,000,000	Adopted

6120 CALIFORNIA STATE LIBRARY

1. Denied the Governor's May Revision to eliminate \$750,000 for Civil Liberties Public Education Grants and restored full funding in order to allow the program to support K-12 curriculum development and dissemination.	375,000	750,000
2. Denied the Governor's May Revision and restored partial funding for the Public Library Foundation in order to continue support for local libraries (total appropriation of \$31.5 million).	17,684,000	1,532,000
3. Restored two positions within the California Research Bureau with dollars previously allocated for research contracts to support public policy research. The two restored positions will provide public policy research to the Legislature and the Governor.	Adopted	Adopted

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

1. Restored funding for the California Postsecondary Education Commission (CPEC). The Governor's May Revision proposed a funding level that would have the practical effect of eliminating the agency (total appropriation level is \$2.2 million).	2,800,000	2,160,000
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	Senate	AB 425
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Supplemental Report Language

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|---|---------|---------|
| 1. Requests CPEC to convene a task force to examine and develop recommendations on a long-term student fee policy. | Adopted | Adopted |
| 2. Requests CPEC to convene a task force to examine the structure of financial aid delivery and make recommendations related to improving the system. | Adopted | Adopted |
| 3. Specifies priority for CPEC's statutory activities, given the reduced funding level for the 2002-03 Fiscal Year. | Adopted | Adopted |

6440 UNIVERSITY OF CALIFORNIA

- | | | |
|--|-------------|------------|
| 1. Provided \$47.6 million, pursuant to the Governor's January proposal, to allow for a 1.5 percent increase in the base budget. | | Adopted |
| 2. Provided \$69.2 million to support an additional 7,700 full-time equivalent students (FTES), which brings projected enrollment to 189,628 FTES in 2002-03. This total includes approval of the May Revision request to fund an additional 600 FTES. | 69,200,000 | Adopted |
| 3. Provided \$8.4 million to summer session students at the Davis campus, with provisional language to ensure that the funds are tied to specified summer enrollment growth targets. | 8,400,000 | Adopted |
| 4. Reduced funding for state-supported research, consistent with the May Revision, and adopted alternative Budget Bill language to ensure that research program reductions are spread equally amongst all state-supported research programs. | -32,000,000 | Adopted |
| 5. Altered the Governor's May Revision proposal by partially restoring funding (total of \$25 million) for student outreach efforts. Of this amount, 4.3 million will be derived from an increase in non-resident student fees by six percent. Included in the restoration are the following programs: | | 24,977,000 |
| <ul style="list-style-type: none"> • \$5.5 million for Graduate and Professional School Outreach. | 1,000,000 | 5,561,000 |
| <ul style="list-style-type: none"> • \$809,000 for the UC ACCORD Research/Outreach Program. | 250,000 | 809,000 |
| <ul style="list-style-type: none"> • \$250,000 for the UC Arts Bridge Program. | | 250,000 |
| <ul style="list-style-type: none"> • \$2.3 million for the outreach in the Central Valley. | | 2,316,000 |
| 6. Reduced funding on a one-time basis, consistent with the May Revision, for information technology, instructional equipment, library materials, and deferred maintenance. | -29,000,000 | Adopted |
| 7. Reduced funding, pursuant to the May Revision, for UC's K-12 Internet2 Project. | 5,150,000 | Adopted |
| 8. Shifted funding for the UC Professional Development Institutes to K-12 education. | -50,866,000 | |
| 9. Provided full funding to support start-up costs at the UC Merced campus. | 13,900,000 | Adopted |

	Senate	AB 425
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Budget Bill Language

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|---|---------|---------|
| 1. Directs UC to reduce \$32 million for general state-support research by reducing each state-supported research program by ten percent. | Adopted | Adopted |
| 2. Specifies the expenditure of funds provided for UC Student Outreach activities. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Expresses the intent of the Legislature that UC assist high schools in (a) helping to ensure that schools are informed about the requirements for ensuring that A through G courses are “certified” and (b) ensuring that students are well informed on the A through G course pattern and the curriculum needed to be admitted to a UC or California State University campus. | Adopted | Adopted |
| 2. Requests the UC report on the availability and uses of institutional-based financial aid. | Adopted | Adopted |

6610 CALIFORNIA STATE UNIVERSITY

- | | | |
|--|-------------|---------|
| 1. Provided \$37.7 million, pursuant to the Governor’s January budget proposal, to allow for a 1.5 percent increase in the base budget. | 37,700,000 | Adopted |
| 2. Provided \$97.6 million to fund an additional 15,038 FTE students, to bring projected enrollment to 321,132 FTES in 2002-03. | 97,600,000 | Adopted |
| 3. Converted the Governor’s Teaching Fellowship Awards to Assumption program of Loans for Education. This action will save \$21 million in 2002-03 and make the program consistent with existing teaching-related loan forgiveness programs. | -21,000,000 | Adopted |
| 4. Approved the expenditure of funds derived from a 15 percent increase in nonresident student fees in order to support CSU faculty compensation. | 16,908,000 | Adopted |
| 5. Approved, consistent with the May Revision, reductions to CSU’s budget for instructional materials, deferred maintenance, information technology and library materials. Further, the committee adopted Budget Bill language to ensure that reductions are made in these specific program areas. | -43,000,000 | Adopted |
| 6. Eliminated support for the CSU Education Technology Program, consistent with the Governor’s January and May Revision proposals. | -12,500,000 | Adopted |

	Senate	AB 425
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Budget Bill Language

- | | | |
|--|---------|---------|
| 1. Specifies that one-time budget reductions of \$49 million are to be taken in specified programmatic areas. | Adopted | Adopted |
| 2. Requires the CSU to defer new expenditures related to the CMS/Peoplesoft project in the 2002-03 fiscal year, and until the California Bureau of State Audits completes its audit review of the project. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Requests the CSU to report on the availability and uses of institutional-based financial aid. | Adopted | Adopted |
| 2. States the intent of the Legislature that funds allocated for faculty compensation be spent on faculty compensation, in accordance with the collective bargaining agreements. Further, language requests that CSU report the funds expended on faculty compensation by a specified date. | Adopted | Adopted |

6870 CALIFORNIA COMMUNITY COLLEGES

- | | | |
|--|-------------|------------|
| 1. Approved \$114.3 million, consistent with the Governor's January Budget proposal, to support a 3 percent growth in student enrollments. | 114,300,000 | Adopted |
| 2. Approved \$79.5 million to fund a 2.0 percent cost-of-living-adjustment (COLA) for both general purpose apportionments and categorical programs (consistent with K-12). | 78,500,000 | 79,500,000 |
| 3. Approved the Governor's January budget proposal to reduce funding for the Telecommunications and Technology program by \$19.8 million. | -19,800,000 | Adopted |
| 4. Approved the Governor's January budget proposal to eliminate funding for the Fund for Student Success pilot program by \$10 million. | -10,000,000 | Adopted |
| 5. Approved Governor's proposal to reduce funding for the Economic Development by \$9.9 million; adopted revised provisional language altering the distribution of the remaining funds within the program. | -9,900,000 | Adopted |
| 6. Provided \$29 million augmentation for services to CalWORKs recipients. Of this amount, \$20 million was consistent with the Governor's May Revision proposal; \$9 million is one-time funding from the Proposition 98 reversion account. | 29,000,000 | Adopted |

	Senate	AB 425
7. Restored partial funding for community colleges Matriculation Services in order to continue providing incoming students with academic counseling and assessment. (Senate restored funding on a one-time basis, but the Budget Conference Committee restored the funding on an on-going basis).	17,000,000	14,800,000
8. Restored partial funding for community college faculty and staff development. (Senate restored funds on a one-time basis but the Budget Conference Committee made the restoration on-going).	2,000,000	1,000,000
9. Created a new budget item which allows the community colleges to “carry forward” up to \$20 million otherwise un-used categorical programs funds to the following year, in order to help backfill reductions in the CalWORKS, Matriculation and Faculty and Staff Development Programs.	Adopted	Adopted

Budget Bill Language

1. Adopts revised provisional language which alters the allocation of funds available for the Economic Development (Ed>Net program).	Adopted	Adopted
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7980 STUDENT AID COMMISSION

1. Fully funded the projected need in the Cal Grant Entitlement Program and fully funded the statutory number of awards (22,500) in the Competitive Cal Grant program.	673,627,000	Adopted
2. Denied the Governor’s May Revision which would have eliminated the California Work Study program and restored full funding by providing a \$3.2 million augmentation from other education savings and redirecting \$2 million from the Cal Grant T program.	5,300,000	Adopted
3. Denied the Governor’s May Revision and restored funding for the Cal Grant C program, which provides grants to students enrolled in two-year or limited-term vocational and occupational training programs.	4,000,000	Adopted
4. Approved the Governor’s May Revision proposal to reduce support for the Cal Grant T awards (-\$3 million); and further reduced funding Cal Grant T by an additional \$1 million, due to a recent under-subscription to the program. Fully restored funding for both the Cal Grant C program (\$4 million) and the California Workstudy Program (\$5.3 million).	Adopted	8,300,000

SUBCOMMITTEE 2

LEGEND: The *Senate* column shows changes to the Governor's January budget proposal, as adopted by the Senate in May. The **AB 425** column indicates whether the Senate action was sustained (Adopted) or an alternative action was taken when the Senate passed the budget on June 29th and August 31st.

Senate Budget and Fiscal Review

Members

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson

Consultants

Alex MacBain
Frank Vega
John Decker

Senate

AB 425

0250 JUDICIARY

- | | | |
|---|------------|---------|
| 1. Approved \$286,000 (GF) and two attorney positions for the AOC Regional Offices to provide direct legal services to the trial courts. The Conference committee rejected this proposal. | Adopted | |
| 2. Approved \$211,000 (GF) and two human resources positions to provide the trial courts with additional expertise in the areas of labor and employee relations. The Conference committee rejected this proposal. | Adopted | |
| 3. Approved \$122,000 (GF) for an increase in the interagency agreement between the AOC and the CHP's Office of Judicial Protection to increase protection in the courts of appeal. | Adopted | Adopted |
| 4. Approved a one-time reduction of \$2.9 million (GF) related to maintaining vacant positions in courts of appeal. | Adopted | Adopted |
| 5. Approved a one-time reduction of \$1 million (GF) due to workload reductions for the Court Appointed Counsel Program in the Supreme Court. | Adopted | Adopted |
| 6. Approved Finance Letter to transfer \$101,000 from local assistance to state operations for CASA Grant Program. | Adopted | Adopted |
| 7. Approved Finance Letter for a one-time unallocated reduction of \$2.8 million (GF). | -2,800,000 | Adopted |
| 8. Approved \$800,000 (GF) for the Temporary Law Clerks Program from savings identified in the current year. | 800,000 | Adopted |

0280 COMMISSION ON JUDICIAL PERFORMANCE

1. Approved as budgeted.

0390 CONTRIBUTIONS TO JUDGES' RETIREMENT SYSTEM

1. Approved as budgeted.

0450 TRIAL COURT FUNDING

- | | | |
|--|---------|---------|
| 1. Approved \$14.4 million (GF) to pay for increases in the costs of county-provided services and benefits, including workers' compensation insurance and benefit adjustments, janitorial services, communications, and auditor/controller services. | Adopted | Adopted |
| 2. Approved an augmentation of \$800,000 (GF) for Family and Children-related court programs and services from savings identified in the current year. | 800,000 | Adopted |

	Senate	AB 425
3. Approved \$13.4 million (GF) for ongoing court security costs, including contractual costs of negotiated salary increases.	Adopted	Adopted
4. Approved \$2.3 million (GF) for court interpreter workload growth.	Adopted	Adopted
5. Approved \$51.7 million (GF) to meet various needs of the trial courts, including negotiated salary increases.	Adopted	Adopted
6. Approved \$802,000 (GF) to provide Family and Children court services that will no longer be provided by the counties.	Adopted	Adopted
7. Approved a reduction of \$7.2 million (GF) due to a delay in the implementation of jury reform programs.	Adopted	Adopted
8. Approved a one-time unallocated reduction of \$23.2 million (GF) to the operating budgets of the trial courts.	Adopted	Adopted
9. Approved a one-time reversion of \$28.1 million from the Trial Court Improvement Fund to the General Fund.	Adopted	Adopted
10. Approved proposed 10 percent surcharge on criminal filing fees (revenues of \$45.8 million to the General Fund) and 20 percent surcharge on criminal fines (revenues of 15.2 million to the Trial Court Trust Fund) and a reduction of \$15.2 million (GF) from the TCTF.	Adopted	Adopted
11. Approved Finance Letter for increased costs associated with providing security at trial court facilities (GF).	9,585,000	Adopted
12. Approved Finance Letter for a one-time unallocated reduction for the operations of the trial courts (GF).	-59,200,000	Adopted

Trailer Bill Language

1. Provides for a 10 percent surcharge on court filing fees and a 20 percent surcharge on criminal fines.	Adopted	Adopted
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0540 SECRETARY FOR RESOURCES

1. Approved \$127 million for Urban Parks Grants from Proposition 40 and established an Urban Parks division within the Department of Parks and Recreation.	127,400,000	Adopted
2. Approved \$45,000,000 for Murray-Hayden Competitive Grants from Proposition 40 bonds funds.	45,500,000	Adopted
3. Approved \$25 million for the Carl Moyer Program from Proposition 40 bond funds.	15,900,000	Adopted
4. Approved a total \$20 million for Santa Monica Mountains Conservancy from Proposition 40 funds.	8,000,000	Adopted
5. Approved a total of \$20 million for the Baldwin Hills Conservancy from Proposition 40 bond funds.	5,000,000	Adopted

	Senate	AB 425
6. Deleted \$107 million for cultural and historical resources from Proposition 40 bond funds.	-107,000,000	Adopted
7. Deleted \$9.75 million for agricultural and grazing lands preservation from Proposition 40 bond funds.	-9,750,000	Adopted
8. Deleted \$63.7 million for various river parkway projects from Proposition 40 bond funds. Conference committee approved \$56.2 million for projects and opportunity grants.	-63,700,000	-7,500,000
9. Deleted \$20 million for the Opportunity Acquisition Program from Proposition 40 bond funds. Conference committee restored funding for the program.	-20,000,000	
10. Deleted \$164 million for Clean Beaches from Proposition 40 bond funds.	-164,000,000	Adopted
11. Deleted \$101.1 million for the CALFED Bay-Delta Program from Proposition 40 bond funds.	-101,100,000	Adopted
12. Deleted \$52.3 million for projects authorized in Proposition 40 bond funds.	-52,300,000	Adopted
13. Restored \$330,000 for the Sea Grant program.	330,000	Adopted
14. Approved \$8 million for various River Parkway projects from Proposition 13 bond funds.	425,000	Adopted

Budget Bill Language

1. Authorizes the use of Carl Moyer-Proposition 40 bond funds for clean school buses.	Adopted	Adopted
2. Requires accountability and oversight of Proposition 40 expenditures. Conference committee deleted this language from the budget act.	Adopted	

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

1. Approved as budgeted.

0690 OFFICE OF EMERGENCY SERVICES

1. Approved an increase of \$562,000 (GF) for the State Strategic Committee on Terrorism.	Adopted	Adopted
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	Senate	AB 425
2. Approved a reduction of \$1.2 million (GF) to delay funding for the California Integrated Seismic Network.	Adopted	Adopted
3. Approved Finance Letter reduction in disaster assistance funding (GF).	-5,000,000	Adopted
4. Approved Finance Letter to delete funding for the OES Headquarters Perimeter Fence (GF).	-1,631,000	Adopted

Trailer Bill Language

1. Conference committee delays repayment for City of Millbrae loan for one year, until May 2005 and provides that no additional interest shall accrue during the deferral period.		Adopted
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0820 DEPARTMENT OF JUSTICE

1. Approved a reduction of \$17.6 million (GF) and 88 positions from various divisions within the department.	Adopted	Adopted
2. Approved shifting \$3 million in equipment expenditures from General Fund to federal funds and \$1.9 million from General Fund to Federal Asset Forfeiture funds.	Adopted	Adopted
3. Approved \$1.1 million (GF) and 10 positions to maintain Tobacco Litigation and Enforcement Section.	Adopted	Adopted
4. Approved \$1.9 million from special funds and 24 limited term positions for Indian gaming regulatory workload.	Adopted	Adopted
5. Approved one-time augmentation of \$1.2 million in Federal Asset Forfeiture funds for computer equipment purchases. The Conference committee approved an augmentation of asset forfeiture funds on a one-time basis to backfill a corresponding General Fund reduction for BNE equipment purchases.	Adopted	-1,189,000
6. Approved Finance Letter for the California Anti-Terrorism Information Center. Funding and positions available over two years unless federal funds are available for this expenditure. The Conference committee approved expenditures of \$6.7 million (representing the first year of funding) and provides the funds as reimbursements through the Office of Criminal Justice Planning (OCJP).	13,400,000	
7. Approved an augmentation in expenditure authority from special funds for the Do Not Call program.	7,200,000	Adopted
8. Approved Finance Letter for an unallocated reduction (GF).	-10,000,000	Adopted

	Senate	AB 425
9. Approved Finance Letter reduction for the California Crime and Violence Prevention Partnership program (GF).	-1,500,000	Adopted
10. Approved Finance Letter reduction for the Spousal Abuser Prosecution program (GF).	-800,000	Adopted
11. Approved Finance Letter reduction to delay land acquisition for the statewide DNA lab (GF).	-5,000,000	Adopted
12. Approved Finance Letter increase for Systems maintenance and support for the Controlled Substance Utilization Review and Evaluation System (CURES). Total increase of \$249,000 (\$124,000 from GF and \$125,000 from special funds). The Conference committee approved \$249,000 from special funds.	249,000	Adopted

Budget Bill Language

- | | | |
|---|---------|--|
| 1. Limits expenditures and positions for the California Anti-Terrorism Information Center to two years unless federal funds become available. Conference committee rejected the language. | Adopted | |
|---|---------|--|

Trailer Bill Language

- | | | |
|---|--|---------|
| 1. Conference committee increases the subscriber fee for individuals who wish to get on the "Do Not Call" list up to \$5 every 3 years. | | Adopted |
|---|--|---------|

0855 CALIFORNIA GAMBLING CONTROL COMMISSION

- Approved as budgeted.

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved as budgeted.

2640 SPECIAL TRANSPORTATION PROGRAMS

- Approved as budgeted.

2660 DEPARTMENT OF TRANSPORTATION

- | | | |
|--|---------|---------|
| 1. Approved \$1.04 billion loan from the Traffic Congestion Relief Fund to GF, as proposed in Governor's Budget. | Adopted | Adopted |
|--|---------|---------|

	Senate	AB 425
2. Approved \$10 million (special fund) to continue the fleet greening program to reduce air pollution from the department's mobile fleet, as proposed in Governor's Budget.	Adopted	Adopted
3. Approved \$23.4 million (special fund) to implement the department's stormwater management plan, as proposed in Governor's Budget.	Adopted	Adopted
4. Restored half of the department's proposed reduction of state positions for the capital outlay support program (special fund).	Adopted	Adopted
5. Approved proposal to redirect funds for the highway work zone awareness campaign.	Adopted	Adopted
6. Conference Committee approved \$1.5 million (General Fund) for development of a child care facility in Santa Clara.		1,500,000
7. Conference Committee deleted \$75 million (special fund) for the Information Technology Enterprise Integration Systems.		-75,000,000

Trailer Bill Language

1. Authorizes the departments to manage State Highway Account, Public Transportation Account, Traffic Congestion Relief Funds, and Toll Bridge Seismic Retrofit Account from a cash-management basis.	Adopted	Adopted
2. Authorizes the department to establish the freeway service patrol grant program.	Adopted	Adopted
3. Eliminates the Seismic Safety Retrofit Account and establishes the State Highway Account as the successor.	Adopted	Adopted
4. Authorizes the department to loan \$50 million from the State Highway Account to the General Fund. Conference committee approved an additional \$123 million loan.	Adopted	Adopted

Supplemental Report Language

1. Requires the department to provide an implementation review of the stormwater management plan by January 10, 2003.	Adopted	Adopted
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2665 CALIFORNIA HIGH SPEED RAIL AUTHORITY

1. Approved \$7 million to complete the preliminary environmental impact report/environmental impact statement (EIR/EIS), as proposed in Governor's Budget.	Adopted	Adopted
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Senate

AB 425

2700 OFFICE OF TRAFFIC SAFETY

1. Approved as budgeted.

2720 CALIFORNIA HIGHWAY PATROL

- | | | |
|--|------------|---------|
| 1. Approved \$11.9 million from special funds for increases in workers' compensation costs. | Adopted | Adopted |
| 2. Approved \$2.4 million from special funds for telecommunications infrastructure improvements. | Adopted | Adopted |
| 3. Approved various reductions of \$8.5 million from the MVA. | Adopted | Adopted |
| 4. Approved \$81.5 million and 236 positions from the MVA to protect California's infrastructure from terrorism on a one-time basis, with one-year limited term positions unless federal funding becomes available for these expenditures. The Conference committee approved the proposal as budgeted, for \$81.5 million and 236 positions from the MVA on an ongoing basis. The proposal assumes reimbursement to the MVA from federal anti-terrorism funds. | Adopted | Adopted |
| 5. Approved Finance Letter for one-time funding from the MVA for purchase and installation of nuclear detection devices. | 3,145,000 | Adopted |
| 6. Approved Finance Letter to fund from the MVA for additional patrol officers to guard the Golden Gate Bridge on a one-time basis only, unless federal funds become available for this expenditure. The Conference committee approved these positions on an ongoing basis. | 660,000 | Adopted |
| 7. Approved Finance Letter to delay funding for the construction phase of the Williams area office. | -2,969,000 | Adopted |

Budget Bill Language

- | | |
|---|---------|
| 1. Restricts the funding for infrastructure protection to one-year limited term unless federal funds become available for this purpose. The Conference committee rejected the restrictive language. | Adopted |
|---|---------|

2740 DEPARTMENT OF MOTOR VEHICLES

1. Approved as budgeted.

Senate

AB 425

3110 SPECIAL RESOURCES PROGRAMS

1. Approved as budgeted.

3125 TAHOE CONSERVANCY

- | | | |
|---|----------|---------|
| 1. Approved \$300,000 reduction to the baseline budget. | -300,000 | Adopted |
|---|----------|---------|

Supplemental Report Language

- | | | |
|--|---------|---------|
| 1. Requires the Conservancy, the Tahoe Regional Planning Agency, and the Resources Agency to report on the effectiveness of the Tahoe Environmental Improvement Program (EIP). | Adopted | Adopted |
|--|---------|---------|

3340 CALIFORNIA CONSERVATION CORPS

- | | | |
|--|------------|---------|
| 1. Approved May Revision proposal to reduce the corps' baseline budget by \$7.2 million and 425 corpsmember positions. | -7,200,000 | Adopted |
|--|------------|---------|

3360 ENERGY RESOURCES CONSERVATION & DEVELOPMENT COMMISSION (CEC)

- | | | |
|--|------------|---------|
| 1. Eliminated the GF appropriation for siting (reduction is offset with increased ERPA revenues). | -5,454,000 | Adopted |
| 2. Reduced the grants for geothermal projects. The grant reduction is due to a reduction in special fund revenues, consistent with May Revision. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|--|---------|---------|
| 1. Requires CEC to report on alternative fee structures for siting activities. | Adopted | Adopted |
|--|---------|---------|

Trailer Bill Language

- | | | |
|--|---------|---------|
| 1. Authorizes CEC to raise ERPA surcharge from \$.0002 per kilowatt of electricity to \$.0003. (Amends Revenue and Taxation Code Section 40016.) | Adopted | Adopted |
|--|---------|---------|

Senate

AB 425

3460 COLORADO RIVER BOARD

1. Approved as budgeted.

3480 DEPARTMENT OF CONSERVATION

- | | | |
|---|---------|-----------|
| 1. Approved \$218 million loan from the beverage container recycling fund to the General Fund, as proposed in Governor's Budget. | Adopted | Adopted |
| 2. Approved \$250,000 (special funds) to begin the abandoned mine remediation program. Conference committee approved \$125,000 for abandoned mine mapping, and \$125,000 for remediation. | 250,000 | Adopted |
| 3. Conference committee approved \$6.7 million (special fund) for the Farmland Conservancy program. | | 6,700,000 |

Budget Bill Language

- | | | |
|--|---------|---------|
| 1. Authorizes the Director of Finance to issue short-term loans from the General Fund to the Beverage Container Recycling Fund during the budget year. | Adopted | Adopted |
|--|---------|---------|

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

- | | | |
|--|------------|------------|
| 1. Reduced GF support of department, offset by increase in fee reimbursement (\$20 million cost shift). Conference committee approved \$20 million augmentation. | | 20,000,000 |
| 2. Approved \$5.8 million reduction for timber harvest plan review. Conference committee deleted this item. | -5,800,000 | |
| 3. Augmented department by \$2 million for combating sudden oak death. | 2,000,000 | Adopted |
| 4. Deleted funding for the board of forestry. Conference committee restored funding. | -158,000 | |
| 5. Conference committee approved \$75 million for costs associated with emergency fire suppression. | | 75,000,000 |

Trailer Bill Language

- | | | |
|---|---------|--|
| 1. Establishes a 4 percent timber yield fee on harvested timber, and authorizes the department to establish a fee in order to cover the costs of reviewing and enforcing timber harvest plans. Conference committee deleted the proposal. | Adopted | |
|---|---------|--|

	Senate	AB 425
2. Increases reimbursements with locals for fire suppression on state responsibility areas (SRAs). Conference committee deleted the proposal.	Adopted	

3560 STATE LANDS COMMISSION

1. Approved May Revision proposal to reduce \$600,000 from the commission's baseline budget.	-600,000	Adopted
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Budget Bill Language

1. Maintains the Resources Trust Fund and authorizes the transfer of all tidelands oil revenues to the General Fund.	Adopted	Adopted
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3600 DEPARTMENT OF FISH AND GAME

1. Augmented department by \$2 million (Environmental License Plate Fund) to maintain the department's current funding level for CEQA review.	2,000,000	Adopted
2. Conference committee approved \$927,000 (special fund) for the "Fishing in the City" program.		927,000

3640 WILDLIFE CONSERVATION BOARD

1. Approved May Revision proposal to revert \$14 million from the UC Merced grasslands project and fund the project with Proposition 40 bond funds.	-14,000,000	Adopted
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Trailer Bill Language

1. Conference committee approved 1-year suspension of the Natural Heritage Preservation Tax Credit program.		
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3680 DEPARTMENT OF BOATING AND WATERWAYS

1. Approved as budgeted.		
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3720 COASTAL COMMISSION

	Senate	AB 425
1. Restored \$1.1 million for local coastal programs.	1,100,000	Adopted
3760 COASTAL CONSERVANCY		
1. Approved \$4.6 million (Proposition 12) augmentation for the Santa Monica Bay restoration program.	4,600,000	Adopted
<i>Supplemental Report Language</i>		
1. Requires the conservancy to report on the coastal fish passage barrier assessment program.	Adopted	Adopted
3780 NATIVE AMERICAN HERITAGE COMMISSION		
1. Approved as budgeted.		
3790 DEPARTMENT OF PARKS AND RECREATION		
1. Conference committee approved a \$1.1 million reduction and authorized the department to implement the Iron Rangers Program, and charge for camp reservation fees.		-1,100,000
<i>Supplemental Report Language</i>		
1. Requires the department to conduct an assessment of maintenance and operating costs to permit initial public access for all land acquired in the 2000-01 and 2001-02 fiscal years.	Adopted	Adopted
3810 SANTA MONICA MOUNTAINS CONSERVANCY		
1. Approved as budgeted.		
3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION		
1. Approved May Revision proposal to reduce the commission's baseline budget by \$400,000.	-400,000	Adopted

Senate

AB 425

3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY

1. Approved as budgeted.

3830 SAN JOAQUIN MOUNTAINS CONSERVANCY

1. Approved as budgeted.

3835 BALDWIN HILLS CONSERVANCY

1. Approved as budgeted.

3840 DELTA PROTECTION COMMISSION

1. Approved as budgeted.

3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY

1. Approved as budgeted.

3860 DEPARTMENT OF WATER RESOURCES

- | | | |
|---|------------|------------|
| 1. Approved May Revision proposal to transfer \$31.4 million from the State Water Project Fund to the General Fund. | Adopted | Adopted |
| 2. Approved \$3.4 million reduction to the CALFED Bay-Delta program. Conference committee restored funding. | -3,400,000 | |
| 3. Approved \$300,000 (Proposition 204) augmentation for the fish passage improvement program. | 300,000 | Adopted |
| 4. Conference committee approved a \$2 million (GF) reduction to the Drought Panel Recommendations program. | | -2,000,000 |

	Senate	AB 425
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Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Requires the department to provide quarterly reports on the department's energy purchasing transition efforts. | Adopted | Adopted |
| 2. Requires CALFED to report on various program elements. | Adopted | Adopted |
| 3. Requires CALFED to submit a work-plan for the fish passage improvement program. | Adopted | Adopted |

3900 AIR RESOURCES BOARD

- | | | |
|--|------------|---------|
| 1. Approved \$6 million (Motor Vehicle Account) restoration in subvention grants to local air districts. | 6,000,000 | Adopted |
| 2. Approved May Revision proposal to reduce \$3.3 million from the stationary source program. | -3,300,000 | Adopted |

Trailer Bill Language

- | | |
|--|---------|
| 1. Repeals the current cap on stationary source fees and authorizes the board to increase fees with the consumer price index. Conference committee deleted the proposal. | Adopted |
|--|---------|

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Requires the board to provide recommendations on developing a statewide particulate matter emission reduction incentive program. | Adopted | Adopted |
|---|---------|---------|

3910 INTEGRATED WASTE MANAGEMENT BOARD

- | | | |
|---|------------|---------|
| 1. Removed proposal to establish a conversion technology grant program and placed funding for the program in legislation. | -1,500,000 | Adopted |
|---|------------|---------|

3930 DEPARTMENT OF PESTICIDE REGULATION

- | | | |
|--|------------|---------|
| 1. Restored \$500,000 in local assistance funding to be used by the county agricultural commissioners. | 500,000 | Adopted |
| 2. Approved May Revision proposal to reduce the department's budget by \$3.4 million. | -3,400,000 | Adopted |

Senate

AB 425

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Requires the department to report on pesticide use enforcement activities. | Adopted | Adopted |
|---|---------|---------|

3940 STATE WATER RESOURCES CONTROL BOARD

- | | | |
|---|-------------|------------|
| 1. Reduced \$16.3 million from the board's core regulatory program. The subcommittee also approved trailer bill language to increase fees to offset the reduction. Conference committee denied this proposal. | -16,300,000 | |
| 2. Approved the May Revision proposal to reduce \$6.2 million in stormwater contracts. | -6,200,000 | Adopted |
| 3. Conference committee denied funding for the System for Water Information Management II Project (SWIM II) | | -4,328,000 |

Trailer Bill Language

- | | |
|---|---------|
| 1. Increases the statutory cap on waste discharge fees to \$30,000. The proposal also removes the exemption for co-permittees and confined feeding operations (dairies). Conference committee denied this proposal and approved a \$20,000 cap on waste discharge fees. | Adopted |
|---|---------|

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

- | | |
|---|------------|
| 1. Conference committee approved a \$2 million unallocated reduction. | -2,000,000 |
|---|------------|

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

- | | | |
|--|-----------|---------|
| 1. Restored \$1.3 million for various health assessment programs, including: public health goal development, children's health, and cancer risk assessment. Conference committee approved a \$600,000 unallocated reduction. | 1,309,000 | 709,000 |
|--|-----------|---------|

