



**2006-2007 STATE BUDGET ACT
FLOOR REPORT – AB 1801 & AB 1811/SB 1140**

JUNE 27, 2006

*John Laird, Chair
Assembly Budget Committee*

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OVERVIEW

Summary

Assembly Bill 1801 (Laird), as amended by AB 1811/SB 1440¹, and the accompanying trailer bills make up the budget package that is now before each house for final consideration.

In total, the final budget projects total General Fund resources of \$103.4 billion, General Fund expenditures of \$101.3 billion, and a total available General Fund reserve of \$2.0 billion.

Key elements of the final budget are as follows:

- ◆ **Repayment of General Fund Debts.** Repays about \$2.8 billion of General Fund debts. Among others, this includes additional repayments of the Economic Recovery Bonds (ERBs), a significant portion of the 2003-04 and the 2004-05 Proposition 42 suspensions, various special fund loans, local government and school mandates, and General Obligation debts.
- ◆ **Total Proposition 98 for K-12 Education.** Provides roughly the same level of K-12 Proposition 98 funding as proposed by the Governor in his May Revise, which is an increase of approximately \$1.8 billion in one-time funds and an increase of approximately \$800 million in ongoing funds. The amount of Proposition 98 funding for 2006-07 reflects what the minimum Proposition 98 funding level would be, if the state had funded education in 2004-05 at a level that was only \$2 billion less than the minimum.
- ◆ **Local Control of School Funds.** Provides a \$534 million block grant (25% to districts, 75% to school sites) rather than the Governor's proposal for the state to specify exactly how the funds are spent. Provides \$350 million for school district revenue limit equalization which provides local control for districts that benefit from the equalization formula, and provides a \$350 million increase for Economic Impact Aid program (50% increase), which provides local control on how to meet the education needs of poor and English learner students.
- ◆ **Access to Higher Education.** Provides a full buyout of fee increases to avoid fee increases UC and CSU and reduces Community College fees from \$26 to \$20 per

¹ As of this writing, it is not known whether AB 1811 or SB 1140 will be the vehicle for the Leadership changes to the AB 1801 Conference Report.

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unit beginning in the Spring 2007 semester. In addition, the budget provides an increase of \$29 million for Academic Preparation programs for the UC and CSU.

- ◆ **Foster Care.** Provides \$75 million to make critical improvements for the 70,000 young people in foster care in California.
- ◆ **Child Care.** Provides \$67 million to increase the income levels for subsidized child care eligibility. The income levels have been frozen since 2000 which has had the perverse affect of forcing working parents to either stay in very low paying jobs, turn down promotions, or return to the welfare roles in order to avoid losing critical child care services.
- ◆ **Parks Deferred Maintenance.** Provides \$250 million for deferred maintenance projects at state parks to be expended over a three year period. The current deferred maintenance debt stands at \$1 billion, and providing a significant investment in budget keeps this debt from increasing and placing an even greater burden on future budgets.
- ◆ **Aged, Blind, and Disabled.** Provides \$42 million to eliminate a three-month delay in the pass-through of federal cost of living increases to the poorest Californians under the SSI/SSP program.
- ◆ **Full Funding and Repayment of Proposition 42.** Provides over \$1.4 billion for the full Proposition 42 transfer for the budget year and \$1.4 billion to repay a significant amount of the 2003-04 and the 2004-05 Proposition 42 suspensions.
- ◆ **Rejects the Governor's Latest "Rip-off" Proposal of Transportation Funds.** Rejects the Governor's proposal to shift an additional \$343 million of sales tax on gasoline away from transportation for the benefit of the General Fund. Instead, the budget keeps these funds in transportation for local public transit agencies, the STIP, the High Speed Rail Authority, and farmworker transportation.

In summary, the final budget before the Legislature provides a prudent \$2 billion reserve, repays debts and makes responsible investments in education, higher education, health and human services, natural resources, and transportation.

