



MAJOR ACTION REPORT

May 28, 2004

Senate Bill 1095
2004-05 Budget Bill

Senate Budget & Fiscal Review
Committee

Senator Wesley Chesbro, Chair

Senate Committee
on Budget and Fiscal Review

SUBCOMMITTEE No. 1
on
Education

MAJOR ACTION
REPORT

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Senate Bill 1095
2004-05 Budget Bill

Members

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SUBCOMMITTEE No. 1

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K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Appropriated the same level of Proposition 98 Funding for K-12 education programs as proposed by the Governor's May Revision proposal in 2004-05.
- Assumed Proposition 98 increases above the Governor's January Budget of \$267 million in 2003-04 and \$275 million in 2004-05 to account for changes in enrollment and higher General Fund revenues, per the Governor's May Revision.
- Utilized May Revision increase in Proposition 98 funding available in 2003-04 to pay off some P2 apportionment deferrals that commenced with the 2002-03 budget.
- Utilized 2004-05 Proposition 98 increases to fund augmentations for instructional materials and deferred maintenance beyond those proposed by the Governor's May Revision.
- Eliminated \$110.0 million in funding for revenue limit "equalization" in 2004-05, as proposed by the Governor's May Revision.
- Provided a net increase of \$143 million for revenue limit and categorical program enrollment growth and COLA adjustments. This reflects a decline in ADA growth rates from 1.02 percent to 0.95 percent (-\$110 million) and an increase in COLA rates from 1.84 to 2.41 percent (\$253 million) from the Governor's January estimates.
- Rejected the Governor's proposal to shift \$2.0 billion in funding for 22 education categorical programs into a new revenue limit "add-on" program.
- Augmented funding for Instructional Materials by \$85 million above the Governor's May Revision – bringing *new* funding in 2004-05 to \$185 million. The additional \$85 million is targeted to students attending schools in the lowest two deciles of the API. An additional \$175 million the Governor proposed to shift to revenue limits is retained for Instructional Materials, bringing total categorical funding to \$360 million in 2004-05.
- Augmented funding for Deferred Maintenance by \$66.2 million above the Governor's May Revision, which will bring total funding to approximately \$250 million in 2004-05 – the level proposed in the Governor's January Budget.
- Adopted the Governor's Budget proposal to defer payment of all education mandates in 2004-05 for a savings of over \$300 million.
- Fully funded the PERS employee costs consistent with the rates recently adopted by PERS. This generated savings of \$141 million compared to the Governor's May Revision, because the rates that PERS adopted were lower than the May Revision assumed.

- Adopted \$36 million in the Governor’s Budget for the PERS Mitigation Offset in order to assist school districts in making retirement contributions for classified employees.
- Adopted the Governor’s May Revision to provide an additional \$31.0 million in permanent special education funds to assist LEAs in providing mental health related services to children with exceptional needs. This increases total funding for these purposes to \$100 million in 2004-05.
- Adopted the Governor’s May Revision to provide \$38.4 million in special education funds to implement revisions to the funding formula for students with exceptional needs who reside in licensed children’s institutions and other out-of-home placements, subject to pending legislation. A small portion of these funds (\$400,000) is directed to increase the size of the state’s extraordinary cost pool for nonpublic-school placements.
- Adopted the May Revision proposal of an additional \$29.6 million in federal Title I-Reading First funds to provide diagnostic reading assessments and remedial reading instruction to young students being considered for referral to special education.
- Authorized \$68.0 million in federal Title I-School Improvement funding to provide district accountability under the No Child Left Behind Act, per the Governor’s May Revision. This appropriation would be available pursuant to legislation.
- Approved \$25 million in new funding for school libraries, approximately \$70 million below the level proposed by the Governor’s May Revision.
- Appropriated approximately \$28.4 million for the High Priority Schools program in order to fund a new cohort of schools in Decile 2 of the API. These funds are appropriated as a “balancer” to meet appropriation levels reflected in the Governor’s Budget May Revision.
- Approved the Governor’s May Revision to reduce funding for Excess Property Tax Districts by \$2.7 million in order to reduce categorical funding commensurate with an ongoing revenue limit deficit factor of 0.3 percent for LEAs.
- Adopted the May Revision to restore \$7.7 million in order to provide one more year of funding for the Charter Schools Facilities Grant. The Governor’s January budget proposed to eliminate funding for the program.
- Restored reductions for several categorical programs included in the Governor’s Budget: Local Education Art Partnerships (\$6 million); Healthy Start (\$2.0 million); School-to-Career (\$1.7 million); and Advancement Via Individual Determination (AVID) (\$1.2 million).
- Reduced non-Proposition 98 General Funds by \$167 million in 2004-05 in savings, but directs the Governor’s associated proposal for refinancing emergency loans to school districts through the state’s Infrastructure Bank to policy committee.

- Increased non-Proposition 98 General Funds by \$60 million in 2003-04 as a set-aside for the impending emergency loan to the Vallejo City Unified School District.

CHILD DEVELOPMENT

6110 CALIFORNIA DEPARTMENT OF EDUCATION – CHILD DEVELOPMENT

- Reversed all of the Governor’s child care reform proposals and restored the programs to their 2003-04 levels using General Fund (Proposition 98), as follows:
 - Rejected Governor’s proposal to eliminate subsidized child care services to 11- and 12-year-old children and instead shift care for those children to state and federal after school programs.
 - Denied administration’s proposal to implement a tiered income eligibility system.
 - Denied Governor’s proposed child care family fee reforms.
 - Rejected Governor’s proposal to implement a tiered reimbursement rate schedule for child care providers.
 - Rejected Governor’s proposal to limit the length of time former CalWORKS recipients can receive subsidized child care services under Stage 3.
 - Denied administration’s proposal to limit the amount of time parents can be enrolled in education and vocational training programs and still retain subsidized child care services.
 - Increased funding pursuant to the Governor’s proposal, for the federal 21st Century Learning Centers program.
 - Provided an additional 5.5 positions to the child development division of the California Department of Education to address fraud prevention and compliance issues.
 - Added 4.0 positions to the child development division of the California Department of Education to administer the expanding federal 21st Century Learning Centers program.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Approved Governor's Proposal to reduce funding for Public Library Foundation by \$1.4 million, bringing the total appropriation level for 2004-05 to \$14.4 million.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

- Approved operational funding for CPEC, as budgeted.

6440 UNIVERSITY OF CALIFORNIA

- Denied the majority of the Governor's higher education budget cut proposals.
- Approved undergraduate fee increases of 10 percent (rather than the 14 percent proposed by the Governor and approved by the UC Board of Regents) and appropriated an additional \$24 million General Fund to "backfill" the lost fee revenue.
- Approved graduate student fee increases of 20 percent.
- Approved professional student fee increases of 20 percent, rather than the 30 percent increase proposed by the Governor and approved by the UC Board of Regents, and appropriated \$20 million GF to "backfill" the lost fee revenue.
- Restored an additional \$33 million GF to support student academic preparation and outreach programs at the UC. Governor's proposal would have eliminated all state funding for these programs.
- Denied Governor's proposal to redirect ten percent of UC's incoming freshman class to the California Community Colleges and provided \$24.8 million GF to fund the enrollment costs affiliated with these 3,200 students.
- Provided an additional \$34.4 million GF to support 2.33 percent enrollment growth at the UC.
- Provided \$69.1 million GF to fund a 2.41 percent cost-of-living-adjustment (COLA) similar to the COLA proposal funded in K-14 education.
- Reestablished the Institute for Labor Studies at the UC and provided an augmentation of \$3.8 million GF to support the continuation of the Institute.
- Eliminated all \$20 million in GF support for the development of the new UC Merced campus.

- Denied Governor's proposal to decrease the amount of fee revenue set-aside for campus-based financial aid and instead appropriated \$29.1 million General Fund to retain the set-aside at the 33 percent level.
- Denied the Governor's proposal to charge students the full cost of instruction if they enrolled in over 110 percent of the units required to obtain a degree and "backfilled" the revenue lost as a result of denying the proposal.
- Approved all Capital Outlay projects as proposed by the Administration.

6610 CALIFORNIA STATE UNIVERSITY

- Denied the majority of the Governor's higher education budget cut proposals.
- Approved undergraduate fee increases of 10 percent (rather than the 14 percent proposed by the Governor and approved by the CSU Board of Trustees) and appropriated an additional \$21.2 million to "backfill" the lost fee revenue.
- Approved graduate student fee increases of 20 percent, rather than the 25 percent increase proposed by the Governor and approved by the CSU Board of Trustees. Subcommittee further appropriated \$4.1 million GF to "backfill" the lost fee revenue.
- Restored \$52 million GF to support student academic preparation and outreach programs at the CSU. Governor's proposal would have eliminated all state funding for these programs.
- Denied Governor's proposal to redirect 10 percent of CSU's incoming freshman class to the California Community Colleges and provided \$21.1 million GF to fund the enrollment costs affiliated with these 3,800 students.
- Provided an additional \$44.39 million GF to support 2.33 percent enrollment growth at the CSU.
- Provided \$63.4 million to fund a 2.41 percent cost-of-living-adjustment (COLA), similar to the COLA proposal funded in K-14 education.
- Denied Governor's proposal to decrease the amount of fee revenue set-aside for campus-based financial aid and instead appropriated \$29.1 million GF to retain the set-aside at the 33 percent level.
- Denied the Governor's proposal to charge students the full cost of instruction if they enrolled in over 110 percent of the units required to obtain a degree and "backfilled" the revenue lost as a result of denying the proposal.
- Approved all Capital Outlay projects as proposed by the Administration.

6600 HASTINGS COLLEGE OF LAW

- Approved law student fee increases of 20 percent rather than the 30 percent increase proposed by the Governor. Subcommittee further appropriated \$2.8 million GF to “backfill” the lost fee revenue.