8100 OFFICE OF CRIMINAL JUSTICE PLANNING

- | | | |
|--|-------------|------------|
| 1. Approved various proposed reductions totaling \$719,000 and 5 positions. (GF) | Adopted | Adopted |
| 2. Approved Finance Letter for a 50 percent reduction to various local assistance grant programs, restored funding | -18,481,000 | -7,892,000 |

	Senate	AB 425
for three grants and added \$1,000 to the other grants. Conference committee approved restoration of certain grants programs.		
3. Approved Finance Letter reduction from General Fund for the High Technology Theft Apprehension and Prosecution Program. The Conference committee restored funding for this program.	-4,177,000	
4. Approved Finance Letter reduction from General Fund for the War on Methamphetamine program. The Conference committee approved full funding for the program (\$15 million).	-5,000,000	
5. Approved Finance Letter reduction for the Cold Hit Program (GF). The Conference committee reduced funding for the program by a total of \$17.2 million.	-6,000,000	-17,195,000
6. Approved transfer of federal funds for certain juvenile justice grant programs (\$42 million) and GF (\$2.4 million) from OCJP to Board of Corrections. The Conference committee rejected the transfer of these programs to the Board.	Adopted	
7. Approved Finance Letter to transfer \$4 million (GF) from the DNA Cold Hit program to fund the Domestic Violence Prevention program.	Adopted	Adopted
8. Conference committee approved funding for the California Anti-Terrorism Information Network (GF). These funds are provided to the DOJ through reimbursements.		6,700,000

Supplemental Report Language

1. Directs OCJP to report on a quarterly basis information regarding the redirection of grants funds between grantees.	Adopted	Adopted
2. Directs OCJP to provide an audit report and an outcome evaluation of the Gang Violence Suppression program.	Adopted	Adopted

Trailer Bill Language

1. Conference committee provides authority to issue lease revenue bonds for the Los Angeles Regional Forensic Lab.		Adopted
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8140 OFFICE OF THE STATE PUBLIC DEFENDER

1. Approved Finance Letter reduction to reflect the elimination on currently vacant positions (GF).	-250,000	Adopted
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Senate

AB 425

8180 PAYMENTS TO COUNTIES FOR THE COSTS OF HOMICIDE TRIALS

1. Approved as budgeted.

8300 AGRICULTURAL LABOR RELATIONS BOARD

- | | | |
|---|----------|---------|
| 1. Approved Finance Letter for an unallocated reduction (GF). | -519,000 | Adopted |
|---|----------|---------|

8570 DEPARTMENT OF FOOD AND AGRICULTURE

- | | | |
|---|------------|------------|
| 1. Approved one-time funding for the Medfly preventative release program, as proposed by Governor's Budget. | Adopted | Adopted |
| 2. Approved \$2 million reduction for the red imported fire ant program. | -2,000,000 | Adopted |
| 3. Approved May Revision proposal to reduce \$3 million from the "Buy California" program. Conference committee approved an additional \$500,000 reduction. | -3,000,000 | -3,500,000 |
| 4. Conference committee approved a \$15 million loan from the Agricultural Fund to the General Fund. | | Adopted |

Supplemental Report Language

- | | |
|--|---------|
| 1. Requires the department to provide a recommendation on how to fund the Medfly preventative release program from an alternative funding source and requires the Legislative Analyst to provide a recommendation on how to fund the program from assessments. Conference committee deleted this language. | Adopted |
|--|---------|

8660 PUBLIC UTILITIES COMMISSION (PUC)

- | | | |
|--|-----------|---------|
| 1. Increased funding for financial and legal counsel for dealing with the PG&E bankruptcy, consistent with May Revision. | 4,785,000 | Adopted |
| 2. Increased funding for bond counsel (PUC Utilities Ratepayers Account). | 1,000,000 | Adopted |
| 3. Eliminated funding for the "Green Team," pursuant to LAO recommendation. | -100,000 | Adopted |
| 4. Adjusted commission's lease revenue payments, consistent with May Revision. | Adopted | Adopted |

Senate AB 425

Budget Bill Language

- | | | |
|---|---------|---------|
| 1. Modifies the statutory requirement requiring the Office of Ratepayer Advocates to be identified separately in the budget bill. | Adopted | Adopted |
|---|---------|---------|

Supplemental Report Language

- | | | |
|--|---------|---------|
| 1. Requires the PUC to report on the staff needs of the payphone program. | Adopted | Adopted |
| 2. Requires the PUC to report on the progress in implementing AB 140 (Strom-Martin), the rural telephone grants program. | Adopted | Adopted |

8665 CALIFORNIA CONSUMER POWER & CONSERVATION FINANCING AUTHORITY (CPA)

- | | | |
|---|------------|---------|
| 1. Scheduled \$1 million repayment of the 2001 loan. | -1,000,000 | Adopted |
| 2. Reduced the authority's budget by \$1.1 million to reflect changes in planned activities associated with financing projects. | -1,100,000 | Adopted |
| 3. Shifted funding of CPA loan from General Fund to special fund. | -5,600,000 | Adopted |

Supplemental Report Language

- | | | |
|--|---------|---------|
| 1. Requires the CPA to report on its cash flow and the projects it is financing. | Adopted | Adopted |
|--|---------|---------|

Trailer Bill Language

- | | | |
|--|---------|---------|
| 1. Modifies the CPA's ability to contract for personnel (amends PU Code 3340). | Adopted | Adopted |
|--|---------|---------|

8700 CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

- | | | |
|--|------------|---------|
| 1. Approved Finance Letter to delete transfer from the Restitution Fund to the General Fund. | 20,000,000 | Adopted |
| 2. Approved \$966,000 from special funds to establish a Claims Review Unit within each Joint Power county. | Adopted | Adopted |

Trailer Bill Language

- | | | |
|--|---------|---------|
| 1. Requires claims to be submitted using a standard Claim Form, and increases Caltrans delegation authority. | Adopted | Adopted |
|--|---------|---------|

Senate

AB 425

8770 ELECTRICITY OVERSIGHT BOARD

- | | | |
|---|----------|---------|
| 1. Eliminated the generation maintenance program. | -730,000 | Adopted |
|---|----------|---------|

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Requires the board to report on its appeals caseload by August 1, 2002. | Adopted | Adopted |
| 2. Requires the board to describe its statutory duties and budgetary needs. | Adopted | Adopted |

8830 CALIFORNIA LAW REVISION COMMISSION

1. Approved as budgeted.

8840 COMMISSION OF UNIFORM STATE LAW

1. Approved as budgeted.

9670 EQUITY CLAIMS OF THE CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD AND SETTLEMENT AND JUDGEMENTS BY THE DEPARTMENT OF JUSTICE

1. Approved as budgeted.

SUBCOMMITTEE 3

LEGEND: The *Senate* column shows changes to the Governor's January budget proposal, as adopted by the Senate in May. The **AB 425** column indicates whether the Senate action was sustained (Adopted) or an alternative action was taken when the Senate passed the budget on June 29th and August 31st.

Senate Budget and Fiscal Review

Members

Wesley Chesbro, Chair
Deborah Ortiz
Ray Haynes

Consultants

C. Catherine Camp
Diane Van Maren
John Decker

Senate AB 425

0530 HEALTH AND HUMAN SERVICES AGENCY

- | | | |
|--|----------|----------|
| 1. Adopted General Fund reduction as proposed by the Administration in the May Revision. | -185,000 | Adopted |
| 2. Conference Committee reduced by \$100,000 as recommended by the Department of Finance because a legislatively required report regarding the future of the state's Developmental Centers was over a year late. | | -100,000 |
| 3. Reduced by \$180,000 as proposed in the Governor's January budget. | -180,000 | Adopted |

Trailer Bill Language (as contained in AB 442)

- | | | |
|--|---------|---------|
| 1. Requires CHHS Agency to prepare a comprehensive Olmstead (Olmstead v L.C., 527 U.S. 581 (1999)) long-term care plan and provide it to the Legislature by April 1, 2003. | Adopted | Adopted |
|--|---------|---------|

0553 OFFICE OF THE INSPECTOR GENERAL FOR VETERANS AFFAIRS

1. Approved as budgeted.

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- | | | |
|--|-----------|---------|
| 1. Authorized the budget, effective January 1, 2003, contingent on enactment of legislation. | 1,488,000 | Adopted |
|--|-----------|---------|

2400 DEPARTMENT OF MANAGED CARE

- | | | |
|--|---------|---------|
| 1. Approved as requested the \$850,000 (Managed Care Fund) to convert 14 limited-term positions to permanent and maintain existing staffing capacity for the HMO Call Center. | 850,000 | Adopted |
| 2. Increased by \$500,000 (Managed Care Fund) to fully integrate medical group reporting, improve the reporting of quality indicators, add data on complaints and other adjustments for the HMO Quality Report Card. | 500,000 | Adopted |
| 3. Adopted as requested an increase of \$447,000 (Managed Care Fund) to convert 7 limited-term positions to permanent in the Office of Enforcement. | 447,000 | Adopted |
| 4. Approved as requested the \$210,000 (Managed Care Fund) to convert 3 limited-term positions to permanent to support the Financial Solvency Standards Board | 210,000 | Adopted |

	Senate	AB 425
functions.		
5. Provided an ongoing appropriation of \$500,000 (Managed Care Fund) to further develop and implement the Report Card on health maintenance organizations.	500,000	Adopted
6. Augmented by \$234,000 (Managed Care Fund) to hire four additional financial examiners to conduct increased financial examinations of specialized plans, as requested by the DMHC.	234,000	Adopted

Key Trailer Bill Language (as contained in AB 442)

1. Clarifies, as proposed, when plans are to be notified each year as to what their special assessment will be for the forthcoming year.	Adopted	Adopted
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4100 STATE COUNCIL ON DEVELOPMENTAL DISABILITIES

1. Approved as budgeted.

4110 ORGANIZATION OF AREA BOARDS

1. Approved as budgeted.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

1. Increased by \$25 million to provide funds to certain Trauma Care Centers as described in AB 442, the omnibus health trailer legislation. This augmentation continues the same funding level as provided last year for this purpose.		25,000,000
2. Adopted as proposed the Hospital Bioterrorism Preparedness Program to expend \$972,000 in federal grant funds across two state fiscal years, made available from the Health Resources and Services Administration (HRSA). Of this amount, \$597,000 (federal funds) was appropriated in the Budget Act.	597,000	Adopted
3. Reduced General Fund support by 10 percent in certain programs, including a reduction of \$400,000 for the poison control center, \$321,000 for local assistance and \$153,000 for state support.	-874,000	Adopted
4. Reduced and shifted funds as proposed by the EMSA, including deleting \$248,000 (General Fund) from	-248,000	Adopted

	Senate	AB 425
support and increasing special funds by \$148,000 to serve as a partial off-set.		
5. Provided \$171,000 (federal reimbursements) as requested to continue the statewide emergency medical services evaluation and planning project.	171,000	Adopted
6. Shifted \$80,000 in local assistance funds to state support to provide funding for a statewide coordinator for childrens emergency medical services.		80,000
7. Increased by \$206,000 (federal reimbursements) to continue work on the California Emergency Medical Services Information System (CEMIS).	206,000	Adopted

4130 HEALTH AND HUMAN SERVICES DATA CENTER

1. Reduced spending authority to reflect actual prior year expenditures.	-2,809,000	Adopted
2. Reduced spending authority for Welfare Data Tracking Implementation project to reflect actual needs.	-4,778,000	Adopted
3. Reduced spending authority for CMIPS reprocurement to remove duplicate funding.	-376,000	Adopted
4. Reduced spending authority for the ISAWS consortium, to reflect maintenance and operations savings.	-1,402,000	Adopted
5. Reduced consultant spending authority for the Statewide Fingerprint Imaging System.	-570,000	Adopted
6. Reduced consultant spending authority for the SAWS Statewide Project Management.	-807,000	Adopted

Budget Bill Language

1. Permits the transfer of resources in the ISAWS consortium from operational funds to those necessary to plan for the migration of participant counties or other SAWS consortia.	Adopted	Adopted
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Trailer Bill Language

1. Requires development of a plan for the migration of the ISAWS consortium counties to other SAWS consortia, by March 15, 2003.	Adopted	Adopted
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Senate AB 425

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Requires a report by April 1, 2003, of a rate study that evaluates current operations and processes. | Adopted | Adopted |
|---|---------|---------|

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- | | | |
|---|-----------|---------|
| 1. Increased funding for financial assistance and education support for nursing workforce development, all Special Funds. | 1,123,000 | Adopted |
| 2. Reversed the transfer proposed in January from the Registered Nurse Education Fund to the General Fund. | 800,000 | Adopted |
| 3. Reduced the Song-Brown Family Physician Training program, resulting in the reduction of 9 training slots. | -500,000 | Adopted |

Budget Bill Language

- | | | |
|---|---------|---------|
| 1. Authorizes the expenditure of funds by a non-profit fund-raising organization identifying resources for the Specialty Care Fund. | Adopted | Adopted |
|---|---------|---------|

Trailer Bill Language

- | | | |
|--|---------|---------|
| 1. Adds reporting requirements to hospital requests for an extension of seismic requirements, and public access to records of such requests. | Adopted | Adopted |
|--|---------|---------|

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Requires a report as part of the Rural Health Policy Council's annual report on the financial health and programmatic stability of rural hospitals and health systems. | Adopted | Adopted |
|---|---------|---------|

4170 DEPARTMENT OF AGING

- | | | |
|--|-----------|----------|
| 1. Adopted increased state operations requirement for new federal Older Americans Act funding, all federal funds. | 445,000 | Adopted |
| 2. Reduced funding for the Senior Wellness (StayWell) media campaign by \$250,000; used \$126,000 of this amount to restore the January reduction to the Linkages Case Management program. | | -124,000 |
| 3. Eliminated the transfer of funds proposed in January from the HICAP fund to the GF. | 1,709,000 | Adopted |

	Senate	AB 425
4. Eliminated funding for HIPAA in the department, and moved funding to a single Budget Item 9909, in the amount of \$200,000 (\$130,000 GF).	-200,000	Adopted
5. Augmented local funding for Nutrition, Supportive Services and Centers and Special Projects with new federal Older Americans Act funding, all federal funds.	8,113,000	Adopted
6. Increased the state-funded stipend for Foster Grandparents and Senior Companion to meet federal requirements by \$83,000 (\$21,000 GF).	83,000	Adopted

Supplemental Report Language

1. Requires the Department to provide a summary of local planning processes used by Area Agencies, for budget subcommittees by March 1, 2003.	Adopted	Adopted
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4180 COMMISSION ON AGING

1. Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

1. Increased funding to reflect an increase in the federal Substance Abuse Prevention and Treatment Block Grant, including both state operations and local assistance, all federal funds.	20,176,000	Adopted
2. Restored \$850,000 for statewide technical assistance contracts, replacing General Fund with federal Substance Abuse Prevention and Treatment Grants.		
3. Restored \$1,500,000 for perinatal treatment programs, replacing General Fund with federal Substance Abuse Prevention and Treatment grants.		
4. Restored funding for the Drug Court Partnership program, restructured to serve felons for maximum state prison savings. These funds are offset by savings in the Department of Corrections budget associated with program success.	8,000,000	4,878,000
5. Redirected correctional drug treatment expenditures in the Department of Corrections to the Department of Alcohol and Drug programs budget, for display purposes only, in order to resolve a federal maintenance-of-effort issue (no changes to the programs in the Department of Corrections).		8,900,000
6. Increased Drug Medi-Cal to reflect cost and caseload	3,650,000	Adopted

	Senate	AB 425
changes, by \$3,650,000 (\$1,811,000 General Fund)		
7. Reduced HIPAA funding by \$4,079,000 (\$2,039,000 General Fund), as part of a larger HIPAA action to reduce and focus the effort.	-4,079,000	Adopted

Budget Bill Language

1. Requires that the reduction to perinatal treatment programs be taken proportionately between program types.	Adopted	Adopted
2. Reinstates categorical designation of funds for the Women's and Children's Residential Treatment Services, adjusted for any reduction.	Adopted	Adopted
3. Requires the department to develop a plan for identifying target program areas or populations where drug treatment expenditures can be most effectively expended.	Adopted	Adopted

Trailer Bill Language

1. Adopts technical language to streamline the rate setting for Drug Medi-Cal.	Adopted	Adopted
2. Directs the department to apply for federal funding to support community coalitions for prevention.	Adopted	Adopted
3. Reformulates the Drug Court Partnership Program to focus exclusively on felons and to evaluate the restructure to assure that Department of Corrections savings are sustained.	Adopted	Adopted
4. Requires an independent evaluation of the Substance Abuse Recovery Management System program, that provides treatment to parents of children adjudged dependents of the court in San Diego, and provide a report to budget hearings in 2003 on the status of the evaluation.	Adopted	Adopted

Supplemental Report Language

1. States legislative intent that the LAO prepare a report on the Drug Medi-Cal program, including barriers to provider participation and beneficiary access.	Adopted	Adopted
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Senate

AB 425

4250 CALIFORNIA CHILDREN AND FAMILIES COMMISSION

1. Approved as budgeted.

4260 DEPARTMENT OF HEALTH SERVICES**Medi-Cal, and Healthy Families -- (Local Assistance & State Support)**

- | | | |
|--|-------------|---------|
| 1. Denied the Administration's proposal to eliminate eligibility for very low-income, two-parent families who have moved off of public cash assistance (i.e., 1931 b category). As such, an adjustment of \$184.2 million (\$92.1 million General Fund) is required. | 184,200,000 | Adopted |
| 2. Denied the Administration's proposal to reduce enrollment in Medi-Cal by rescinding the elimination of requiring "quarterly status" reporting which had been adopted by the Governor in the Budget Act of 2000. As such, an adjustment of \$310.8 million (\$155.4 million General Fund) is required. | 310,800,000 | Adopted |
| 3. Rejected the proposal to eliminate certain Medi-Cal Optional benefits, including adult dental services, medical supplies, acupuncture, podiatry, chiropractic, occupational therapy, psychology, and independent rehabilitation centers. As such, an adjustment of \$526 million (\$263 million General Fund) is required. | 526,000,000 | Adopted |
| 4. Adopted a LAO recommendation to adjust the Administration's caseload estimate downward by 37,000 eligibles for savings of \$46.6 million (\$23.3 million General Fund). | -23,300,000 | Adopted |
| 5. Rebuffed the Administration's proposal to reduce by 20% state support for mandated county administration of the Medi-Cal Program, including eligibility processing, outreach, disenrollment processing and related functions. As such, an adjustment of \$175.9 million (\$87.9 million General Fund) is required. | 175,900,000 | Adopted |
| 6. Adopted the Administration's proposal to not provide cost-of-doing-business adjustments for Medi-Cal county administration process for both the current year (\$107 million total funds) and budget year (\$19.1 million total funds) for a combined reduction of \$126.1 million (\$63.5 million General Fund) across the two-years. | -19,100,000 | Adopted |

	Senate	AB 425
<p>7. The Senate initially (1) adopted the Administration's proposal in January to rollback a portion of the provider rate increase adopted in the Budget Act of 2000 for savings of \$155.1 million (\$77.5 million General Fund), and (2) adopted the May Revision proposal to rescind the remaining rate adjustment amount due to the severe fiscal situation for additional savings of about \$110.7 million (\$55.4 million General Fund).</p> <p>The Conference Committee provided a backfill of \$34.2 million (\$17.1 million General Fund) to restore the rate adjustment for home health agencies, family planning services, non-emergency medical transportation, and the California Children's Services (CCS) Program. In addition, the Senate provided an additional adjustment of \$110.7 (\$55.4 million General Fund) to the Conference Committee action by also restoring the May Revision reduction. Therefore, AB 425 provides funding to restore rates for the four health service areas as noted above, and a portion of the rate reduction amount (i.e., the May Revision amount) as originally proposed by the Governor. The amount shown for AB 425 is the net amount (i.e., January reduction plus the offset of the aforementioned adjustments).</p>	-265,800,000	-120,900,000
<p>8. Denied the Administration's proposal to further reduce Medi-Cal provider rates by increasing copayments and reducing that amount automatically off the reimbursement rate paid to the providers. As such an adjustment of \$61.2 million (\$30.6 million General Fund) is required.</p>	61,200,000	Adopted
<p>9. The Senate adopted the Administration's proposal in January to increase the fee paid by Disproportionate Share Hospitals (DSH) by \$55.2 million, and also adopted the May Revision proposal to obtain an additional \$31 million for a total increase in the DSH fee of \$86.1 million. The Conference Committee decided to only adopt the January adjustment. This adjustment coupled with the existing DSH fee amount of \$29.8 million brings the total DSH fee payment to \$85 million. This amount is reflected in AB 442, the omnibus health trailer bill.</p>	-86,200,000	-55,200,000
<p>10. Approved the out patient hospital increase in rates as required by the Orthopaedic Hospital Settlement, and related litigation, for increased expenditures of \$183.1 million (\$91.5 million General Fund).</p>	183,100,000	Adopted
<p>11. Adopted numerous adjustments generally as proposed by the Administration pertaining to Medi-Cal drugs, pharmacy, medical supplies and related items for savings of about \$375 million (\$187.7 million General</p>	-375,400,000	Adopted

Fund). The adjustments include the following:

- Require AIDS & Cancer drug manufacturers to provide supplemental rebates as specified in statute. (\$14 million)
- Require the DHS to analyze and follow-up on aged drug rebate disputes. (\$13.6 million)
- Agreed to implement Generic Drug contracting. (\$53.4 million)
- Have the DHS conduct a therapeutic category review of atypical antipsychotics. (\$29.6 million)
- Have the DHS implement enteral nutrition product contracting. (\$18.2 million)
- Make enteral nutrition product rate reductions. (\$21.2 million)
- Proceed with Medical Supply product contracting. (\$18 million)
- Conduct a therapeutic category review of nonsteroidal medications. (\$16.8 million)
- Have the DHS increase the duration of therapy review audits. (\$10 million)
- Have the DHS increased the frequency of billing audits. (\$6 million)
- Create a List of Preferred Prior Authorized Drugs. (\$10 million)
- Provide the DHS with statutory authority to conduct aggressive contracting for drug rebates. (\$20 million)
- Agreed to statutory language to protect state drug rebates from being reduced under specified circumstances. (\$14 million)
- Agreed to a modified pharmacy drug cost reimbursement to be average wholesale price (AWP) minus 10% for both brand name drugs and generic drugs. (\$20 million)
- Adopted a new methodology for establishing Maximum Allowable Ingredient Costs (MAIC) on Generic Drugs (pertains to pharmacy reimbursement). (\$10 million)
- Reduced pharmacy reimbursement by rescinding the two reimbursement adjustments as contained in Chapter 190 (SB 651, Burton), Statutes of 1999, but exempt long-term care pharmacies from this reduction. (\$21.4 million)
- Changed the payment method for over-the-counter medications from drug ingredient cost plus 50% to drug ingredient cost plus a professional fee. (pertains to pharmacy reimbursement) (\$42 million)
- Changed the methodology for establishing the Maximum Allowable Product Cost (MAPC) for Medical Supplies by allowing the DHS to use a new cost factor called "wholesale selling price" and by also looking at product functionality. (\$6 million)
- Agreed to remove Medical Supplies from state regulations and instead, create a List of Contract Medical Supplies. (\$4 million)
- Agreed to implement competitive contracting for durable medical equipment and laboratory services by January 1, 2003. (\$13.2 million)
- Agreed to change incontinence supplies reimbursement by reimbursing it at acquisition cost plus 38 percent (versus 40 percent), and reimbursing all other medical supplies, excluding diabetic testing items, at cost plus 23 percent. For diabetic testing supplies, the dispensing of these products will be restricted to pharmacy providers and they will be reimbursed at cost plus a dispensing fee of \$4.05. In addition, lower quantity limits were set on incontinence creams and washes. (\$14

	Senate	AB 425
million)		
12. Approved the Administration's proposal to defer implementation of Express Lane Eligibility (i.e., AB 59 and SB 493) for savings of \$51.6 million (\$25.8 million General Fund), but deferred implementation only for one-year, not three years as requested.	-51,600,000	Adopted
13. Deleted funds for the coordination of Medi-Cal application tracking between Healthy Families and Medi-Cal for savings of \$8 million (\$4 million General Fund).		-8,000,000
14. The Senate adopted the May Revision proposal to rescind action taken in the Budget Act of 2000 to provide payment for up to two dental office visits a year and two cleanings a year for savings of \$15.8 million (\$7.9 million General Fund). Conference Committee modified this action by providing funding for children to continue to receive these services.	-15,800,000	-7,900,000
15. Assumed the May Revision proposal to expand Medical Case Management, but adopted an expedited implementation date of January 1, 2003 in lieu of April 1, for total savings of \$18 million (\$9 million General Fund).	-18,000,000	Adopted
16. The Senate agreed to the May Revision expansion of Medi-Cal anti-fraud efforts for savings of \$60 million (\$30 million General Fund). Conference Committee recognized cost avoidance savings as well for additional savings of \$200 million (\$100 million General Fund).	-60,000,000	-260,000,000
17. Approved the Healthy Families/Medi-Cal outreach reduction of \$18.6 million (\$7.2 million General Fund) for total expenditures for outreach of only \$10.3 million (total funds).	-18,600,000	Adopted
18. Approved the standard rate adjustment for reimbursement rates paid to long-term care facilities by increasing by \$18.2 million (\$9.1 million General Fund).	18,200,000	Adopted
19. Provided for the rate increase for Santa Barbara Health Authority as contained in the May Revision for total expenditures of \$8.9 million (\$4.5 million General Fund).	8,900,000	Adopted
20. Recognized the need to expand the Program for All-Inclusive Care (PACE) in order to maintain elderly individuals in community-based settings and to expand options for addressing the Olmstead v L.C. (119 S. Ct. 2176 of 1999) litigation for savings of \$2.2 million (\$1.1 million General Fund).	-2,200,000	Adopted
21. The Senate rejected the Administration's request to provide additional funds for outside counsel regarding Olmstead-related litigation (i.e., Davis v Grantland Johnson, and Sanchez v Grantland Johnson) for savings	-3,000,000	Adopted

	Senate	AB 425
of \$3 million (General Fund). The Conference Committee restored this funding request.		
22. Deleted 7 positions from a requested 49 new positions to implement various aspects of AB 1075, Statutes of 2001 pertaining to rate development and other factors relating to nursing homes. This resulted in savings of \$1 million (\$520,000 General Fund).	-1,000,000	Adopted
23. Approved 91 positions as requested to expand medical case management for expenditures of \$3 million (\$1.5 million General Fund).	3,010,000	Adopted
24. Provided 5 positions as requested to contract for durable medical equipment and laboratory services for expenditures of \$354,000 (\$177,000 General Fund).	354,000	Adopted
25. Provided \$300,000 (\$150,000) to San Diego Children's Hospital for their pediatric long-term care unit.		300,000
26. Approved funding for 40 positions to conduct more Medi-Cal Program anti-fraud activities for expenditures of \$2 million (\$1 million General Fund).	2,000,000	Adopted

Budget Bill Language

1. Adopts Budget Bill Language to require the DHS to release a report regarding pharmacy reimbursement by August 15, 2002.		Adopted
2. Adopts Budget Bill Language regarding the PACE Program.	Adopted	Adopted
3. Adjusts fees paid by hospitals and long-term care facilities as directed by the Administration.	Adopted	Adopted

Key Trailer Bill Language (as contained in AB 442)

1. Adjusts the Disproportionate Share Hospital "fee" to reflect a higher fee level.	Adopted	Adopted
2. Adopts language on the drug reimbursement proposals, medical contracting, enteral nutrition contracts, and pharmacy reimbursement.	Adopted	Adopted
3. Eliminates the Medi-Cal Assets test.	Adopted	Deleted
4. Agrees with the Administration to restrict formal appeal hearings for Medi-Cal to Sacramento or by telephone only.	Adopted	Adopted
5. Adopts language for adjusting Medi-Cal rates. (Also reference AB 3006).	Adopted	Adopted
6. Approves language regarding other departments to have an interagency agreement with the DHS in order to	Adopted	Adopted

	Senate	AB 425
obtain certain Medi-Cal reimbursement payments for services rendered (such as ICF/DD).		
7. Extends the Graduate Medical Education Program sunset date by two-years.	Adopted	Adopted
8. Eliminates the sunset date for the prescription drug discount program for Medicare recipients.	Adopted	Adopted
9. Eliminates the sunset date for Medi-Cal Personal Care Services program.	Adopted	Adopted
10. Adopts language regarding Express Lane Eligibility, including a one-year deferral date.	Adopted	Adopted
11. Eliminates the sunset date to extend Medi-Cal coverage children who receive adoption assistance program services from another state.	Adopted	Adopted
12. Adopts language to modify dental exams and dental cleanings for adults to one a year (versus two now).	Adopted	Adopted
13. Approves language to enable the DHS to contract with the Fiscal Intermediary for certain staff in order to do conduct prior treatment authorization processing.	Adopted	Adopted
14. Adopts language to enable the DHS to contract out with a third-party regarding certain Ombudsman Office services.	Adopted	Adopted
15. Provides for continuation of a rate increase for emergency medical physicians providing services under the California Healthcare for Indigent Persons Program.	Adopted	Adopted
16. Provides the DHS with statutory authority to contract with specified laboratories to perform clinical laboratory services under the Medi-Cal Program.	Adopted	Adopted
17. Makes a technical clarifying amendment that within 30 days of enactment of an appropriation, the state EMS Authority must obtain information from certain trauma centers in order to allocate appropriated funds.	Adopted	Adopted
18. Crafts language that requires the DHS to notify the Legislature and counties within 60 days of passage of the annual Budget Act if the funds appropriated for Medi-Cal county administration are to be withheld in any manner.	Adopted	Adopted
19. Modifies existing statute for the Assisted Living Pilot Program to make it easier to implement.	Adopted	Adopted
20. Extends the sunset date for the pilot projects regarding Intermediate Care Facilities/Developmental Disabilities facilities.	Adopted	Adopted

Senate AB 425

4260 DEPARTMENT OF HEALTH SERVICES**Primary Care and Public Health Programs -- (Local Assistance & State Support)**

1. Restored the Child Health Disability Prevention (CHDP) Program as proposed in the Governor's May Revision.	48,207,000	Adopted
2. Adopted various adjustments to implement the CHDP "Gateway" proposal, as recommended by the Administration. (Also see MRMIB, below)	3,900,000	Adopted
3. Provided that CHDP program would provide additional health screens based on an updated periodicity schedule which is used in managed health care settings, for total expenditures of \$4 million (\$2 million General Fund).	2,000,000	Adopted
4. Adopted the Public Health Preparedness and Response proposal to expend federal CDC bioterrorism funds, as well as HRSA federal funds. The proposals corresponded with the Administration's grant applications that were submitted to federal government.	Adopted	Adopted
5. Eliminated the budget year increase for the Expanded Access to Primary Care (EAPC) Clinics as proposed in the May Revision since these funds were intended to provide assistance if the CHDP Program was eliminated. The CHDP elimination was rescinded by the Governor in his May Revision.	-17,500,000	Adopted
6. Reduced the General Fund support provided to the Cancer Research Program by half as proposed by the Administration. This proposal assumes that \$12.5 million will be matched by private donations for total program expenditures of \$25 million.	-12,500,000	Adopted
7. Deferred for one year the state's General Fund support of the County Medical Services Program (CMSP).	-20,300,000	Adopted
8. The Senate denied the Administration's proposal to require the County Medical Services Program (CMSP) pay the DHS for administrative support. The Conference Committee adopted a modified version of the Administration's proposal to require the counties to provide \$3.5 million in reimbursement to the state, and therefore, backfill for General Fund support.	4,193,000	-3,500,000
9. Eliminated as proposed by the Administration funding for the Youth Anti-Tobacco Program.	-35,000,000	Adopted
10. Adopted as proposed by the Administration, all funding adjustments to Proposition 99 funded programs.	Adopted	Adopted
11. Made adjustments to the Maternal and Child Health Program (MCH) in order to identify \$962,000 (federal Title V MCH funds) to redirect to the Birth Defects Monitoring Program to partially backfill for the \$1.5 million in General Fund support reduced from program.	Adopted	Adopted