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Summary of Charts

**2006-07 General Fund Condition Comparison
Adjusted May Revision vs. Final Budget
(in millions)**

	Adjusted May Revision	Final Budget
Beginning Resources	\$9,433	\$9,530
Revenues and Transfers	\$93,866	\$93,882
Total Resources	\$103,299	\$103,412
Expenditures	\$101,295	\$101,325
Fund Balance	\$2,004	\$2,087
Reserves:		
Liquidation of Encumbrances	(\$521)	(\$521)
Regular Reserve	\$1,483	\$1,566
Budget Stabilization Account	\$472	\$472
Final Reserve	\$1,955	\$2,038

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**2006-07 Adjusted May Revision and Final Budget
General Fund Expenditures
(in millions)**

Category	Adj. May Revision Amount	Adj. May Revision % of Total	Final Budget	Final Budget % of Total
Education (K-12)	\$40,679	40.1%	\$40,511	40.0%
Higher Education	\$11,279	11.1%	\$11,370	11.2%
Health and Human Services	\$29,221	28.9%	\$29,346	29.0%
Corrections and Rehabilitation	\$8,760	8.6%	\$8,751	8.6%
Business, Transportation and Housing	\$2,380	2.4%	\$3,030	3.0%
Legislative, Judicial, Executive	\$3,431	3.4%	\$3,429	3.4%
Resources	\$1,742	1.7%	\$1,828	1.8%
Environmental Protection	\$75	.1%	\$88	.1%
State and Consumer Services	\$571	.6%	\$577	.6%
Labor and Workforce Development	\$97	.1%	\$101	.1%
General Government/Other	\$3,059	3.0%	\$2,294	2.3%
Total	\$101,295	100%	\$101,325	100%

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**General Fund Summary – Final Budget
Current Year and Budget Year
(in millions)**

	2005-06	2006-07
Beginning Resources	\$9,512	\$9,530
Revenues and Transfers	\$92,749	\$93,882
Total Resources	\$102,260	\$103,412
Expenditures	\$92,730	\$101,325
Fund Balance	\$9,530	\$2,087
Reserves:		
Liquidation of Encumbrances	(\$521)	(\$521)
Regular Reserve	\$9,009	\$1,566
Budget Stabilization Account		\$472
Final Reserve	\$9,009	\$2,038

Section 1:
Health and Human Services

HEALTH

Department of Health Services

MAJOR ACTIONS

- ◆ **Poison Control Centers.** Denies additional funding for the Poison Control Program.
- ◆ **Trauma Center Network.** Appropriates \$10 million to be distributed to trauma centers on a competitive bid basis.
- ◆ **Children's Dental Disease Program.** Appropriates \$2 million to the Dental Disease Prevention Program \$4.4 million in the Education budget to increase the use of sealants and introduce the use of fluoride varnish to school children in low income families.
- ◆ **Aids Drug Assistance Program (ADAP).** Provides full funding of ADAP, as proposed in the May Revision.
- ◆ **HIV/AIDS Prevention and Education.** Provides \$5.6 million for the Prevention and Education Program to accommodate a reduction in funding to counties as a result of the state employing a formula which significantly redistributed funding to counties. The \$5.6 million would re-establish the 2002 level of funding in the recipient counties
- ◆ **IMPACT Project.** Provides \$3.5 million for the prostate cancer program for low-income men in the 2006-07 budget year.
- ◆ **Medi-Cal Managed Care.** Provides \$89 million Medi-Cal Managed Care, including: 1) \$78 million for six Medi-Cal Managed Care Plans, four County Organized Health Plans, one Geographic Managed Care plan and one Two Plan model county to raise the plans assets to 200 percent of their Tangible Net Equity. In addition, the Conference Committee appropriated an additional \$9.349 million and authorized the Department of Health Services to increase Managed Care rates on a one time basis after conducting an analysis of all financial stability of all Medi-Cal Health Plans.
- ◆ **PACE (Program of All-inclusive Care for the Elderly).** Appropriates \$4 million (\$2 million General Fund) for a reimbursement increase for PACE programs. The rate increase would establish a floor for PACE Programs which would be 90 percent of their Fee-For-Service Upper Payment limit.