6870 CALIFORNIA COMMUNITY COLLEGES

- Increased student fees from \$18 per unit to \$26 per unit, pursuant to the Governor’s proposal.
- Denied Governor’s proposal to charge community college students with a baccalaureate degree \$50 per unit, and instead provided \$4.8 million General Fund to “backfill” lost fee revenue and hold colleges harmless.
- Provided an additional \$80 million for Equalization (pursuant to the Governor’s proposal), contingent upon the enactment of legislation.
- Augmented the Governor’s proposal to provide 3 percent enrollment growth by \$27 million to instead provide for enrollment growth equivalent to 3.67 percent (for a total cost of \$148 million).
- Augmented Governor’s noncredit education proposal by \$2 million in order to increase the noncredit instruction-funding rate by a total of \$6 million.
- Adopted Governor’s proposal to fold the Partnership for Excellence categorical program into the General Apportionments “base.” And adopted revised Budget Bill Language specifying outcome goals and reporting requirements.
- Augmented the amount of funding available in the current year (by \$28.4 million) for scheduled maintenance, special repairs, instructional equipment, and library materials due to an increase in the 2003-04 Proposition 98 guarantee. Committee decreased the amount of funding available for these programs in 2004-05 by a like-amount.
- Continued the deferral of \$200 million worth of general apportionment expenditures from June 2005 to July of 2005.

7980 CALIFORNIA STUDENT AID COMMISSION

- Rejected the Governor’s proposal to decrease the income ceilings for the Cal Grant A and B program and provided \$11.2 million from the Student Loan Operating Fund (SLOF) to avoid the General Fund expense of this restoration.
- Denied the Governor’s proposal to decrease the maximum Cal Grant award level for students attending private colleges and universities and restored \$32.7 million from the SLOF to backfill the reduction.

- Approved the Governor's proposal to retain Cal Grant funding of student fee increases at UC and CSU.
- Rejected the Governor's proposal to reduce the number of Competitive Cal Grant awards by 5,625.
- Denied the Governor's proposal to reduce the number of Assumption Program of Loans for Education (APLE) warrants and alter the priorities within the program.
- Denied the Governor's proposal to shift \$134 million worth of ongoing Cal Grant costs from the General Fund to the Student Loan Operating Fund and instead shifted \$49.3 million worth of Cal Grant costs (associated with rejecting the Governor's various Cal Grant proposals) to the Fund.

Senate Committee
on Budget and Fiscal Review

SUBCOMMITTEE No. 2

on

Resources, Environmental Protection,
Public Safety and Energy

MAJOR ACTION REPORT

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2004-05 Budget Bill

Members

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SUBCOMMITTEE No. 2

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NATURAL RESOURCES

0540 SECRETARY FOR RESOURCES

- Approved resources bond funding for River Parkway projects (\$38.4 million) and land acquisitions in the Sierra Nevada Cascade (\$9.2 million). Funding is included in a trailer bill that provides program criteria.
- Approved reappropriation of \$4.6 million resources bond funding for grants to fund urban stream restoration projects.

3110 SPECIAL RESOURCES PROGRAMS

- Approved as budgeted.

3125 CALIFORNIA TAHOE CONSERVANCY

- Approved as budgeted, including \$12 million for local grants for projects that support the Environmental Improvement Program in the Lake Tahoe Basin.

3340 CALIFORNIA CONSERVATION CORPS

- Provided fire suppression and fuel reduction training and work opportunities for 75 additional corpsmembers in 2004-05 through the redirection of Workforce Investment Act funds and resources bond funds.
- Approved \$6.6 million resources bond funds for grants to local conservation corps for various resource conservation projects.

3480 DEPARTMENT OF CONSERVATION

- Approved \$12 million in resources bond funds for local grants to support the California Farmland Conservancy Program that purchases agricultural easements.
- Approved \$3.2 million in resources bond funds for local grants to provide grants to resource conservation districts for watershed projects that support the CALFED program.

- Approved \$400,000 from special funds for abandoned mine remediation.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

- Approved trailer bill language to implement a timber harvest plan (THP) fee that generates \$20 million to cover the entire cost of the state's THP review program, including program costs at the Department of Fish and Game, the State Water Resources Control Board, and the Department of Conservation. The Governor proposed increasing THP fees to cover \$10 million of the state's program costs.
- Approved trailer bill language to implement a retail timber tax that would levy one-cent per board foot on all timber products purchased by retailers. The revenues would be used to support the timber harvest plan review program, as well as other forest-related programs.
- Approved \$7.5 million in resources bond funds for fuel reduction in the Sierra Nevada region. Included funding for this program in a trailer bill that would provides restrictions on the trees harvested as part of the fuel reduction effort. The majority of these bond funds will be for grants to private landowners or local fire safe councils.
- Approved \$4.4 million special fund revenues for various forest management programs, including operations of the state's demonstration forests, nurseries, and forest pest management activities. This is a 40 percent reduction from 2003-04 due to ongoing litigation relating to timber harvesting on Jackson State Demonstration Forest.
- Approved \$1.2 million resources bond funds for urban forestry grants to increase tree planting and follow-up care in urban areas.

3560 STATE LANDS COMMISSION

- Approved as budgeted.

3600 DEPARTMENT OF FISH AND GAME

- Approved \$71.9 million in resources bond funds for local grants to fund ecosystem restoration projects that support the CALFED program.
- Approved \$7 million in resources bond funds for local grants for fisheries restoration projects.
- Redirected \$500,000 of tidelands oil revenues to support implementation of the Marine Life Protection Act to develop a plan for establishing networks of marine protected areas.
- Augmented DFG's timber harvest plan (THP) review program by \$530,000 from increased THP fee revenues.

- Approved trailer bill language to increase landing fees assessed on fish processors, wholesalers, and any other entities that receive fish from commercial fisherman to cover the cost of DFG's marine fisheries management programs. The current landing fees are set at a level fixed in 1986, the trailer bill would allow the fees to fluctuate based on the value of the landed fish.
- Approved trailer bill language to allow DFG to assess fees on incidental take permits to cover the department's cost in processing these permits.

3640 WILDLIFE CONSERVATION BOARD

- Adopted trailer bill language to suspend the Natural Heritage Preservation Tax Credit Program in 2004-05.
- Approved \$13.3 million resources bond funds for land acquisitions to support the Colorado River Regulatory Program.
- Approved \$21 million resources bond funds for Habitat Conservation Fund acquisitions.
- Approved Budget Bill language to cap the amount of tidelands oil revenues transferred to the General Fund at \$165 million. Provided that any tidelands oil revenues in excess of this amount will be used to fund salmon and steelhead trout restoration (\$8 million), continued operation of fish hatcheries (\$4 million), and projects related to the California Ocean Protection Act (\$10 million).

3680 DEPARTMENT OF BOATING AND WATERWAYS

- Approved as budgeted.

3720 CALIFORNIA COASTAL COMMISSION

- Approved trailer bill language to direct the commission to increase its permit fees so that they cover approximately 50 percent of the program costs related to permitting.

3760 STATE COASTAL CONSERVANCY

- Approved \$20 million in resources bond funds for various conservancy programs to provide increased public access to the coast, restore urban waterfronts, and enhance wetlands.
- Approved \$6.4 million in resources bond funds for the San Francisco Bay Conservancy Program to fund acquisitions and projects in the San Francisco Bay Area.

- Approved \$32.2 million in resources bond funds to acquire, protect and restore land and water resources to protect coastal watersheds.
- Approved \$10 million in resources bond funds for projects to preserve land in the Central Coast region and to continue investments in the California Coastal Trail.

3780 NATIVE AMERICAN HERITAGE COMMISSION

- Approved as budgeted.

3790 DEPARTMENT OF PARKS AND RECREATION

- Approved Governor's proposal to reduce park support by \$15 million GF and to increase state park fees to backfill this reduction.
- Approved \$78.4 million in resources bond funds for local grants to acquire local parks.
- Approved \$6.8 million in resources bond funds to match federal funds to repair state park facilities damaged by the San Simeon earthquake and the southern California fires.
- Approved \$18.6 million in funds from the Off-Highway Vehicle Trust Fund for grants to purchase additional land and buffer zones for the State Vehicular Recreation Areas.

3810 SANTA MONICA MOUNTAINS CONSERVANCY

- Restored \$21.9 million in resources bond funding to the Santa Monica Mountains Conservancy for grants and land acquisitions.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

- Approved Budget Bill language to direct the commission to increase its permit fees to cover approximately 20 percent of its permitting program costs.

3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY

- Approved \$12.4 million in resources bond funds for grants land acquisitions by the conservancy.

3830 SAN JOAQUIN CONSERVANCY

- Approved \$11 million in resources bond funds for grants and land acquisitions to support the development of the San Joaquin River Parkway and to implement public access improvements.

3835 BALDWIN HILLS CONSERVANCY

- Approved \$7.2 million in resources bond funds for grants and land acquisitions by the conservancy.

3840 DELTA PROTECTION COMMISSION

- Approved as budgeted.

3845 SAN DIEGO RIVER CONSERVANCY

- Approved as budgeted.

3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY

- Approved \$3.6 million resources bond funds for grants and land acquisitions by the conservancy.

3860 DEPARTMENT OF WATER RESOURCES

- Approved \$77.4 million in resources bond funds for local grants for groundwater storage projects.
- Approved reappropriation of \$72.4 million in resources bond funds for projects to support the CALFED water supply reliability program.

- Approved reappropriation of \$49.8 million in resources bond funds for grants to integrated regional water management projects.
- Approved \$36.9 million in resources bond funds and reappropriated another \$34.2 million for local grants for water conservation projects.
- Approved \$31.8 million in resources bond funds for water purchases to support the CALFED program's Environmental Water Account.
- Approved reappropriation of \$25 million in resources bond funds for desalination grants.
- Approved \$19.9 million in resources bond funds to improve the levees in the Delta and support the CALFED program.
- Approved \$19.3 million in resources bond funds for local grants for watershed projects that support the CALFED program.
- Approved \$16.9 million in resources bond funds for grants to address flooding along the Yuba/Feather River and the Colusa Basin Drain.
- Approved \$13.6 million in resources bond funds and reappropriated another \$10.7 million to support the CALFED program's water storage studies.
- Approved reappropriation of \$11.5 million in resources bond funds for drinking water quality pilot programs.
- Reverted \$16.1 million GF proposed by the Governor for the lining of the Coachella branch of the All-American Canal. These funds are not needed in the budget year. Current law requires the state to pay \$172 million for this purpose by 2008-09.
- Approved Governor's proposal to adopt trailer bill language to increase the fees levied on water users to fully support the state's Watermaster Service Program.

3870 CALIFORNIA BAY-DELTA AUTHORITY

- Approved trailer bill language to implement a broad-based user fee and the beneficiary-pays principle to fund the CALFED program.
- Approved \$12.8 million in resources bond funds to support the CALFED science program.

ENVIRONMENTAL PROTECTION

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

- Approved trailer bill language to consolidate selected administrative functions at all of the boards, departments, and offices within the Environmental Protection Agency.
- Approved trailer bill language to consolidate the state's climate change activities with the Secretary for Environmental Protection.