	Senate	AB 425
12. Conformed with the Administration's proposal to use \$4 million in unexpended prior year MCH funds to backfill for one-time only General Fund support (an off-set).	-4,000,000	Adopted
13. Provided for standard caseload adjustments for the California Children's Services Program.	4,364,000	Adopted
14. Reduced HIPAA to reflect an LAO recommendation.	-4,170,000	Adopted
15. Rejected the DHS request for information technology management personnel.	-790,000	Adopted
16. Provided total funds of \$190.5 million for the AIDS Drug Assistance Program (ADAP) which reflects caseload and funding adjustments, including the receipt of increased federal funds and additional drug rebates. As such, General Fund support for the program was reduced (fund shift only).	-10,900,000	Adopted
17. Provided for caseload and cost increases for the Genetically Handicapped Persons Program (GHPP).	6,014,000	Adopted
18. Reduced the GHPP due to the collection of rebates on blood factor products and the implementation of program efficiencies.	-6,400,000	Adopted
19. Approved the Administration's proposal to increase expenditures by \$7.2 million (Childhood Lead Poisoning Prevention Fund) to mitigate childhood lead poisoning.	7,200,000	Adopted
20. Funded increased costs of providing adult influenza vaccine.	2,600,000	Adopted
21. Reduce local mandate funding as directed by the Administration.	-7,724,000	Adopted
22. Eliminated the funds to conduct a study of capital outlay needs at the Southern California Laboratory.	-150,000	Adopted

Budget Bill Language

1. Adopts language to require the DHS to provide the Budget Conference Committee with a remediation plan regarding the Genetic Disease Program since there is an \$8 million deficiency in the New Born Screening Program. This is "placeholder" language until a plan is provided.	Adopted	Adopted
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Key Trailer Bill Language (as contained in AB 442)

1. Extends the CMSP for five years and made the fund continuously appropriated.	Adopted	Adopted
2. Defers for one more year, the \$20.3 million in state General Fund support for the CMSP Program.	Adopted	Adopted
3. Approves trailer bill language to implement the CHDP	Adopted	Adopted

	Senate	AB 425
“Gateway”.		
4. Adopts trailer bill language for public health preparedness related to the federal funding.	Adopted	Adopted
5. Adopts language to require the DHS to have certain aspects of the CCS information system (CMS/Net) completed by August 2004.	Adopted	Adopted
6. Crafts language that establishes a special fund for private donations for toxic mold remediation.	Adopted	Adopted
7. Requires that up to \$200,000 (California Health Data and Planning Fund) can be transferred from the Office of Statewide Health Planning and Development’s Hospital Data Fund to the Department of Health Services to fund specified data functions performed by hospitals regarding the collection of perinatal information.	Adopted	Adopted
8. Caps the amount which can be paid for indirect overhead costs in the Cancer Research Program to 25 percent.	Adopted	Adopted
9. Provides for the DHS to collect a permissive state rebate under the GHPP, primarily for blood factor product, from pharmaceutical manufacturers.	Adopted	Adopted
10. Extends the sunset date for the advisory council on domestic violence from January 1, 2003 to January 1, 2006.	Adopted	Adopted
11. Modifies existing state law to require hospitals to collect fees associated with any tests conducted under the state’s Newborn Screening Program.	Adopted	Adopted
12. Provides for multi-year contracting in the Cancer Research Program.	Adopted	Adopted

4270 CALIFORNIA MEDICAL ASSISTANCE COMMISSION

1. Approved as budgeted.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

Healthy Families Program (HFP) -- (Local Assistance & State Support)

- | | |
|---|-------------|
| 1. Conference Committee provided funds of \$136.8 million (\$50 million General Fund) to commence enrollment of parents in the Healthy Families Program (HFP) as of October 1, 2002. It should be noted that existing state statute provides authority for implementation, once an appropriation has been authorized through the annual | 136,828,000 |
|---|-------------|

	Senate	AB 425
Budget Act. The Administration had proposed deferral of implementation until July 1, 2003.		
2. Conference Committee provided funds of almost \$4.1 million (\$2.4 million General Fund) to provide a 60-day "bridge" between the HFP and Medi-Cal, when applicable, for parents (as is done for children, when applicable) who transfer between programs contingent upon their eligibility status for each program. This will become effective once the parental expansion is fully implemented.		4,088,000
3. Provided funds of \$4.6 million (\$1 million General Fund and \$683,000 Tobacco Settlement Funds) to partially restore the vital Rural Demonstration Projects which provide valuable assistance in the delivery of health care and dental services offered under the HFP.	4,614,000	Adopted
4. Adopted HFP children's program caseload and cost adjustments, including a rate increase for participating plans, as requested in the May Revision for expenditures of over \$48.9 million (\$20 million General Fund).	48,970,000	Adopted

Trailer Bill Language

1. Implements the HFP to Medi-Cal bridge for children.	Adopted	Adopted
2. Allows for electronic funds transfer in the payment of the HFP premiums and a 25 percent discount to families who choose to do so.	Adopted	Adopted
3. Modifies the HFP family contribution sponsorship language.	Adopted	Adopted

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Headquarters' State Support and Developmental Centers

1. Approved as requested, additional resources of \$2.1 million (\$1.1 million General Fund) to support 31 positions to insure compliance with the requirements for claiming maximum federal financial participation allowed for eligible recipients under the Home and Community Based Waiver.	2,100,000	Adopted
2. Provided \$15.9 million (General Fund) to provide General Fund backfill for the loss of federal funds due to the lack of federal certification of the special treatment program at Porterville Developmental Center which provides services to forensic individuals with developmental disabilities.	15,900,000	Adopted

	Senate	AB 425
3. Provided \$4.2 million (\$2.6 million General Fund) to fund 69 new positions at the developmental centers to provide level of care services to the residents. This staffing adjustment is based on estimated caseload and the individual needs of the residents, as determined via the Client Developmental Evaluation Report (CDER) process.	4,200,000	Adopted
4. Savings of \$5.1 million (General Fund) were adopted to reflect revised billing rates and the corresponding increase in federal funds for the Sierra Vista and Canyon Springs facilities. Specifically, the DDS can now bill up to \$536 per client per day for Sierra Vista and up to \$590 per client per day for Canyon Springs.	-5,100,000	Adopted
5. Increased by \$748,000 (General Fund) due to the lack of federal certification at Canyon Springs	748,000	Adopted
6. Eliminated the adjustment for the State Compensation Insurance Fund Master Agreement for both headquarters and the state developmental centers.	-419,000	Adopted

Budget Bill Language

1. Requires the DDS and Department of Rehabilitation to prepare a report on the analysis of the Habilitation Services Program rates, consumer eligibility and recommendation for streamlining and consolidating the programs if warranted by the analysis.	Adopted	Adopted
2. Adopted language as proposed by the Administration to provide the DDS with emergency regulation authority to promulgate regulations for implementing proposals to increase federal funding to the state.	Adopted	Adopted

Community Based Services and Regional Centers

1. Rejected the Administration's proposal in January to adopt statewide Purchase of Services (POS) standards for savings of \$52 million (General Fund) and instead, adopted an unallocated reduction and assumed the same savings level. Under this scenario, the DDS and Regional Centers will work with local constituencies to craft a plan to identify areas in which savings levels can be identified and achieved.	-52,000,000	Adopted
2. Adopted increased funds of \$50.2 million (total funds) to improve and expand the Community Placement Plan process.	50,200,000	Adopted
3. Increased federal reimbursements obtained through the Home and Community Based Waiver and approved a fund shift in order to save \$91.5 million in General Fund resources.	-91,500,000	Adopted

	Senate	AB 425
4. Approved the Administration's proposal to extend the time allowed for intake and assessment from 60 days to 120 days for savings of \$4.5 million (General Fund).	-4,500,000	Adopted
5. Agreed to defer local mandate costs as proposed by the Administration for General Fund savings.	-492,000	Adopted
6. Reverted unexpended funds from prior years as proposed by the Administration. This adjustment will not affect the budget year funding level, only past years.	-39,000,000	Adopted
7. Agreed to suspend the Regional Center performance incentives funds as proposed by the Administration.	-4,000,000	Adopted
8. Used federal Title XX Social Services Block Grant funds in lieu of General Fund support as recommended by the Administration. This was simply a fund shift.	-71,000,000	Adopted
9. Adopted the May Revision proposal that assumes South Central Los Angeles Regional Center will obtain approval to be added onto the Home and Community Based Waiver which will increase federal funds by \$11.3 million. This is only a fund shift.	-11,300,000	Adopted
10. Agreed to suspend for one-year, the expenditure of Purchase of Service funds for start-up of any new programs, unless certain concerns are raised (such as health and safety). This action does not affect start-up funding for Community Placement Plan programs which are used to facilitate the transition of individuals into community-settings.	-6,000,000	Adopted
11. Provided an increase of \$17.2 million as proposed in January to recognize increased expenditures attributable to the caseload growth of individuals diagnosed with Autism and the corresponding utilization of intensive services.	17,200,000	Adopted
12. Approved a small fund shift in the Early Start Program whereby \$1.3 million in federal funds was used in lieu of General Fund support. This is only a fund shift.	-1,300,000	Adopted

Trailer Bill Language

1. Provides for an unallocated reduction in the purchase of services item for the Regional Centers.	Adopted	Adopted
2. Crafts language that states the Legislature's intent to provide a significant portion of the federal funds to be received in 2003-04 be used to increase rates for community-based services providers, and other actions related to expanding and improving services and supports.	Adopted	Adopted
3. Codifies the Community Placement Process and the Regional Resource Development Projects.	Adopted	Adopted

	Senate	AB 425
4. Adopts language as proposed by the Administration to extend the time allowed for intake and assessment from 60 days to 120 days for General Fund savings.	Adopted	Adopted
5. Clarifies how the increased funds for rent can also be used to provide salary savings relief for Regional Center staff who provide direct assistance to consumers, such as case managers.	Adopted	Adopted
6. Crafts language to specify that funds appropriated to the RCs for the federal program coordinator position can only be used for that purpose.	Adopted	Adopted
7. Provides one-time only grant funds to conduct resource development activities for hard-to-serve populations including medically and behaviorally challenged individuals with developmental disabilities.	Adopted	Adopted
8. Requires Regional Centers to make all employment contracts available for public review.	Adopted	Adopted

4440 DEPARTMENT OF MENTAL HEALTH

Community-Based Mental Health Services and Related State Support

1. Denied the Administration's proposal to eliminate the valuable Childrens Systems of Care Program. As such, a total of \$35.8 million (\$33.8 million General Fund and \$2 million federal Substance Abuse and Mental Health Services Administration funds) was provided to fund it.	35,800,000	Adopted
2. In January, the Administration proposed deleting \$17 million of the \$21.5 million (General Fund) from the Supportive Housing Program. Due to declining revenues and the likely approval of a housing bond, the remaining \$3.5 million was deleted and used to partially off-set the Childrens Systems of Care Program restoration.	-21,500,000	Adopted
3. Modified the Administration's proposal to reduce by a net total of about \$60 million (decrease of \$35 million General Fund, decrease of \$30 million federal funds, and require the counties to fund about \$5.4 million) the children's Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program. Specifically, the Senate (1) rejected the county-share-of-cost proposal and backfilled with General Fund support, (2) adopted trailer bill language to assist in controlling expenditures, and (3) reduced General Fund support by \$30 million and corresponding federal matching funds. Conference committee concurred with this action.	-60,000,000	Adopted
4. The Senate adopted the Administration's proposal to	-10,000,000	Adopted

	Senate	AB 425
reduce the Adult Integrated Services to Homeless Program by \$10 million (General Fund); however, the Conference Committee restored the reduction. As such, this program is funded at the same level as last year.		
5. Restored \$2 million (General Fund) of the Administration's proposed \$7 million (General Fund) reduction to Adult Systems of Care Pilot Projects. The \$2 million restoration amount was divided between Los Angeles and Stanislaus counties. As such, there is a net reduction of \$5 million (General Fund).	-5,000,000	Adopted
6. The Senate modified the Administration's proposal to reduce by \$64.8 million local mandate relief by retaining \$59.9 million (General Fund) of the amount provided for mental health services to special education pupils. Due to the fiscal situation, Conference Committee agreed to concur with the Administration's deferral of these funds. It should be noted that trailer bill legislation, as contained in AB 2999, clarifies that counties shall be reimbursed for allowable costs for these mental health services.	-4,906,000	-64,800,000
7. Deleted the Administration's request to reappropriate \$300,000 (General Fund) for a new Governor's initiative regarding homelessness.	-300,000	Adopted
8. Agreed with the May Revision to revert \$3.1 million (General Fund) from unexpended funds appropriated in the Budget Act of 2001. This consists of unspent funds of \$625,000 for Dual Diagnosis, \$750,000 for the Institutes for Mental Disease (IMD) project, and \$867,000 for local integrated services.	-3,100,000	Adopted
9. Approved an increase of \$510,000 (federal funds) in the Projects for Assistance in Transition from Homelessness (PATH) Program. Of this amount, \$37,000 is to be used for state support and \$374,000 will be allocated on a statewide basis to the counties.	510,000	Adopted
10. Approved as proposed funds of \$572,000 (federal SAMHSA funds) to perform certain complex data analyses required to maintain federal funds and to provide for assistance in addressing the statewide shortage in health care specialties—focusing on mental health services.	572,000	Adopted
11. Adopted the Administration's May Revision for Mental Health Managed Care which eliminated funding to reflect cost adjustments related to the consumer's price index (CPI) for medical expenses.	-5,563,000	Adopted
12. Approved the May Revision which made an adjustment to provide mental health services to women enrolled in the state's Breast and Cervical Treatment Program.	891,000	Adopted
13. Modified the May Revision for mental health managed	-664,000	Adopted

Senate

AB 425

care to reflect a reduction of 37,000 in the estimated Medi-Cal caseload as recommended by the LAO.

Trailer Bill Language (as contained in AB 442)

1. Provides for the use of managed care principles in the EPSDT program.	Adopted	Adopted
2. Provides for appropriate reimbursement for Telepsychiatry services.	Adopted	Adopted
3. Continues to provide for a supplemental rate for Community Treatment Facilities (CTFs).	Adopted	Adopted
4. Adopts language to enable grants provided under the Supportive Housing Program to be extended through June 30, 2005.	Adopted	Adopted
5. Modifies the program requirements of the Early Mental Health Initiative staffing.	Adopted	Adopted
6. Deletes language which requires an evaluation of the Children's System of Care Program.	Adopted	Adopted

State Hospitals and Related State Support

1. Adopted the May Revision to reduce by 39.5 positions and \$3.1 million (General Fund) to reflect the reduced need for staff due to the slowing in the growth rate of the forensic population in the state hospitals.	-3,100,000	Adopted
2. The Senate denied the request to provide for additional funds for the Sexually Violent Predator Program due to the shortfall in General Fund resources. The Conference Committee restored this request.	-411,000	Adopted
3. Reappropriated \$70,000 for security improvements at Patton State Hospital and \$331.5 million (bond funds) for the Coalinga Sexually Violent Predator facility.	70,000	Adopted
4. The Senate reduced Headquarter state support by \$138,000 (General Fund) and redirected \$120,000 of this amount to backfill for the Administration's proposed reduction to the Client's Rights Program contract. The Conference Committee concurred with the Senate action and identified an additional \$138,000 in vacant positions and eliminated these positions as well. It should be noted that the Client Rights Program contract is funded at the same level as the prior year.	-18,000	-138,000

Senate

AB 425

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- | | | |
|---|------------|------------|
| 1. Provided \$875,000 in one-time funding through reimbursements from the Workforce Investment Act Rapid Response funding to provide naturalization services for airport workers. | 875,000 | Adopted |
| 2. Provided \$5,000,000 through reimbursements from the Department of Education from federal English Literacy-Civics funds, to provide naturalization services. | 5,000,000 | Adopted |
| 3. Augmented the General Fund budget for the naturalization services program, using funds from a reduction to the Department of Education state operations budget. | | 900,000 |
| 4. Provided increased federal funding for the Department of Energy Weatherization Services (\$1,900,000) and the Low Income Home Energy Assistance Program (\$21,400,000). | 23,300,000 | 23,200,000 |
| 5. Augmented the Community Services Block Grant budget with \$4,500,000 in new, ongoing federal funds, and \$2,050,000 federal fund carry-over from the current year. | 6,550,000 | Adopted |

Trailer Bill Language

- | | | |
|--|---------|---------|
| 1. Authorizes a one-time distribution in the budget year for new federal Community Services Block Grant funds, proportionately to all recipient agencies in good standing. | Adopted | Adopted |
| 2. Makes a permanent change in Community Services Block Grant distributions to community action agencies and rural community service agencies to phase in a minimum funding level at a percentage of the block grant, using new funds. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Requires an updated evaluation of the California Low Income Home Energy Program, including energy savings, by March 1, 2003. | Adopted | Adopted |
|---|---------|---------|

5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- | | | |
|---|------------|---------|
| 1. Employment Training Program: approved as budgeted. | | |
| 2. Shifted funding and positions to the new Labor and Workforce Development Agency, from the Department and from the California Workforce Investment Board. | -82,000 | Adopted |
| 3. Eliminated proposed GF for new Faith Based Initiative | -4,000,000 | Adopted |

	Senate	AB 425
projects; appropriated funds from already budgeted state-managed Workforce Investment Act programs.		
4. Appropriated \$300,000 from already budgeted state-managed Workforce Investment Act programs for Youthbuild.		
5. Reduced funding for the administration of Unemployment and Benefit Administration programs, using Reed Act funds to pay for such costs.	-34,436,000	Adopted
6. Reduced funding for the administration of Veteran's Program from discretionary Workforce Investment Act funds, and replaced these with Reed Act funds.		1,519,000
7. Provided expenditure authority for Reed Act funds to pay for the administration of Unemployment and Benefit Administration programs, using Reed Act funds to pay for such costs.	34,436,000	Adopted
8. Provided expenditure authority for Reed Act funds for support of the review of the Tax System already undertaken, with funds sufficient to ensure that data collection can be enhanced to meet local and state needs.	500,000	Adopted
9. Provided expenditure authority for Reed Act funds for Job Service and Unemployment Insurance projects, designed to improve the administration of the program, the cost-efficiency of its operation, service levels to employers and benefits for workers.	140,665,000	Adopted
10. Reduced funding for state-managed Workforce Investment Act programs, all federal funds, reflecting a reduction in federal funds available.	-23,108,000	Adopted
11. Increased funding for state-managed Workforce Investment Act programs by redirecting funds from a reduction to the Workforce Investment Board.	138,000	Adopted
12. Reduced funding for local Workforce Investment Act programs, all federal funds, reflecting a reduction in federal funds available.	-39,157,000	Adopted
13. Allocated \$875,000 from already budgeted Rapid Response Workforce Investment Act funding to provide naturalization services for airport workers through interagency agreement with the Department of Community Services and Development.		
14. Adopted May Revision adjustment to Disability Insurance program to reflect benefit and caseload adjustments, from Disability Insurance funds.	295,338,000	Adopted
15. Adopted May Revision adjustment to Unemployment Insurance program to reflect benefit and caseload adjustments, from Unemployment Insurance funds.	1,164,078,000	Adopted
16. Adopted May Revision adjustment to the School Employees Fund for benefit and caseload adjustments,	7,344,000	Adopted

	Senate	AB 425
from School Employees funds.		
17. Reduced the transfer of funds from DSS-CalWORKs for the Intensive Services Program. This reduction was in addition to a \$3,600,000 reduction in January.	-3,624,000	Adopted

Budget Bill Language

1. Requires a report by February 1, 2003, on the costs EDD expects to spend to participate in One-Stop Career Centers at the local level.	Adopted	Adopted
2. Directs that \$875,000 of state level Rapid Response Dislocated Worker funds shall be transferred to the Department of Community Services and Development to provide naturalization and citizenship services to airport workers.	Adopted	Adopted
3. Permits the Agency Secretary to transfer discretionary Workforce Investment Act funds to the California Workforce Investment Board only after notification to the Legislature with the delivery of specified work products.	Adopted	Adopted
4. Schedules expenditure authorization for \$177,120,000 in improvements to the Unemployment Insurance Tax and Benefit administration, from Reed Act distributions.	Adopted	Adopted
5. Requires that the Department utilize a competitive bidding process when selecting grants for the Faith Based Initiative.	Adopted	Adopted

Trailer Bill Language

1. Provides technical clean-up to Unemployment Insurance code sections changed by SB 40.	Adopted	Adopted
2. Eliminates the Job Agent program.	Adopted	Adopted
3. Authorizes the transfer of \$30 million from the Employment Training Fund to the CalWORKs program.	Adopted	Adopted
4. Establishes an Alternate Base Period for determination of establishing Unemployment Benefits.	Adopted	Adopted
5. Establishes an Alternative Trigger for Unemployment Insurance extended benefits.	Adopted	Adopted
6. Requires a stakeholder study of the state's Unemployment Trust Fund to evaluate the merits of the current funding methods compared to a counter-cyclical funding method.	Adopted	Adopted
7. State legislative intent that disability access at one-stop centers be given priority in the expenditure of federal Workforce Investment Act funding.	Adopted	Adopted

	Senate	AB 425
8. Requires a stakeholder group to assess what data should be collected for a statewide One-Stop client tracking system.	Adopted	Adopted

Supplemental Report Language

1. Requires a report by December 31, 2002, on the feasibility of collecting additional data to inform workforce decisions.	Adopted	Adopted
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5120 CALIFORNIA WORKFORCE INVESTMENT BOARD

1. Shifted funds to the new Labor and Workforce Development Agency, all federal Workforce Investment Act funds.	-42,000	50,000
2. Reduced expenditures for the Board, all federal Workforce Investment Act funds.	-138,000	Adopted

Budget Bill Language

1. States Legislative intent that the board provide a full time project manager for the Performance Based Accountability System, independent of the project's prime contractor.	Adopted	Adopted
2. Allows expenditure of \$1,100,000 of the board's budget only after the board has submitted to the Legislature specific work products.	Adopted	Adopted

5160 DEPARTMENT OF REHABILITATION

1. Adopted May Revision adjustments to the Vocational Rehabilitation program of \$560,000 (\$124,000 General Fund).	560,000	Adopted
2. Increased funding for Vocational Rehabilitation counselors to reestablish vacant positions, using an increase in Social Security Administration federal reimbursement.	2,698,000	2,598,000
3. Adopted May Revision proposal to restore \$4,523,000 (\$3,667,000 General Fund) to the Habilitation Services Program, to adjust for actual proposed efficiencies.	4,523,000	Adopted
4. Adopted May Revision reduction to the Habilitation Services Program to adjust for cost and caseload of \$9,203,000 (\$8,108,000 General Fund).	-9,203,000	Adopted

Senate AB 425

Budget Bill Language

- | | | |
|---|---------|---------|
| 1. Requires the Departments of Rehabilitation and Developmental Services to provide information about the appropriate placement of Work Activity Programs and Supported Employment Programs. | Adopted | Adopted |
| 2. Requires a report by February 1, 2003, on the costs the Department expects to spend to participate in One-Stop Career Centers at the local level. | Adopted | Adopted |
| 3. Requires provision of information by December 2003 on the state's performance on federal Vocational Rehabilitation performance measures, including the impact of cost efficiencies made in the budget. | Adopted | Adopted |
| 4. Requires a report in 2003 budget hearings on the status of planning and implementation of the provisions of the federal Ticket to Work Act. | Adopted | Adopted |
| 5. Provides for a rollover of non-General Fund resources set aside in the current year for architectural barrier removal projects in state buildings to provide access for the disabled, and a procedure for access to the funds. | Adopted | Adopted |

Trailer Bill Language

- | | | |
|---|---------|---------|
| 1. Adopts a freeze to statutory rate-setting procedures for Work Activity Program services. | Adopted | Adopted |
| 2. Adopts specific changes to Supported Employment programs (increasing group size). | Adopted | Adopted |

5170 STATE INDEPENDENT LIVING COUNCIL

1. Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- | | | |
|--|----------|---------|
| 1. Augmented by funds shifted from the Franchise Tax Board to establish a California Child Support Automation System Project Leader for \$130,000. | 130,000 | Adopted |
| 2. Redirected \$1,671,000 (\$568,000 General Fund) from legacy information consortia operations to establish six consultant positions to act as consortia project leaders. | Adopted | Adopted |
| 3. Redirected funds within the department from consultant positions (\$706,000) and add staff for internal expertise | -542,000 | Adopted |

	Senate	AB 425
on the California Child Support Automation System Project (\$164,000), for a net savings.		
4. Augmented funding to assure that Child Support State Administrative Hearing services provided by the Department of Social Services and overseen by Department are timely by \$550,000 (\$187,000 GF).	550,000	Adopted
5. Increased funding of \$1,126,000 (\$383,000 General Fund) to contract for an intercept project to intercept personal injury lawsuit awards. Proposal is estimated to generate revenue of \$3,400,000 in the budget year.	1,126,000	Adopted
6. Adopted May Revision reductions for reduced automation costs and other reductions by \$4,044,000 (\$2,311,000 General Fund).	-4,044,000	Adopted
7. Augmented to provide for an estimate of the federal penalty due to the state not implementing a statewide automation child support system.	44,865,000	89,730,000
8. Restored a January reduction in child support revenues transferred to a Foster Parent Training program operated by the Community Colleges.	1,000,000	Adopted
9. Reverted funds from the Budget Act of 2001 for child support administration, based on actual expenditures.	-25,215,000	Adopted

Budget Bill Language

1. Requires a plan for development internal capacity to support the California Child Support Automated System.	Adopted	Adopted
2. Permits augmentation of funds for the California Child Support Automated System, pending signing of a negotiated contract with a vendor.	Adopted	Adopted
3. Authorizes the Department of Child Support Services to augment funds available for state administrative hearings in order to keep statutory timelines.	Adopted	Adopted
4. Prohibits expenditure of funds for the new California Insurance Intercept Project Collections until project plans are approved by appropriate control agencies.	Adopted	Adopted
5. Requires that PRISM project leader consultants be prohibited from contract or subtracting for development or operation of the CCSAS system.	Adopted	Adopted

Trailer Bill Language

1. Suspends funding for improved collections incentives to counties for 2002-03.	Adopted	Adopted
2. Suspends funding for health insurance collection incentives.	Adopted	Adopted

Senate

AB 425

3. Limits the distribution of child support revenues associated with parents of children in foster care to the Foster Parent Training Fund to \$3,000,000.

5180 DEPARTMENT OF SOCIAL SERVICES: CHILDREN'S SERVICES

- | | | |
|---|-------------|-------------|
| 1. Adopted May Revision caseload adjustments for Child Welfare Services, Adoptions, Child Abuse Prevention, Special Programs and Community Care Licensing. | 127,358,358 | 129,765,000 |
| 2. Adopted May Revision proposal to shift Child Welfare Emergency Assistance Case Management activities from TANF funds to federal IV-E, which requires a General Fund match. The net result is a General Fund savings. | -38,409,000 | Adopted |

Budget Bill Language

- | | | |
|--|---------|---------|
| 1. Provides for an advance to independent adoption agencies for services, to offset expected delays in adoptions driven by new federal tax benefits. | Adopted | Adopted |
|--|---------|---------|

Trailer Bill Language

- | | | |
|--|---------|---------|
| 1. Extends the sunset one year for the Internet-Based Foster Care Health and Education Passport pilot project. | Adopted | Adopted |
| 2. Authorizes the use of federal adoption incentive funds for a broader set of activities than post-adoption services. | Adopted | Adopted |
| 3. Provides flexibility to group home providers to adjust their rate structure to live without an increase in 2002-03. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|--|---------|---------|
| 1. Requires the Departments of Social Services and Alcohol and Drug Programs to report by March 1, 2003, on whether state or federal foster care funding could be used to provide board and care services to children in residence with their parent in a substance abuse treatment program. | Adopted | Adopted |
| 2. Requires the Department to make available in the 2003 budget hearings information about adoptions, including the effect of funding reductions. | Adopted | Adopted |

Senate AB 425

5180 DEPARTMENT OF SOCIAL SERVICES: ADMINISTRATION AND ADULT SERVICES

1. Adopted a May Revision augmentation of \$916,000 to restore some positions removed in January as part of a proposal to streamline school age day care licensing. The proposal still results in a net General Fund savings of \$542,000.	916,000	Adopted
2. Reduce positions in community care licensing to reflect a technical correction to budgeting methodology.	-549,000	Adopted
3. Augmented to extend limited term staff to complete court-ordered activities in Tyler v. Anderson to notify IHSS recipients who might have been improperly denied services.	1,140,000	Adopted
4. Adopted May Revision to adjust funding for the California Food Assistance Program to reflect delayed federal Food Stamp eligibility for some recipients and the continued ineligibility of a small number of recipients.	92,174,000	Adopted
5. Implemented a prospective budgeting/quarterly reporting system for the CalWORKs and food stamps programs for a total net cost of \$15,222,000, (TANF/MOE and GF due to increased benefit costs and decreased administrative costs. The system is also designed to avoid current or future food stamp error rate penalties.	15,222,000	Adopted
6. Adopted May Revision cost and caseload adjustment for SSI/SSP and IHSS.	-22,250,000	Adopted
7. Rejected the May Revision proposed suspension of the pass-through of January 2003 federal COLA adjustment for the SSI/SSP program, estimated at \$54,307,000.		
8. Adopted a state COLA for SSI/SSP, based on statutory amount, to be delayed from January 1, 2003, to June 1, 2003.	22,468,000	Adopted
9. Reverted \$50,000,000 in savings from SSI/SSP, from the Budget Act of 2000.	-50,000,000	Adopted
10. Adopted May Revision caseload adjustments for County Administration and Automation Projects.	-37,746,000	Adopted
11. Adopted one-time funding for SAWS-LEADER application modifications of \$1,202,000 (\$401,000 General Fund).	1,202,000	Adopted
12. Reduced the funding for SAWS-Consortium IV project development by \$20,020,000 (\$5,000,000 General Fund).	-20,020,000	Adopted
13. Reduced consultant funding for SAWS Statewide Project Management.	-807,000	Adopted
14. Reduced consultant funding for the Statewide	-570,000	Adopted

	Senate	AB 425
Fingerprint Imaging System.		
15. Adopted May Revision augmentation for the State share of a \$115,800,000 federal penalty for food stamp errors. The balance is paid by counties, according to current statute.	11,576,000	Adopted
16. Reduced funding for HIPAA, and transferred the remaining balance to a single budget Item 9909, for a net savings of \$1,103,000.	-1,103,000	Adopted
17. Adopted May Revision reduction to Adult Protective Services of \$8,026,000 (\$5,575,000 General Fund).	-8,026,000	Adopted
18. Eliminated the Special Circumstances program.	-4,500,000	Adopted

Budget Bill Language

1. Requires that LEADER funds designated for system enhancements not be encumbered until after control agency approval.	Adopted	Adopted
2. Permits the transfer of resources in the ISAWS consortium from operational funds to those necessary to plan for the migration of participant counties or other SAWS consortia.	Adopted	Adopted
3. Requires that a portion of Welfare Client Data System consortium funds not be encumbered until after control agency approval.	Adopted	Adopted
4. Requires that a portion of the Consortium IV funds not be encumbered until after control agency approval, including the submission of a report on the program impact and system risk after the budget year reductions.	Adopted	Adopted
5. States legislative intent that the Department employ staff with the appropriate expertise to supervise the Continuing Care Contract program.	Adopted	Adopted