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- ◆ **West Nile Virus.** Appropriates up to \$9 million for controlling of West Nile Virus through mosquito abatement.
- ◆ **Valley Fever.** Appropriates up to \$1 million for the Department of Health Services to contract or enter into an interagency agreement to mitigate the effects of Valley Fever, including research and development activities for a vaccine.
- ◆ **Managing Antivirals.** Authorizes the state to purchase both Tamiflu and Relanza for use in the treatment of Pandemic Influenza.
- ◆ **Certified Application Assisters.** Provides a \$10 increase in the certified application assisters in the Healthy Families and Medi-Cal Programs. The \$10 increase in the reimbursements will be only for those applications that are filed electronically. Otherwise the certified application assisters that file by non-electronic means will continue to receive \$50 for each application that is filed.
- ◆ **Licensing and Certification.** Adopts the administration's proposal to shift all licensing and certification activities to fees from the General Fund and adds 141 staff to more closely monitor the institutional providers. The fees are established in the Omnibus Health Trailer Bill for the 2006-2007 Fiscal Year and each year thereafter the Department of Health Services is required to publish a list of the fees for institutional and non-institutional providers. The Licensing and Certification functions would be funded with fees and a small amount of General Fund.
- ◆ **Preparation and Response to Pandemic Influenza.** Provides funding to the Department of Health Services for use in preparing and responding to a pandemic influenza.
- ◆ **Alzheimer's Research.** Augments the current appropriation of \$4.9 million with an additional \$2 million.
- ◆ **Genetic Disease.** Increases the appropriation in the Genetic Disease to reflect revised caseload in the Newborn and Prenatal Screening programs.
- ◆ **Cystic Fibrosis and Biotinidase.** Authorizes the Newborn Screening Program to commence testing for Cystic Fibrosis and Biotinidase and raises fees by \$17.75 per test.

Department of Developmental Services

MAJOR ACTIONS

- ◆ **Statewide Purchase of Services Standards.** Rejects the Governor's proposal for contracting for Statewide Purchase of Services Standards with each of the Regional Centers in the Regional Center System.
- ◆ **Rate Increase.** Provides \$67 million Total Funds for a 3 percent increase in reimbursement rates for a broad range of services.
- ◆ **Cost Containment.** Continues for the third year a variety of cost containment measures, with total annual savings of \$115 million.
- ◆ **Supported Employment Program and Wage Assistance Programs.** Provides \$30 million for an increase in the rates paid to programs and individuals in the programs.
- ◆ **Closure of Agnews Developmental Center.** Extends the closure date for Agnews by a year due to insufficient housing opportunities available to Agnews clients.
- ◆ **Self-Directed Services.** Expands the Self Directed Services program statewide and will eventually enroll over 10,000 Regional Center clients in the program. The expansion is dependent on the computer system being developed by the Department of Developmental Disabilities and the system is not yet functional so the program expansion will be slowed.

Department of Mental Health

MAJOR ACTIONS

- ◆ **AB 3632 Special Education Pupils Mandate.** Appropriates \$118 million for the continuation of the mandate on counties to provide mental health care services to special education pupils. The appropriation contains \$66 million for prior year claims and \$52 million for budget year claims.
- ◆ **Early and Periodic Screening, Diagnosis and Treatment Program.** Provides a process for resolving concerns about the use of an extrapolation methodology in conducting audits on community-based providers furnishing services to children in the program. The Department of Mental Health will employ a statistician to develop a statistical model for the extrapolation.

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- ◆ **Proposition 63.** Provides for the continued implementation of the Mental Health Services Act.
- ◆ **Coalinga State Hospital.** Postpones the opening of the hospital as the difficulty in recruiting and retaining professionals continues.