3900 AIR RESOURCES BOARD

- Approved trailer bill language to impose a "rack fee" on motor vehicle fuels and increase the motor vehicle registration fee to fund clean air programs.
- Approved \$1.5 million from special funds to implement the nontoxic dry cleaning incentive grant program to help dry cleaners to transition from perchloroethylene (perc)-based systems to other non-toxic systems.

3910 INTEGRATED WASTE MANAGEMENT BOARD

- Approved \$73.4 million from special funds to implement the Electronic Waste Recycling program to set up a system of collecting and recycling electronic devices that contain hazardous materials.

3930 DEPARTMENT OF PESTICIDE REGULATION

- Approved as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD

- Approved \$34.5 million for the Agriculture Water Quality grant program, including \$5 million to implement a new Dairy Water Quality Improvement program. These grants are for projects that help the agriculture industry meet its water quality requirements.

- Approved \$21.7 million in resources bond funds for local grants to fund water recycling projects.
- Approved \$17 million increase in funding from the Underground Storage Tank Cleanup Fund for the clean up of contamination caused by underground storage tanks.
- Approved \$10 million in resources bond funds for groundwater monitoring.
- Approved \$3.2 million in funding from special funds to issue and enforce waivers for waste discharge permits.
- Augmented the board's timber harvest plan review staff by \$430,000 from THP fees.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

- Approved as budgeted.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

- Approved the Governor's proposal to shift funding from the General Fund to the Motor Vehicle Account to fund activities related to the health-impacts of motor vehicle-related pollutants and the children's health program.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0550 YOUTH AND ADULT CORRECTIONAL AGENCY

- Approved May Revise proposal to increase YACA by \$1.7 million GF and 12 positions to provide increased oversight and policy direction to departments under its supervision. Funding is provided through corresponding reductions to CDC (\$1.5 million) and CYA (\$200,000).

0552 OFFICE OF THE INSPECTOR GENERAL

- Approved Finance Letter for \$3.3 million GF and 28 positions to reinstate the OIG.
- Approved Finance Letter for an additional \$4.9 million and 25 positions to provide additional staff and resources to support the OIG and to establish the Office of Independent Review within the OIG.

0820 DEPARTMENT OF JUSTICE

- Approved a proposed reduction of \$1 million GF and 13 vacant positions for the California Methamphetamine Strategy Programs (CALMS) and approved an augmentation of \$2.4 million in federal funds for electronic surveillance equipment and overtime expenditures for CALMS.
- Approved a proposed reduction of \$5.5 million GF and 41.8 positions allocated to the Division of Law Enforcement, the Criminal Justice Information Systems Division, the Firearms Division, and the Administrative Services Division.
- Approved a May Revise proposal to augment \$7.3 million GF to support increased litigation workload within the Criminal Law, Civil Law, and Public Rights Divisions. Also approved an increase of \$4 million in reimbursements through an increase in the hourly rate charged special fund clients.

5240 DEPARTMENT OF CORRECTIONS

- Approved proposal to augment budget by \$99.5 million GF and 1,238.8 positions to adjust the budgeted relief factor for correctional officers, sergeants, and lieutenants. The proposal increases relief coverage to levels currently being used and provides relief coverage not previously funded for training.

- Approved the creation of a separate program schedule in the budget bill for education programs.
- Augmented budget by \$6.7 million to provide at least three visiting days a week for each institution.
- Approved May Revise proposal to increase \$18.2 million GF and 114.9 positions to provide positions and overtime funding for the costs of medical guarding and transportation.
- Approved the May Revise proposal to increase \$22.2 million and 164 positions to implement the Valdivia Remedial Plan.
- Approved the May Revise proposal for \$16.8 million and 195.6 positions related to additional resources for administrative segregation overflow, and reduced funding by \$1,000 to send the issue to conference.
- Approved reductions of \$35 million from operational efficiencies, including consolidated purchasing, reduced energy expenditures, headquarters reductions, classification services unit reductions, and reduced cadets at the basic correctional officer academy.
- Rejected proposed savings of \$1.3 million related to only serving two hot meals on weekends and holidays.
- Approved a reduction of \$32.1 million for various healthcare service improvements including Hepatitis C clinical management, improved pharmacy and medication management, and a reduction in contract medical expenditures.
- Rejected proposal to save \$1.4 million by reclassifying staff psychiatrists to nurse practitioners.
- Approved proposed reduction of \$14.5 million from hospital services, hospital emergency services, and ambulance services, but rejected the proposed trailer bill language setting rates for inmates at the Medi-Cal rate level and instead adopted placeholder trailer bill language.
- Approved net savings of \$89.6 million related to the parole accountability proposal. Reductions include \$18.3 million from providing more opportunities for graduated sanctions, \$14.4 million from allowing technical and minor violators access to graduated sanctions, and \$59.5 million from parole discharge after 12 months, consistent with current law. Increases include \$1.6 million for expansion of the restitution work furlough program, \$1.4 million for expansion of the Substance Abuse Treatment and Recovery (STAR) program, \$1 million for the expansion of the Parolees and Corrections Teams (PACT) program, and \$1.2 million for additional electronic monitoring units. Approved a reduction to the proposed LEADS database by \$1 million and the program evaluation component by \$630,000. Did not approve funding for the CAL/GANG database (\$750,000) and delayed implementation of the GPS pilot program (\$3.5 million).
- Approved \$27.1 million in additional reduction proposals at CDC including felony drug courts to treat parole violators with new terms (\$1.9 million), elimination of the “Z” case diagnosis program (\$4.7 million), creation of a drug treatment credit incentive program (\$2.5 million),

- enhanced jail credits pilot program (\$800,000), drug treatment furlough for civil addicts (\$3.2 million), creation of mentally ill custody and treatment units (\$1 million), establishment of a medical parole program, and delaying activation of Delano II by 3 months (\$10 million).
- Approved additional savings alternatives of \$101.2 million to preserve options that would result in General Fund savings in CDC's budget. These options include direct discharge for non-violent/non-serious offenders, and eliminating prison as a sentence for petty theft with a prior.

5430 BOARD OF CORRECTIONS

- Augmented funding by \$134 million GF to provide funding to County Probation that was previously being provided by federal TANF funds.
- Rejected the proposal to convert the funding source for the Executive Office, Local Adult and Juvenile Facilities Standards and Inspections, and the Juvenile Hall Suitability Inspection Process from GF to a city/county reimbursed fee structure. Provided \$1.2 million GF and \$601,000 in federal funds for these functions.
- Approved May Revise proposal to provide planning for Juvenile Justice/California Youth Authority Reforms with budget bill language requiring BOC to provide a detailed plan for the expenditures.

5440 BOARD OF PRISON TERMS

- Approved an increase of \$117,000 from revised workload projections.
- Approved May Revise proposal for \$35.4 million and 134.3 million positions to implement the Valdivia Remedial Plan.

5460 DEPARTMENT OF THE YOUTH AUTHORITY (YA)

- Approved proposal for savings of \$25.9 million from the closure of the Fred C. Nelles Youth Correctional Facility in Whittier.
- Rejected proposal to save \$2.4 million from the closure of the Mount Bullion Camp.

**5480 COMMISSION ON CORRECTIONAL PEACE OFFICERS STANDARDS
AND TRAINING**

- Approved as budgeted.

8700 VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

- Approved as budgeted.

CONTROL SECTION 24.10

- Approved Budget Bill language that would transfer up to \$14 million from the Driver Training Penalty Assessment Fund to the Peace Officer Training Fund and would transfer up to \$4.1 million from the Driver Training Penalty Assessment Fund to the Victim Witness Assistance Fund. Any remaining unallocated funds would be transferred to the General Fund.

ENERGY

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

- Transferred \$12 million from the Energy Resources Programs Account to the GF.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

- Increased funding for the California Teleconnect Program by \$12.7 million from Teleconnect surcharge revenues to fully fund program costs in 2004-05.
- Approved increase in funding for the Universal Lifeline Telephone Service program by \$11.3 million to cover program costs in 2004-05.

8665 CALIFORNIA CONSUMER POWER AND CONSERVATION FINANCING AUTHORITY

- Rejected Governor's proposal to eliminate the California Consumer Power and Conservation Financing Authority (CPA).
- Increased funding for the Authority by \$800,000 to cover reduced operations funded only by CPA generated revenues.

8770 ELECTRICITY OVERSIGHT BOARD

- Approved trailer bill language to eliminate the Electricity Oversight Board (EOB) and transfer litigation related-activities to the Attorney General and the EOB staff to the Governor's Office of Planning and Research.

GENERAL GOVERNMENT

0690 OFFICE OF EMERGENCY SERVICES

- Approved adjusted funding of \$35.9 million GF for recovery from the wildfires in Southern California.
- Approved increases of \$49.5 million for the 2003 federal Urban Area Security Initiative (federal funds) and \$156.1 million for the 2004 federal Homeland Security Grant and the 2004 federal Urban Area Security Initiative (federal funds), to provide anti-terrorism grants to local and state agencies.
- Approved a May Revise proposal to provide \$2 million in federal funds and 13 positions for the establishment of the Office of Homeland Security.
- Augmented the Domestic Violence Grant program by \$2 million GF to backfill the loss of funding provided to domestic violence shelters through AB 664.

8550 CALIFORNIA HORSE RACING BOARD

- Approved as budgeted.

8570 DEPARTMENT OF FOOD AND AGRICULTURE

- Approved \$8 million GF to support the Mediterranean fruit fly preventative release program.
- Approved \$2.5 million shift in GF funding from the department to the local agricultural commissioners for high-risk pest exclusion activities.

8830 CALIFORNIA LAW REVISION COMMISSION

- Rejected the May Revise proposal to eliminate the Commission.