Trailer Bill Language

1. Streamlines requirements for licensing school-age child care centers.	Adopted	Adopted	Adopted
2. Reduces annual audit requirements for foster care funding.	Adopted	Adopted	
3. Establishes quarterly or prospective budgeting for the CalWORKs, Food Stamps and CFAP programs.	Adopted	Adopted	
4. Delays the provision of the statutory SSI/SSP state COLA for 2002-03 until June 1, 2003.	Adopted	Adopted	
5. Rejected the May Revision proposal to suspend the statutory trigger for IHSS wage increases.	Adopted	Adopted	

	Senate	AB 425
6. Streamline reporting requirements for Adult Protective Services programs, by counties.	Adopted	Adopted

Supplemental Report Language

1. Requires the Department to report in budget hearings information about efforts to identify additional federal funds for the IHSS program.	Adopted	Adopted
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5180 DEPARTMENT OF SOCIAL SERVICES: CALWORKS

1. Provided a Cost-of-Living adjustment for CalWORKs assistance recipients, effective June 2003 (rather than October 2002).	12,515,000	Adopted
2. Reduced the May Revision proposal to reduce CalWORKs County Administration by \$71,844,000, by restoring \$21,109,000. The reduction is in addition to the January withholding of a cost-of-doing-business.		-50,775,000
3. Redirected \$100,000 from the CalWORKs program for Mental Health and Substance Abuse treatment to develop a replicable outcome system for these services.	Adopted	Adopted
4. Reduced the transfer of TANF funds to EDD for the Intensive Services Program.	-3,624,000	Adopted
5. Recaptured unspent county performance incentives in the amount of \$599,844,000, retained \$169,156,000 to fund CalWORKs and an additional \$128,000,000 to fund a one-time equity adjustment to county employment services, and appropriated the remaining \$302,844,000 to counties for use as incentive funds: (TANF/MOE funds). The equity fund is intended to be increased to \$145,000,000 by redirecting unspent current year CalWORKs funds.	Adopted	Adopted
6. Reinstate requirements to deem the income of the parents of minor parents living at home and receiving CalWORKs aid as available to the minor parent for purposes of determining eligibility and grant size.	-12,043,000	Adopted
7. Adopt May Revision caseload and cost adjustment for CalWORKS services, administration, child care and probation; foster care and Adoption Assistance; Refugee Cash Assistance, and the California Food Assistance Program.	-131,426,000	Adopted

	Senate	AB 425
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Budget Bill Language

- | | | |
|--|---------|---------|
| 1. Requires the Department to survey counties to determine CalWORKs expenditures in One-Stop Career Centers. | Adopted | Adopted |
| 2. Redirects funds from the allocation for mental health and substance abuse treatment for CalWORKs participants, to develop a replicable performance outcome system. | Adopted | Adopted |
| 3. Assures that county costs are not affected by the shift of Emergency Assistance-Case Management costs from TANF funding to federal child welfare and state General Fund. | Adopted | Adopted |
| 4. Reappropriates county performance incentives to counties, including provision for the redirection of incentive funds to basic CalWORKs costs and to a one-time equity adjustment to counties. | Adopted | Adopted |

Trailer Bill Language

- | | | |
|---|---------|---------|
| 1. Requires the Department to convene a working group to propose CalWORKs changes necessary to meet new federal TANF requirements. | Adopted | Adopted |
| 2. Provides authority to recapture county performance incentives and appropriate based on expected expenditures in the budget year. | Adopted | Adopted |
| 3. Eliminates authority for retroactive CalWORKs Stage I child care payments beyond 30 days after preparation of a participant's work plan. | Adopted | Adopted |
| 4. Reinstates requirements to deem the income of the parents of minor parents living at home and receiving CalWORKs aid as available to the minor parent for purposes of determining eligibility and grant size | Adopted | Adopted |
| 5. Delays the provision of the statutory COLA for 02-03 until June 1, 2003. | Adopted | Adopted |
| 6. Eliminates the state share of incentives for fraud activities by counties, maintaining the federal fund share. | Adopted | Adopted |
| 7. Establishes a pilot program to permit counties to move some of their allocated mental health and substance abuse treatment funds outside CalWORKs and use them to claim federal Medicaid matching funds, subject to review by the Department and a report to 2003 budget committees. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|---|--|--|
| 1. Requires the Department to provide a report on the status of implementing an automated phone system for the Department's toll-free number. | | |
|---|--|--|

	Senate	AB 425
8350 DEPARTMENT OF INDUSTRIAL RELATIONS		
1. Authorized extending a GF loan for the amusement ride safety and garment manufacturers regulation programs, consistent with May Revision.	Adopted	Adopted
2. Deferred payment on the following mandates: Firefighters' Cancer Presumption, Peace Officers' Cancer Presumption, consistent with May Revision.		
3. Redirected funding for positions to the Labor and Workforce Development Agency.	168,000 -1,200,000	Adopted Adopted
4. Deleted funding for workers' compensation studies, consistent with May Revision.	-404,000	Adopted
5. Eliminated the Loss Control Certification Program, consistent with May Revision and pursuant to provisions of AB 749 (Calderon).	1,000,000	Adopted
6. Funded fraud prevention programs, consistent with AB 749 (contract funds).	670,000	Adopted
7. Funded first-year cost of studies mandated by AB 749.		
8. Increased funding at Division of Workers' Compensation to implement AB 749.	4,600,000	Adopted
9. Funded training grants and staff, consistent with AB 749.	588,000	Adopted
10. Redirected existing staff into high-priority enforcement.	-496,000	Adopted
11. Authorized transfers of funds to the General Fund.	2,000,000	Adopted
12. Reduced GF funding for the Division of Apprenticeship Standards and increased special fund appropriation by an offsetting amount.	Adopted	Adopted
13. Reduced case management implementation costs.	Adopted	Adopted
14. Increased funding for training.	Adopted	Adopted

Budget Bill Language

1. Requires the state to increase the minimum wage annually for the effects of inflation, beginning January 1, 2003 (Labor Code Section 1182.10).	Adopted	Adopted
2. Requires the case management system to be accessible to the public, consistent with federal practices.	Adopted	Adopted
3. Authorizes various special fund transfers to the General Fund.	Adopted	Adopted

Supplemental Report Language

1. Requires the department to report on its redirections of staff to enforcement activities.	Adopted	Adopted
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Senate

AB 425

8450 WORKERS' COMPENSATION BENEFIT PROGRAM

- | | | |
|--|-----------|---------|
| 1. Reduced GF appropriation for program and increased special fund appropriation (\$2 million gain to the GF). | 2,000,000 | Adopted |
|--|-----------|---------|

8955-8966 DEPARTMENT OF VETERANS AFFAIRS AND VETERANS' HOMES OF CA

- | | | |
|--|------------|---------|
| 1. Increased insurance payments at Barstow home, consistent with May Revision. | 25,000 | Adopted |
| 2. Reduced GF at the homes to account for caseload and increased USDVA reimbursements, consistent with May Revision. | Adopted | Adopted |
| 3. Approved Lincoln Theater improvements, consistent with May Revision (bond funds). | 15,590,000 | Adopted |
| 4. Reduced GF for homes on the assumption that the homes will collect more reimbursement. | -1,500,000 | Adopted |

Budget Bill Language

- | | | |
|---|---------|---------|
| 1. Revises the cash flow loan conditions in the budget. The revised language requires more notification of the Legislation. | Adopted | Adopted |
| 2. Requires the Department of Finance to conduct an audit of DVA's internal control system. | Adopted | Adopted |
| 3. Authorizes the department to secure federal money for capital projects. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|--|---------|---------|
| 1. Requires the department to report on cash flow throughout the year. | Adopted | Adopted |
| 2. Requires the department to report on its management of lags in collections. | Adopted | Adopted |

SUBCOMMITTEE 4

LEGEND: The *Senate* column shows changes to the Governor's January budget proposal, as adopted by the Senate in May. The *AB 425* column indicates whether the Senate action was sustained (Adopted) or an alternative action was taken when the Senate passed the budget on June 29th and August 31st.

Senate Budget and Fiscal Review

Members

Richard Polanco, Chair

Joseph Dunn

Dick Ackerman

Consultants

Alex MacBain

Judi Smith

Senate AB 425

0110 SENATE

- | | | |
|---|------------|---------|
| 1. Reduced by \$1.3 million (GF) to conform with Proposition 140. | -1,289,000 | Adopted |
|---|------------|---------|

0120 ASSEMBLY

- | | | |
|---|------------|---------|
| 1. Reduced by \$1.8 million (GF) to conform with Proposition 140. | -1,750,000 | Adopted |
|---|------------|---------|

0130 LEGISLATIVE ANALYST

- | | | |
|---|--|--|
| 1. Approved as budgeted – internal schedule change. | | |
|---|--|--|

0160 LEGISLATIVE COUNSEL BUREAU

- | | | |
|--|-----------|----------|
| 1. Augmented by \$2 million (GF) for reapportionment litigation. | 2,000,000 | Adopted |
| 2. AB 425 reduced by \$154,000 (GF) for savings related to aligning Legislative Counsel Bureau holidays with Legislative holidays. | | -154,000 |

Trailer Bill Language

- | | | |
|---|--|---------|
| 1. Conference committee provides that Legislative Counsel Bureau holidays will align with Legislative holidays. | | Adopted |
|---|--|---------|

0500 GOVERNOR'S OFFICE

- | | | |
|---|----------|---------|
| 1. Reduced by \$200,000 (GF) per May Revision. | -200,000 | Adopted |
| 2. Augmented by \$711,000 (GF) to reflect transfer of Executive IT Funds from DOIT. | 711,000 | Adopted |

0505 DEPARTMENT OF INFORMATION TECHNOLOGY

- | | | |
|----------------------------|--|------------|
| 1. AB 425 deleted funding. | | -8,811,000 |
|----------------------------|--|------------|

Senate

AB 425

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

1. Approved as budgeted.

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

1. Approved as budgeted.

0550 SECRETARY FOR YOUTH & ADULT CORRECTIONAL AGENCY

- | | | |
|---|---------|---------|
| 1. Approved reductions of \$51,000 (GF) for various reductions to OE&E. | Adopted | Adopted |
|---|---------|---------|

0552 OFFICE OF THE INSPECTOR GENERAL

- | | | |
|--|---------|------------|
| 1. Approved reductions of \$366,000 (GF). | Adopted | Adopted |
| 2. Rejected Finance Letter proposing a reduction of \$1 million (GF) and 10 positions. The Conference committee approved the proposed reduction. | | -1,000,000 |

0650 OFFICE OF PLANNING AND RESEARCH

- | | | |
|---|----------|----------|
| 1. Reduced by \$372,000 (GF) per May Revision for unallocated reduction to support. | -372,000 | Adopted |
| 2. Augmented by \$766,000 (GF) to reflect transfer of Executive IT Funds from DOIT. | 766,000 | Adopted |
| 3. AB 425 eliminated funding for the Office of Innovation in Government. | | -394,000 |

Trailer Bill Language

- | | | |
|--|---------|---------|
| 1. Rejects DOF language that would have reduced Cesar Chavez Day grants by \$800,000 (GF). | Adopted | Adopted |
| 2. Provides that the applicant pool for Cesar Chavez Day grants shall include community based organizations. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|--|---------|---------|
| 1. Requires OPR to report on expanding the Cesar Chavez grants to CBOs by January 1, 2004. | Adopted | Adopted |
|--|---------|---------|

Senate AB 425

0750 LIEUTENANT GOVERNOR

- | | | |
|---|---------|---------|
| 1. Reduced by \$50,000 (GF) per May Revision. | -50,000 | Adopted |
|---|---------|---------|

0840 STATE CONTROLLER

- | | | |
|--|-----------|---------|
| 1. Augmented by \$1.1 million (\$472,000 GF) for postal rate increase per may Revision. | 1,073,000 | Adopted |
| 2. Augmented by \$1.1 million (GF) for extension of the Unclaimed Property Amnesty Program through December 31, 2002 per May Revision. | 1,064,000 | Adopted |
| 3. Augmented by \$326,000 for warrant remittance advice production volume and postage rate increase. | | 326,000 |

Trailer Bill Language

- | | | |
|--|--|---------|
| 1. Reduces the interest rate on overpayments of corporate tax, unclaimed property tax, and estate tax. | | Adopted |
|--|--|---------|

0841 INFORMATION TECHNOLOGY PROJECTS

- | | | |
|--------------------------|--|--|
| 1. Approved as budgeted. | | |
|--------------------------|--|--|

0845 DEPARTMENT OF INSURANCE

- | | | |
|--|------------|---------|
| 1. Shifted funding source for administration of the Gross Premiums Tax from the GF to the Insurance Fund per May Revision. This reduces GF expenditures by \$1,767,000. | | Adopted |
| 2. Augmented \$628,000 (Insurance Fund) to implement Chapter 6, Statutes of 2002, per May Revision. | 628,000 | Adopted |
| 3. Approved a \$10 million loan from the Insurance Fund to the GF. | 10,000,000 | Adopted |
| 4. Augmented by \$1.3 million (Insurance Fund) for local prosecuting agencies that participate in the Organized Automobile Fraud Activity Interdiction Program per Finance Letter. | 1,330,000 | Adopted |

Senate AB 425

Budget Bill Language

- | | | |
|--|---------|---------|
| 1. Provides that it is legislative intent that the administration of the Gross Premiums Tax shall be funded from the Insurance Fund until June 30, 2005, at which time funding shall be from the GF. | Adopted | Adopted |
| 2. Provides that the loan shall be repaid with interest and that the current and newly authorized programs supported by the fund be fully and timely implemented. Provides a repayment date of no later than October 1, 2004 for the loan. | Adopted | Adopted |
| 3. Authorizes three new exempt positions in the Department of Insurance. | Adopted | Adopted |

0850 LOTTERY COMMISSION

1. Approved as budgeted.

0860 BOARD OF EQUALIZATION

- | | |
|---|---------|
| 1. Restored Customer and Taxpayer Services Division positions and substituted other positions per May Revision. | Adopted |
| 2. Reappropriated \$639,000 (GF) to fund capital outlay and two new exempt positions for Board Members. | 639,000 |

Trailer Bill Language

- | | |
|--|---------|
| 1. Conference committee authorizes testing of cigarette tax stamp indicia. | Adopted |
|--|---------|

Supplemental Report Language

- | | |
|---|---------|
| 1. Conference committee requires BOE to report annually on their audit and compliance activities. | Adopted |
| 2. Conference committee requires BOE to report annually on the allocation of investigation resources. | Adopted |

	Senate	AB 425
0890 SECRETARY OF STATE		
1. Reduced by \$950,000 (GF) per May Revision.	-950,000	Adopted
2. Reduced by \$8,267,000 (GF) to reduce funding for three mandates to \$2,000 per mandate per May Revision. AB 425 provided \$1,000 rather than \$2,000 per mandate.	-8,267,000	-8,270,000
3. AB 425 transferred \$ 3 million from Business Reinvestment Fund to the General Fund.		-3,000,000

Budget Bill Language

1. Conference committee specifies that the reduced funding does not suspend the requirements mandated by statute.	Adopted	Adopted
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Trailer Bill Language

1. AB 1768 creates two new exempt positions to be appointed by the Governor.		Adopted
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0950 STATE TREASURER

1. Reduced by \$220,000 (GF) for two positions related to the proposed Tobacco Securitization Bond Program. AB 425 restored funding.	-220,000	
2. AB 425 reduced by \$3.5 million (GF) for mandate reimbursement for investment reports for cities and counties. Funding is deferred.		-3,520,000

0954 SCHOLARSHARE INVESTMENT BOARD

1. Reduced by \$8 million (GF) to reflect lower than anticipated participation in the Distinguished Mathematics and Science Scholars Program per May Revision. AB 425 reduced by an additional \$3 million.	-8,000,000	-11,000,000
2. Reverted \$4 million (GF) to reflect lower than anticipated participation in the Distinguished Mathematics and Science Scholars Program in the current year per May Revision.	-4,000,000	Adopted
3. AB 425 deferred payment of \$ 89 million (GF) of the \$114 million proposed for Governor's Scholarships for one year.		-89,000,000

Senate

AB 425

0956 CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

1. Approved as budgeted.

0959 CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

- | | |
|---|------------|
| 1. AB 425 approved a loan of \$ 2 million from the California Debt Limit Allocation Committee Fund to the General Fund. | -2,000,000 |
|---|------------|

Budget Bill Language

- | | |
|---|---------|
| 1. Provides a repayment date of October 1, 2004 for the loan. | Adopted |
|---|---------|

0965 CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION

1. Approved as budgeted.

0968 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

- | | | |
|---|-------------|------------|
| 1. Augmented loan from the Occupancy Compliance Monitoring Account to the GF from \$20 million to \$30 million. AB 425 increased the loan by an additional \$5 million to \$35 million. | -10,000,000 | 15,000,000 |
| 2. Augmented loan from the Tax Credit Allocation Fee Account to the GF from \$20 million to \$25 million. AB 425 increased the loan by an additional \$2 million to \$27 million. | -5,000,000 | -7,000,000 |

Budget Bill Language

- | | |
|--|---------|
| 1. Provides a repayment date of October 1, 2004 for both of the loans. | Adopted |
|--|---------|

0971 CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

1. Approved as budgeted.

Senate

AB 425

0974 CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

- | | | |
|---|------------|---------|
| 1. Augmented loan from the California Pollution Control Financing Authority Fund to the GF from \$20 million to \$25 million. | -5,000,000 | Adopted |
|---|------------|---------|

Budget Bill Language

- | | | |
|---|--|---------|
| 1. Provides a repayment date of October 1, 2004 for the loan. | | Adopted |
|---|--|---------|

1100 SCIENCE CENTER

- | | | |
|--|------------|---------|
| 1. Reduced by \$1.1 million (GF) per May Revision. | -1,100,000 | Adopted |
|--|------------|---------|

Budget Bill Language

- | | | |
|---|--|---------|
| 1. Requires the Department of General Services to establish a competitive pre-qualification process for subcontractors for live plant and plumbing, electrical and habitat construction services. | | Adopted |
|---|--|---------|

Supplemental Report Language

- | | | |
|--|--|---------|
| 1. Requires CSC to report by January 10, 2003 on the status of raising private funds for Phase II of the Environmental Science Project. | | Adopted |
| 2. Requires CSC to report on alternatives for charging normal parking fees on event days for individuals or families attending the museum. | | Adopted |

1111-1600 DEPARTMENT OF CONSUMER AFFAIRS

- | | | |
|--|-------------|-------------|
| 1. Approved Finance Letter to transfer \$50 million from the High Polluter Repair or Removal Account (HPRRA) to the General Fund. | -50,000,000 | Adopted |
| 2. Denied Finance Letter to reduce funding of \$100,000 (GF) for Office Of Privacy Protection. AB 425 reduced the funding by \$100,000 (GF). | 100,000 | |
| 3. Increased loan from the Vehicle Inspection and Repair Fund to the GF from \$70 million to \$95 million. AB 425 increased the loan to \$100 million. | -25,000,000 | -30,000,000 |
| 4. Reduced by \$74,000 (GF) for unallocated reduction to the Athletic Commission per May Revision. | -74,000 | Adopted |
| 5. Augmented by \$200,000 (GF) for the Athletic | 200,000 | Adopted |

	Senate	AB 425
Commission to implement a program to regulated Mixed Martial Arts, estimated to generate revenues of \$700,000 (GF).		
6. Increased loan from the Contractors' License Fund to the GF from \$11 million to \$17 million.	-6,000,000	Adopted
7. Approved Finance Letter for the Board of Dentistry, Medical Board, Osteopathic Medical Board, and the Board of Pharmacy to reimburse the Department of Justice for 50 percent of the maintenance of the CURES database system. AB 425 provided that the Boards reimburse 100 percent of the costs.	125,000	249,000
8. Approved Finance Letter for the Board of Dentistry to contract with DCA for an Enforcement Program Monitor for \$100,000 (Dental Fund).	100,000	Adopted
9. Increased loan from the Dental Fund to the GF from \$5 million to \$7 million. AB 425 deleted the additional \$2 million loan amount.	-2,000,000	
10. Approved Finance Letter to augment by \$309,000 to implement a licensing program for pharmacies that compound sterile injectable drugs.	309,000	Adopted
11. Approved Finance Letter to augment by \$364,000 (Registered Nursing Fund) for the Nursing Workforce Initiative.	364,000	Adopted
12. Increased Loan from the Registered Nursing Fund to the GF from \$5 million to \$10 million. AB 425 increased the loan to \$12 million.	-5,000,000	-7,000,000
13. Increased the loan from the State Board of Barbering and Cosmetology Fund to the General Fund from \$7 million to \$9 million.		-2,000,000
14. AB 425 approved a loan from the Accountancy Fund to the General Fund of \$6 million.		-6,000,000
15. AB 425 approved a loan from the Behavioral Sciences Examiners Fund to the General Fund of \$6 million.		-6,000,000
16. AB 425 approved a loan from the Psychology Fund to the General Fund of \$5 million.		-5,000,000
17. AB 425 approved a loan from the Osteopathic Medical Board Fund to the General Fund of \$2.7 million.		-2,700,000
18. AB 425 approved a loan from the Pharmacy Board Fund to the General Fund of \$6 million.		-6,000,000
19. AB 425 approved a loan from the Structural Pest Control Fund to the General Fund of \$2 million.		-2,000,000

Senate

AB 425

Budget Bill Language

- | | | |
|---|---------|--|
| 1. Provide that the Bureau of Barbering and Cosmetology shall work with the Advisory Committee in selecting a site for the Los Angeles exam site relocation. | Adopted | |
| 2. Provide that the loan from the Contractors' License Fund to the GF be repaid by September 2003. | Adopted | |
| 3. Require the Medical Board to designate a staff liaison to work with International Medical Graduates and the programs devoted to facilitating their licensure and re-entry into the medical profession within existing resources. | Adopted | |

Trailer Bill Language

- | | | |
|--|---------|---------|
| 1. Clarifies that the Athletic Commission has the authority to regulate Mixed Martial Arts. Conference committee deleted language. | Adopted | |
| 2. Requires the Bureau of Barbering and Cosmetology to issue same-day licenses. | Adopted | Adopted |

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

1. Approved as budgeted.

1705 FAIR EMPLOYMENT AND HOUSING COMMISSION

1. Approved as budgeted.

1730 FRANCHISE TAX BOARD

- | | | |
|--|-----------|---------|
| 1. Approved budget proposal to augment by \$4.6 million (GF) for increased audit staff to generate revenues of \$52 million (GF). | Adopted | Adopted |
| 2. Approved budget proposal to augment by \$6.2 million (GF) for increased collection activities that will result in revenues of \$27.5 million (GF). | Adopted | Adopted |
| 3. Augmented by \$3.8 million (GF) to increase collection activities of accounts above the 5:1 benefit/cost ratio per May Revision. This is estimated to increase GF revenues by \$11.6 million for a net gain of \$7.8 million. | 3,800,000 | Adopted |

	Senate	AB 425
4. Augmented by \$260,000 (GF) and 2 staff attorneys to work multiple issue protest cases involving \$5 million in tax per May Revision. This is expected to generate \$3 million in GF revenue in 2002-03 and \$64.5 million in 2003-04.	260,000	Adopted
5. Denied Finance Letter to augment by \$799,000 (GF) to collect \$4 million by pursuing taxpayers that do not file tax returns by have imputed tax liabilities over \$100. Currently FTB pursues taxpayers with imputed liabilities over \$200.		
6. Augmented by \$3.3 million (GF) to increase collection staff by 34 one-year limited term positions to contact high-risk delinquent taxpayers with an offer to waive penalties and interest if back taxes are paid. This is not an amnesty program, but a settlement program to maximize revenue collection for a one-year period. This would increase GF revenues by \$125 million in 2002-03.	3,300,000	Adopted
7. Augmented by \$250,000 (GF) to continue the City Business Tax Program allowing cities to provide FTB information about local business license taxes. Cities are reimbursed for the information if it results in a 5:1 return.	250,000	Adopted
8. Augmented \$836,000 (GF) to restore 21.5 call center positions.	836,000	Adopted
9. Augmented \$414,000 (GF) to restore 5.2 counter service positions at 5 district offices. AB 425 deleted funding.	414,000	
10. Augmented by \$520,000 (GF) and 4 three-year limited term attorneys for the settlement program, which would generate an additional \$14.1 million in the budget year, \$18 million in 2003-04, and \$30 million in 2004-05.	520,000	Adopted
11. Augmented by \$2.2 million (GF) for 80 PYs for workload associated with rejecting trailer bill language that would have required mandatory e-filing of tax returns prepared by tax practitioners preparing more than 100 returns annually.	2,200,000	Adopted
12. Reduced reimbursement authority by \$397,000 to implement AB 63 (Cedillo), which allows the FTB to provide information to cities for which the cities must reimburse the associated costs.	Adopted	Adopted

Budget Bill Language

- | | |
|---|---------|
| 1. Conference committee allows an augmentation of the FTB budget through the Control Section 27.00 process to fund the costs associated with the award and implementation of a contract for development of the California Child Support Automation System in conjunction with the Department of Child Support | Adopted |
|---|---------|

Senate

AB 425

Services per May Revision.

Trailer Bill Language

- | | |
|---|---------|
| 1. Requires mandatory e-filing of tax returns. Conference committee rejected this language. | Adopted |
|---|---------|

1760 DEPARTMENT OF GENERAL SERVICES

- | | | |
|---|-------------|---------|
| 1. Approved Finance Letter to withdraw the Cal-Buy eProcurement System proposal for savings of \$12.8 million (Service Revolving Fund). | -12,754,000 | Adopted |
| 2. Reduced \$1.2 million (GF) for the California Portal augmentation proposed in the budget per May Revision. | -1,200,000 | Adopted |
| 3. Denied Finance Letter to transfer Executive IT Funds of \$1.5 million (GF) from DOIT to DGS. | -1,477,000 | Adopted |
| 4. Approved Finance Letter to augment \$3.8 million (SRF) for deferred maintenance/special repair projects in standard building rental rate buildings. | 3,800,000 | Adopted |
| 5. Approved Finance Letter to augment by \$1,498,000 (SRF) for base rental, fees, and insurance for Teale Data Center. | 1,498,000 | Adopted |
| 6. Augmented by \$4.5 million (GF) for increased security at the State Capitol. | 4,500,000 | Adopted |
| 7. Approved Finance Letter to augment by \$3.1 million (Earthquake Safety and Public Building Rehabilitation Bond Fund of 1990) to complete local seismic safety projects. | 3,100,000 | Adopted |
| 8. Approved Finance Letter to reappropriate \$777,618 (ESPRBFB) for local seismic projects. | 777,618 | Adopted |
| 9. Denied Finance Letter to reappropriate \$483,000 (GF) for San Quentin, Building 22: Modulars, working drawings. AB 425 approved Finance Letter funding. | -483,000 | |
| 10. Reduced by \$6.9 million (ESPRBFB) to delete two seismic retrofit projects located at San Quentin State Prison. | -6,880,000 | Adopted |
| 11. Approved Finance Letter to reappropriate \$6 million (ESPRBFB) for four seismic projects. | 5,952,000 | Adopted |
| 12. Approved Finance Letter to augment by \$23 million (Public Building Construction Fund) for preliminary plans, working drawings, and construction phases of the Bonderson Building renovation. | 23,024,000 | Adopted |

	Senate	AB 425
13. Approved Finance Letter to reappropriate \$1.9 million (ESPRBFB) for construction of the Recreation Building at the Yountville Veterans' Home.	1,881,000	Adopted
14. Approved Finance Letter to reappropriate \$1.9 million (PVEA) for state fleet alternative fuel infrastructure for working drawings and construction.	1,884,000	Adopted
15. AB 425 approved loan of \$10 million from the Disability Access Account to the General Fund.		-10,000,000
16. AB 425 approved loan of \$35 million from the Public School Planning, Design, and Construction Review Revolving Fund to the General Fund.		-35,000,000
17. AB 425 approved loan of \$2.7 million from the Property Acquisition Law Money Account to the General Fund.		-2,700,000
18. AB 425 deleted \$4.6 million for expansion of California Home Page.		-4,600,000

Budget Bill Language

- | | | |
|---|---------|---------|
| 1. Deletes provisions 1 through 9 that allow DGS to augment specified budget appropriations to provide approved services to client departments. AB 425 reinstated the language. | Adopted | |
| 2. AB 425 approved language requiring a repayment date of October 1, 2004 for the loans from the Disability Access Account, Property Acquisition Law Money Account, and the Public School Planning, Design, and Construction Review Revolving Fund to the General Fund. | | Adopted |

Supplemental Report Language

- | | | |
|---|--|---------|
| 1. Conference committee directs DGS to seek administrative flexibility provisions through the normal legislative process next year. | | Adopted |
| 2. Conference committee provides that the department shall use risk level and then actual building occupancy to prioritize future seismic retrofit projects rather than code occupancy. | | Adopted |

Trailer Bill Language

- | | | |
|--|--|---------|
| 1. Conference committee specifies that, for purposes of state procurement, printing is not considered a personal service contract. | | Adopted |
| 2. Conference committee extends sunset date on the administrative flexibility trailer bill language for the | | Adopted |

Senate

AB 425

current year by one year.

- | | | | |
|----|---|---------|---------|
| 3. | Allows the state to sell, lease, or exchange the real property known as the Bay Area Research Extension Center. This language will be included in separate legislation. | Adopted | Adopted |
|----|---|---------|---------|

1880 STATE PERSONNEL BOARD

- | | | | |
|----|---|-------------|-------------|
| 1. | Amended Finance Letter to reduce funding for the Peace Officers Procedural Bill of Rights mandate to \$1,000 to reduce it to \$2,000 for net savings of \$50 million (GF). AB 425 reduced to \$1,000. | -49,998,000 | -49,999,000 |
|----|---|-------------|-------------|

Budget Bill Language

- | | | | |
|----|--|--|---------|
| 1. | Conference committee specifies that the reduced funding does not suspend the requirements mandated by statute. | | Adopted |
|----|--|--|---------|

Trailer Bill Language

- | | | | |
|----|---|--|---------|
| 1. | Conference committee requires each state department to designate a staff person responsible for overseeing implementation of the responsibilities of the Dymally-Alatorre Bilingual Services Act, conduct an assessment of its capacity to serve people with limited English proficiency, and develop an implementation plan. | | Adopted |
|----|---|--|---------|

Supplemental Report Language

- | | | | |
|----|--|--|---------|
| 1. | Conference committee requires the SPB and DPA to report on the impact that post and bid will have on the composition of the workforce. | | Adopted |
|----|--|--|---------|

1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- | | | | |
|----|---|--------------|---------|
| 1. | Approved Finance Letter to withdraw the CalPERS deferral proposal for increased cost of \$495.2 million (GF), \$272.4 million (special funds), and \$136.9 million (NGC). | -767,630,000 | Adopted |
|----|---|--------------|---------|

Budget Bill Language

- | | | | |
|----|---|--|---------|
| 1. | Conference committee requires PERS to prepare a complete risk management plan and a contract evaluation before obligating funds for the health Care | | Adopted |
|----|---|--|---------|

Senate

AB 425

Decision support System contract. It also requires an independent evaluation of the proposed contract for the Health Care Decision Support System.