Department of Developmental Services

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HUMAN SERVICES

Department of Social Services

Child Welfare and Foster Care

MAJOR ACTIONS

- ◆ **Foster Care Reform.** Increases funding for Foster Care and Child Welfare by \$75 million (General Fund) above the May Revision:
 - ◇ **Program Improvement and caseload reduction.** Increases funding by \$98 million (\$68 million General Fund) to improve the outcomes of foster youth.
 - ◇ **Kinship Care Parity.** Increases funding by \$8 million (General Fund) to provide kinship care providers a specialized care increment and clothing allowance that is currently only available in the Foster Care program. Extends eligibility for Kinship Care assistance to certain probation youth who have been living with a relative for at least 12 months.
 - ◇ **Housing for Emancipated Youth.** Increases funding for the Transitional Housing Placement Program (THPP) by \$4 million (General Fund) and adopts trailer bill language to eliminate the county share of cost for the program.
 - ◇ **Dependency Drug Courts.** Increases funding for Dependency Drug Courts by \$3 million (General Fund) above the May Revision level of \$2.1 million (General Fund), to expand Dependency Drug Courts to additional counties.
 - ◇ **Adoption of Hard to Place Youth.** Increases funding by \$4 million (General Fund) above the \$6.3 million (General Fund) in the Governor's Budget for efforts to help with the adoption of hard to place foster children.
 - ◇ **Higher Education for Foster Youth.** Increases funding by \$5.7 million (General Fund) to fund additional financial aid for foster youth attending two-year or four-year colleges under the Chafee Scholarship program. This increase should fully fund all eligible foster youth.

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- ◇ **Program Improvement Plans.** Approves \$1 million to expand the standardized safety assessment statewide. Transfers \$18 million in additional funding allocated in the May Revision for this purpose to Program Improvement effort.
- ◇ **IV-E Waiver.** Approves \$25.5 million (\$10 million General Fund) proposed in the May Revision for first year costs for counties that formally commit to participate in 2006-07 in the state's new Title IV-E Child Welfare Waiver Demonstration Project. This waiver proposal will test a "capped allocation" strategy that will block grant federal Title IV-E foster care funds for up to 20 participating counties. Also adopts language to allow these funds to be used for the CWS Outcome Improvement Project.
- ◇ **Social Worker Training.** Approves an increase of \$16.9 million (\$6 million General Fund) proposed in the May Revision for additional county social worker training stipulated under the statewide standardized core curriculum for all county child welfare workers.
- ◇ **Adoptions.** Approves \$12.2 million (\$7.1 million General Fund) proposed in the Governor's Budget to hire additional state and county adoptions caseworkers.
- ◇ **Kinship Support Services Program (KSSP).** Approves \$2.5 million (General Fund) proposed in the Governor's Budget to expand Kinship Support Services and allow all counties to apply for Kinship program funding.
- ◇ **Group Home Rate Flexibility.** Continues statutory rate flexibility from current year for an additional year.

CalWORKs

■ **MAJOR ACTIONS**

- ◆ **TANF Reauthorization.** Adopts a series of initiatives and reforms to address changes to CalWORKs required by the federal Deficit Reduction Act of 2005, including reinvestment of \$100 million in federal Temporary Assistance for Needy Families (TANF) funds back into CalWORKs to improve work participation rates and family outcomes. This action also includes reprioritization of \$158 million in existing CalWORKs funds to get more families engaged faster, prevent sanctions, and increase the state's investment in education, training, and child care:
- ◇ **Improving CalWORKs.** Provides \$90 million for counties to implement strategies to improve federal participation rates through employment services, engagement, and case management of clients. Activities could include intensive contact and home visits for families at risk of sanction (based on success shown in Los

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Angeles pilot), bridging activities for clients before or between other long-term activities, remedial education or skill building, rapid engagement immediately upon eligibility, and immediate initiation of program requirements.