Senate Committee
on Budget and Fiscal Review

SUBCOMMITTEE No. 3

on

**Health, Human Services, Labor,
And Veterans Affairs**

**MAJOR ACTION
REPORT**

May 28, 2004

Senate Bill 1095
2004-05 Budget Bill

Members

Wesley Chesbro, Chair
Gilbert Cedillo
Tom McClintock
Bruce McPherson
Deborah Ortiz

Consultants

Brian Annis
Ana Matosantos
Diane Van Maren

SUBCOMMITTEE No. 3

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HEALTH

4260 DEPARTMENT OF HEALTH SERVICES

The Medi-Cal Program

- Eliminated the caps on enrollment for certain Medi-Cal Programs as originally proposed by the Governor in his January budget.
- Eliminated the 5 percent rate reduction on Medi-Cal fee-for-service rates and the additional 10 percent rate reduction on all Medi-Cal rates as originally proposed by the Governor in his January budget. The 5 percent piece was eliminated due to a court injunction. The state is appealing the injunction, but it is unknown at this time when the appeal may be heard. It should be noted that the 5 percent reduction, as contained in the Budget Act of 2003, has been applied to Medi-Cal Managed Care plans effective January 1, 2004 for total savings of \$123 million (\$61.5 million General Fund).
- Delayed the Medi-Cal checkwrite for June 2005 to July 2005 and shifts this payment to the next fiscal year (2005-06) for savings of \$287.4 million (\$143.9 million General Fund). The providers would still receive reimbursement but it would be delayed by a few days.
- Delayed the Medi-Cal checkwrite beginning in July 2004, and continuing indefinitely, to enable the DHS to more closely review billings for anti-fraud purposes. Savings of \$287.4 million (\$143.9 million) were identified for the checkwrite deferral into the next year and an additional \$2 million (\$1 million General Fund) was identified for anti-fraud savings.
- Proposed changes to how Medi-Cal reimburses pharmacy providers for net savings of \$158.5 million (\$79.3 million General Fund). This savings figure reflects an increase in the amount paid Pharmacists for dispensing drugs from \$4.05 to \$8.30 and eliminates the 50 cent/10 cent reduction presently done on each claim for increased expenditures of \$243 million (\$121.5 million General Fund). In addition, it changes how the drug ingredient rate is paid for savings of about \$400 million (\$200 million General Fund) in 2004-05. This level of net savings assumes a September 1, 2004 implementation date. This action requires trailer bill language.
- Modified the Governor's proposal for Adult Day Health Centers (ADHCs) by recognizing total savings of \$16.3 million (\$8.2 million General Fund) attributable to revised assumptions regarding baseline funding and the moratorium. Approved modified trailer bill language regarding the moratorium and rejected the Administration's proposal to craft a new federal Waiver for the program through the budget process. The new federal Waiver framework will instead proceed through the policy committee process.

- Reduced \$57.3 million (\$28.6 million General Fund) by adjusting the interim hospital payments for acute inpatient services by ten percent effective September 1, 2004. This action requires trailer bill language.
- Proposed savings of \$12.5 million General Fund by implementing a Quality Assurance Fee for Managed Care plans providing services under the Medi-Cal Program. This action requires trailer bill language.
- Rejected trailer bill language regarding establishing an Average Selling Price for medical supplies. No savings were attributable to this proposal and the DHS has not yet implemented other cost containment proposals for medical supplies that were adopted through the Budget Act of 2003.
- Reduced by \$66.7 million (\$33.3 million General Fund) to reflect a reconciliation of state and county Medi-Cal eligibility records within Los Angeles County. Through this reconciliation process, about 130,000 recipients will receive notices that their Medi-Cal eligibility is in question.
- Adopted the Governor's proposal to eliminate the supplemental wage payment for nursing homes for savings of \$92 million (\$46 million General Fund).
- Recognized \$30 million (\$15 million General Fund) in savings by collecting more aged drug rebates from pharmaceutical manufacturers who owe the state in arrears. Also adopted trailer bill language to require the DHS to report on a quarterly basis regarding the collection of aged drug rebates.
- Provided a \$30.3 million (\$15.1 million General Fund) to increase the Medi-Cal reimbursement rates paid to County Organized Health Systems (COHS) by about 3 percent effective with each plan's 2004-05 contract rate period.
- Rejected the Administration's proposal to eliminate the Alternative Payment Method provided to Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs) as provided under the state's existing Medi-Cal State Plan for increased expenditures of \$9.8 million (\$4.9 million General Fund).
- Adopted several pieces of trailer bill language regarding FQHCs/RHCs to (1) expedite implementation of the scope-of-service changes under the Prospective Payment System, (2) recognize the Administration's intent to pay 100 percent of the owed retroactive payments, and (3) clarify how consolidated cost reports will be handled.
- Reduced by \$46 million (\$23 million General Fund) the appropriation for county administration of Medi-Cal eligibility and related activities as proposed by the Administration. Also adopted modified trailer bill language to implement a cost control plan with the counties, and rejected the Administration's budget bill language which was unnecessary.
- Recognized \$18 million (\$9 million General Fund) in savings as proposed to have counties more expeditiously reconcile certain data files with the state's Medi-Cal Eligibility Data System. Also adopted modified trailer bill language for implementation purposes, and rejected the DHS request for a position for additional savings of \$100,000 (\$50,000 General Fund).

- Rejected the DHS proposal to hire a contractor to conduct validation reviews of counties to find potentially ineligible individuals for which the contractor would receive payment. Though it was unlikely that savings would be achieved from this proposal, \$6 million (\$3 million General Fund) was provided to backfill for the proposed reduction.
- Restricted the billing of Medi-Cal for electromyography and nerve conduction tests to physicians who have received specialized training in these types of tests for savings of \$1.3 million (\$652,000 General Fund).
- Continued implementation of the County Performance Accountability Standards from the Budget Act of 2003 for savings of \$167.2 million (\$83.6 million General Fund) in 2004-05.
- Continued implementation of the semi-annual reporting regarding eligibility for savings of \$167.8 million (\$83.9 million General Fund) in 2004-05.
- Continued implementation of increased Medical Case Management for savings of \$16.5 million (\$8.3 million General Fund) in 2004-05.
- Commenced implementation of contracting for certain durable medical equipment and clinical laboratory services for savings of \$15.1 million (\$7.5 million General Fund).
- Continued implementation of the frequency limits placed on certain laboratory services as directed in the Budget Act of 2003. A total of \$10.7 million (\$5.4 million General Fund) will be saved in 2004-05 from this action.
- Assumed savings of \$18 million (\$9 million General Fund) due to increased third-party reimbursement from personal injury recovery cases and estate recoveries.
- Assumed savings of \$15 million (\$7.5 million General Fund) from increased audits of nursing homes related to payments for Medicare and Medi-Cal crossover recipients.
- Adopted savings of \$5.8 million (General Fund) and \$1.5 million (Tobacco Settlement Fund) by identifying past appropriations which can be reverted within the Medi-Cal Program.
- Continued implementation of the Orthopaedic Hospital Settlement for hospital outpatient rates to reflect a total rate adjustment of 43.4 percent over the 2000-01 base period. Total expenditures for 2004-05 are \$212.9 million (\$106.5 million General Fund).
- Rejected the proposed transfer of eligibility processing from the state to the counties for the Breast and Cervical Cancer Treatment Program for net savings of \$950,000 (General Fund).
- Denied the DHS request for \$2.1 million (\$1 million General Fund) to hire 36 positions for treatment authorization request (TAR) processing in Medi-Cal. Also adopted modified trailer bill language regarding changes to the TAR process.
- Denied the proposed increase of \$3.1 million (\$1.5 million General Fund) for DHS staff and contract resources to design and implement a new federal Waiver for the Medi-Cal Program. This action was taken in relation to the Administration's announcement of delaying any major Medi-Cal Program redesign until passage of the budget. The Administration now presumes submittal of the redesign package to the Legislature by August 2, with passage by the Legislature by the adjournment of Legislative Session. The Administration also assumes submission of an 1115 Waiver to the federal government by September 2004. Further, an added

component to the redesign effort is to restructure existing hospital financing with regards to intergovernmental transfer funds and disproportionate share hospital inpatient funding.

- Approved as proposed an increase of \$225,000 (General Fund) and 5 positions to proceed with implementation of a federal Independence Plus Waiver for the In Home Support Services Program.
- Approved 20 new positions in lieu of the requested 41 positions to conduct more non-contract hospital field audits for savings of \$2.3 million (\$1.1 million General Fund).
- Approved as proposed an increase of \$301,000 (General Fund) to make changes to the licensing and certification process as it pertains to criminal background checks.
- Adjusted the Administration's proposal to hire 5 new staff to conduct activities related to the federal Medicare Prescription Drug Act for expenditures of \$437,000 (\$151,000 General Fund) by providing funding for only three positions for savings of \$59,000 (General Fund).
- Deleted requested funds of \$590,000 (\$194,000 General Fund) to support four new positions and purchase tracking software to better oversee the Fiscal Intermediary contract with Electronic Data System as recommended by the Legislative Analyst's Office.
- Rejected trailer bill language regarding counterfeit-proof prescription pads and referred the proposal to the policy committee process. The proposed language represented no savings in the budget year.
- Adopted trailer bill language to extend the sunset of the 250 percent Working Disabled Program from April 1, 2005 to September 1, 2008.
- Adopted trailer bill language to eliminate the sunset date for the Graduate Medical Education Program which provides supplemental federal funding to certain California hospitals that serve as teaching hospitals.
- Approved trailer bill language to continue the existing carve out for the California Children's Services Program for another three years (until September 1, 2008).
- Adopted trailer bill language that identifies County Organized Health Systems and Local Initiatives as governmental entities.
- Adopted Budget Bill language to require the DHS to provide the Legislature with a copy of the Error Rate Study pertaining to the state's Medi-Cal anti-fraud efforts by no later than November 1, 2004.

Public Health Programs

- Appropriated \$72.4 million (federal funds) to Local Health Jurisdictions to proceed with extensive activities associated with various federal bioterrorism requirements. However, the state appropriation for these grant funds was reduced by \$2.3 million since the DHS has not yet finalized the Cooperative Agreement with the federal government. As such, this \$2.3 million (federal funds) will be available for appropriation through the policy committee process as was

done last year. In addition, Budget Bill language was adopted to (1) require the DHS to include in the Cooperative Agreement application a provision requesting funding for Chapter 891, Statutes of 2002, pertaining to low-level radioactive waste and (2) require the DHS to keep the Legislature informed as to the approval of the state's application and any changes proposed by the federal government.