Trailer Bill Language

- | | |
|---|---------|
| 1. Conference committee requires PERS to prepare a risk management plan and an independent evaluation of the proposed contract for the Health Care Decision Support System. | Adopted |
|---|---------|

1920 STATE TEACHERS' RETIREMENT SYSTEM

- | | | |
|--|-------------|---------|
| 1. Approved Finance Letter to augment by \$1.5 million (TRF) for revised estimate of TDC testing and production costs. | 1,535,000 | Adopted |
| 2. Augmented by \$5.2 million (TRF) for costs necessary to develop and implement the automation components of the Defined Benefit Supplement Program. | 5,231,000 | Adopted |
| 3. Approved Finance Letter to withdraw the CalPERS deferral proposal for increased cost of \$411.7 million (GF). | 411,682,000 | Adopted |
| 4. Approved Finance Letter to adjust the state contribution for STRS benefits funding by \$18.9 million (GF) based on actual 2001 calendar year teacher payroll. | 18,856,000 | Adopted |
| 5. Approved Finance Letter to adjust the state contribution by \$23.9 million for STRS Supplemental Benefits Maintenance Account on actual 2001 calendar year teacher payroll. | 23,868,000 | Adopted |

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

- | | | |
|--|---------|---------|
| 1. Approved Finance Letter to augment by \$134,000 (ABCF) for DGS vehicle rent increase. | 134,000 | Adopted |
|--|---------|---------|

2120 ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

- | |
|--------------------------|
| 1. Approved as budgeted. |
|--------------------------|

Senate

AB 425

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- | | | |
|--|---------|---------|
| 1. Approved Finance Letter to augment \$621,000 (Financial Institutions Fund) and increase 4 positions to address growth in the Credit Union industry. | 621,000 | Adopted |
| 2. Approved three positions for monitoring of predatory lending practices. | | Adopted |

Supplemental Report Language

- | | | |
|--|--|---------|
| 1. Conference committee requires the department to report on the implementation of the monitoring of predatory loan practices by February 1, 2004. | | Adopted |
|--|--|---------|

2180 DEPARTMENT OF CORPORATIONS

- | | | |
|---|------------|---------|
| 1. Reduced funding for the Statewide Outreach on Predatory Practices Program (STOPP) by \$8.9 million (State Corporations Fund) and 7 positions as follows: <ul style="list-style-type: none"> • Deleted \$8.1 million for public outreach and media campaign. • Deleted the \$851,000 augmentation for the call center. • Approved the Outreach and Education Office as budgeted at \$371,000. • Approved the increase in enforcement staff as budgeted. | -8,909,000 | Adopted |
| 2. Increased the loan from the SCF to the GF by \$9 million. | -9,000,000 | Adopted |
| 3. Approved Finance Letter to transfer settlement funds of \$9 million from SCF and reduce the loan proposed in the budget from \$20 million to \$11 million. | | Adopted |

Trailer Bill Language

- | | | |
|--|--|---------|
| 1. Conference committee clarifies authority to transfer settlement funds from SCF to GF. | | Adopted |
|--|--|---------|

Supplemental Report Language

- | | | |
|---|--|---------|
| 1. Conference committee requires the department to report on the implementation of STOPP by February 1, 2004. | | Adopted |
|---|--|---------|

Senate

AB 425

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

1. Increased the transfer from the Child Care and Development Facilities Guaranty Fund to the GF from \$.14 million to \$2.7 million.	-1,322,000	Adopted
2. Approved Finance Letter to increase loan from the Mobilehome Park Purchase Fund to the GF from \$6 million to \$8.1 million.	-2,100,000	Adopted
3. Approved Finance Letter to reduce funding for Farmworker Housing Grants and Loans by reducing transfer from GF to Farmworker Housing Grant Fund by \$8.5 million assuming the passage of the November Housing Bond. AB 425 changed proviso so that the transfer will be reduced by \$8.5 million if the housing bonds are approved in November.	-8,500,000	Adopted as amended
4. Approved Finance Letter to transfer unused Farmworker Housing Grants and Loans from 2000 budget act to GF to Farmworker Housing Grant Fund by \$3 million with amendment to make the transfer contingent upon passage of November Housing Bond. AB 425 changed proviso so that the transfer will be reduced by \$2,999,000 if the housing bonds are approved in November.	-3,000,000	-1,000
5. Approved Finance Letter to reduce transfer from GF to Emergency Housing and Assistance Fund by \$6 million. AB 425 changed proviso so that the transfer will be reduced by \$8.5 million if the housing bonds are approved in November.	-6,000,000	Adopted
6. Approved Finance Letter to transfer unused CalHome Funds from 2000 budget act to GF from the Self-Help Housing Fund by \$5.6 million contingent upon passage of November Housing Bond. AB 425 changed proviso so that the transfer will be reduced by \$5,599,000 if the housing bonds are approved in November.	-5,600,000	-1,000
7. Approved Finance Letter to transfer unused Interregional Planning Partnership grants to GF from the Housing Rehabilitation Loan Fund by \$1.3 million.	-1,290,000	Adopted
8. Denied Finance Letter to reduce the reimbursement of state-mandated costs for Regional Housing Needs from \$868,000 (GF) to \$1,000 (GF). AB 425 approved Finance Letter.	867,000	

Budget Bill Language

1. Allows use of the Control Section 27.00 process to address any deficiency arising from the transfer from the Child Care and Development Facilities Guaranty Fund.	Adopted
2. Provides that reduced transfer from GF to Farmworker Housing Grant Fund of \$8.5 million is contingent upon	Adopted as

	Senate	AB 425
passage of November Housing Bond. AB 425 changed proviso to reduce transfer if housing bond is approved.		amended
3. Provides that transfer from the Farmworker Housing Grant Fund to GF of \$3 million is contingent upon passage of November Housing Bond. AB 425 changed proviso to reduce transfer if housing bond is approved.		Adopted as amended
4. Amends language providing that any remaining unencumbered funds transferred to the Farmworker Housing Fund may also be used for the general Joe Serna Farmworker Housing Grant Program are contingent upon passage of the November Housing Bond.		Adopted as amended
5. Provide that transfer from the Self-Help Housing Fund to GF of \$5.6 million is contingent upon passage of November Housing Bond. AB 425 changed proviso to reduce transfer if housing bond is approved.		Adopted as amended
6. Amend language providing that any remaining unencumbered funds transferred to the Self-Help Housing Fund may also be used for the general CalHome program are contingent upon passage of the November Housing Bond. AB 425 changed proviso to reduce transfer if housing bond is approved.		Adopted as amended

2310 OFFICE OF REAL ESTATE APPRAISERS

1. Approved as budgeted.

2320 DEPARTMENT OF REAL ESTATE

- | | | |
|--|------------|---------|
| 1. Approved Finance Letter to increase the loan from the Real Estate Commissioner's Fund to the GF from \$9.9 million to \$10.9 million. | -1,000,000 | Adopted |
|--|------------|---------|

Supplemental Report Language

- | | | |
|--|--|---------|
| 1. Conference committee requires the department to report on the implementation of the monitoring of predatory loan practices by February 1, 2004. | | Adopted |
|--|--|---------|

2780 STEPHEN P. TEALE DATA CENTER

- | | | |
|---|-----------|---------|
| 1. Approved Finance Letter to augment by \$2.6 million (TDC Revolving Fund) to increase mainframe capacity. | 2,628,000 | Adopted |
|---|-----------|---------|

	Senate	AB 425
2920 TECHNOLOGY, TRADE, AND COMMERCE AGENCY		
1. Approved Finance Letter to reduce by \$1 million (GF) for support of the Office of Military Base Reuse and Retention (OMBRR).	-1,000,000	-900,000
2. Approved Finance Letter to eliminate local grants of \$500,000 (GF) for OMBRR.	-500,000	Adopted
3. Denied Finance Letter to reduce by \$2.6 million (GF) to eliminate regional office program. AB 425 eliminated funding.	2,556,000	
4. Approved Finance Letter to eliminate funding of \$89,000(GF) for the Regulation Review Unit.	-89,000	Adopted
5. Approved Finance Letter to eliminate support costs of \$77,000 (GF) for Space Industry Development Program.	-77,000	Adopted
6. Approved Finance Letter to eliminate Space Industry Development grants of \$923,000 (GF).	-923,000	Adopted
7. Approved Finance Letter to reduce California Film Commission by \$300,000 (GF)	-300,000	Adopted
8. Approved Finance Letter to reduce Office of Foreign Investment by \$239,000 (GF).	-239,000	Adopted
9. Approved Finance Letter to reduce Office of Export Development by \$400,000 (GF).	-400,000	Adopted
10. Approved Finance Letter to reduce Marketing and Communication Division by \$627,000 (GF).	-627,000	Adopted
11. Approved Finance Letter to reduce Division of Science, Technology, and Innovation by \$803,000 (GF).	-803,000	Adopted
12. Approved Finance Letter to eliminate the Office of Permit Assistance for savings of \$226,000 (GF).	-226,000	Adopted
13. Approved Finance Letter to eliminate support for the high-level management of the Economic Development Division for savings of \$448,000 (GF).	-448,000	Adopted
14. Approved Finance Letter to reduce Business Development Program by \$538,000 (GF).	-538,000	Adopted
15. Augmented by \$1 million (GF) to establish a new small business financial development corporation in southeast Los Angeles. AB 425 provided \$500,000 rather than \$1 million.	1,000,000	500,000
16. Augment by \$149,000 (GF) to open a contractual regional trade office in Yerevan in the Republic of Armenia. AB 425 eliminated funding.	149,000	
17. Approved Finance Letter to make an unallocated reduction to foreign trade office of \$2 million (GF)	-2,000,000	Adopted

	Senate	AB 425
leaving remaining funding of \$4.1 million.		
18. Amended Finance Letter to eliminate Next Generation Internet Centers by \$1 million (GF) to instead reduce them by \$999,000 (GF). AB 425 eliminated \$1 million.	-999,000	-1,000,000
19. Denied Finance Letter to eliminate Rural e-Commerce grants of \$1 million (GF). AB 425 eliminated the funding.	1,000,000	
20. Denied Finance Letter to reduce Biomass grants from \$6 million to \$4 million for savings of \$2 million (GF) and instead reduced them by \$100,000 (GF). AB 425 eliminated \$2 million (GF).	-100,000	-2,000,000
21. Amended Finance Letter to reduce Manufacturing Technology Program by \$2.7 million (GF) and instead reduced by \$2.4 million (GF). AB 425 reduced by a total of \$2.7 million.	-2,400,000	-2,700,000
22. Approved Finance Letter to loan \$17 million from the Petroleum Underground Storage Tank Financing Account to the GF.	-17,000,000	Adopted
23. Denied Finance Letter to transfer \$8.4 million from the Rural Economic Development Infrastructure Revenue Bond Fund to the GF and instead loaned the same amount to the GF.		
24. Denied Finance Letter to transfer \$8 million from the Infrastructure Bank Fund to the GF. AB 425 approved the transfer of \$8 million.	8,000,000	
25. Approved Finance Letter to transfer \$1 million from the Petroleum Financing Collection Account to the GF.	-1,000,000	Adopted
26. Reduced transfer from the Export Finance Fund to GF by \$4 million. AB 425 approved the transfer.	4,000,000	
27. Amended budget to transfer \$8 million from the Small Business Expansion Fund (SBEF) to the GF and instead made it a loan.		Adopted
28. Amended Finance Letter to transfer an addition \$2.7 million from SBEF to the GF and instead loaned the same amount to the GF.		Adopted
29. AB 425 augmented \$150,000 (GF) for evaluation of Foreign Trade Offices.		150,000
30. AB 425 reduced CalTIP grants by \$3 million (GF).		-3,000,000
31. AB 425 provided a \$10 million unallocated reduction.		-10,000,000

Budget Bill Language

1. Provides that \$200,000 of the amount appropriated in this item shall be used to fund the California Economic		Adopted
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Senate AB 425

Strategy Panel.

- | | | |
|----|---|---------|
| 2. | Requires notification to JLBC 30 days prior to implementing the unallocated reductions to the foreign trade offices. | Adopted |
| 3. | Provides that the loan from the SBEF to GF is an asset that may be encumbered for loan guarantees in the same manner as moneys appropriated and deposited in the fund for that purpose. | Adopted |
| 4. | Adopts provisions regarding repayment of loan to Rural Economic Development Infrastructure Revolving Bond Fund. | Adopted |

Trailer Bill Language

- | | | |
|----|--|---------|
| 1. | Requires the Economic Research and Strategic Initiative Division to produce an annual report on strategic planning. | Adopted |
| 2. | Denies language to eliminate regional offices. | |
| 3. | Provides that the loan from the Petroleum Underground Storage Tank Financing Account to the GF be repaid with interest and that the programs supported by this funds are not adversely affected by the loan. | Adopted |

5240 DEPARTMENT OF CORRECTIONS

- | | | | |
|----|--|-----------|---------|
| 1. | Deleted funding for the Delano II prison and cancelled project. Conference approved funding for Delano II. | -957,000 | |
| 2. | Approved augmentation (GF) to reinstate contracts for five private Community Correctional Facilities. | 2,824,000 | Adopted |
| 3. | Approved \$22.4 million (GF) on a one-time basis to address workers' compensation shortfall. | Adopted | Adopted |
| 4. | Approved \$5.1 million (GF) associated with the costs for activation of 99 positions from Institution Vacancy Plans. | Adopted | Adopted |
| 5. | Approved reappropriation of \$7.2 million (GF) for the mandated patient information management system at Pelican Bay State Prison. | Adopted | Adopted |
| 6. | Approved reduction of \$3.2 million (GF) from CDC's legal settlement authority. | Adopted | Adopted |
| 7. | Approved reappropriation of \$11.7 million (GF) for electromechanical security door operating system. | Adopted | Adopted |
| 8. | Approved Finance letter augmentation (GF) to upgrade telecommunications hardware and software in eight institutions. The Conference committee deleted funding. | 1,729,000 | |

	Senate	AB 425
9. Approved Finance letter increase (GF) for the replacement and upgrade of the hardware and software that support the Distributed Data Processing System.	2,545,000	Adopted
10. Approved Finance letter augmentation (GF) for the replacement of hardware and software that support the applications of the Interim Parolee Tracking System.	972,000	Adopted
11. Approved Finance letter to provide a system upgrade for the Standard Automated Preventive Maintenance System (GF). The Conference committee deleted funding.	984,000	
12. Deleted federal funds for the Offender Employment Continuum program. The Conference committee approved federal Workforce Investment Act (WIA) funds for this purpose as budgeted.	-1,500,000	
13. Approved reauthorization of 425 CCRC beds at a rate up to \$56 per day (GF). The Conference committee did not approve reauthorization of these beds.	1,428,000	
14. Approved a reduction of \$6.1 million (GF) in estimated cost avoidance to CDC due to the funding of the Drug Court Partnership Program in the DADP budget. Savings in the CDC budget due to avoided prison days. The Conference committee approved transfer of \$8.9 million (GF) from CDC to DADP for aftercare substance abuse treatment programs. CDC's reimbursement funding was increased by a corresponding amount.	-6,100,000	-8,900,000
15. Approved a reduction of \$125,000 (GF) related to the augmentation of funding in BPT for the foreign prisoner transfer program. Savings in the CDC budget due to avoided prison days for foreign born nationals.	-125,000	Adopted
16. Approved termination of the Folsom Community Correctional Facility contract (GF). The Conference committee did not terminate the Folsom CCF contract.	1,047,000	
17. Approved Finance letter to implement mandates for Armstrong v. Davis lawsuit (GF).	1,068,000	Adopted
18. Approved Finance letter to reduce additional hospital security at Patton State Hospital due to estimated population reductions (GF).	-427,000	Adopted
19. Approved Finance letter and further reduced Civil Addict program to send it to conference (GF).	-10,001,000	-10,000,000
20. Approved Finance letter to provide 2 for 1 work credits at fire camps and approved reduction (GF).	-16,700,000	Adopted
21. Approved Finance letter to eliminate monthly range training program (GF).	-3,609,000	Adopted
22. Approved Finance letter to augment parole local assistance (GF).	9,227,000	Adopted

	Senate	AB 425
23. Approved certain reductions for parole services (GF). The Conference committee approved further reductions in parole services.	-4,252,000	-9,208,000
24. Approved Finance letter to provide funding (GF) for increased costs of utilities.	17,979,000	Adopted
25. Approved augmentation of \$22.4 million (GF) on a one-time basis for workers' compensation.	Adopted	Adopted
26. Approved Finance letter to provide additional funding for the estimated workers' compensation shortfall (GF).	42,125,000	Adopted
27. Approved Finance letter augmentation (GF) on a two-year limited-term basis for the cost of filling vacant posted supervisor positions.	9,751,000	Adopted
28. Approved Finance letter augmentation (GF) for identified operational costs resulting from the Unit 6 bargaining contract.	4,699,000	Adopted
29. Approved Finance letter to provide resources for mental health crisis beds, PSU beds, and increased nursing care (GF).	8,141,000	Adopted
30. Approved Finance letter for increased inmate medical services pursuant to the Plata settlement and funding for a Hepatitis C program at Pelican Bay State Prison, and increased amount by \$1,000 to send to conference (GF). The Conference committee approved the Finance letter proposal.	21,942,000	21,941,000
31. Approved Finance letter for increases to reimburse the Department of Mental health for recruitment and retention bonuses for various classifications at Salinas Valley State Prison (GF).	1,638,000	Adopted
32. Reduced Finance letter for proposed increase of \$115.5 million (GF) for contract medical services.	80,133,000	Adopted
33. Approved Finance letter to delay the activation of Salinas Valley Psychiatric Unit (GF).	-1,450,000	Adopted
34. Approved Finance letter to delay activation of 200 substance abuse beds at the Correctional Rehabilitation Center - Norco (GF).	-2,500,000	Adopted
35. The Conference committee approved a reduction in the DMH contract due to revised mental health bed need projections.		-5,699,000
36. The Conference committee approved the transfer of \$2.8 million related to insurance costs for the Delano II project from the General Fund to General Obligation Bonds.		Adopted

Senate

AB 425

Budget Bill Language

- | | | |
|--|---------|----------|
| 1. Allows CDC to administratively establish certain abolished vacant positions upon review by DOF and notification of the Legislature. | Adopted | Adopted |
| 2. Increases the reimbursement rate for CCRCs up for bid in the budget year up to \$56 per day. | Adopted | Rejected |
| 3. Provides criteria for additional Community Correctional Re-entry Center funding. | Adopted | Rejected |
| 4. Directs CDC to continue the contracts on an interim basis with five Community Correctional Facilities whose contracts expire at the end of the current year and to competitively bid new contracts. | Adopted | Adopted |

Supplemental Report Language

- | | | |
|---|---------|---------|
| 1. Directs CDC to work with US INS on developing procedures for transferring foreign born parolees. | Adopted | Adopted |
| 2. Directs CDC to develop a plan for the alternative uses for the Northern California Women's Facility. | Adopted | Adopted |

Trailer Bill Language

- | | | |
|--|---------|----------|
| 1. Cancels Delano II construction project. | Adopted | Rejected |
| 2. Caps the number of inmates in the Civil Addict program. | Adopted | Adopted |
| 3. Authorizes increased work credits for inmates working in fire camps. Delays implementation to January 2003. | Adopted | Adopted |
| 4. Authorizes peace officer status for certain correctional officer employees related to the Salinas Valley Psychiatric unit operated by the Department of Mental health in Salinas Valley State Prison. | Adopted | Adopted |

5430 BOARD OF CORRECTIONS

- | | | |
|---|-------------|---------|
| 1. Rejected reduction and proposed trailer bill language related to ending the board's role in Juvenile Hall Suitability Review assessments. The Conference committee approved the reduction as an unallocated cut. | 144,000 | |
| 2. Approved Finance letter reverting prior year fund for LA CLEAR and reducing the General Fund appropriation. Funding remains \$3 million for the budget year. | -2,000,000 | Adopted |
| 3. Approved Finance letter to revert fourth year of funding for the Juvenile Challenge Grant II program (GF). | -12,300,000 | Adopted |

	Senate	AB 425
4. Rejected Finance letter to revert \$17.3 million (GF) for the Mentally Ill Offender Crime Reduction Grant Program. The Conference committee approved reversion of \$17.3 million for this program, leaving one-year of funding remaining for the final two years of the program.		-17,300,000
5. Approved transfer of \$42 million in federal funds and \$2.4 million (GF) from OCJP for various juvenile justice programs. The Conference committee rejected the transfer.	Adopted	Rejected

5440 BOARD OF PRISON TERMS

1. Approved an augmentation for the Foreign Prisoner Transfer program (GF).	125,000	Adopted
2. Provided half-year funding for the BPT.	-15,192,000	Adopted

Budget Bill Language

1. Requires BPT to report to the Legislature regarding implementation of SB 778 prior to receipt of full year funding.	Adopted	Adopted
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Supplemental Report Language

1. Directs BPT to report on monthly on the status of the backlog of appeals.	Adopted	Adopted
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5450 YOUTHFUL OFFENDER PAROLE BOARD

1. Provided half-year funding pending legislation to eliminate YOPB and transfer those responsibilities to the committing juvenile court.	-1,645,000	Adopted
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5460 YOUTH AUTHORITY

1. Approved \$1 million for increased energy costs (GF).	Adopted	Adopted
2. Approved \$725,000 to establish a Program Compliance Unit (GF).	Adopted	Adopted
3. Reduced funding and directed CYA to develop consolidation plan for closing 2 facilities. The Conference committee approved TBL to develop a	-1,000,000	

	Senate	AB 425
consolidation plan, which would close one institution in the next two years.		
4. Rejected proposal to reduce Prop 98 funding by \$2.6 million due to the estimated ward population decrease. The Conference committee approved proposal to reduce Prop 98 funding due to ward population decrease and approved additional funding for ward education from the Prop 98 reversion account.	2,602,000	2,600,000
5. Approved Finance letter and augmented funding by \$1,000 for the CYA's proposed reorganization of its mental health delivery system (GF). The Conference committee approved Finance letter proposal.	1,026,000	1,025,000
6. Rejected Finance letter requesting \$3.5 million (GF) related to the conditions of confinement class action lawsuit. The Conference committee approved reduced funding for the staff and resources to defend the lawsuit.		1,660,000
7. Restored \$3.5 million of a \$5 million reduction to parole services. Conference approved Finance letter reduction.	-1,500,000	-5,000,000
8. Rejected Finance letter proposed reduction to incorporate an inflation adjustment to the sliding scale fees charged to counties for wards committed to the CYA. This proposal would decrease General Fund by \$7.6 million and increase reimbursements from the counties by a similar amount.		
9. Approved Finance letter related to ward and parolee population adjustments. Changes include an increase of \$5.4 million from the General Fund and a reduction of \$7.6 million from reimbursements.	5,446,000	Adopted

Supplemental Report Language

1. Directs CYA to perform an analysis of student-teacher staffing levels and assumptions for special education needs.	Adopted	Adopted
---	---------	---------

5480 COMMISSION ON CORRECTIONAL PEACE OFFICERS STANDARDS AND TRAINING

1. Approved as budgeted.

8260 ARTS COUNCIL

1. Amended Finance Letter to reduce support budget by \$562,000 (GF) rather than \$1,125,000 (GF) for net	563,000	Adopted
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	Senate	AB 425
increase of \$563,000 (GF).		
2. Amended Finance Letter to reduce local grants by \$7 million (GF) rather than \$14.4 million (GF).	7,387,000	Adopted
3. Approved Finance Letter to eliminate funding of \$759,000 (GF) for the California Challenge Program.		Adopted
4. Transferred \$1 million (GF) of the \$2 million appropriated for the Cultural Institutions Program (Tools for Tolerance) to the Organizational Support Grant Program. AB 425 deleted this transfer.		
5. Reappropriated \$162,000 (GF) for the Bonita Historical Museum. AB 425 deleted this reappropriation.		
6. AB 425 provided an unallocated reduction of \$2 million (GF) to Organization Grants Support program.		-2,000,000

Budget Bill Language

1. Allows Arts Council flexibility to allocate local grants upon notice to JLBC and DOF.	Adopted	Adopted
2. Provides that the local assistance grants shall be used to fund grant programs that assist the arts education of inner-city children who are economically disadvantaged and to support rural art programs.	Adopted	Adopted
3. Denies Finance Letter request to delete language specifying that \$1.9 million in local grants is for the Multicultural Arts Development program.		

8320 PUBLIC EMPLOYMENT RELATIONS BOARD

1. Approved as budgeted.

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

1. Reduced by \$156,000 (GF) and 3 positions for increased workload resulting from collective bargaining.	-156,000	Adopted
2. Denied Finance Letter to augment by \$149,000(GF) and 1 position for labor relations officer.	-149,000	Adopted
3. Approved Finance Letter to reduce by \$1.9 million (GF) for lower than anticipated enrollment in the Rural Health Care Equity Program.	-1,905,000	Adopted

Senate

AB 425

8385 CALIFORNIA CITIZENS COMPENSATION COMMISSION

1. Approved as budgeted.

8500 BOARD OF CHIROPRACTIC EXAMINERS

1. Approved as budgeted.

8510 OSTEOPATHIC MEDICAL BOARD

1. Approved as budgeted.

8530 BOARD OF PILOT COMMISSIONERS

1. Approved as budgeted.

8620 FAIR POLITICAL PRACTICES COMMISSION

1. Approved as budgeted.

8640 POLITICAL REFORM ACT OF 1974

1. Approved as budgeted.

8780 MILTON MARKS "LITTLE HOOVER" COMMISSION

- | | | |
|--|---------|---------|
| 1. Approved Finance Letter to augment GF for increased staffing. | 130,000 | Adopted |
|--|---------|---------|

8800 MEMBERSHIP IN INTERSTATE ORGANIZATIONS

- | | |
|--|----------|
| 1. AB 425 reduced funding by 50 percent or \$931,000 (GF) for all memberships. | -931,000 |
|--|----------|

Senate

AB 425

8820 COMMISSION ON THE STATUS OF WOMEN

1. Approved as budgeted.

8855 BUREAU OF STATE AUDITS

1. Approved as budgeted.

Trailer Bill Language

- | | | |
|---|---------|---------|
| 1. Directs JLAC to authorize an audit of the claims submitted to the Controller for reimbursement of the Peace Officer Procedural Bill of Rights. | Adopted | Adopted |
|---|---------|---------|

8860 DEPARTMENT OF FINANCE

- | | |
|--|---------|
| 1. Approved Finance Letter to augment by \$1.4 million from reimbursements and add 29 positions to perform audits required by Propositions 12, 13, 14, 40, and 42. | Adopted |
|--|---------|

Trailer Bill Language

- | | |
|---|---------|
| 1. Provides DOF discretion to audit the allocations of gasoline money pursuant to Proposition 42 rather than require an annual audit. | Adopted |
|---|---------|

8885 COMMISSION ON STATE MANDATES

1. Approved as budgeted.

8910 OFFICE OF ADMINISTRATIVE LAW

- | | | |
|---|--------|---------|
| 1. Approved Finance Letter to augment by \$79,000 (GF) for the full-year cost of the current lease. | 79,000 | Adopted |
|---|--------|---------|

8940 MILITARY DEPARTMENT

1. Deleted \$6 million (federal funds) for bridge security

	Senate	AB 425
mission per May Revision.		
2. Approved Finance Letter to reduce Army and Air National Guard, Civil support, and the Military Reserve Program by \$900,000 (GF).	-900,000	Adopted
3. Deleted by \$3 million, (GF) for the Turning Point Academy.	-2,993,000	Adopted
4. Amended Finance Letter to reduce by \$611,000 (GF) rather than \$900,000 for California Cadet Corps and Youth Programs because the Subcommittee had already eliminated funding for the Turning Point Academy.	-611,000	Adopted
5. Approved Finance Letter to augment by \$225,000 (GF) for the airfield electric distribution system at Los Alamitos.	225,000	Adopted
6. Approved Finance Letter to change funding of \$1.6 million from the GF to the Armory Fund for the acquisition phase of the Lancaster Armory and defer funding for the working drawings until 2003-04.	-1,585,000	Adopted
7. Approved Finance Letter to defer funding of \$855,000 (GF for statewide security lighting).	-855,000	Adopted

Supplemental Report Language

1. Requires the Military Department to report on the status of their negotiations with the City of Santa Ana on relocation of the Santa Ana Armory.	Adopted	Adopted
---	---------	---------

9100 TAX RELIEF

1. Amended Finance Letter to reduce subventions for Open Space subventions by \$38 million (GF) rather than eliminate them for savings of \$39 million (GF). AB 425 fully funded Open Space subventions.	-38,000,000	
2. Amended Finance Letter to reduce by \$1.1 million (GF) to reduce the amount appropriated to local agencies to \$2,000 rather than \$1,000 for reimbursement of three state-mandated programs. AB 425 funded \$1,000 per mandate.	-1,056,000	-1,059,000

Budget Bill Language

1. Conference committee specifies that the reduced reimbursement for mandates does not suspend the mandate.		Adopted
---	--	---------

Senate AB 425

9210 LOCAL GOVERNMENT FINANCING

- | | | |
|---|--------------|------------|
| 1. Approved Finance Letter to reduce funding for High Technology Grants for Local Law Enforcement from \$35.4 million to \$18.5 million for savings of \$16.9 million (GF). | -16,900,000 | Adopted |
| 2. Approved Finance Letter to reduce funding by \$111.3 million (GF) for COPS/Juvenile Justice Prevention Programs, but denied trailer bill language that would eliminate the Juvenile Justice Prevention Program. AB 425 restored funding. | -111,300,000 | Adopted |
| 3. AB 425 provided an appropriation of \$51.5 million (GF) for county property tax administration program to replace the continuous appropriation. | | |
| 4. Amended Finance Letter to reduce by \$6.4 million (GF) the state reimbursement for local mandates to \$2,000 rather than \$1,000 for three mandated programs. AB 425 provided \$1,000 per mandate. | -6,392,000 | -6,395,000 |

Budget Bill Language

- | | | |
|---|---------|---------|
| 1. Provides that the funds allocated for High Technology Grants shall be expended or encumbered no later than June 30 of the following fiscal year. | Adopted | Adopted |
| 2. Specifies that the reduced reimbursement for mandates does not suspend the mandate. | Adopted | Adopted |
| 3. AB 425 provided minimum grant of \$15,000 per local agency for high technology grants. | | Adopted |

Trailer Bill Language

- | | | |
|--|--|---------|
| 1. Deny Finance Letter to codify the provisions of the one-time grants for High Technology Grants for Local Law Enforcement. | | |
| 2. AB 1768 provides for ERAF transfer of \$75 million for redevelopment agencies for the 2002-03 fiscal year. | | Adopted |

9620 PAYMENT OF INTEREST ON GENERAL FUND LOANS

- | | | |
|--|--|-------------|
| 1. Approved as budgeted. AB 425 reduced estimate of payments by \$70 million (GF). | | -70,000,000 |
|--|--|-------------|

Senate

AB 425

9625 INTEREST PAYMENTS TO FEDERAL GOVERNMENT

1. Approved as budgeted.

9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- | | | |
|---|-------------|---------|
| 1. Approved Finance Letter to augment by \$23 million (GF) to reflect increased expenditures for health benefit premiums and dental benefit expenditures. | 22,981,000 | Adopted |
| 2. Approved Finance Letter to revert the unencumbered balance of \$27.6 million (GF). | -27,600,000 | Adopted |

Budget Bill Language

- | | | |
|--|---------|---------|
| 1. Amends to reflect revised contribution rates. | Adopted | Adopted |
|--|---------|---------|

9800 EMPLOYEE COMPENSATION AUGMENTATION

- | | | |
|--|------------|---------|
| 1. Approved Finance Letter to augment by \$54.5 million (GF), \$23.1 million (special funds) and \$11.9 million (nongovernmental cost funds) for increases in the employer's share of health benefit and other benefits. | 89,450,000 | Adopted |
|--|------------|---------|

9840 AUGMENTATION FOR CONTINGENCIES OR EMERGENCIES

1. Approved as budgeted.

9860 UNALLOCATED CAPITAL OUTLAY

1. Approved as budgeted.

CONTROL SECTIONS**3.25 DEFERRAL OF DISBURSEMENTS**

- | | |
|--|---------|
| 1. AB 425 provides that disbursement of \$187 million for Medi-Cal, \$100 million for Home-to-School Transportation, \$232.6 million for COPS and Juvenile Justice, \$20 million for Internal Interest Costs, \$48 million from the Housing Rehabilitation Fund, and \$24 million from the Colorado River Management Account | Adopted |
|--|---------|

Senate

AB 425

shall not be disbursed until after January 30, 2003 unless ordered by the Director of Finance.