- ◇ **CalWORKs Grant Savings.** Achieves \$17.2 million in CalWORKs grant savings as a result from additional participation and client earnings that result from the CalWORKs Improvement Program.
- ◇ **County Accountability.** Strengthens the 50 percent county share of the federal penalty by requiring counties to backfill their share of any penalty, adopt a new planning requirement to tie activities to outcome improvement, maintain the Pay for Performance program, and require quarterly publication of county outcome data.
- ◇ **CalWORKs in Community Colleges.** Provides \$9 million to increase work study slots at community colleges, which would increase access to jobs that are close to campus and that link the client's education, training, and employment in a way that is consistent with their Welfare-to-Work plan. Work study is real work that counts under federal law. This funding is matched with \$9 million in local community college funding.
- ◇ **End Durational Sanctions.** Discontinues state requirements that families sanctioned more than once must remain in sanction status for three or six months, regardless of whether they cure their sanction before the three or six month period has elapsed. This component directly addresses the need to improve client incentives, which have significant effect on the success of efforts to improve the program.
- ◇ **CalWORKs Homelessness Prevention and Engagement.** Redirects \$5 million from the proposed TANF Reauthorization reserve for CalWORKs Homelessness prevention and support to prevent housing instability as a barrier to participation.
- ◇ **Increase County Accountability.** Funds the Pay for Performance program at \$40 million annually (beginning in 2007-08), and clarifies the counties' responsibility for potential federal penalties.
- ◇ **Ensure Adequate Funding for Basic Operations.** Restores \$140 million for county CalWORKs programs to bring funding back to the actual 2004-05 spending level. Shifts TANF out of Child Welfare Services and Foster Care to restore county funding.
- ◇ **Realign Foster Care and Child Welfare Services Funding.** Funds \$100 million Foster Care and Child Welfare with the General Fund, rather than TANF.

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- ◇ **Pay for State Exempt Cases with State Funds.** Funds Exempt CalWORKs cases with non-MOE General Fund. Adopts trailer bill language to express Legislative intent that these cases remain a high priority for engagement. Uses other countable expenditures to meet the TANF Maintenance of Effort requirement.
- ◇ **CalWORKs Data and Reporting.** Includes the May Revision funding level of \$4 million to develop and use all data sources to better articulate best practices and areas of improvement. Efforts include a CalWORKs county Peer Review program and development of a Master Plan for CalWORKs data.
- ◇ **Plan for TANF Regulations.** Maintains \$15 million of the TANF Reauthorization reserve for automation and implementation activities related to pending June 30th federal regulations.
- ◇ **Employment Training Fund.** Shifts \$20 million in resources back to the Employment Training Panel.
- ◆ **Child Care Shift.** Rejects the Governor's Budget proposal to reduce current year funding for CalWORKs child care by \$114 million TANF/MOE.
- ◆ **Caseload Savings.** Approves \$24 million TANF/MOE savings for an LAO-identified CalWORKs caseload adjustment.
- ◆ **Estimate Adjustments.** Approves the May Revision increase of \$15.6 million TANF to reflect a reduction in savings associated with the 2004-05, SB 1104 welfare reform efforts. Also provides an additional \$5 million TANF to reflect a more conservative savings estimate of SB 1104 welfare reform efforts.
- ◆ **Indian Health Clinics.** Increases funding by \$600,000 (General Fund) for substance abuse treatment services provided by Indian Health Clinics.
- ◆ **Cost of Doing Business.** Rejects the Governor's Budget proposal to statutorily freeze county funding to operate health and human services programs, and instead adopts trailer bill language to reestablish a methodology to survey actual costs, and require future budget documents to document the degree to which those costs are reflected in the budget.
- ◆ **Tribal TANF.** Adopts Trailer Bill Language to change the allocation process for funding Tribal TANF.

In Home Supportive Services

MAJOR ACTIONS

- ◆ **Share of Cost.** Approves \$41.2 million (General Fund) to apply Medi-Cal share of cost rules to IHSS consumers. Due to the federal IHSS Plus waiver, IHSS consumers must meet Medi-Cal eligibility guidelines, which in some cases results in a higher share of cost to be funded by the state.
- ◆ **Quality Assurance.** Approves \$434.5 million (\$141.2 million General Fund) savings to reflect the IHSS Quality Assurance efforts to improve the consistency of IHSS, prevent fraud, and protect consumer access to services. Also adopted budget bill language to require the department to continue working with stakeholders during the ongoing implementation of Quality Assurance efforts.
- ◆ **Direct Deposit.** Redirects \$512,000 (\$256,000 General Fund) to fund programming changes to implement direct deposit functionality for IHSS providers.