- Appropriated a total of \$110.1 million, including state support, for Proposition 50—the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 related grants (\$10.4 million is for Chapter 3-related functions and \$99.8 million is for Chapter 4-related functions). Also adopted Budget Bill language that requires legislation to be passed in the 2003-04 legislative session before the DHS can allocated any funds to private water companies.
- Provided \$20 million (CalWORKs TANF Funds) to support the Community Challenge Grant Program that provides parenting assistance and serves to mitigate teenaged pregnancies.
- Provided full funding for the AIDS Drug Assistance Program (ADAP) which includes an increase of \$26.9 million (\$21 million Drug Rebate Funds, \$2.7 million General Fund, and \$3.1 million federal funds) over the Governor's January budget. Also adopted trailer bill language to establish a special fund for the collection of drug rebate funds.
- Reduced the California Children's Services (CCS) Program by \$2.5 million to reflect the collection of drug rebate funds and implementation of other contract savings such as for medical supplies and durable medical equipment.
- Identified \$5 million in drug rebate funds for the Genetically Handicapped Persons Program (GHPP) to be used as an offset for General Fund support. Also provided a position to assist with various functions related to cost containment.
- Adopted trailer bill language to establish a special fund for the collection of rebates for the CCS and GHPP programs.
- Rejected the Administration's proposal to repeal existing statute related to (1) SB 322 (Ortiz), Statutes of 2003, (2) SB 308 (Ducheny), Statutes of 2003, (3) SB 617 (Speier), Statutes of 2003, (4) AB 1676 (Dutra), Statutes of 2003, and (5) AB 71 (Horton), Statutes of 2003.
- Provided \$3.8 million (Infant Botulism Fund) and transfers an additional \$500,000 from the Health Statistics Fund as a loan to support the production and distribution of BabyBIG to treat infant botulism by neutralizing botulinum toxin.
- Continued the deferral of \$20 million (General Fund) for the County Medical Services Program for one more year. This action requires trailer bill language.
- Approved \$590,000 (\$208,000 General Fund) and five positions for the California Partnership for Long-Term Care Program. Also adopted trailer bill language to (1) eliminate the sunset for the program and (2) require specified insurance issuers to reimburse the state \$20,000 annually for common marketing materials.
- Deleted \$424,000 (General Fund) from the appropriation for the purchase of information technology equipment for the Richmond Laboratory.

- Adopted Budget Bill language to require the DHS to report to the Legislature by November 1, 2004 on what actions have been taken to improve their contracting process.
- Approved trailer bill language regarding the expansion of the Newborn Screening Program.
- Approved the Administration's proposal regarding the appropriation of Proposition 99 Funds, but rejected propose trailer bill legislation that would have hindered the expenditure of funds for anti-tobacco media efforts.
- Denied a \$1 million (General Fund) request for activities associated with the West Nile Virus.
- Increased by \$2.5 million (General Fund) to provide additional funds for Adult Influenza Vaccine.
- Reduced by \$2 million (General Fund) the Administration's proposed loan of \$5 million for the Genetic Disease Testing Program.
- Denied the Administration's request for positions related to the Genetic Disease Testing Program since the DHS could not provide information on how they intend to make the program more efficiently operated. Savings of \$394,000 (Genetic Disease Testing Fund) were identified for this action.
- Approved the Governor's budget for the Cancer Research Program and the Prostate Cancer Program.
- Approved implementation of the Medical Marijuana ID Program as proposed by the Administration, including 8 positions and a \$983,000 loan from the Health Statistics Fund.
- Rejected proposed trailer bill legislation to eliminate the Methadone Regulatory Program.
- Approved \$44.7 million (Reimbursements which are federal funds transferred by the DSS) for expansion of the California Nutrition Network.
- Denied Budget Bill language regarding the Radiologic Health Program since it is not clear what programs would be reduced by the proposed action.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

- Approved \$872 million (\$319.1 million General Fund) for the Healthy Families Program to serve an enrollment of about 774,000 children as of June 30, 2005. This appropriation level assumes no enrollment caps or block grant proposals as contained in the Governor's January budget proposal.
- Rejected proposed trailer bill language to implement premium increases in the Healthy Families Program beginning as of July 1, 2005 and directed the Administration to refer the issue to the policy committee process. Also reduced \$263,000 (General Fund) in administrative costs associated with this proposed change.
- Deleted \$175,000 (General Fund) for the consumer survey in the Healthy Families Program.

- Eliminated the \$1 million (Proposition 99 Funds) special reserve in the Access for Infants and Mothers (AIM) Program and redirected these funds as backfill to the General Fund in support of caseload adjustments in the State Hospitals.
- Recognized \$115.1 million (federal S-CHIP Funds) to be available for the County Health Initiative Matching Fund Program which enables counties to obtain a federal match for certain health care services provided to children with family incomes between 250 percent and 300 percent of poverty.
- Approved as budgeted the Managed Risk Medical Insurance Program.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Community-Based Services

- Enacted an additional unallocated reduction of \$7 million (General Fund) in lieu of approving the proposed statewide Purchase of Services (POS) standards. As such, an increase of \$4.9 million (General Fund) was provided since the Governor's POS standards would have resulted in proposed savings of \$11.9 million (General Fund).
- Continued all cost containment actions for Regional Center services enacted through the Budget Act of 2003 including the (1) \$10 million unallocated reduction, (2) application of the federal standard for substantial disability, (3) elimination of the SSI/SSP rate pass-through to Community Care Facilities, (4) service level freeze for Community Care Facilities, (5) suspension of funding for the start-up of new services unless it is associated with the placement of an individual in the community, (6) rate freeze on Adult Day Programs, (7) rate freeze for vendor-provided services conducted under contract to the Regional Centers, and (8) extension of the amount of time allowed for Regional Centers to conduct assessment of new consumers from 60 days to 120 days following initial intake. Also adopted modified trailer bill legislation to maintain the integrity of what was approved last year.
- Adopted a series of technical caseload and utilization adjustments for an increase of \$36.9 million (total funds) to the Purchase of Services.
- Approved the Administration's fiscal assumptions for implementation of the Family Cost Participation Program, but adopted modified trailer bill language which provides for an appeal process and recognizes exceptions for medical needs.
- Shifted \$48 million in federal Title XX funds to General Fund support due to the need for the federal funds to be utilized within the CalWORKs Program.
- Recognized \$29.9 million in increased federal funds attributable to South Central Regional Center of Los Angeles receiving federal Waiver approval and uses these funds as an offset for General Fund support in the Purchases of Services item.

- Approved the Administration's proposal to reduce Regional Center Operations funding by \$6.5 million (General Fund) as an unallocated reduction.
- Rejected the proposed increase of \$6.1 million (General Fund) for Regional Center Operations to implement the proposed statewide POS standards.
- Adopted trailer bill language to continue the freeze on the rates paid for habilitation services into 2004-05.
- Deleted \$1.7 million (General Fund) from the Purchase of Services to reflect the adoption of trailer bill language which defers implementation of changing the consumer-to-job coach ratio from 1 to 4 in the Habilitation Services Program until July 1, 2005.
- Increased by \$2.8 million (General Fund) Regional Center Operations to accelerate enrollment into the Home and Community-Based Waiver.
- Re-appropriated \$5.1 million (General Fund) for the California Developmental Disabilities Information System (CADDIS). Also adopted Budget Bill language to more closely monitor the project.
- Reverted \$5 million (General Fund) in unexpended funds for the Bay Area Project.
- Provided funds to support seven new positions, and specified contract services, at the DDS to develop future other cost containment measures regarding standardizing rates and obtaining a Self-Determination Waiver.
- Deleted funds and two positions associated with the implementation of the statewide POS standards for savings of \$185,000 (General Fund).

Developmental Centers

- Captured the Administration's proposed \$11.1 million (General Fund) slated to be spent on expanding Sonoma Developmental Center (DC) due to the postponement of the Agnews DC closure until 2006, and placed these funds into a special account. Adopted Budget Bill language that controls the allocation of the funds for community-based living options for current residents of the Agnews DC in lieu of providing funds for Sonoma.
- Appropriated \$714.6 million (\$362 million General Fund) to serve 3,307 residents who reside in the state Developmental Center system. It should be noted that the Governor rescinded his proposal to contract out for food services.
- Rejected proposed trailer bill language related to the provision of protective services at the Developmental Centers.

4440 DEPARTMENT OF MENTAL HEALTH**Community-Based Services**

- Rejected the DMH proposal to double the county share of cost under the Early Periodic Screening Diagnosis and Treatment (EPSDT) Program from 10 percent to 20 percent. Increased funding of \$12.6 million (General Fund) to backfill for this action. In addition, adopted uncodified trailer bill language that restricts the department's ability to implement this increased cost sharing level administratively, as was done originally with the 10 percent cost-sharing ratio.
- Approved the modified EPSDT Program audits to use claims data for analysis for local assistance savings of \$3.9 million (General Fund), and reduced the state administrative augmentation by \$200,000 (General Fund) to reflect the revised workload need.
- Adopted the Administration's funding level for Mental Health Managed Care which does not provide a cost-of-living-adjustment for the third straight year in a row.
- Restored \$60 million (\$40 million General Fund) for the EPSDT Program to reflect the Administration's withdrawal of their flawed re-basing proposal that would have resulted in California losing over \$50 million in federal funds and would have devastated mental health outpatient services.
- Augmented by \$5 million (Proposition 98 Funds) the Early Mental Health Program for pupils in grades K through Third.
- Rejected the DMH proposal to eliminate \$724,000 (General Fund) from selected counties including Sacramento County for their psychiatric health facility, and 13 other counties that use these funds to obtain federal matching funds under the rehabilitation waiver.
- Approved uncodified trailer bill language related to enforcing mental health parity.
- Increased by \$500,000 (\$250,000 General Fund) to develop federally required informing materials for Medi-Cal recipients and related activities associated with recent federal regulation changes.
- Approved an increase of \$275,000 (Reimbursements from MRMIB) for supplemental mental health benefits provided under the Healthy Families Program.
- Saved \$246,000 (General Fund) by deleting three positions proposed to conduct activities associated with implementation of HIPAA.

State Hospitals

- Adopted the budget for the State Hospitals as proposed since the enrollment caps were rescinded by the Governor.

- Recognized savings of about \$13.5 million (General Fund) related to making changes to the state's Sexually Violent Predator (SVP) Program as follows:
 - Reduced by \$10.7 million (General Fund) to reflect a proposal to return 100 pre-commitment SVPs (those individuals who have not completed the SVP commitment process) to local jurisdictions until the judicial process has been completed and a commitment has been ordered.
 - Reduced by \$823,000 (General Fund) to reflect a proposal to restructure the treatment program for SVPs to include a new secure licensing category. The SVP patients would be divided into three categories with two of the groups attending treatment on an outpatient basis within Coalinga State Hospital.
 - Reduced by \$2 million (General Fund) based on the enactment of statute that would replace the current two-year SVP commitment period with one that would be indeterminate in length.
- Reduced by \$1.5 million (General Fund) the amount appropriated for evaluations conducted for patients who may be deemed to be SVPs.
- Provided an increase of \$218,000 (General Fund) for the Conditional Release Program that serves SVPs.
- Rejected the Administration's proposal to shift financial responsibility to the counties for any patients in the State Hospitals who are deemed Incompetent to Stand Trial and who remain in the State Hospital for more than 10 days after a certificate of restoration of competency has been received by the courts. A General Fund backfill of \$360,000 was provided for this purpose.