3.60 CONTRIBUTION TO PUBLIC EMPLOYEES' RETIREMENT BENEFITS

- | | |
|--|---------|
| 1. Revised to reflect new state retirement contribution rates. The costs are reflected in Item 9800. | Adopted |
|--|---------|

3.80 PREMIUM OFFSET FOR EMPLOYER-PAID LIFE INSURANCE

- | | |
|---|---------|
| 1. Added control section to allow a one-time offset in employer-paid life insurance premiums because of the demutualization of MetLife. | Adopted |
|---|---------|

4.20 CONTRIBUTION TO PUBLIC EMPLOYEES' CONTINGENCY RESERVE FUND

- | | | |
|--|------------|---------|
| 1. Approved Finance Letter to use the Contingency Reserve Fund to offset a one-time reduction in the administrative fee charged to state and local employers for health premiums. This results in savings of \$6.6 million (\$2.8 million GF). | -6,600,000 | Adopted |
|--|------------|---------|

4.40 E-BUSINESS CENTER

- | | |
|--|---------|
| 1. Approved Finance Letter to expand the capabilities of the e-Business Center by eliminating e-Marketplace projects and adding four new projects. | Adopted |
|--|---------|

8.00 ANTITERRORISM FEDERAL REIMBURSEMENTS

- | | |
|---|---------|
| 1. Required DOF to notify JLBC and the chairs of the fiscal committees prior to approval of allocations of any unanticipated federal funds for anti-terrorism costs to abate expenditure already made or proposed to be made from GF rather than after. | Adopted |
|---|---------|

Senate

AB 425

9.20 ADMINISTRATIVE COSTS ASSOCIATED WITH THE ACQUISITION OF PROPERTY

1. Approved as budgeted.

9.50 MINOR CAPITAL OUTLAY PROJECTS

1. Approved as budgeted.

11.10 REPORTING OF STATEWIDE SOFTWARE LICENSE AGREEMENTS

1. Amended Finance Letter to add control section to provide reporting criteria for statewide software license agreement to remove the \$1.5 million reporting threshold. AB 425 reinstated a threshold of \$1 million.

11.80 MANDATE APPROPRIATION FOR PRIOR YEAR DEFICIENCIES

- | | | |
|---|-------------|---------|
| 1. Approved Finance Letter to delete the \$30 million (GF) for mandate deficiencies in the current and budget year. | -60,000,000 | Adopted |
| 2. Approved Finance Letter to revert \$17.8 million (GF) in balances from prior year appropriations. | -17,800,000 | Adopted |

31.50 ELIMINATION OF VACANT POSITIONS

- | | |
|---|---------|
| 1. Established new control section to report on the elimination of vacant positions by September 1, 2002. | Adopted |
|---|---------|

31.60 VACANT POSITION REDUCTIONS

- | | | |
|--|-------------|--------------|
| 1. Amended Finance Letter to establish new control section to eliminate 6,000 positions statewide to require notification to JLBC 30 days prior to effective date of the elimination of the positions. AB 425 amended this section to provide that the Director of Finance is authorized to unallot and revert savings attributable to this section to be reflected and identified in the Governor's 2003-04 budget. This unallotment shall be at least \$300 million from all funds. The Director of Finance shall transmit a listing of abolished positions by | -20,100,000 | -300,000,000 |
|--|-------------|--------------|

October 1, 2002.

31.70 AUGMENTATION AUTHORITY RELATED TO VACANT POSITION REDUCTIONS

- | | | |
|----|--|---------|
| 1. | AB 425 authorized the Director of Finance to augment any appropriation by an amount to ensure that a department has an appropriate level of appropriations after any unallotment of funds pursuant to Control Section 31.60. The total augmentation may not exceed 50 percent of the unallotment provided in C.S. 31.60. | Adopted |
|----|--|---------|

32.50 BUDGET TRIGGER AND REVENUE STABILIZATION

- | | | |
|----|--|---------------|
| 1. | Declared the intent to adopt a budget trigger and requested the convening of a taskforce to develop a strategy for improving revenue stability. AB 425 deleted this control section. | 1,000,000,000 |
|----|--|---------------|

CONTROL SECTIONS APPROVED AS BUDGETED

- 1.00 Budget Act Citation.
- 1.50 Intent and Format.
- 2.00 Availability of Appropriations.
- 3.00 Defines Purposes of Appropriations.
- 3.70 Hiring Freeze Reversion.
- 4.80 State Public Works Board Interim Financing.
- 6.00 Project Alterations Limits.
- 8.50 Federal Funds Receipts.
- 8.51 Federal Funds Accounts.
- 9.20 Administrative Costs Associated with the Acquisition of Property.
- 9.30 Federal Levy of State Funds.
- 9.50 Minor Capital Outlay Projects.
- 10.00 Statewide Utility Savings.
- 11.00 EDP/Information Technology Reporting Requirements.
- 11.52 Transfer of Unencumbered Balance of Various Funds to the General Fund.
- 12.00 State Appropriations Limit.
- 12.10 Brown vs. U.S. Department of Health and Human Services Settlement Payments.

Senate

AB 425

- 12.30 Special Fund for Economic Uncertainties.
- 13.00 Legislative Counsel Bureau.
- 14.00 Special Fund Loans Between Boards of the Department of Consumer Affairs.
- 24.30 Transfer from State School Building Aid Fund to the General Fund.
- 26.00 Intraschedule Transfers.
- 27.00 Deficiency Reporting Requirements.
- 28.00 Program Change Notification.
- 28.50 Agency Reimbursement Payments.
- 29.00 Personnel-Year Estimates of Governor's Budget, May Revision & FCB.
- 30.00 Continuous Appropriations.
- 31.00 Budget Act Administrative Procedures for Salaries and Wages.
- 32.00 Prohibits Excess Expenditures.
- 33.00 Item Veto Severability.
- 34.00 Constitutional Severability.
- 36.00 Provides that Budget Act is for Usual and Current Expenses.
- 37.00 Urgency Clause.
- 99.00 Alphabetical Organization Index.
- 99.50 Numerical Control Section Index.

APPENDIX 1

LEGISLATIVE AUGMENTATIONS
As Identified by the Department of Finance

2002-03 LEGISLATIVE AUGMENTATIONS

(Dollars in Thousands)

<u>P98</u>	<u>Item</u>	<u>Issue #</u>	<u>Dept</u>	<u>Issue Title</u>	<u>GF</u>	<u>Lang</u>
N	0160-002-0001	101	Leg Counsel	Legislative Augmentation for Litigation	\$2,000	
N	0650-501-0001	001	OPR	MR: Budget Year General Fund Reduction Plan - Cesar Chavez Grant Program	139	
N	0650-504-0001	101	OPR	Restore Funding - Cesar Chavez Grant Program	861	
N	1730-001-0001	611	FTB	City Business Tax program (cities supply business license tax info to state.)	250	
N	1730-001-0001	612	FTB	Call Center Staffing	836	
N	1730-001-0001	615	FTB	Mandatory E-Filing for Tax Practitioners Preparing More Than 100 Returns Annuall	2,200	
N	1760-001-0001	101	Dept Gen Svc	Security at the State Capitol	4,500	
N	2240-104-0001	040	HCD	Reduce funding for Farmworker Housing Grants and Loans	8,500	Y
N	2660-491	202	Caltrans	Reappropriation to redirect GF appropriated to Caltrain to a child care center at a transit location	1,500	
N	2920-001-0001	165	TechTrd&Comm	Conduct foreign trade office study	150	
N	2920-001-0001	315	TechTrd&Comm	Reduce GF support for OMBRR	100	
N	2920-011-0001	445	TechTrd&Comm	BBL: Establish Small Business FDC in southeast Los Angeles	500	Y
N	3110-001-0001	300	Special Res	Sea Grant Program Matching Funds Augmentation	330	
N	3460-001-0001	301	Colo River	Restore Funding for the Colorado River Board	7	
N	3540-001-0001	204	Forest&Fire	Sudden Oak Death	2,000	
N	3540-001-0001	300	Forest&Fire	State Responsibility Area Reimbursement	20,000	
N	3540-006-0001	201	Forest&Fire	Reinstate E-Fund	75,000	
N	3720-001-0001	100	Coastal Comm	Coastal Management Program (General Fund Base Reduction)	603	
N	3720-101-0001	100	Coastal Comm	Coastal Managment Program (General Fund Base Reduction)	497	
N	3930-101-0001	101	PesticideReg	Local Assistance to County Agricultural Commissioners	500	
N	3980-001-0001	003	EnvirHlthHaz	General Fund Reduction	93	
N	3980-001-0001	003	EnvirHlthHaz	General Fund Reduction	693	
N	3980-001-0001	101	EnvirHlthHaz	Contract Funding	616	
N	4120-101-0001	110	Emer Med Svc	Augmentation for Trauma System Support	25,000	Y
N	4170-101-0001	201	Dept Aging	Restoration of Linkages Reduction	126	
N	4200-001-0001	203	DADP	Drug Court Restructuring	244	Y
N	4200-001-0001	203	DADP	Drug Court Restructuring	4,634	Y
N	4220-001-0001	001	Child Devel	Augmentation to Restore CDPAC	133	
N	4260-001-0001	205	Hlth Svcs	Expansion of PACE Program	100	
N	4260-101-0001	059	Hlth Svcs	Additional Provider Rate Reductions	55,392	

2002-03 LEGISLATIVE AUGMENTATIONS

(Dollars in Thousands)

<u>P98</u>	<u>Item</u>	<u>Issue #</u>	<u>Dept</u>	<u>Issue Title</u>	<u>GF</u>	<u>Lang</u>
N	4260-101-0001	060	Hlth Svcs	Elimination of Selected Medi-Cal Optional Benefits	263,000	
N	4260-101-0001	062	Hlth Svcs	Reduce County Administration Funding by Twenty Percent	87,959	
N	4260-101-0001	069	Hlth Svcs	Reduce State Share of EPSDT	5,439	
N	4260-101-0001	079	Hlth Svcs	Pediatric Long-Term Care Rate	150	Y
N	4260-101-0001	102	Hlth Svcs	Rejection of Medi-Cal Copayment General Fund Reduction Proposal	30,613	
N	4260-101-0001	110	Hlth Svcs	AB 59 Med-Cal/School Lunch Expansion	5,997	Y
N	4260-101-0001	106	Hlth Svcs	MRCUT: Roll Back Medi-Cal 1931(b) Expansion	92,100	
N	4260-101-0001	207	Hlth Svcs	Disproportionate Share Hospital Administration Fee	31,000	
N	4260-111-0001	482	Hlth Svcs	CHDP Periodicity	2,000	
N	4260-113-0001	103	Hlth Svcs	Medi-Cal to Healthy Families Program Two-month Bridge	7,666	
N	4280-101-0001	101	Managed Risk	Healthy Families Program Parents Expansion	50,014	
N	4280-101-0001	110	Managed Risk	MR: Restore Funding for Rural Health Demonstration Projects	1,000	
N	4280-102-0001	101	Managed Risk	Healthy Families Program Parents Expansion	2,416	
N	4300-101-0001	111	Develop Svcs	One-time Grants to Develop Community Based Services	5,613	
N	4440-001-0001	206	Mental Hth	Restore Funding for Patient's Rights Contract	120	
N	4440-001-0001	210	Mental Hth	State/County Plans for Children's Mental Health Services	150	
N	4440-101-0001	149	Mental Hth	Eliminate Adult and Children's Systems of Care	32,000	
N	4440-101-0001	151	Mental Hth	Reduce Integrated Services for Homeless Adults Program	10,000	
N	4440-101-0001	201	Mental Hth	Restore Children's System of Care Program	3,800	
N	4700-101-0001	104	Dept Comm Sv	Redirection of CDE Funds to Naturalization Services	900	
N	5160-101-0001	103	Rehabilitatn	Restructure the Habilitation Services Program	1,438	
N	5180-111-0001	161	Social Svcs	Suspend the Pass-Through of January 2003 Federal COLA for SSI/SSP Program	54,307	
N	5180-111-0001	200	Social Svcs	TBL-January 2003 State COLA for SSI/SSP	22,468	
N	5180-141-0001 5180-111-0001	170 195	Social Svcs	Reduce County Administration Funding for Food Stamps, IHSS, CFAP, and Foster Care	61,068	

2002-03 LEGISLATIVE AUGMENTATIONS

(Dollars in Thousands)

<u>P98</u>	<u>Item</u>	<u>Issue #</u>	<u>Dept</u>	<u>Issue Title</u>	<u>GF</u>	<u>Lang</u>
N	5180-151-0001	122	Social Svcs	Eliminate Adoptions Cost-of-Doing Business Increases since 2000 Budget Act	9,100	
N	5180-151-0001	123	Social Svcs	Child Welfare Services (CWS) Augmentation	17,150	
N	5180-151-0001	124	Social Svcs	Child Welfare Services (CWS) Cost-of-Doing Business	10,817	
N	5240-001-0001	230	Corrections	Community Correctional Facilities (CCF) Reinstatement	2,824	Y
N	5430-009-0001	001	Bd Correct	May Revise: Eliminate Support Funding Related to Juvenile Justice Funding	275	
N	5440-001-0001	300	Prison Terms	Foreign Prisoner Transfer Process Augmentation	125	
N	5460-001-0001	009	Youth Auth	Adjust County Sliding Scale Fee	7,630	
Z	5460-505-0001	400	Youth Auth	Provide one-time funding for additional educational services	2,600	Y
N	6110-001-0001	471	Dept of Educ	Distribute Human Rights and Genicide Curriculum	150	Y
N	6110-001-0001	502	Dept of Educ	Title IX Compliance Study	125	Y
Y	6110-104-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	1,500	Y
Y	6110-105-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	1,244	Y
Y	6110-108-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	38	Y
Y	6110-111-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	1,748	Y
Y	6110-112-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	767	Y
Y	6110-113-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	278	Y
Y	6110-116-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	1,432	Y
Y	6110-119-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	29	Y
Y	6110-120-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	73	Y

2002-03 LEGISLATIVE AUGMENTATIONS

(Dollars in Thousands)

<u>P98</u>	<u>Item</u>	<u>Issue #</u>	<u>Dept</u>	<u>Issue Title</u>	<u>GF</u>	<u>Lang</u>
Y	6110-122-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	17	Y
Y	6110-123-0001	037	Dept of Educ	Additional Planning Grants for the High Priority Schools Grant Program	20,000	Y
Y	6110-124-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	188	Y
Y	6110-126-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	96	Y
Y	6110-127-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	9	Y
Y	6110-128-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	1,663	Y
N	6110-130-0001	602	Dept of Educ	May Revision: Reduce Funding for AVID: Advancement Via Individual Determination	6,300	
Y	6110-131-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	2	Y
Y	6110-132-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	2,460	Y
Y	6110-151-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	13	Y
Y	6110-156-0001	001	Dept of Educ	Restore Funding for CalWORKs Services in Adult Education and ROC/Ps	23,000	Y
Y	6110-156-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	2,093	Y
Y	6110-163-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	7	Y
Y	6110-167-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	14	Y
Y	6110-180-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	2	Y
Y	6110-181-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	53	Y

2002-03 LEGISLATIVE AUGMENTATIONS

(Dollars in Thousands)

<u>P98</u>	<u>Item</u>	<u>Issue #</u>	<u>Dept</u>	<u>Issue Title</u>	<u>GF</u>	<u>Lang</u>
Y	6110-187-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	116	
Y	6110-188-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	735	
Y	6110-190-0001	318	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	141	Y
Y	6110-191-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	279	Y
Y	6110-193-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	316	Y
N	6110-194-0001	004	Dept of Educ	Restore Funding for Administrator Training Program	1,000	Y
Y	6110-196-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	4,129	Y
Y	6110-197-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	7	Y
Y	6110-198-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	119	
Y	6110-200-0001	100	Dept of Educ	Healthy Start Program	19,000	
Y	6110-203-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	255	Y
Y	6110-204-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	43	Y
Y	6110-205-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	102	Y
Y	6110-211-0001	353	Dept of Educ	Charter School Categorical Block Grant Adjustment	2,354	Y
Y	6110-223-0001	366	Dept of Educ	PERS Offset Mitigation	36,000	Y
Y	6110-223-0001	376	Dept of Educ	School District Equalization Adjustment	42,000	Y
Y	6110-224-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	280	Y
Y	6110-234-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	5,532	Y

2002-03 LEGISLATIVE AUGMENTATIONS

(Dollars in Thousands)

<u>P98</u>	<u>Item</u>	<u>Issue #</u>	<u>Dept</u>	<u>Issue Title</u>	<u>GF</u>	<u>Lang</u>
Y	6110-235-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	806	Y
Y	6110-240-0001	603	Dept of Educ	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	4	
Y	6110-295-0001	001	Dept of Educ	Reject Suspension of Pupil Suspension: District Employee Reporting Mandate	1	
Y	6110-295-0001	302	Dept of Educ	Reject Suspension of Habitual Truants Mandate	1	
Z	6110-485 6110-605-0001	212	Dept of Educ	Low Performing High School Grants	1,000	Y
Z	6110-485 6110-605-0001	254	Dept of Educ	Classified School Employee Training	1,000	Y
Z	6110-490 6110-781-0001	259	Dept of Educ	High School Coach Training Reappropriation	109	Y
Y	6110-601-0001	375	Dept of Educ	Deletion of Independent Study Savings For Districts - Trailer Bill Language	23,100	
Y	6110-608-0001	300	Dept of Educ	COE Savings Resulting From Trailer Bill Limitation on Independent Study Reimbursement	4,500	
Y	6110-608-0001	310	Dept of Educ	May Revision: Increase Estimate of COE Independent Study Trailer Bill Savings	10,398	
N	6120-150-0001	103	CA St Libry	Reduce Civil Liberties Public Education Grants	750	
N	6120-221-0001	101	CA St Libry	May Revision: Reduce Public Library Foundation	1,532	
N	6420-001-0001	002	CPEC	Title IX Compliance Study	125	Y
N	6420-001-0001	100	CPEC	May Revision: Reduction in Support Funding for CPEC	1,520	Y
N	6440-001-0001	004	UC	Student-Initiated Outreach	1,000	
N	6440-001-0001	005	UC	Community Resource and Education Centers Initiative	320	
N	6440-001-0001	006	UC	UC San Diego Model Charter School	422	Y
N	6440-001-0001	010	UC	Dual Admissions Program	2,500	Y
N	6440-001-0001	101	UC	Outreach: UC College Preparatory Initiative	8,438	
N	6440-001-0001	103	UC	Outreach: Central Valley Outreach Programs	1,937	Y
N	6440-001-0001	104	UC	Outreach: Graduate and Professional School Outreach Programs	5,211	Y
N	6440-001-0001	105	UC	ACCORD-Outreach	809	
N	6610-001-0001	004	Calif State Univ	CSU Export Delivery Study	140	
N	6610-001-0001	005	Calif State Univ	Centers For Excellence	50	
Y	6870-101-0001	020	Comm College	Restore Funding for Matriculation	14,800	

2002-03 LEGISLATIVE AUGMENTATIONS

(Dollars in Thousands)

<u>P98</u>	<u>Item</u>	<u>Issue #</u>	<u>Dept</u>	<u>Issue Title</u>	<u>GF</u>	<u>Lang</u>
Y	6870-101-0001	021	Comm College	Restore Funding for the Faculty and Staff Development Program	1,000	Y
Y	6870-101-0001	025	Comm College	Provide Funding to Increase COLA Above Statutory 1.66 Percent to 2.00 Percent	692	Y
Z	6870-605-0001	019	Comm College	Restore Funding for Special Services for CalWORKs Recipients	9,000	
N	7980-101-0001	102	Student Aid	California Work Study Program	5,263	
N	7980-101-0001	103	Student Aid	Cal Grant C Awards	4,000	
N	8100-101-0001	007	OCJP	May Revision: Grant Programs Reduction	11,488	
N	8100-101-0001	006	OCJP	War on Meth	5,000	
N	8100-101-0001	002	OCJP	High Tech Crime Grants	4,177	
N	8260-001-0001	001	Arts Council	May Revise: Reduction to Support for the California Arts Council	562	
N	8260-101-0001	001	Arts Council	May Revise: Reduce Local Assistance for the California Arts Council	5,387	
N	8350-001-0001	105	DIR	AB 749: Division of Workers Compensation Augmentation	3,680	
N	8350-001-0001	106	DIR	AB 749: Commission on Health & Safety & Workers Compensation Studies	536	
N	8350-001-0001	107	DIR	AB 749: Increased Fraud Prevention Activities	1,000	
N	8830-001-0001	001	Law Rev Comm	Augmentation to fund privacy study as identified in ACR 125 (Pappan)	75	
N	8860-001-0001	002	Finance	Additional Funding for Government Security & Oversight of IT Projects	2,000	Y
N	9100-101-0001	002	Tax Relief	Eliminate Open Space subventions	39,000	
N	9210-101-0001	001	LocGovtFin	Eliminate Juvenile Justice and increase Citizens Option for Public Safety	111,300	
N	9210-601-0001	001	LocGovtFin	Eliminate Booking Fee Subvention	38,220	
				Total	\$1,527,805	

APPENDIX 2

GOVERNOR'S VETOES

State of California
Governor's Office

I object to the following appropriations contained in Assembly Bill 425.

Item 0450-101-0932—For local assistance, State Trial Court Funding. I reduce this item from \$2,069,477,000 to \$2,068,677,000 by reducing:

(1) 10—Support for the operation of the Trial Courts from \$1,872,495,000 to \$1,871,695,000.

I am deleting the \$800,000 legislative augmentation to increase funding for family court services activities. Although this program is meritorious, deletion of funding for this program expansion is necessary in light of current fiscal constraints. With this action, \$111.5 million remains to support family court services.

Item 0450-111-0001—For transfer by the Controller to the Trial Court Trust Fund. I reduce this item from \$1,108,568,000 to \$1,079,568,000.

I am deleting the \$800,000 legislative augmentation to increase funding for family court services activities to conform to the action taken in Item 0450-101-0932.

I am reducing this transfer by \$28,200,000 on a one-time basis. This is a technical adjustment consistent with the January 10 proposal to reduce the 2001-02 transfer by this amount. Since the transfer to the Trial Court Trust Fund for fiscal year 2001-02 was inadvertently not reduced, this action is necessary and will still provide sufficient resources in the Trial Court Trust Fund to meet the level of appropriation provided in this act for 2002-03.

Item 0860-490—Reappropriation, Board of Equalization. I revise this item from \$639,000 to \$339,000 as follows:

" Notwithstanding any other provision of law, as of June 30, 2002, the unencumbered balance of the appropriation, not to exceed ~~\$639,000~~ \$339,000, provided in the following citations are reappropriated until June 30, 2003, upon review and approval of the Department of Finance for (1) preliminary plans, working drawings, or construction of any project for the alteration of a state or leased facility to facilitate the transition of new Board of Equalization members; and (2) the upgrade of one of the two CEA 1 allocations to the CEA 2 level in each of the elected Board Member offices to recognize the increased level of duties and responsibilities required.

0001—General Fund

- (1) Item 0860-001-0001, ~~10000000~~—Personal services, Budget Act of 2001 (Ch. 106, Stats. 2001)
- (2) Item 0860-001-0001, ~~30000000~~—Operating Expenses and Equipment, Budget Act of 2001 (Ch. 106, Stats. 2001)"

I am deleting \$300,000 of the \$639,000 reappropriation, which was for the purposes of facility upgrades for incoming Board members and upgrades of Board member positions. My reduction will enable \$300,000 to revert to the General Fund.

Item 0954-101-0001—For local assistance, Scholarshare Investment Board. I revise this item by deleting Provision 2.

I am deleting Provision 2, which states legislative intent to delay payments for 9th and 10th grade awards for the Governor's Scholars Program by one year. Current law requires that awards be provided to all students who meet the criteria for an award under this program. Therefore, this language expresses intent to enact a substantive change of law, which can only be included within a single subject bill, not the Budget Act.

Item 1730-001-0001—For support of the Franchise Tax Board. I reduce this item from \$402,384,000 to \$401,298,000 by reducing:

(1) 10-Tax Programs from \$384,174,000 to \$383,088,000.

I am deleting the legislative augmentation of \$250,000 for the City Business Tax Program that allows the Franchise Tax Board to purchase information regarding local business tax licenses from cities. This reduction is necessary to provide for a prudent General Fund reserve in light of the State's current fiscal condition.

I am deleting the legislative augmentation of \$836,000 and 21.5 personnel years, which would provide funding for the tax assistance call center. While I am supportive of efforts in this area, I am unable to support this augmentation due to fiscal constraints and limited resources in the General Fund. With this action, approximately \$15 million in funding remains for the call center.

2240-104-0001—For transfer, upon order of the Director of Finance, to the Farmworker Housing Grant Fund. I reduce this item from \$13,984,000 to \$10,984,000 and by deleting Provision 2.

I am reducing this item by \$3,000,000 and deleting Provision 2. This reduction is necessary to keep State spending growth in line with revenues and provide for a prudent General Fund reserve for economic uncertainties. At my Homelessness Summit in April 2002, I signed the Housing and Emergency Shelter Trust Fund Act of 2002, which places a \$2.1 billion housing bond on the November 5, 2002, general election ballot. If approved by the voters, that bond would provide an unprecedented \$200 million for farmworker housing programs.

I am deleting Provision 2 to conform to this action. That provision would decrease this item by \$8,500,000 only if the voters in the November general election approve the Housing and Emergency Shelter Trust Fund Act of 2002.

Item 2640-102-0046—For local assistance, Special Transportation Programs. I delete this item.

I am deleting the \$5,100,000 legislative augmentation for Special Transportation Programs. The program will receive its statutory allocation of \$98,018,000 even with this deletion. I am taking this action to conform the budget to the extent possible to the 2002 State Transportation Improvement Program (STIP) Fund Estimate. The Fund Estimate identifies \$39.2 million of Public Transportation Account funds available for allocation by the California Transportation Commission for intercity rail and other projects through the STIP. I cannot support an augmentation for Special Transportation Programs at this time because the resources available for STIP allocations will be less than estimated and I want to ensure the retention of any available resources for that purpose.

Item 2660-013-0042—For transfer by the Controller, upon order of the Director of Finance, from the State Highway Account, State Transportation Fund, to the Traffic Congestion Relief Fund. I revise this item by deleting Provision 2.

I am deleting Provision 2 that requires the transfer from the State Highway Account to the Traffic Congestion Relief Fund be made on an “as needed” basis rather than once at the beginning of the fiscal year. This language would require additional monitoring and accounting activities by the Department of Transportation, the Department of Finance, and the State Controller’s Office that would otherwise not be necessary, which results in additional costs to the State. As such, this language is unnecessarily restrictive and interferes with the Administration’s ability to manage State programs.

Item 2660-491—Reappropriation, Department of Transportation. I revise this item by deleting Schedule (3) under 0001-General Fund of this item.

I am deleting Schedule (3) by reducing the amount available for reappropriation by \$1,500,000 in unexpended funds in Item 2660-101-0001, Budget Act of 2000, for the purpose of a transit station project in Santa Clara County. My veto will enable the \$1,500,000 to revert to the General Fund. The reappropriation would have redirected the funds to a child care facility project adjacent to the transit station. Notwithstanding the merits of this project, this action is essential due to limited resources in the General Fund. It should be noted that this Budget Act contains \$1,403,396,000 in State funds for the Department of Education to fund child development and childcare programs. Additionally, the Department of Housing and Community Development administers a loan program for the construction of new childcare facilities.

Item 2660-496—Reversion, Department of Transportation. I revise this item by decreasing Schedule (1) by \$16,937,000 and Schedule (2) by \$48,720,000.

I am revising Schedules (1) and (2) as follows to provide funds for unanticipated encumbrances for transportation projects:

0042—State Highway Account

- (1) Item 2660-101-0042, Budget Act of 1998 (Ch. 324, Stats. 1998)
 - (a) 20.25-Highway Transportation—State Local Partnership ~~\$88,937,000~~
\$72,000,000
- (2) Item 2660-101-0042, Budget Act of 1999 (Ch. 50, Stats. 1999)
 - (a) 20.30-Highway Transportation—Local Assistance ~~\$65,720,000~~ \$17,000,000

Item 2920-001-0001—For support of Technology, Trade, and Commerce Agency. I reduce this item from \$20,719,000 to \$20,468,000 by reducing:

- (3) 10-Economic Development from \$7,445,000 to \$7,345,000;
- (4) 20-International Trade and Investment from \$3,814,000 to \$3,664,000;
- (8) 60-Economic Research and Strategic Initiatives from \$563,000 to \$562,000;

and by deleting Provision 2.

I am reducing funding for the Office of Military Base Reuse and Retention by \$100,000. This reduction is necessary to help provide for a prudent General Fund reserve in light of the State's current fiscal condition. This reduction is consistent with the reductions I proposed for this program in the May Revision. With this reduction, \$193,000 still remains to support the Office of Military Base Reuse and Retention. The next round of military facility closures will not take place until 2005, allowing time to reconsider this program's funding in 2003-04 to the extent fiscal conditions then allow.

I am reducing funding for the evaluation of the foreign trade offices by \$150,000. AB 3000, the general government trailer bill to the 2002-03 Budget Bill includes provisions that will require any proponents of a new foreign trade office to submit a proposed business plan for any newly proposed international trade office. The Technology, Trade, and Commerce Agency will evaluate any new offices proposed by this Administration from within its existing funding. As such, additional funds are not required for this activity.

I am reducing this item by \$1,000 from Economic Research and Strategic Initiatives and deleting Provision 2, which would declare the Legislature's intent that, although no additional funds are appropriated in this item, the activities of the California Economic Strategy Panel shall be funded from this item. This agency's budget constraints do not permit redirecting resources to fund the activities of the panel.

Item 2920-011-0001—For support of Technology, Trade, and Commerce Agency. I reduce this item from \$5,192,000 to \$4,692,000 by reducing:

- (1) For transfer to the Small Business Expansion Fund (0918) from \$5,162,000 to \$4,662,000,

and by deleting Provision 1.

I am reducing this item by \$500,000 and deleting Provision 1, which would specify that these funds are for the establishment of the Small Business Financial Development Corporation in southeast Los Angeles. The need for such a new financial development corporation has not been demonstrated, and there are several of the 11 existing financial development corporations already located in the Los Angeles area. This reduction is also necessary to limit program expansions and provide for a prudent General Fund reserve in light of the State's current fiscal condition.

Item 3110-001-0001—For support of Special Resources Programs. I reduce this item from \$430,000 to \$200,000 and delete Provision 1.

This item provides matching funds for federal grants under the National Sea Grant College Program Act. Over the past three years, I have provided over \$2.3 million for grants associated with this program. I believe this program has merit and have committed this Administration to increased participation in accordance with my environmental protection priorities. However, these reductions are necessary to limit program expansions and provide for a prudent General Fund reserve in light of the State's current fiscal condition. With these reductions, \$200,000 still remains to support the Sea Grant program. Matching grants for this year should be evaluated and prioritized within the \$300 million research budget for the University of California.

I am deleting Provision 1, which would have allocated \$80,000 of this item to the University of Southern California. I support the existing grant allocation process that is the statutory

responsibility of the Resources Agency, acting upon recommendation from the Sea Grant Advisory Panel. This deletion conforms to the appropriation reductions specified above.

Item 3360-001-0465—For support of Energy Resources Conservation and Development Commission. I reduce this item from \$51,247,000 to \$49,247,000 by reducing:

- (2) 20-Energy Resources Conservation from \$23,532,000 to \$21,532,000.

I am reducing the legislative augmentation for Dairy Waste-to-Energy Programs from \$5,000,000 to \$3,000,000. I believe that this level of funding will serve the important goals of helping to address water pollution problems associated with dairies and providing an additional source of fuel to generate energy without resulting in the need to increase surcharges on California's electric customers.

Item 3810-301-6029—For capital outlay, Santa Monica Mountains Conservancy. I reduce this item from \$20,000,000 to \$12,000,000 by reducing:

- (1) 50.20.001-Capital outlay acquisitions from \$20,000,000 to \$12,000,000.

I have submitted an expenditure plan for Proposition 40 that meets current environmental acquisition priorities for the Santa Monica Mountains Conservancy Zone and the Rim of the Valley Corridor, and is fiscally responsible. Reduction of this item corresponds to the expenditure priorities associated with that plan.

Item 3835-301-6029—For capital outlay, Baldwin Hills Conservancy. I reduce this item from \$20,000,000 to \$15,000,000.

- (1) 20-Capital Outlay Acquisition and Improvement Program from \$35,000,000 to \$30,000,000.

I have submitted an expenditure plan for Proposition 40 that meets current environmental acquisition priorities for the Baldwin Hills Conservancy and is fiscally responsible. Reduction of this item corresponds to the expenditure priorities associated with that plan.

Item 3860-001-6029—For support of Department of Water Resources. I delete this item and Provision 1 to make a technical correction to the Budget Bill.

This technical veto will conform to the Legislature's intent; the funding provided in this item is duplicative of Item 3860-001-6031. Therefore, in order to correct this technical error in the Budget Bill, I am deleting this item.

Item 3900-001-0044—For support of State Air Resources Board. I reduce this item from \$55,654,000 to \$53,854,000 by reducing:

- (1) 15-Mobile Source from \$101,157,000 to \$99,357,000.

I am deleting the \$1,300,000 legislative augmentation for Community Health and the \$500,000 legislative augmentation for Global Warming. Although meritorious, these program expansions cannot be funded at this time because of fiscal constraints and limited resources in the Motor Vehicle Account. With this action, \$2,235,000 still remains to support the Community Health program.

Item 3900-101-0044—For local assistance, State Air Resources Board. I reduce this item from \$15,111,000 to \$10,111,000 by reducing:

- (1) 35-Subvention from \$15,111,000 to \$10,111,000.

I am deleting the \$5,000,000 legislative augmentation for subventions to local air districts. This action is necessary because of fiscal constraints and limited resources in the Motor Vehicle Account. With this action, \$10,111,000 still remains for local air districts.

Item 3980-001-0001—For support of Office of Environmental Health Hazard Assessment. I reduce this item from \$12,929,000 to \$12,220,000 by reducing:

- (1) 10-Health Risk Assessment from \$15,997,000 to \$15,288,000.

I am deleting the \$709,000 legislative augmentation for risk assessments, evaluations of contaminants, and the development of standards. This action is necessary to keep State spending growth in line with revenues and provide for a prudent General Fund reserve for economic uncertainties. With this action, \$15,288,000 still remains to support the Office of Environmental Health Hazard Assessment.

Item 4120-101-0001—For local assistance, Emergency Medical Services Authority. I reduce this item from \$31,486,000 to \$26,486,000 by reducing:

- (1) 10-Emergency Medical Services Authority from \$40,005,000 to \$35,005,000,

and by revising Provision 7.

I am sustaining \$20,000,000 and vetoing \$5,000,000 of the \$25,000,000 legislative augmentation for support of the state's trauma system providers. Recognizing trauma centers have experienced increasing fiscal pressure, I sustained \$25,000,000 in 2001-02 to assist the State's trauma care providers. This reduction is necessary in light of the State's current fiscal constraints.

I am revising Provision 7 to conform to this action.

- "7. The State Controller shall transfer ~~\$25~~ \$20 million in funds appropriated in this item to the Trauma Care Fund."

Item 4130-490—Reappropriation, California Health and Human Services Agency Data Center. I revise this item by revising Provision 1.

In order to correct a technical error in the Budget Bill, I am amending Provision 1 by deleting the requirement that the amount of funding reappropriated for automation projects be consistent with the amount approved by the Department of Information Technology (DOIT) in a special project report or equivalent document. As statutory authority for the DOIT expired on June 30, 2002, this language is no longer applicable.

- "1. It is the intent of this item to continue funding approved activities for the automation projects that, due to schedule changes, result in unexpended appropriations one year and the need for additional funding in the following year. Therefore, notwithstanding any other provision of law, the balance of the appropriations for these automation projects

may, upon approval of the Department of Finance, be reappropriated for transfer to and in augmentation of the corresponding items in this act. The funds reappropriated by this provision shall be made available consistent with the amount approved by the Department of Finance and the Department of Information Technology based on an approved special project report or equivalent document not sooner than 30 days after providing notification in writing to the chairperson of the fiscal committee of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.”

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

- (1) 10-Public and Environmental Health from \$309,846,266 to \$284,446,266;
- (41) Amount payable from the Federal Trust Fund (Item 4260-001-0890) from -\$358,240,000 to -\$332,840,000;

and by deleting Provision 4.

I am reducing the amount payable from the Federal Trust fund by \$25,400,000 as a technical adjustment. This funding, intended to support the State’s efforts to combat bioterrorism, has been included in a separate appropriation bill, SB 406. Therefore, inclusion in Budget Act totals is no longer necessary. I am also deleting \$25,400,000 from the Federal Trust Fund in Item 4260-001-0890 to conform to this action.

The May Revision proposed, and the Legislature approved, 91 State positions and funding for 43 contract staff for the Department to expand the Medical Case Management Program (MCMP). The MCMP provides in-home care to severely ill Medi-Cal beneficiaries, allowing them to avoid costly institutional care. Savings of \$18 million (\$9 million General Fund) were adopted to reflect this expansion. To achieve the budgeted savings, the Department requires a total of 91 staff. Therefore, the total of 134 staff approved for this activity is overstated by 43.

In addition to the MCMP expansion, the Legislature also approved additional savings-generating activities proposed in the May Revision. However, an insufficient number of positions were proposed, and subsequently approved by the Legislature, to achieve the estimated savings through those activities. Therefore, I am directing the Department of Health Services to utilize 12 of the excess 43 MCMP positions as appropriate to ensure that the Department meets the savings targets adopted by the Legislature. I am eliminating the remaining 31 excess positions. However, I am allowing the department to retain the funding and directing Department of Health Services to fill the positions as soon as possible to ensure that the savings are achieved.

I am deleting Provision 4 as a technical adjustment. This language was included in the 2001-02 Budget Act to govern funding for the Medi-Cal assisted living waiver benefit. A portion of the funding is reappropriated to 2002-03 through Item 4260-490. Therefore, this provision is no longer necessary.

Item 4260-001-0890—For support of Department of Health Services. I reduce this item from \$357,215,000 to \$331,815,000.

I am reducing this item by \$25,400,000 to conform to the action I have taken in Item 4260-001-0001.

Item 4260-101-0001—For local assistance, Department of Health Services. I reduce this item from \$9,789,639,000 to \$9,749,203,000 by reducing:

- (1) 20.10.010-Eligibility (County Administration) from \$1,523,866,000 to \$1,464,257,000;
- (3) 20.10.030-Benefits (Medical Care and Services) from \$23,172,770,000 to \$23,156,945,000;
- (5) Amount payable from the Federal Trust Fund (Item 4260-101-0890) from -\$14,951,031,000 to -\$14,916,033,000;

and by deleting Provisions 12 and 15.

I am deleting Provision 12. Due to the delay of the budget, September 30, 2002 is no longer a meaningful date for a facility to apply for reimbursement through the Wage Adjustment Rate Program, as described in Section 14110.65 of the Welfare and Institutions Code. Nonetheless, a specific timeframe for when nursing homes can submit a plan is necessary. As such, I am directing the Department of Health Services to issue instructions that allow submittal of a rate adjustment request form up until 30 days after the effective date of the final regulations.

Partially restoring the rates paid to Medi-Cal providers is a priority of my Administration as well as the Legislature. In order to accomplish the intent of the Legislature, the Director of the Department of Health Services will be reducing the provider rates to the pre-August 2000 level, pursuant to AB 442. I am sustaining funding to allow exemptions, as prescribed in AB 442, from provider rate reductions for the following services: California Children's Services, non-emergency medical transportation, home health services, shift nursing, and family planning physician services. However, the Director can then use existing authority to develop regulations that would partially restore Medi-Cal provider rates by implementing my January 10 budget proposal and rescinding the May Revision rate reductions. The rescission of the May Revision provider rate reductions would take effect retroactively to the date of my signing AB 442, the omnibus health trailer bill. Any funding adjustments needed to effectuate these outcomes will be addressed in my revised 2002-03 budget submitted to the Legislature in January 2003.

I am sustaining \$58,959,000 of the \$87,959,000 legislative augmentation which restored the 20 percent reduction I proposed in Medi-Cal county administration funding. The total funding provided represents an approximate 6 percent reduction for counties to continue the work they perform on behalf of the State. This reduction is necessary in light of the State's fiscal constraints and is consistent with General Fund reductions being applied to State agencies and departments. In addition, I am sustaining the \$58,959,000 of the \$87,959,000 legislative augmentation to the Federal Trust Fund, Item 4260-101-0890, to conform to this action.

I am deleting the \$5,997,000 legislative augmentation for implementation of the Medi-Cal expansion that on July 1, 2002, would link children's Medi-Cal eligibility with eligibility for the National School Lunch Program, pursuant to Chapter 894, Statutes of 2001 (AB 59). Although I am supportive of this program, it would not be fiscally prudent to implement this program expansion given the current economic situation. I am deleting \$5,998,000 from the Federal Trust Fund, Item 4260-101-0890 to conform to this action. I am also deleting Provision 15 to conform to this action.

I am deleting the \$5,439,000 legislative augmentation that reflected the rejection of my proposal to implement a county share of cost associated with the Early and Periodic Screening,

Diagnosis, and Treatment (EPSDT) program. The May Revision proposed to require counties to provide a 10 percent match to any new growth in the cost of the EPSDT Program. It is my intention to proceed administratively to implement this reform. This match will give counties an incentive to control costs for this program, which have recently been increasing by over 30 percent per year.

Item 4260-101-0890—For local assistance, Department of Health Services. I reduce this item from \$14,951,031,000 to \$14,916,033,000.

I am reducing this Item by \$34,998,000 to conform to the action I have taken in Item 4260-101-0001.

Item 4260-111-0001—For local assistance, Department of Health Services. I reduce this item from \$425,121,000 to \$423,121,000 by reducing:

- (2) 10.20.010-Environmental Management from \$26,344,000 to \$944,000;
- (9) 20.40-Primary Care and Family Health from \$1,502,101,430 to \$1,498,101,430; and
- (20) Amount payable from the Federal Trust Fund (Item 4260-111-0890) from -\$1,078,375,000 to -\$1,050,957,000.

I am deleting the \$2,000,000 legislative augmentation to update the Children's Health and Disability Prevention Program (CHDP) periodicity schedule. The Department of Health Services reviews the appropriateness of care provided in CHDP within programmatic and fiscal constraints. Due to fiscal constraints and limited General Fund resources, I cannot support an augmentation for this program expansion. In addition, the administration has proposed the CHDP Gateway to pre-enroll children into Medi-Cal or the Healthy Families Program so that they would receive comprehensive medical care in addition to health screening.

I am also deleting the \$2,000,000 legislative augmentation from the Federal Trust Fund in Item 4260-111-0890 to conform to this action.

I am reducing the amount payable from the Federal Trust fund by \$25,400,000 as a technical adjustment. This funding, intended to support the State's efforts to combat bioterrorism, has been included in a separate appropriation bill, SB 406. Therefore, inclusion in Budget Act totals is no longer necessary. I am also deleting \$25,400,000 from the Federal Trust Fund in Item 4260-111-0890 to conform to this action.

Item 4260-111-0236—For local assistance, Department of Health Services. I revise this item by deleting Provision 1.

I am deleting Provision 1 which would redirect funding from the California Healthcare for Indigents Program to the Children's Treatment Program (CTP). Although I am very supportive of children's health care programs, this provision reduces the Administration's flexibility in providing funds to local health care providers. In addition, the new Child Health and Disability Prevention Gateway Program should greatly mitigate the need for CTP funding by placing large numbers of children in comprehensive health care in either the Medi-Cal or Healthy Families Program.

Item 4260-111-0890—For local assistance, Department of Health Services. I reduce this item from \$1,078,357,000 to \$1,050,957,000.

I am reducing this item by \$27,400,000 to conform to the action I have taken in Item 4260-111-0001.

Item 4260-113-0001—For local assistance, Department of Health Services. I reduce this item from \$29,791,000 to \$22,125,000 by reducing:

- (1) 20.10.010-Eligibility (County Administration) from \$12,709,000 to \$11,547,000;
- (3) 20.10.030-Benefits (Medical Care and Services) from \$80,620,000 to \$59,722,000; and
- (4) Amount payable from the Federal Trust Fund (Item 4260-113-0890) from -\$63,630,000 to -\$49,236,000.

I am deleting the \$7,666,000 legislative augmentation for the Medi-Cal to Healthy Families two-month bridge. I have already provided \$13.6 million (\$4.7 million General Fund) for a one-month coverage bridge for children. Although I am supportive of providing a coverage bridge for children transitioning from Medi-Cal to the Healthy Families Program, I cannot support extending this program for an additional month or expanding the program to include parents due to fiscal constraints and limited General Fund resources.

I am also deleting the \$14,394,000 legislative augmentation from the Federal Trust Fund in Item 4280-113-0890 to conform to this action.

Item 4260-113-0890—For local assistance, Department of Health Services. I reduce this item from \$63,630,000 to \$49,236,000.

I am reducing this item by \$14,394,000 to conform to the action I have taken in Item 4260-113-0001.

Item 4260-301-0001—For capital outlay, Department of Health Services. I delete this item to make a technical correction to the Budget Bill.

The May Revision proposed deletion of this item with which the Legislature concurred. However, the item was inadvertently left in the final version of the Budget Bill. This technical veto will conform the Budget Act to the May Revision.

Item 4260-490—Reappropriation, Department of Health Services. I revise this item by revising Provision 1.

In order to correct a technical error in the Budget Bill, I am amending Provision 1 by deleting the requirement that the amount of funding reappropriated for automation projects be consistent with the amount approved by the Department of Information Technology (DOIT) in a special project report or equivalent document. As statutory authority for the DOIT expired on June 30, 2002, this language is no longer applicable.

- “1. It is the intent of this item to continue funding approved activities for the automation projects that, due to schedule changes, result in unexpended appropriations one year and the need for additional funding in the following year. Therefore, notwithstanding any

other provision of law, the balance of the appropriations for these automation projects may, upon approval of the Department of Finance, be reappropriated for transfer to and in augmentation of the corresponding items in this act. The funds reappropriated by this provision shall be made available consistent with the amount approved by the Department of Finance ~~and the Department of Information Technology~~ based on an approved special project report or equivalent document not sooner than 30 days after providing notification in writing to the chairperson of the fiscal committee of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.”

Item 4280-101-0001—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from \$69,709,000 to \$19,695,000 by reducing:

- (2) 40-Healthy Families Program from \$771,619,000 to \$634,791,000; and
- (4) Amount payable from the Federal Trust Fund (Item 4280-101-0890) from -\$479,448,000 to -\$392,634,000.

I am deleting the \$50,014,000 legislative augmentation for the Healthy Families Program (HFP) Parent Expansion. Although I am supportive of expanding Healthy Families coverage to include parents, I cannot support this augmentation and program expansion due to fiscal constraints and limited General Fund resources. I am also deleting the \$86,814,000 legislative augmentation from the Federal Trust Fund in Item 4280-101-0890 to conform to this action.

Item 4280-101-0890—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from \$479,448,000 to \$392,634,000.

I am reducing this item by \$86,814,000 to conform to the action I have taken in Item 4280-101-0001.

Item 4280-102-0001—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from \$4,009,000 to \$1,593,000 by reducing:

- (1) 40-Healthy Families Program from \$48,292,000 to \$41,788,000, and
- (3) Amount payable from the Federal Trust Fund (Item 4280-102-0890) from -\$32,869,000 to -\$28,781,000.

I am deleting the \$2,416,000 legislative augmentation for the Healthy Families Program Parent Expansion. Although I am supportive of expanding Healthy Families coverage to include parents, I cannot support this augmentation and program expansion at this time due to fiscal constraints and limited General Fund resources. I am also deleting the \$4,088,000 legislative augmentation from the Federal Trust Fund in Item 4280-102-0890 to conform to this action.

Item 4280-102-0890—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from \$32,869,000 to \$28,781,000.

I am reducing this item by \$4,088,000 to conform to the action I have taken in Item 4280-102-0001.

Item 4300-101-0001—For local assistance, Department of Developmental Services. I reduce this item from \$1,458,170,000 to \$1,452,555,000 by reducing:

- (2) 10.10.020-Purchase of Services from \$1,780,703,000 to \$1,775,088,000.

I am deleting the \$5,615,000 legislative augmentation for Community Placement Plan activities. The Legislature provided an augmentation for one-time grants to develop community resources. In my January Budget, I proposed a total of \$50,220,000 for Community Placement Plan activities, including an augmentation of \$20,400,000. This reflected my ongoing commitment to provide community-based services to developmentally disabled consumers. With this base reduction, the funding level I proposed in my January Budget will be maintained to facilitate the movement of Developmental Center consumers into the community.

Item 4440-001-0001—For support of Department of Mental Health. I reduce this item from \$28,442,000 to \$28,172,000 by reducing:

- (1) 10-Community Services from \$33,679,000 to \$33,409,000,

and by deleting Provision 2.

I am deleting \$150,000 for county plans for children's mental health services pursuant to legislation (AB 2740) to be enacted during the 2001-02 regular session. The counties are already required to assess mental health needs and develop plans to meet those needs. Section 5772 of the Welfare and Institutions Code requires the local mental health boards at the county level to complete these responsibilities. Since these bodies already exist and have the responsibility for developing plans to meet mental health needs, additional systems and funding do not appear to be needed. Consequently, I cannot support this augmentation at this time.

I am also deleting \$120,000 and Provision 2, which requires that \$120,000 in General Fund savings achieved through the elimination of vacant positions be redirected for the Protection and Advocacy, Inc., contract. In my January Budget, I proposed to reduce the contract for patient rights advocacy from \$800,000 to \$680,000 to achieve General Fund savings. The reduction to the patients' rights contract will reduce administrative expenses and will not affect the availability of services to assist individuals with mental illness. However, the Legislature subsequently redirected \$120,000 to restore the proposed reduction to the patients' rights contract. Although I am supportive of patient rights advocacy, I cannot support this legislative augmentation at this time due to fiscal constraints and limited General Fund resources.

Item 4440-101-0001—For local assistance, Department of Mental Health. I reduce this item from \$106,128,000 to \$80,328,000 by reducing:

- (1) 10.25-Community Services—Other Treatment from \$1,142,885,000 to \$1,127,446,000;
- (3) 10.47-Community Services—Children's Mental Health Services from \$33,800,000 to \$20,000,000; and
- (6) Reimbursements from -\$1,081,852,000 to -\$1,076,413,000;

and by deleting:

- (2) 10.40-Community Services—Adult System of Care (\$2,000,000).

I am sustaining \$20,000,000 of the \$33,800,000 legislative augmentation provided for Children's System of Care (CSOC). I note with concern that this program has been unable to provide outcome data for all the children served by this program or documented cost savings in the same manner as the Integrated Services for Homeless Adults (ISHA) program. However, I remain supportive of children's mental health programs, and note that, this Administration provided sufficient funding to implement the CSOC statewide with a \$15.5 million General Fund augmentation in 2000-01, bringing total funding to \$41.9 million General Fund. I reduced the program by \$2.1 million last year because of the State's economic situation. At that time, I noted that \$13 million for mental health services for children in the Healthy Families Program was available to assist children who were not eligible for Medi-Cal. This year, the fiscal challenges facing the State are even greater. Finally, I am directing the Department of Mental Health to restructure the CSOC to provide better accountability and documented cost savings.

I am reducing \$10,000,000 for ISHA. I note that this Administration launched this program in 1999-00 with \$10 million, and subsequently provided significant augmentations: \$45.6 million in 2000-01, and \$10 million in 2001-02, for a total funding of \$65.6 million. However, the State's current fiscal challenges necessitate this \$10 million reduction. At my Homelessness Summit in April 2002, I signed the Housing and Emergency Shelter Trust Fund Act of 2002, which places a \$2.1 billion housing bond on the November 5, 2002, general election ballot. If approved by the voters, this bond would provide \$195 million for 2,380 to 2,530 of units of transitional housing and \$195 million for emergency shelters to assist an estimated 31,160 homeless adults.

I am eliminating \$2,000,000 for the Adult Systems of Care. I proposed this reduction as part of the May Revision, and the Legislature restored the funding. The Adult Systems of Care program is a categorical program, supplementing the realignment funding the counties receive. The counties will receive over \$1.1 billion in Realignment funding for mental health services and have an incentive to continue this program as offsetting savings occur predominately at the local level.

I am reducing reimbursements by \$5,439,000 to delete the legislative augmentation that reflected the rejection of my proposal to implement a county share in the costs associated with the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. The May Revision proposed to require counties to provide a 10 percent match to any new growth in the cost of the EPSDT Program. It is my intention to proceed administratively to implement this reform. This match will give counties an incentive to control costs for this program, which have recently been increasing by over 30 percent per year. This conforms to my action in Item 4260-101-0001. I am highly supportive of children's mental health programs and note that I am sustaining \$20 million for the CSOC program.

Item 4440-101-0890—For local assistance, Department of Mental Health. I reduce this item from \$59,629,000 to \$57,629,000 by deleting:

(1.5) 10.47-Community Services—Children's Mental Health Services (\$2,000,000).

I am reducing \$2,000,000 for the Children's Mental Health Services to conform to my action for the Children's Systems of Care Program in Item 4440-101-0001.

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

(2) 47-Naturalization Services from \$8,476,000 to \$7,601,000, and

(3) Reimbursements from -\$5,875,000 to -\$5,000,000.

I am deleting the \$875,000 legislative augmentation in reimbursements from the Employment Development Department for the Naturalization Services Program (NSP) to conform to the actions taken in Item 5100-001-0869. With these actions, the Budget retains \$7.9 million General Fund for the NSP.

Item 5100-001-0869—For support of state programs under the Workforce Investment Act, Employment Development Department. I revise this item by deleting Provisions 3, 4, and 5.

I am deleting Provision 3, which would require the Employment Development Department (EDD) to allocate \$875,000 to the Department of Community Services and Development for naturalization and citizenship services. Under the federal Workforce Investment Act (WIA), the Governor has the authority to allocate 25 percent of WIA dislocated workers funding for Rapid Response allocation to areas that experience disasters, mass layoffs or plant closings, or other events that precipitate substantial increases in unemployment. This provision would decrease the funding available to the Administration to quickly respond to such events.

I am also deleting Provision 4 because it places a limit of \$4 million on the amount of funds available for the Faith-Based Initiative. Section 128 of the federal WIA allows the Governor to allocate 15 percent of the WIA funds allotted to California, for the purposes of statewide and employment training activities. Although this funding is subject to legislative appropriation, the language in Provision 4 impinges on the authority of this Administration to allocate funding for this critical program, which provides job services and training to many individuals not traditionally served by the current system of workforce development.

However, I have no concerns with the compromise language developed in Provision 4 that pertains to issues other than the funding limitation. I am directing the EDD to provide grants to community organizations, including faith-based and secular organizations that are not owned or operated as pervasively sectarian institutions, and that have been limited in their ability to take advantage of this funding due to limited resources and a lack of experience in dealing with the competitive contracting process and the allocation processes currently in place at the local level. No pervasively sectarian religious organization is eligible for funds under this item, but a separate nonprofit entity or affiliate that is a tax-exempt organization under the federal Internal Revenue Code, may apply for and receive grants under its own auspices. In awarding grants, the EDD shall use a competitive bidding process that includes provisions regarding existing constitutional protections. Grants or contracts awarded shall comply with the California Constitution, State and federal civil rights laws, and the United States Constitution with regard to pervasively sectarian organizations.

Of the amount allocated for the Faith-Based Initiative, it is my intent that the department may use up to \$250,000 for administrative expenses, subject to approval by the Department of Finance.

I am also deleting Provision 5, which would require the EDD to allocate \$300,000 to the Youthbuild program. I sustained General Fund augmentations for this program of \$1 million in 2000-01 and \$250,000 in 2001-02. However, this legislative augmentation is inappropriate. Specifically, Section 128 of the federal WIA authorizes the Governor to allocate 15 percent of

the WIA funds allotted to California, for the purposes of statewide and employment training activities. This Provision would decrease the amount of funding available to the Administration to address critical workforce development needs.

Item 5100-001-0870—For support of Employment Development Department. I revise this item by reducing:

- (1) 10-Employment and Employment Related Services from \$206,768,000 to \$204,749,000;
- (2) 21-Tax Collections and Benefit Payments from \$728,916,000 to \$588,751,000; and
- (14.5) Amount payable from the Unemployment Fund-Federal (Item 5100-001-0871) from -\$177,120,000 to -\$34,936,000.

I am revising this item to conform to the action I have taken in Item 5100-001-0871.

Item 5100-001-0871—For support of Employment Development Department. I reduce and revise this item from \$177,120,000 to \$34,936,000 and revise Provisions 2 and 3.

I am sustaining \$500,000 of the \$140,665,000 legislative augmentation from Reed Act funds for various information technology (IT) and infrastructure projects, so that \$140,165,000 can remain in the Unemployment Insurance (UI) Trust Fund. Providing full funding for these projects at this time may increase UI taxes paid by employers in the future. After the IT project proposals have been subjected to the Feasibility Study Review and budget review processes, the projects could be considered for available Reed Act funding at that time. However, I am sustaining the expansion of the Tax System Review, in order to include an analysis of enhanced data capability for Employment Development Department (EDD) information technology systems into an existing study of EDD Tax Branch business processes and automated systems. This analysis is scheduled to be completed in 2002-03.

I am revising this item and Provision 2 to conform to this action.

~~“5100-001-0871—For support of Employment Development Department, for payment to Item 5100-001-0870, payable from the Unemployment Fund Federal, to be available for expenditure until the end of the 2006-07 fiscal year, except that moneys subject to Provision 3 of this item are available for expenditure during the 2002-03 fiscal year.....\$177,120,000 \$34,936,000”~~

- “2. The following amounts shall be used as follows:
 - ~~(a) \$20,000,000 for administrative costs to create an alternate base period, which would allow for expansion of the Unemployment Insurance (UI) program by using recent wages for the purpose of establishing benefit eligibility.~~
 - ~~(b) \$65,000 for administrative costs to create and implement a trigger mechanism for UI extended benefits.~~
 - (c) \$500,000 for the review of the Employment Tax System through a contract with a qualified consulting firm to review business operations and automated systems of EDD's tax programs.
 - ~~(d) \$6,500,000 to upgrade the UI call centers to expand capacity and improve customer service.~~
 - ~~(e) \$5,100,000 to develop electronic UI claim filing over the Internet.~~

- (f) ~~—\$500,000 to fund a study with a qualified consultant for improving EDD's single client database system to enhance efficiency and effectiveness of claim filing and benefit payments, to improve program integrity, and to reduce fraud.~~
- (g) ~~—\$100,000,000 to upgrade EDD's single client database.~~
- (h) ~~—\$7,000,000 to redesign the UI benefit payment system to enable claimants to certify by using the telephone and Internet.~~
- (i) ~~—\$1,000,000 to redesign the UI adjudication process by the development of a computer-based application.~~
- (j) ~~—\$500,000 to be allocated via competitive process for support of physical and program access to one-stops. These are in addition to any Workforce Investment Act funds allocated for this purpose.”~~

I am also deleting the \$1,519,000 augmentation in Reed Act funds to continue employment services for veterans, so that these funds can remain in the UI Trust Fund and possibly reduce UI taxes paid by employers in the future. In addition, veterans still receive high priority for employment services and benefits in the EDD Employment Services Program, and the EDD indicates that veterans will not lose any assistance as a result of this action. As a result, it is not necessary to appropriate Reed Act funds for this purpose. I am revising Provision 3 to conform to this action.

“3. During the 2002-03 fiscal year only, \$34,436,000 shall be used to support Employment and Employment Services and Tax Collection and Benefit Payment Programs and ~~\$1,519,000 shall be used to support veteran's employment activities.”~~

Item 5100-011-0890—For support of Employment Development Department. I reduce this item from (\$775,267,000) to (\$633,083,000).

I am revising this item to conform to the action I have taken in Item 5100-001-0870.

Item 5120-001-0890—For support of the California Workforce Investment Board. I revise this item by deleting Provision 3.

Provision 3 would make the expenditure of \$1,120,000 contingent upon the California Workforce Investment Board (CWIB) submitting a report to the Legislature on the role of the CWIB and the Employment Development Department in the California Labor and Workforce Development Agency with respect to the implementation of the Workforce Investment Act (WIA) and other specified information. I believe it would be premature to require the CWIB to define its role within the new agency, before the Secretary for the new agency has a chance to formulate and communicate the agency's plans to simplify, strengthen, and improve the operation of the State's workforce development programs. In addition, the CWIB has indicated it has recently released reports to the Legislature demonstrating progress in implementing the WIA. However, I am directing the CWIB to update the Legislature on its progress in the development of certification protocols for local One-Stop Centers during legislative hearings on the 2003-04 Budget.

Item 5175-101-0001—For local assistance, Department of Child Support Services. I revise this item by reducing:

(1) 10-Child Support Services from \$974,893,500 to \$974,893,000,

and by deleting Provision 8.

In order to correct a technical error in the Budget Bill, I am reducing Schedule (1) by \$500 and deleting Provision 8, which requires a county share of costs for any penalty imposed by the federal government for California's failure to implement an automated statewide child support collection system. This provision was inadvertently left in the final version of the Budget Bill.

Item 5175-101-0890—For local assistance, Department of Child Support Services. I reduce this item from \$282,224,000 to \$281,899,000.

In order to correct a technical error in the Budget Bill, I am reducing this item by \$325,000. This technical veto will conform to the Legislature's intent, and is consistent with the legislative action taken in Item 5175-101-0001, which reduced the funding for the increase in postage costs.

Item 5175-495—Reversion, Department of Child Support Services. I revise this item from \$25,215,000 to \$10,935,000 as follows:

“As of June 30, 2002, ~~\$25,215,000~~ \$10,935,000 of the unencumbered balance of the appropriation provided in the following citation shall revert to the fund from which the appropriation was made:

0001—General Fund

(1) Item 5175-101-0001, Budget Act of 2001 (Ch. 106, Stats. of 2001)

- (a) 10.01-Child Support Administration.....\$640,000
- (b) 10.02-Child Support Incentive~~\$24,575,000~~ \$10,295,000.”

On June 19, 2002, the California State Supreme Court denied the State's petition for hearing the Statewide Automated Child Support System (SACSS) case. This was the State's final opportunity to have the amount of the SACSS judgment reduced. The State is now obligated to pay Lockheed Martin the amount of an appellate court ruling, plus interest on the principal amount of the judgment. I am reducing the amount of this reversion by \$14,280,000 to enable the Department of Child Support Services to use these funds towards payment of the judgment, to prevent additional interest charges to the State.

Item 5180-101-0001—For local assistance, Department of Social Services. I revise this item by deleting Provision 10:

I am deleting Provision 10, which allows counties to direct \$100,000 from the Mental Health and Substance Abuse services allocation to develop a replicable outcome system for CalWORKs mental health and substance abuse treatment. This language could create a future fiscal pressure to exceed the available amount of federal Temporary Assistance for Needy Families Block Grant funds and maintenance-of-effort funding pursuant to funding outcome systems in other counties, or could force a decrease in CalWORKs spending in other areas because of budgetary constraints in 2003-04.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from \$421,675,000 to \$414,875,000 by reducing:

- (1) 16.80-County Administration from \$717,951,000 to \$701,437,000; and
- (4) Amount payable from the Federal Trust Fund (Item 5180-141-0890) from -\$537,945,000 to -\$528,231,000.