HUMAN SERVICES

4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER

- Reduced spending authority by \$15 million for the Child Welfare Services Case Management System (CWS/CMS) to minimize nonessential system changes, reduce project costs, and to reflect elimination of the expanded adoption subsystem.
- Adopted Budget Bill language to establish specific deadlines and requirements relative to the CWS/CMS go-forward plan and to allow the Department of Finance to augment DSS and HHSDC to transition the CWS/CMS hardware to the state.
- Adopted Budget Bill language and trailer bill language to require the Data Center to report annually to the Department of Finance and the LAO regarding the cost factors reflected in its rates and for the DOF to use the report to review the Data Center's rate setting methodologies.
- Increased spending authority by \$17.8 million to support the Unemployment Insurance Modernization Project, which will increase the Employment Development Department's capacity to detect and control fraud in the Unemployment Insurance system.
- Reduced funding for the Statewide Fingerprint Imaging System for savings of \$536,000.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Shifted the Song Brown Family Physician Training Program from the General Fund to the California Health Data and Planning Fund, on a one-time basis, for budget-year savings of \$4.1 million GF.
- Adopted uncodified trailer bill language to require OSHPD to develop alternative funding strategies to provide long-term stability and non-GF support for the Song Brown program and to report on the strategies at budget hearings.

4170 DEPARTMENT OF AGING

- Rejected the Governor's proposal to block grant funding for aging services and instead eliminated funding for the Senior Companion program, maintained the proposed reduction to state operations, and reduced funding for aging services for total savings of \$1.7 million.
- Adopted placeholder trailer bill language to prohibit denial of aging services to eligible persons who are receiving IHSS and to require improved coordination of services and funding in a manner that maximizes cost effectiveness to the state and to counties.

4180 COMMISSION ON AGING

- Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Adopted the Governor's proposal to retain the Office of Problem Gambling within the Department of Alcohol and Drug Programs and to provide \$3 million from the Indian Gaming Special Distribution Fund to support the program.
- Appropriated \$250,000 from the Children's Trust Fund to the Department of Alcohol and Drug Programs to support dependency drug court programs. Adopted placeholder trailer bill legislation to require reporting of specified outcomes, including rates of reunification, number of days in foster care, and the length of time to achieving permanency, as a condition of receiving funding.
- Adopted the Administration's proposal to increase by \$3.5 million federal funding to support the delivery of alcohol and drug screening, intervention, referral and treatment services to adult patients in medical settings across four counties.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- Approved as budgeted.

5160 DEPARTMENT OF REHABILITATION

- Made a series of adjustments, reductions and redirections to address a reduction in Social Security Reimbursements and maintain funding for vocational rehabilitation counseling and placement services, the business enterprise program, and the Orientation Center for the Blind in the current year and the budget year.
- Adopted the following adjustments to maintain funding for personal services: a redirection of \$4 million in Vocational Rehabilitation program costs, a \$960,000 reduction in assistive technology grants, \$771,000 in program efficiencies, and \$2 million in a redirection of establishment grants. In addition, DOR plans to eliminate a contract with the Center for the Partially Sighted and instead support the Center's delivery of Vocational Rehabilitation services through a case services contract.

5170 STATE INDEPENDENT LIVING COUNCIL

- Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Adopted the following May Revision changes regarding the California Child Support Automation System: (1) a \$27.3 million (\$6.2 million General Fund) augmentation to support CCSAS activities; (2) Budget Bill language that would allow the Department of Finance to augment funding for the CCSAS Project and State Disbursement Unit, if needed to achieve federal certification; and (3) Budget Bill language to reappropriate prior-year funds for county conversions to reflect changes in the project schedule.
- Eliminated the proposed \$220 million for payment of the alternative federal penalty in the budget year, as the federal government will allow California to pay the penalty in the following fiscal year. Rejected the proposed legislation to require a county share of the federal penalty.
- Maintained the current policy of distributing child support collections made on behalf of families receiving public assistance to the federal, state and county governments based on their share of funding for assistance programs. The Senate action to reject the proposed elimination of the county share of child support collections will reduce General Fund revenues in the budget year by \$35.9 million.

5180 DEPARTMENT OF SOCIAL SERVICES**In-Home Supportive Services and SSI/SSP**

- Adopted the May Revision proposal to restore funding to the IHSS Residual program and assume an increase in federal funding for the program through the IHSS Plus Waiver, which California requested from the federal government in May. Adopted trailer bill legislation to implement the IHSS Waiver and facilitate the transition of consumers from the Residual program to the waiver. Retained the existing statutory framework for the Residual program.
- Rejected the Governor's proposal to eliminate state participation in IHSS provider wages and benefits above the minimum wage.
- Rejected the Governor's proposal to repeal the IHSS employer of record requirement, eliminate state funding for public authorities, and making the establishment of IHSS Advisory Committees optional for an increase in program costs of \$2.2 million General Fund.
- Adopted the May Revision funding restoration to maintain domestic services for consumers who reside with family members and rejected the proposed trailer bill legislation to eliminate the aforementioned services "to the extent permissible under federal law".
- Assumed \$19.6 million in net General Fund savings from implementation of quality assurance efforts. Adopted legislation to assure the appropriate statutory framework is in place to prevent fraud, protect consumer access to services, and achieve program integrity through activities that assure the level of IHSS services approved is based on the consumers' level of need.

- Rejected the Governor's proposal to withhold the federal SSI cost-of-living adjustment and suspend the state SSI/SSP cost-of-living adjustment in 2004-05.
- Rejected the Governor's proposed elimination of the California Veterans Cash Benefit Program at a \$4.2 million General Fund cost. The program provides cash assistance to Filipino World War II veterans who were receiving SSP in 1999 and who relocated to the Philippines.
- Adopted the May Revision rescission of enrollment caps and block grants for various human services programs that serve legal immigrants including the Cash Assistance Program for Immigrants, the California Food Assistance Program and CalWORKs.

CalWORKs and Food Programs

- Rejected the Governor's proposed grant reduction and suspension of the CalWORKs cost of living adjustment in 2004-05.
- Rejected the Governor's proposed CalWORKs reforms, which included safety net grant reductions, deeper grant reductions to families in sanction status, and more directive work requirements for CalWORKs participants.
- Restored \$100 million to fund CalWORKs administration and employment services activities.
- Adopted trailer bill legislation to reappropriate unspent CalWORKs administration, employment services and child care current year funds and reallocate the funding to counties for support of the CalWORKs program in the budget year.
- Rejected the Governor's proposed child care eligibility and reimbursement rate reforms at a cost to the CalWORKs program of \$28.8 million. Reduced the amount of TANF funds to support Stage 2 child care by \$42.3 million.
- Maintained the reduction to Tribal TANF funding to be implemented as an across the board reduction to all Tribal TANF programs. Adopted budget bill language to reappropriate \$15.5 million in unspent Tribal TANF funds to support the programs in the budget year.
- Adopted the May Revision proposal to transfer \$20 million in TANF funds to the Department of Health Services for support of Community Challenge Grant Program, which works to mitigate teen pregnancy and nonmarital births.
- Rejected the Governor's proposed TANF transfers to child welfare services, foster care and to the Department of Developmental Services, restored General Fund support to the affected programs and adopted Budget Bill language to prohibit transfer of TANF funds from the CalWORKs reserve to the Social Services block grant.
- Maintained Transitional Food Stamps benefits and recent eligibility reforms, which will extend food assistance to 81,000 low-income California households and will generate \$4.5 million in ongoing General Fund revenue (\$1 million net GF revenue increase in the budget year).

COMMUNITY CARE LICENSING

- Rejected proposed legislation to increase community care licensing fees, over three years, to replace General Fund support for the licensing program. Assumed \$5.8 million in increased fee revenue and adopted trailer bill legislation to adjust fees to realize the assumed level of revenue.
- Required that community care licensing fees be deposited into the Technical Assistance Fund to improve legislative oversight and assure that fee revenues are used for their intended purpose.
- Maintained a \$4.6 million (\$2.6 million GF) increase to support workload associated with criminal background checks and processing of subsequent arrest information. Approved requested funding increase to support conviction information processing, which may reduce workload associated with investigating arrest reports.
- Adopted trailer bill legislation to require the Health and Human Services Agency, to the extent feasible, to examine existing background check processing, develop alternatives to streamline and standardize background check processing, and to report at budget hearings.

AUTOMATION PROJECTS

- Reduced spending authority by \$15 million for the Child Welfare Services Case Management System (CWS/CMS) to minimize nonessential system changes, reduce project costs and to reflect elimination of the expanded adoption subsystem.
- Adopted Budget Bill language to establish specific deadlines and requirements relative to the CWS/CMS go-forward plan, and to allow the Department of Finance to augment DSS and HHSDC to transition the CWS/CMS hardware to the state.
- Adopted trailer bill legislation to specify what the new In-Home Supportive Services Case Management Information and Payrolling System must provide, including case management, payrolling and program management, and to require that procurement begin by August 2004.

CHILDREN AND YOUTH SERVICES

- Adopted a series of foster care reforms for savings of \$14.5 million. The reforms include: reducing the grants for nonrelated legal guardians appointed by the Probate Court to the CalWORKs grant level, eliminating the requirement that counties examine foster care eligibility on a semi annual basis, and eliminating the requirement that DSS reimburse small foster care providers for audit costs.
- Rejected a number of foster care reforms that were not expected to generate budget year savings. The reforms include: reducing the foster care grant for children placed with relatives

after four years of placement; various changes to the group home audit processes, and developing and implementing performance based contracting for foster care providers.