I am reducing this item by \$16,514,000 (\$6,800,000 General Fund) to reduce funding for county administration of the Food Stamp Program. This action is necessary due to the significant decline in General Fund revenue. I am sustaining \$372.9 million (\$157.5 million General Fund) for county administration of the Food Stamp Program.

Item 5180-141-0890—For local assistance, Department of Social Services. I reduce this item from \$776,573,000 to \$528,231,000.

I am reducing this item by \$9,714,000 to conform to actions taken in Item 5180-141-0001.

I am also reducing this item by \$238,628,000 to correct a technical error in the Budget Bill. This technical veto is consistent with the Legislature's intent and legislative actions taken in this item.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from \$782,148,000 to \$745,606,000 by reducing:

- (1) 25.25-Children's Services from \$1,903,347,000 to \$1,848,623,000;
 - (a) 25.25.010-Child Welfare Services from \$1,802,078,000 to \$1,752,554,000;
 - (b) 25.25.020-Adoptions from \$81,286,000 to \$76,086,000;
- (4) Reimbursements from -\$69,879,000 to -\$68,817,000; and
- (6) Amount payable from the Federal Trust Fund (Item 5180-151-0890) from -\$1,195,571,000 to -\$1,172,876,000.

I am deleting \$17,150,000 General Fund and \$9,974,000 Federal Trust Fund from the Child Welfare Services Program augmentations; and \$10,817,000 General Fund, \$10,521,000 Federal Trust Fund, and \$1,062,000 reimbursements in order to suspend the cost-of-doing business adjustment for the Child Welfare Services Program. I am retaining \$1.8 billion (\$616.7 million General Fund) for the Child Welfare Services Program. As cost-of-living adjustments are not being granted for other social services programs, I am suspending the proposed 2002-03 cost-of-doing business adjustment due to the State's current fiscal situation.

For the last three years, this Administration has aggressively funded the Adoptions and Kinship Guardianship Assistance Payment programs. These two programs, among others, have significantly reduced the caseload for much of the Child Welfare Services (CWS) program. Notwithstanding this reduction in caseload, this Administration has provided funding for the CWS program in excess of that justified by current social worker caseload and workload standards, providing a total of \$420.4 million (\$237.9 million General Fund) more over the last three years to counties than caseload requires: \$68.4 million (\$40 million General Fund) in 1999-00, \$125.9 million (\$74.3 million General Fund) in 2000-01, and \$226.1 million (\$123.6 million General Fund) in 2001-02. In light of the State's current fiscal situation, these reductions are necessary to more closely align funding to current caseload standards.

Similarly, I am deleting \$3,000,000 General Fund and \$2,200,000 Federal Trust Fund for recent Adoptions Program cost-of-doing business augmentations due to fiscal constraints and limited resources in the General Fund. I am retaining funding of \$76.1 million (\$38.5 million General Fund) for the Adoptions Program.

I am reducing this Item by \$5,575,000 to correct a technical error in the Budget Bill. This technical veto will conform to the Legislature's intent, and is consistent with the legislative action to reduce funding for the Adult Protective Services program by \$5.6 million General Fund. This reduction was correctly reflected in schedule (2) (e) 25.35.050-County Services Block Grant; however, it was not included in the total for this item.

Item 5180-151-0890—For local assistance, Department of Social Services. I reduce this item from \$1,195,571,000 to \$1,172,876,000.

I am reducing this item by \$22,695,000 to conform to the actions taken in Item 5180-151-0001.

Item 5180-491—Reappropriation, Department of Social Services. I revise this item by revising Provision 1.

In order to correct a technical error in the Budget Bill, I am amending Provision 1 by deleting the requirement that the amount of funding reappropriated for automation projects be consistent with the amount approved by the Department of Information Technology (DOIT) in a special project report or equivalent document. As statutory authority for the DOIT expired on June 30, 2002, this language is no longer applicable.

“1. It is the intent of this item to continue funding approved activities for the automation projects that, due to schedule changes, result in unexpended appropriations one year and the need for additional funding in the following year. Therefore, notwithstanding any other provision of law, the balance of the appropriations for these automation projects may, upon approval of the Department of Finance, be reappropriated for transfer to and in augmentation of the corresponding items in this act. The funds reappropriated by this provision shall be made available consistent with the amount approved by the Department of Finance and the Department of Information Technology based on an approved special project report or equivalent document not sooner than 30 days after providing notification in writing to the chairperson of the fiscal committee of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.”

Item 5460-485—Reappropriation (Proposition 98), Department of the Youth Authority. I delete this item.

I am deleting the \$2,600,000 reappropriation from the Proposition 98 Reversion Account, provided on a one-time basis to the Department of the Youth Authority for the enrichment of educational services. The additional funding for educational services has not been justified. This action will maintain Proposition 98 funding consistent with the level of the current ward population.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$45,131,000 to \$45,081,000 by reducing:

- (2) 20-Instructional Support from \$74,829,840 to \$74,779,840;
- (3) 30-Special Programs from \$43,401,280 to \$43,291,280; and
- (9) Amount Payable from Federal Trust Fund (Item 6110-001-0890) from -\$126,105,000 to -\$125,995,000.

I am reducing this item by \$50,000 to reflect savings that will occur in this item as a result of sustaining a legislative augmentation of \$53,000 as reflected in Provision 17 of Item 6110-001-0890, for monitoring and technical assistance for the California Youth Authority special education activities. That augmentation enables the Department to recover indirect costs that are billable to federal funds. Because the Department's costs for oversight of this activity will not significantly increase overall departmental indirect costs, funds in this General Fund item can be reduced with no effect on services to other programs.

I am reducing Schedules (3) and (9) by \$110,000 to conform to the action taken in Item 6110-001-0890.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$126,105,000 to \$125,995,000.

I am reducing the \$388,000 legislative augmentation for two additional staff for implementation of the 21st Century Community Learning Centers Program by \$110,000. While I am sustaining the two additional positions and \$278,000, the amount reduced reflects indirect costs which have not been adequately justified. Five positions and \$523,000 remain available for the purposes of implementing the new federal program, which should be sufficient.

Item 6110-113-0001—For local assistance, Department of Education. I revise this item by reducing:

(4) 20.70.030.006—STAR Program from \$15,827,000 to \$15,027,000.

This reduction is a technical adjustment to reflect the correct amount in Schedule (4). While the item total reflects the intended funding level, Schedule (4) contains \$800,000 more than intended.

Item 6110-123-0890—For local assistance, Department of Education. I delete Provision 2.

I am deleting Provision 2, which would require legislative notification prior to the adoption or amendment of any plan for disbursement of \$39,131,000 in federal funds for innovative programs to local education agencies. This is inconsistent with federal law, which required California to submit its application for funding under the No Child Left Behind Act prior to enactment of the budget. I understand this language was only intended to apply to new programs where allocation is subject to legislative direction. Consistent with this, I am deleting this provision because the reporting requirements for this existing program would needlessly delay the disbursement of these federal funds, which are disbursed based on a federally-mandated formula.

Item 6110-130-0001—For local assistance, Department of Education. I reduce this item from \$12,300,000 to \$10,300,000 by revising Provision 1.

I am deleting \$2,000,000 of the legislative augmentation for provision of Advanced Placement teacher training or tutoring services pursuant to Section 52247 of the Education Code. These reductions are necessary to limit program expansions and provide for a prudent General Fund reserve in light of the State's current fiscal condition. With these reductions, \$10,300,000 still remains to support the Advancement Via Individual Determination program.

I am revising Provision 1 to conform to this action.

- "1. Of the funds appropriated, \$1,300,000 is available for administration of the Advancement Via Individual Determination (AVID) centers and \$6,000,000 is available for competitive outreach grants to local education agencies for the AVID program. Notwithstanding any other provision of law, the remaining ~~\$5,000,000~~ \$3,000,000 shall be used solely for the provision of advanced placement teacher training or tutoring services, pursuant to Section 52247 of the Education Code."

Item 6110-136-0890—For local assistance, Department of Education. I revise this item by deleting Provision 8.

I am deleting Provision 8 of this item, which makes the receipt of \$1,495,541,000 in Title I federal funds by school districts contingent upon the reporting of unspecified data that is necessary to meet the data reporting requirements of the federal No Child Left Behind Act of 2001. While it will likely be necessary for school districts to provide data to the State to meet these reporting requirements, federal law does not allow the State to condition the receipt of these funds on the provision of data. Thus, this language may constitute a state mandate requiring reimbursement from the General Fund. Item 6110-113-0890 contains \$6,880,000 for federally required data collection.

Item 6110-137-0890—For local assistance, Department of Education. I revise this item by deleting Provision 1.

I am deleting Provision 1 of this item, which requires legislative notification prior to adopting or amending any plan for the expenditure of \$2,426,000 in federal Rural and Low Income School Grant funds pursuant to the federal No Child Left Behind Act. This provision conflicts with federal law that required the State Board of Education to submit the State's consolidated application prior to enactment of the budget bill. These funds are provided on a formula basis and are intended to provide small school districts with general purpose discretionary funding. I believe the notification requirement would delay the allocation of the funds and also impede the intended flexibility.

Item 6110-156-0001—For local assistance, State Department of Education. I reduce this item from \$605,038,000 to \$582,038,000 by reducing:

- (2) 10.50.010.008-Remedial education services for participants in the CalWORKs from \$31,739,000 to \$8,739,000,

and by revising Provision 2.

I am reducing the \$23,000,000 augmentation for remedial education services for CalWORKs participants. This augmentation consisted of \$10,000,000 for support services and \$13,000,000 for additional instruction for CalWORKs recipients in adult education programs or regional occupation centers and programs (ROC/Ps). With this action, \$9,900,000 in federal Temporary Assistance for Needy Families (TANF) funds remains in the Adult Education and ROC/P items to provide additional instruction for CalWORKs recipients in programs that are at or above their authorized average daily attendance cap. Support services are also provided through the federal Perkins Vocational and Technical Education Act, funded at \$138,445,000 and required

to target CalWORKs participants in the welfare-to-work program. The funds reduced from this item are reserved for Proposition 98 contingencies in 2002-03. I am revising Provision 2 to conform to this action.

- “2. The funds appropriated in Schedule (2) constitute the funding for both remedial education and job training services for participants in the CalWORKs program (Art. 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code). Funds shall be apportioned by the Superintendent of Public Instruction for direct instructional costs only to school districts and Regional Occupational Centers and Programs (ROC/Ps) that certify that they are unable to provide educational services to CalWORKs recipients within their adult education block entitlement or ROC/P block entitlement, or both. ~~However, of the funds appropriated in Schedule (2) of this item, an amount not to exceed \$10,000,000, as negotiated through an interagency agreement between the State Department of Education and the State Department of Social Services, shall be provided for Adult Education Programs, and ROC/Ps for the purposes of providing instructional and training supportive services for CalWORKs eligible members. These services shall include any of the following:~~
- ~~(a) Career and educational guidance and counseling.~~
 - ~~(b) Training-related assessment.~~
 - ~~(c) Transportation to the classroom or worksite during training.~~
 - ~~(d) Job readiness training and services.~~
 - ~~(e) Job development and placement.~~
 - ~~(f) Postemployment support and followup to ensure job retention.~~
 - ~~(g) Coordination and referrals to other services provided through the State Department of Social Services, the Employment Development Department, the Local Workforce Investment Boards, community colleges, the Department of Rehabilitation, the Economic Development Agency, and other community resources.~~
 - ~~(h) Curriculum and instruction development to provide short term integrated programs leading to employment.~~
 - ~~(i) Staff development costs resulting from policy development and training occurring between instructional staff and county welfare agencies in the coordination of the program.~~
 - ~~(j) One-time excess program startup costs.~~
- Allocations shall be distributed by the Superintendent of Public Instruction as equal statewide dollar amounts, based on the number of CalWORKs eligible family members served in the county and ~~subject to instructional and training support services needed annually by each agency as identified in the county CalWORKs Instruction and Job Training Plan required by Section 10200 of the Education Code.~~”

Item 6110-161-0001-For local assistance, Department of Education (Proposition 98). I am revising this item by revising Provision 15.

I am revising Provision 15 of this item by \$754,000 to conform to reductions required as a result of the Legislature’s revision to the level of Education Revenue Augmentation Fund available in 2002-03, and as a result of technical changes required to conform to providing a 2.0 percent cost of living adjustment for special education.

- “15. Of the amount provided in Schedule (1) of this item, ~~\$8,943,000~~ \$8,189,000 shall be appropriated in the following priority sequence:
- (a) The Superintendent of Public Instruction shall allocate any additional amount, if needed, to augment the amounts appropriated in Schedules (1) and (2) of this item to ensure full funding for the 2002-03 fiscal year.
 - (b) Once the Superintendent of Public Instruction has determined that none of the programs in Schedules (1) and (2) of this item require any additional funding pursuant to the statutory formulas contained in Chapter 854 of the Statutes of 1997 (AB 602), the remaining amount shall be allocated pursuant to Section 56836.158 of the Education Code.”

Item 6110-161-0890—For local assistance, Department of Education. I reduce this item from \$800,319,000 to \$798,369,000 by reducing:

- (4) 10.60.050.021—IDEA, Capacity Building, Special Education from \$44,858,000 to \$42,908,000,

and by revising Provision 3 and 12.

I am deleting the \$1,700,000 legislative augmentation provided to expand the existing Family Empowerment Centers on Disabilities. I share the desire to improve results for all children, especially those with disabilities, which is why I signed legislation last year establishing the Family Empowerment Centers funded in this item. However, given that my Budget already provides \$2,372,000 for local assistance grants for Family Empowerment Centers on Disabilities, and given that the 12 centers funded through the existing resources have only recently been established, I believe funding to expand this program would not be prudent until results from existing efforts are reviewed.

I am deleting the \$250,000 legislative augmentation to fund licensed children’s institution growth. My Budget already provides \$1,000,000 for local assistance grants for emergency impaction on Special Education Local Plan Areas as the result of licensed children’s institution growth, and I have not been provided with adequate justification to warrant a program augmentation.

I am revising Provisions 3 and 12 to conform to these actions.

- “3. Of the funds appropriated in Schedule (4) of this item, up to ~~\$1,250,000~~ \$1,000,000 may be used to fund licensed children’s institution growth pursuant to Section 56836.18 of the Education Code.”
- “12. Of the funds appropriated in Schedule (4) of this item, ~~\$4,072,000~~ \$2,372,000 shall be used for the purposes of establishing Family Empowerment Centers on Disabilities pursuant to Chapter 690, Statutes of 2001.”

Item 6110-194-0001—For local assistance, Department of Education. I reduce this item from \$1,105,000 to \$105,000 by deleting:

- (1) 20.60.101.001-Administrator Training and Evaluation Program (1,000,000),

and by revising Provision 2.

I am reducing the legislative augmentation of \$1,000,000 in support costs for the Administrator Training and Evaluation Program. This reduction is necessary to provide for a prudent General Fund reserve and eliminate the former Administrator Training and Evaluation Program. With this reduction, \$14,336,000 still remains for Principal and Administrator Training and Evaluation Program training activities in programs established by this Administration.

Item 6110-194-0890—For local assistance, Department of Education. I reduce this item from \$5,000,000 to \$4,350,000, and delete Provisions 2, 3 and 4.

I am deleting \$250,000 and Provision 2 which would be used for data collection and evaluation related to the effectiveness of professional development programs. While I recognize the importance of evaluating the effectiveness of programs, given many of these programs are relatively new and the scarcity of resources, I believe funds should be focused on providing training.

I am deleting \$400,000 and Provisions 3 and 4 which would earmark these funds for an evaluation of cultural competency training for teachers and provide professional development to substitute teachers, respectively. Both of these programs could be established by pending legislation. I believe it is premature to set aside these funds before the policy merits of the respective related legislation have been decided. In addition, according to the legislation which would establish the substitute teacher training, funding would not be necessary until 2003-04.

Item 6110-195-0890—For local assistance, Department of Education. I reduce this item from \$317,526,000 to \$317,026,000 by reducing:

(1) 20.60.280—Improving Teacher Quality Local Grants from \$315,472,000 to \$314,972,000, and by deleting Provision 1.

The reduction in Schedule (1) funding is a technical veto to account for this item over-appropriating the total amount of available federal funds by \$500,000.

I am deleting Provision (1), which specifies the uses of these federal funds. I would have preferred language that would have directed these funds to be used on a priority basis to ensure that class size reduction programs are maintained and teachers receive standards-aligned training. As federal law requires, the State has submitted an application for these funds that specifies their uses; therefore this language is unnecessary.

Item 6110-197-0890—For local assistance, Department of Education. I revise this item by deleting Provisions 2(b), 2(c), 2(d), and 2(h), and revising Provision 2(i).

I am deleting Provision 2(b) because this language is unnecessarily restrictive. It would limit the availability of \$3,500,000 to direct grants for programs serving middle and elementary school pupils to provide equitable access to and participation in programs. Analysis has not been performed to indicate the level of need for these types of grants. Furthermore, placing restrictions on these funds would limit the number of slots that could be created to serve additional children.

I am deleting Provision 2(c) because this language would restrict the availability of \$1,000,000 to fund direct grants for family literacy services for families of students participating in the 21st Century Community Learning Programs. Although I support family literacy programs, this

allocation duplicates existing efforts funded through federal Title 3 Literacy funds and other available federal and state funding sources to provide family literacy. Limiting the availability of these funds would restrict the creation of additional before and after school slots.

I am deleting Provisions 2(d) because this language is unnecessarily restrictive. It would limit the availability of \$2,500,000 to grants for high school programs. Denying accessibility to these funds to middle and elementary school programs, would restrict the creation of additional slots in an area where there is a known need. I am also deleting Provision 2(h) because the language would establish a program with reimbursement policies that conflict with those contained in existing statute, Article 22.5 (commencing with Section 8483.7) of Chapter 2 of Part 6 of Division 1 of the Education Code.

I am revising Provision 2(i) because this language conflicts with language contained in Provision 2(f) of this Item which requires programs to adhere to daily funding rates pursuant to Article 22.5 (commencing with Section 8482.5) of Chapter 2 of Part 6 of Division 1 of the Education Code.

"(i) Earned but unexpended funds may be carried forward to subsequent years consistent with federal requirements. ~~In year one, the full grant may be retained.~~"

As stated above, this language is unnecessarily restrictive and would result in higher costs per pupil. There is approximately \$14 million in quality applications pending for the existing Before and After School Learning and Safe Neighborhoods Partnership Program. The overall state need, however, is much greater. Given the success of this program in showing consistent patterns of positive results on student achievement, attendance, behavior, and reductions in grade attendance, I would prefer that the 21st Century federal funds be used to expand the existing program rather than creating additional cost pressures.

Item 6110-200-0001—For local assistance, Department of Education. I reduce this item from \$19,000,000 to \$2,000,000.

I am reducing the legislative augmentation of \$19,000,000 for Healthy Start Support Services by \$17,000,000. This reduction is necessary to limit program expansions and provide for a prudent General Fund reserve in light of the State's current fiscal condition. The program level started with this augmentation would cause costs to multiply in future years. This action will have no effect on schools currently operating this program, as full funding for the multi-year grant period has been provided in past budgets.

The funds reduced from this item are reserved for Proposition 98 contingencies in 2002-03.

Item 6110-205-0001—For local assistance, Department of Education. I revise this item by deleting Provision 3.

I am deleting Provision 3 of this item, which authorizes the Department of Education to establish a pilot program for allocating this funding for the Elementary School Intensive Reading Program as a block grant for up to 20 districts, rather than through hourly reimbursement for services rendered. This proposed pilot is a significant alteration in the program's current structure. The proposal does not contain any reasonable accountability to ensure that students receive necessary remedial services through this program, and may in fact reduce the total hours of

service provided to students. Any program change of this magnitude should be considered in policy legislation, including review by legislative policy committees rather than solely through the budget process.

Item 6110-211-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from \$49,721,000 to \$35,650,000.

I am reducing this Item for two reasons. First, technical reductions are necessary to reflect both the Legislature's action to shift the calculation methodology for the block grant to appropriations made in the final Budget Act as well as the adjustments made to final school district funding levels, including the deferrals and reductions to categorical programs included in the final version of the Budget, that have the effect of reducing this item's statutory growth calculation. Second, I am reducing the item to reflect my objection to the Legislature's intent to include the Instructional Materials Realignment Program (IMRP) in the block grant. I believe that allowing charter schools to use equivalent funding intended for IMRP purposes in any manner they choose would both undermine the Administration's objective to ensure availability of standards-aligned instructional materials for all students and unnecessarily increase state costs. Charter schools would still be eligible to receive their share of over \$400,000,000 available for IMRP remaining in the Budget.

The funds reduced from this item are reserved for Proposition 98 contingencies in 2002-03.

Item 6110-223-0001—For local assistance, Department of Education. I delete this item and Provisions 1 and 2.

I am deleting the legislative augmentation of \$36,000,000 for PERS offset mitigation because the May Revision already provided \$97,000,000 to fund the state's share of PERS costs for school classified employees. As rates increase in the future, the state will fund the entire amount of the employer's share of this cost, and the offset will diminish.

I am also deleting the legislative augmentation of \$42,000,000 for equalization adjustments for school district revenue limit apportionments. Given the subsequent \$406,000,000 augmentation contained in AB 2781 to be provided commencing with 2003-04 for revenue limit equalization, this one-time appropriation should be set aside for Proposition 98 contingencies in light of the State's current fiscal conditions.

The funds reduced from this item are reserved for Proposition 98 contingencies in 2002-03.

Item 6110-241-0001—For local assistance, Department of Education. I delete this item and Provision 1.

I am deleting this item, which provides \$150,000 for low-performing high schools, as it inadvertently made an appropriation for local assistance that was intended to provide state operations funding to support a new program to be created in pending legislation. This local assistance appropriation cannot be used for the intended purpose. In addition, I believe it is premature to earmark funding in the Budget until the policy merits of the legislation are decided.

The funds reduced from this item are reserved for Proposition 98 contingencies in 2002-03.

Item 6360-001-0407—For support of the Commission on Teacher Credentialing. I revise this item by deleting Provision 6.

I am deleting Provision 6, which would require the Commission to reduce processing times for first-time and new-type credential applications to 25 days. This is inconsistent with current statute that requires credentials to be processed in 60 days. The Teacher Credentialing Service Improvement Project will not be sufficiently complete to allow the Commission to realize significant savings in the staff time required to process credential renewal applications in 2002-03. Consequently, this provision could force the Commission to redirect resources from the processing of credential renewal applications, thereby generating an unacceptable increase in the time required to process these applications. Alternatively, this language could result in the Commission requesting additional funding and positions to meet this timeframe.

Item 6610-001-0001—For support of California State University. I reduce this item from \$2,617,173,000 to \$2,616,983,000 by reducing:

(1) Support from \$3,494,437,000 to \$3,494,247,000,

and by deleting Provisions 18, 19, and 20.

I am deleting \$190,000 legislative augmentation to conduct a California State University (CSU) Export Delivery Study (\$140,000) and to fund the CSU Centers for Excellence (\$50,000), pursuant to separate legislation. Notwithstanding the potential merits of the subject legislation, it is premature to include funding in the budget for these activities. I am willing to consider the legislation on its merits, and any funding necessary, once it is approved by the Legislature. I am deleting Provisions 18 and 19 to conform to these actions.

I am deleting Provision 20 because it requires the CSU to defer new expenditures for the CMS/Peoplesoft project, prohibits the University from entering into any new agreements needed to maintain the implementation schedule, and delays the completion of the project by one year. This language would increase project costs for the University and would delay the operational efficiencies the University believes will be achieved when the project is completed and delay staff training. I encourage the University to cooperate fully in the audit currently in progress of the project and expect continued adherence to all relevant information technology policies and bid procedures.

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98). I reduce this item from \$2,670,792,000 to \$2,659,792,000 by reducing:

(12) 20.10.070-Matriculation from \$64,307,000 to \$54,307,000;

and by deleting:

(12.5) 20.20.015-Faculty and Staff Development (\$1,000,000);

and by revising Provision 1.

I am reducing the legislative augmentation for Matriculation by \$10,000,000, and I am also deleting the proposed augmentation of \$1,000,000 to continue the Faculty and Staff Development program. With this action, \$54,307,000 still remains to support Matriculation

services. I also note that the general apportionment funding increase of over \$192 million in this Budget is more than \$43 million above the statutory requirement. Therefore, this Budget provides sufficient funds for colleges to sustain matriculation services if they are a priority. Further, funding for the Faculty and Staff Development program contains little meaningful accountability and represents only a fraction of the funds used by districts for training. I believe this is a significantly lower priority for state assistance than direct classroom instruction. Districts may use discretionary funds, as necessary, to fund these activities on a priority basis. I am revising Provision 1 to conform to this action.

“1. The funds appropriated in Schedules (1), (2), (3), (4), (5), (6), (8), (10), (11), (12), ~~(12-5)~~ (14), (15), (16), (17), (18), (22), and (25) are for transfer by the Controller during the 2002-03 fiscal year to Section B of the State School Fund.”

The funds reduced from this item are reserved for Proposition 98 contingencies in 2002-03.

Item 6870-485—Reappropriation, (Proposition 98) California Community Colleges. I revise this item from \$53,189,000 to \$34,497,000 by deleting Schedule (3).

In order to correct a technical error in the Budget Bill, I am reducing this item by \$9,692,000. I am also deleting the legislative augmentation of \$9,000,000 for Special Services for CalWORKs Recipients. I am supportive of this program as indicated by the \$20,000,000 General Fund restoration I provided for this program in the May Revision, for which local districts will provide an additional \$20,000,000. With this reduction, a total of \$63,000,000, will remain to support CalWORKs recipients attending community colleges.

Item 6870-486—Reappropriation, (Proposition 98) California Community Colleges. I delete this item.

I am deleting Item 6870-486, which would provide authority for the Chancellor to reappropriate for specified purposes up to \$20 million in prior year savings from categorical programs in Item 6870-101-0001. Such authority would limit the flexibility of the Administration and Legislature to allocate Proposition 98 Reversion Account funds for future high priority K-14 demands.

Item 7980-001-0001—For support of Student Aid Commission. I revise this item by reducing:

(1) 15-Financial Aid Grants Program from \$12,342,000 to \$12,244,000, and

(5) Reimbursements from -\$3,195,000 to -\$3,097,000.

I am revising this Item to delete a \$98,000 legislative augmentation for reimbursements from the Student Loan Operating Fund to cover administrative costs for the Assumption Program of Loans for Education related to 1,000 additional awards added as part of an action to suspend the Governor's Teaching Fellowships for one year. The 2001 Budget Act included \$253,000 for three additional positions to administer this program, conduct a study to assess the administrative process for this and other Specialized Programs, and make recommendations for efficiency measures. The need for additional resources for this purpose has not been justified. In addition, it would be premature to provide additional funding until those recommendations have been made and considered.

Item 8100-101-0001—For local assistance, Office of Criminal Justice Planning. I reduce this item from \$45,856,000 to \$45,687,000 by reducing:

- (6) 50.20.352-Youth Emergency Telephone Referral from \$338,000 to \$169,000.

This reduction is necessary to provide for a prudent General Fund reserve for economic uncertainties. With this action, \$169,000 remains to support the Youth Emergency Telephone Referral program. I am revising Provision 3 to make two technical changes to this provision.

"3. Of the amount appropriated in this item, \$800,000 appropriated in Schedule (20.5) shall be available for competitive grants for the California Innocence Protection Program. The OCJP shall make the funds available for the purpose of assisting convicted persons who are attempting to establish their actual innocence through the use of postconviction DNA testing. Grants shall only be used to represent indigent inmates convicted of a crime in a California court. Applications for funding provided pursuant to this item shall only be received from qualified nonprofit organizations meeting guidelines established by the American Bar Association for operating legal clinics using law students. It is the intent of the Legislature that funds provided to qualifying nonprofit organizations shall be made *available* as soon as possible in the interest of justice and shall be disbursed within 60 days of receipt of an application for funding. For qualified nonprofit organizations receiving funding under this program, at least 25 percent of their total budget for these purposes must come from other sources, which may include in-kind contributions.

Funding for this program shall not be expended for the purpose of court-approved DNA forensic testing under Section 1405 of the Penal Code.

Entities receiving funding under this program shall report to the OCJP the number of the requests received and the number of cases in which any of the following have occurred: (1) a preliminary investigation was conducted, (2) a full investigation was conducted and DNA testing was sought, (3) the appellant was represented in court proceedings or an attempt was made to vacate a conviction, and (4) an appellant's conviction was vacated or overturned as a direct result of the representation by the entity ~~or attorney~~. The entities shall also provide detailed expenditure reports semiannually and annually on the use of funds provided under this program. These semiannual and annual reports shall also list all staff positions supported by this funding and their compensation. The OCJP shall prepare and submit a report to the Joint Legislative Budget Committee on or before February 1, 2003, on the foregoing information for each entity receiving funding under this program."

Item 8100-112-0001—For transfer by the Controller to the High Technology Theft Apprehension and Prosecution Program Trust Fund. I reduce this item from \$13,518,000 to \$13,300,000.

I am reducing the amount available for transfer to the High Technology Theft Apprehension and Prosecution Program Trust Fund by \$218,000. This is a technical correction to this General Fund transfer item. The amount shown here reflects the total local assistance program funding, including federal funds, rather than the General Fund transfer portion that is appropriately scheduled in this item.

Item 8350-001-0001—For support of Department of Industrial Relations. I reduce this item from \$141,031,000 to \$136,815,000 by reducing:

- (3) 30-Workers' Compensation Administration from \$99,405,000 to \$94,805,000;

(5) 36-Commission on Health & Safety and Workers Compensation from \$2,666,000 to \$1,408,000; and

(20) Amount payable from the Workers' Compensation Administration Revolving Fund (Item 8350-001-0223) from -\$20,992,000 to -\$19,938,000;

and by deleting:

(38) Amount payable from the Workers' Occupational Safety and Health Education Fund (Item 8350-001-3030) (-\$588,000).

I am deleting the legislative augmentations provided to the Department of Industrial Relations for AB 749-related activities for training grants, workers compensation studies, and workload in the Division of Workers Compensation. Although I agree that AB 749 will increase the responsibilities of the department, these augmentations have not been fully justified. AB 749 does not take effect until January 1, 2003, and in light of the state's current fiscal condition, I have instructed the department to absorb the associated workload during the first six months of implementation for these purposes. To the extent that a comprehensive justification based on actual workload needs is available in the future, I would consider funding at that time. I am, however, retaining the \$1 million augmentation included in this item for fraud prevention activities.

Item 8350-001-0223—For support of Department of Industrial Relations. I reduce this item from \$20,992,000 to \$19,938,000 to conform to my action in Item 8350-001-0001.

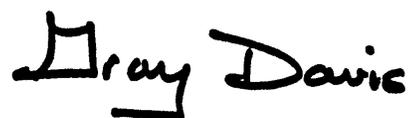
Item 8350-001-3030—For support of Department of Industrial Relations. I delete this item.

I am deleting this item to conform to my previous action in Item 8350-001-0001.

Item SEC. 9.40—Proposition 40 Administration Cost Limits. I delete this Control Section.

I am deleting this control section which would restrict administrative expenditures for Proposition 40 bond funds to five percent of budget appropriations for all grant programs and property acquisitions made in the budget year. This is inconsistent with the provisions of Proposition 40, which require all program delivery and administrative costs be paid through the Bond Act. I have submitted an expenditure plan for Proposition 40 that meets current environmental acquisition priorities and is fiscally responsible. This plan sets aside adequate funds to deliver these necessary projects in a timely manner, in accordance with the intent of the electorate. I am directing all affected agencies and departments to provide for effective program delivery while controlling their administrative costs.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 425.



GRAY DAVIS