- Rejected the Governor's proposal to require a county-match of the Child Welfare Services Augmentation, which has been funded by the state since 1998 to address program under funding and provide workload relief. (\$17 million General Fund).
- Approved \$31.2 million (\$6.7 million General Fund) in increased funding to support program reforms and improvements to the child welfare services system, including implementation of the new CWS outcomes and accountability system, the state's program improvement plan and expanded child abuse prevention efforts.
- Adopted Budget Bill language to reappropriate unspent CWS Redesign funding to support various activities in the budget year. The reappropriation will support development and implementation of a standardized safety assessment system and differential response.
- Adopted a May Revision increase of \$25.8 million (\$3.8 million General Fund) to implement the *Rosales v. Thompson* court decision which expanded eligibility for federal foster care funding to thousands of low-income relatives caring for foster children.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Approved as budgeted.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved Control Section 6.60, which would allow state government workers' compensation savings, up to \$40 million, to augment funding for Employment Training Panel grants.
- Approved Finance Letter to add provisional budget language allowing the Employment Development Department to augment the Employment Development Contingent Fund appropriation in order to make interest payments on a federal Unemployment Fund loan.
- Approved Finance Letter that schedules Workforce Investment Act Discretionary Fund expenditures. Added a provision to specify that up to \$310,000 of the funds are to be used to support fire and fuel reduction training for California Conservation Corps members.
- Approved a \$20.8 million augmentation from the Employment Development Department Contingent Fund to offset a reduction in federal funds and maintain the current level of funding for Unemployment Insurance administration.
- Approved a \$12.6 million augmentation from the Benefit Audit Fund to offset a reduction in federal funds and maintain funding for UI benefit payment control activities at the current level.
- Approved a \$16.1 million augmentation from the Employment Development Department Contingent Fund to partially offset a loss in federal Act funds to the Job Service Program.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Eliminated the Industrial Welfare Commission to generate GF savings of \$235,000.
- Approved Finance Letter to augment \$20.1 million from the Workers' Compensation Administration Revolving Fund and add 249 new positions for workload related to Chapter 639, Statutes of 2003 (SB 228).

- Approved Finance Letter that provides authority for the Director of Finance to augment the Workers' Compensation Administration Revolving Fund for workload associated with Chapter 34, Statutes of 2004 (SB 899).

VETERANS AFFAIRS

0553 OFFICE OF INSPECTOR GENERAL FOR VETERANS AFFAIRS

- Approved as budgeted, which eliminates the Office of Inspector General.

8955-8966 DEPARTMENT OF VETERANS AFFAIRS AND VETERANS HOMES OF CALIFORNIA

- Approved Finance Letter to augment funding by \$2 million GF and decrease reimbursements by the same amount to better align the budget to actual reimbursements.
- Rejected Governor's Budget proposal to shift funds collected from members' estates from the Morale, Welfare and Recreation Fund to the GF for unreimbursed cost of care.
- Approved position reductions to generate GF savings of \$426,000, but shifted all of the reductions from the homes to the headquarters.

Senate Committee
on Budget and Fiscal Review

SUBCOMMITTEE No. 4

on

**Legislative, Executive, Judiciary,
Transportation and State Administration**

**MAJOR ACTION
REPORT**

May 28, 2004

Senate Bill 1095
2004-05 Budget Bill

Members

Joseph Dunn, Chair
Dick Ackerman
Denise Moreno Ducheny

Consultants

Brian Annis
Alex MacBain
Dave O'Toole

SUBCOMMITTEE No. 4

LEGISLATIVE, EXECUTIVE, JUDICIARY, TRANSPORTATION, and GENERAL GOVERNMENT

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TRANSPORTATION

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Transferred the \$1.089 million Film California First Fund balance to the GF.
- Approved Finance Letter to provide \$600,000 for the Film Permitting Online System.

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved Finance Letter to restore three positions originally proposed for elimination in the Governor's' Budget, but changed the designation of the positions from limited-term to permanent.
- Restored the Legislative Director position that was one of the five positions vacant on June 30, 2003, and eliminated.

2640 SPECIAL TRANSPORTATION PROGRAMS

- Approved Finance Letter to augment the Special Transportation Programs by \$15.9 million, based on higher revenue projections.

2660 DEPARTMENT OF TRANSPORTATION

- Approved additional appropriation authority of \$150 million federal funds and \$150 million State Highway Account with expenditure of the funds contingent on the receipt of increased federal funds. Revised the proposed language to specify the funds should support new State Highway Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) project allocations.
- Approved transfer of \$107 million in non-Article XIX revenue from the State Highway Account to the GF. Added provisional language that states no funds shall be transferred that would result in federal penalties.
- Approved an augmentation of \$173.4 million and 376 positions for the Capital Outlay Support Program. Increased state-staff resources and decreased contract-out resources such that the workload augmentation is equally split between the two.

- Approved position restorations to perform critical workload in the following programs: Toll Collections (\$318,000 and 7 positions); Traffic Operations (\$1.6 million and 18 positions); and Maintenance (\$6.8 million and 64 positions).

Budget Bill Language

1. Rejected the proposal to delete the Grant Anticipation Revenue Vehicles (GARVEE) bond appropriation. Approved a reporting requirement for any issuance of GARVEE bonds in excess of \$800 million.
2. Approved Control Section 16.00 to direct one-time tribal gaming revenue to the repayment of transportation loans.

Trailer Bill Language

1. Approved suspension of Proposition 42 in 2004-05 with a requirement that the suspension is a loan with repayment due in 2007-08.
2. Approved repayment of \$384 million in transportation loans. Approved amendments to allow the 2004-05 transfer of “Public Transportation Account spillover” revenue, up to \$140 million, to the Traffic Congestion Relief Fund as part of the \$384 million repayment of transportation loans.
3. Rejected language that would allow the Business, Transportation, and Housing Agency to prioritize future Traffic Congestion Relief Program project allocations without legislative approval.
4. Amended statute to require a long-range highway maintenance plan.

2665 HIGH SPEED RAIL AUTHORITY

- Approved as budgeted.

2720 CALIFORNIA HIGHWAY PATROL

- Augmented budget by \$28 million, in order for the California Highway Patrol to fill 270 vacant officer positions.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved Finance Letter to augment expenditure authority by \$16.1 million, in order to fill 400 vacant positions and reduce wait times at field offices.

STATE ADMINISTRATION

0840 STATE CONTROLLER'S OFFICE

- Increased funding by \$1.5 million (reimbursements), \$2.5 million (special funds), and 11 one-year limited-term positions for workload and information technology procurement for the Human Resource Management System—21st Century Project. This project will replace the State Controller's Office (SCO) employment history, payroll, leave accounting, and position control systems.
- Augmented the Unclaimed Property Program budget by \$329,000 GF and 5.9 permanent positions to process increased claims workload.
- Increased the State Disability Insurance (SDI) Program budget by \$614,000 GF and two one-year limited-term positions to modify the human resources and payroll systems for the SDI program.
- Approved a budget year request for \$985,000 (reimbursements) to continue California Automated Travel Expense Reimbursement System development.

0845 DEPARTMENT OF INSURANCE

- Transferred the balance of \$2.9 million (California Earthquake Recovery Fund) from the Earthquake Grants and Loans Program to the GF.
- Augmented by \$1.3 million (Insurance Fund) and 12 positions to investigate and prosecute health and disability insurance fraud.
- Increased funding for employee compensation costs for county investigators by \$987,000 (Insurance Fund).
- Distributed \$2.9 million (Insurance Fund) from the Fraud Automobile and Urban Grant Programs to local District Attorneys.

0860 BOARD OF EQUALIZATION

- Decreased salary savings by \$5.4 million GF and \$2.9 million (reimbursements) to fund 160 positions. This salary savings correction is estimated to generate \$8.4 million GF in revenues in the budget year and \$18.9 million GF ongoing.
- Appropriated \$4.9 million GF for an alternative cigarette tax stamp. The new stamp is estimated to generate \$5.2 million GF and \$28.2 million (special funds) annually.
- Increased funding by \$718,000 GF, \$345,000 (reimbursements) and \$144,000 (special funds) to begin the repair process for the exterior curtainwall of the BOE building in Sacramento.
- Adopted trailer bill language to close the “90-day loophole” used to evade paying sales tax on large purchases (e.g., yachts and aircraft). This action is estimated to save \$17 million GF in the budget year.
- Appropriated \$8.1 million (Cigarette and Tobacco Products Compliance Fund) to implement the Tobacco Licensing Act (Chapter 890, Statutes of 2003), which mandated that the BOE administer a statewide program to license businesses that distribute cigarettes and tobacco products. This program is estimated to generate annual revenues of between \$58 million and \$87 million (various funds).

0890 SECRETARY OF STATE

- Augmented the budget year appropriation by \$260 million (federal funds) and 15 positions to carry out provisions of the Help America Vote Act (HAVA). The Administration and Legislature will review the spending plan for these funds prior to their expenditure.

0954 SCHOLARSHARE INVESTMENT BOARD

- Adjusted the GF prior-year balance by \$40 million by adding prior-year funds previously encumbered for earned but unclaimed Governor’s Scholars awards.

0959 CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

- Approved a loan of \$3.5 million from the California Debt Limit Allocation Committee Fund to the GF, to be repaid in October 2006.

0968 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

- Approved a loan of \$35 million from the Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account to the GF, to be repaid in October 2006.
- Approved a loan of \$31 million from the Tax Credit Allocation Fee Account to the General Fund, to be repaid in October 2006.

1700 FAIR EMPLOYMENT AND HOUSING

- Approved Finance Letter to increase the federal appropriation by \$1.0 million to address an operating expenses and equipment funding shortfall.

1730 FRANCHISE TAX BOARD

- Rejected trailer bill language to impose a compliance audit fee on candidates and lobbyists at the time of filing statements with the Secretary of State. The fee would have reduced a transfer to the Franchise Tax Board (FTB) for this purpose of \$1.42 million GF.
- Rejected a proposal from the Legislative Analyst's Office to establish fees on six FTB services offered to the public. These fees would have generated approximately \$4 million GF annually.
- Augmented the FTB budget by \$10.2 million GF and 72 positions to carry out a tax amnesty program between February 1, 2005, to March 31, 2005. Anticipated budget year revenues from this amnesty are \$185 million GF.
- Increased prior-year revenue estimates by \$100 million GF to reflect updated revenue numbers from the Voluntary Compliance Initiative that occurred earlier this year.
- Increased the FTB's GF appropriation by \$4.3 million GF to provide funding for contracts with tax shelter experts and to backfill 42 audit positions that are being redirected by the FTB to work on abusive tax shelter cases. Estimated revenues are \$28 million GF in 2004-05.
- Augmented by \$17,473,000 (\$5.9 million GF and \$11.5 million Reimbursements) the FTB's budget to provide funding for nine positions and vendor payments in order to continue the development phase for the California Child Support Automation System (CCSAS) project.

- Approved an Administration request to increase the FTB's General Fund support item \$1.3 million GF and two limited-term positions to provide funding to defend a lawsuit filed by a taxpayer in the State of Nevada.
- Added 28.1 personnel-years and \$1.8 million GF for manual review of approximately 268,000 potential personal income tax nonfiler accounts. This review will enable the FTB to generate approximately \$63 million in new General Fund revenues beginning in 2007-08.
- Augmented the FTB budget by \$6.5 million (\$6 million GF) to provide maintenance and operations costs associated with the FTB's new state office building complex.
- Increased FTB funding by \$1 million GF to provide funding for increased computer processing capacity and memory.

1760 DEPARTMENT OF GENERAL SERVICES

- Approved a loan of \$35 million from the Public School Planning, Design, and Construction Review Revolving Fund to the General Fund, to be repaid in October 2005.
- Approved a loan of \$5 million from the Disability Access Account to the General Fund, to be repaid in October 2005.
- Decreased funding by \$2.4 million GF and 4.8 personnel-years to eliminate budget authority for the "eGovernment" initiative program that will be transferred to the Department of Personnel Administration.
- Added Budget Bill language to require a report to the Department of Finance and the Legislative Analyst's Office on the cost factors reflected in the statewide rental rates.
- Increased funding by \$7 million (\$4 million GF, \$3 million Service Revolving Fund) for ongoing Capitol security operations, maintenance, and enhancements.
- Increased support by \$4.8 million and 28.3 personnel-years to allow the DGS to operate and maintain the Caltrans District 7 (Los Angeles) office building.
- Increased support by \$7.4 million and 71.4 personnel-years to allow the DGS to operate and maintain the Franchise Tax Board headquarters building.
- Augmented DGS local assistance funding by \$3 million (State Emergency Telephone Number Account) to support deployment of enhanced wireless 911 telephone services.

1880 STATE PERSONNEL BOARD

- Rejected the Administration's proposal to make a \$600,000 GF reduction to staffing and operating expenses related to merit appeals, examination services, bilingual services, and information technology services.
- Approved the Administration's request to increase the State Personnel Board's main support item by \$549,000 (reimbursements) and 5.5 positions.

1900 PUBLIC EMPLOYEE RELATIONS BOARD

- Approved as budgeted.

1920 STATE TEACHER'S RETIREMENT SYSTEM

- Approved as budgeted.

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved Finance Letter to augment funding by \$496,000, special funds, and establish 10 new positions to perform licensing functions and reduce wait times.

Trailer Bill Language

1. Broadens the authority of Alcoholic Beverage Control to accept "petitions for an offer in compromise" and assess a fine in lieu of a suspension, which will provide an additional \$1.3 million in GF revenue.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Augmented \$679,000, special funds, and established 6.0 new positions to implement the Financial Information Privacy Act (SB 1, Chapter 241, Statutes of 2003). Added provisional language requiring a report on SB 1 implementation by January 10, 2006.

2180 DEPARTMENT OF CORPORATIONS

- Augmented \$932,000, special funds, and established 10.0 new positions to implement the Financial Information Privacy Act (SB 1, Chapter 241, Statutes of 2003). Added provisional language requiring a report on SB 1 implementation by January 10, 2006.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Transferred \$7.3 million School Facilities Fund balance to the GF.
- Augmented the Governor's Budget by \$1.3 million GF for the Emergency Housing and Assistance Program.

Trailer Bill Language

1. Adopts language to allow the use of \$1.4 million in bond funds to pay for repair, rehabilitation, and replacement of equipment at various state-owned migrant centers.
2. Adopts language authorizing a fee to reimburse the state for the cost of administering the Enterprise Zone Program.
3. Adopts language that clarifies and narrows the housing element mandate on local government, to reduce GF cost for the mandate.
4. Adopts language to limit future rent increases for residents of Office of Migrant Services facilities.

2320 DEPARTMENT OF REAL ESTATE

- Augmented \$775,000, special funds, and added 13 new positions to issue licenses and reduce wait times.

2780 STEPHEN P. TEALE DATA CENTER

- Added 10 positions that will be funded within existing resources.

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted.

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Approved Finance Letter to eliminate five positions for GF savings of \$259,000.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Amended a \$809,000 reduction to the FPPC's nonstatutory funding by adding back \$309,000 GF for legal council, political reform consultants, public outreach, local law enforcement activities, and other administrative activities.

8910 OFFICE OF ADMINISTRATIVE LAW

- Adopted a \$100,000 GF unallocated reduction.
- Rejected a proposed \$605,000 GF and seven-position increase for a two-year limited-term assignment to address increased Determinations and Regulations Compliance Program workload.

9210 LOCAL GOVERNMENT FINANCING

- Approved funding for \$200 million GF for the Citizen's Option for Public Safety (COPS) and the Juvenile Justice Grants programs.
- Adopted a \$1,000 "placeholder" appropriation for booking fee subventions to replace the Administration's \$38 million proposed reduction.
- Adopted a \$1.3 billion GF savings estimate for the budget year and following year. These savings will be created by reductions to city, county, special district, and redevelopment agency budgets.

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Adopted a \$1.6 million GF savings resulting from decreased dental premium costs.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved as budgeted in the Governor's January 10 budget.
- Kept open all May Revision proposed changes.

9916 REFORM OF REAL PROPERTY ASSET MANAGEMENT

- Added a new statewide budget item to implement a comprehensive review and reform of the state's asset management practices and structures. The subcommittee referred implementing trailer bill changes to policy committee. Anticipated savings in the budget year from this proposal are \$50 million GF.

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

- Adopted revised rates for the six retirement classes, pursuant to the PERS Board meeting on May 18.
- Approved the Governor's Budget proposal to sell Pension Obligation Bonds, with expected revenues from this sale of \$929 million GF in the budget year.

4.10 EMPLOYEE COMPENSATION SAVINGS

- Approved the Administration's request to conduct one-time statewide reductions to appropriations in order to generate \$150 million GF in budget year savings. Legislative intent language was adopted to resolve issues regarding the programs that will be reduced.

4.45 E-BUDGET

- Rejected the Administration's proposal to transfer appropriation authority for Governor's Budget printing from the Department of General Services to the Department of Finance.

5.50 CONTRACT SAVINGS

- Reversed projected ongoing savings of \$100 million, per the May Revise, that were built into the current-year budget. Savings were unachievable largely due to double counting by departments.

14.00 SPECIAL FUND LOANS: DEPARTMENT OF CONSUMER AFFAIRS

- Approved special fund loan authority for loans between Boards and Commissions in the Department of Consumer Affairs.

15.00 DATA CENTER CONSOLIDATION

- Approved authority for budget realignment related to consolidation of the state's data centers. The control section additionally provides for a \$3.5 million transfer from the Stephen P. Teale Data Center Revolving Fund to the GF.

16.00 TRIBAL GAMING REVENUE / REPAYMENT OF TRANSPORTATION LOANS

- Approved the use of one-time tribal gaming revenues to repay loans made from transportation accounts to the GF.

27.00 DEFICIENCY REPORTING REQUIREMENTS

- Deleted Control Section 27.00, which stipulates the procedures and requirements related to deficiency funding requests.

33.50 STRATEGIC SOURCING

- Adopted legislative intent language to permit the Administration to identify means to streamline procurement through “Strategic Sourcing.” The Administration will utilize a performance-based contract to identify a private entity to generate ongoing savings of \$96 million GF.

34.50 PUBLIC BENEFIT TRUST FUND

- Adopted legislative intent language to recognize revenues to be generated by the state taking 75 percent of the award in trials where punitive damages are assessed. The proposed trailer bill includes provisions to restrict liability and settlement amounts and will be reviewed by the policy committee. The Administration estimates \$450 million GF ongoing by establishing this transfer.

JUDICIARY

0250 JUDICIARY

- Approved the May Revise proposal to increase funding by \$4.3 million GF due to increases in judges' salaries and benefits, employee salaries, and increased costs of contract security services. Reduced the unallocated reduction from \$9.8 million to \$8.5 million, \$3 million of which is ongoing.
- Approved May Revise proposal to increase expenditures from the Trial Court Facilities Construction Fund by \$23.3 million and 65 positions to begin the transition of court facilities from counties to the state.

0280 COMMISSION ON JUDICIAL PERFORMANCE

- Approved as budgeted -- \$3.9 million.

0390 CONTRIBUTIONS TO JUDGES' RETIREMENT SYSTEM

- Approved expenditures of \$116.2 million GF, leaving a one-month reserve for the fund.

0450 STATE TRIAL COURT FUNDING

- Approved the May Revise proposal to increase funding to the Trial Court Trust Fund by \$99.1 million GF for existing costs that trial courts are experiencing. The proposal includes the following increases: \$23.1 million for court staff retirement, \$28.8 million for court security, \$27.6 million related to the judges' retirement system, \$11.5 million for nonsalary-driven benefit increases, \$9.6 million for salary and benefit contract costs, \$8.1 million for judges' salary and benefits, and \$1.5 million for county charges. The proposal also increases the unallocated reduction by \$11 million (from \$59 million to \$70 million), and makes \$20 million of the unallocated reduction ongoing.
- Rejected May Revise proposal to achieve \$6.4 million in GF savings through the implementation of electronic court recording. Adopted intent language for the Legislature to address the use of electronic reporting equipment in the trial courts.
- Rejected the May Revise proposal to achieve \$312,000 in GF savings through the elimination of the governmental exemption from civil court filing fees.

- Rejected the May Revise proposal to achieve \$372,000 in GF savings through reduction of the number of preemptory challenges in all cases.
- Rejected the May Revise proposal to achieve \$241,000 in GF savings through implementation of smaller jury panel sizes statewide.
- Rejected the May Revise proposal to achieve \$173,000 in GF savings by decreasing the jury size from 12 to 8 in limited civil cases.
- Rejected the May Revise proposal to achieve \$2.3 million in GF savings through elimination of juror pay for governmental employees.
- Rejected May Revise trailer bill language requiring the Judicial Council to establish a working group to review trial court collective bargaining issues. Adopted intent language to address the collective bargaining process in the trial courts.
- Approved a loan of \$30 million from the State Court Facilities Construction Fund to the GF.
- Adopted intent language to direct Judicial Council to work with the DOF and LAO to develop an improved court budgeting process.
- Adopted intent language to review the impacts of the new and increased filing fees and to consider recommendations for a statewide uniform fee structure.