Food Programs

MAJOR ACTIONS

- ◆ **Providing Food Banks with Fresh Fruits and Vegetables.** Provides \$1 million to acquire up to an additional 16 million pounds of fresh fruit and produce for food banks throughout California.

SSI/SSP

MAJOR ACTIONS

- ◆ **Federal COLA pass through.** Provides \$45 million for the pass-through of the 2.3 percent federal Cost of Living Adjustment for the SSI portion of the SSI/SSP program on January 1, 2007. The May Revision proposed to delay the COLA until April 1, 2007 in accordance with the current year budget agreement. Over 1.2 million individuals will receive an increase in their grant levels from this COLA.
- ◆ **CAPI.** Rejects the Governor's proposal to extend the Cash Assistance Program for Immigrants (CAPI) sponsor deeming period from 10 to 15 years, and restored \$12.5 million (General Fund).
- ◆ **Federal Deficit Reduction Act Changes.** Approves savings of \$20.9 million (General Fund) in SSI/SSP to reflect quarterly retroactive benefit payments and

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more frequent eligibility redeterminations, as required by the federal Deficit Reduction Act of 2005. Most of this savings will be one-time.

Child Care and Development

■ **MAJOR ACTIONS**

- ◆ **Income Eligibility.** Increases the child care income eligibility ceiling to reflect 75 percent of current State Median Income. The Budget also includes \$67 million for Stage 2 and 3 Child Care programs to offset costs associated with increasing income eligibility.
- ◆ **Regional Market Rate.** Adopts Trailer Bill Language requiring CDE to implement new county-based regional market rates within 90 days of enactment of the budget. The Trailer Bill Language also expresses the intent of the Legislature to fully-fund CalWORKS Stage 3 Child Care programs.
- ◆ **In-and-Out of Market Rates.** Adopts language to designate the rate setting process CDE uses to pay for child care vouchers. The proposed language addresses a long standing concern regarding the way certain providers that serve mostly vouchered families would be reimbursed while also protecting the privacy of families that receive care outside of the state system.
- ◆ **Standard Reimbursement Rate Increase.** Increases the Standard Reimburse Rate for center-based child care by shifting funding allocated for growth into the rate increase.
- ◆ **CARES Training.** Adopts trailer bill language to extend the sunset date, by three years, on a statutory program which allows LA County to use its CARES allocation for family child care homes.

Community Care Licensing

■ **MAJOR ACTIONS**

- ◆ **Increased Visit Frequency.** Adopts trailer bill language to clarify that the department shall conduct unannounced visits to at least 20 percent of facilities per year.
- ◆ **Community Care Licensing Reform.** Approves \$6.7 million (\$6 million General Fund) and 80 new positions for Community Care Licensing (CCL) to complete required licensing workload and increase visits to facilities.

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- ◆ **Making Compliance Data Public.** Adopts 3.0 positions and \$366,000 (General Fund) to begin providing CCL facility compliance information on the internet.
- ◆ **Fingerprinting fee for small child care providers.** Suspends a program that pays the fees the FBI and Department of Justice charge for fingerprinting as part of the Community Care Licensing process for small child care providers.

Department of Child Support Services

■ **MAJOR ACTIONS**

- ◆ **Federal Automation Penalty.** Includes \$220 million General Fund to pay the federal Child Support Automation Penalty. Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support. The Department indicates that this penalty payment in 2006-07 is anticipated to be the last penalty payment required, as CCSAS is anticipated to be sufficiently operational by October 2006 to avoid further penalty assessments.
- ◆ **Child Support County Funding.** Adds \$12 million (\$4 million General Fund) to establish the Child Support Enhancement Fund to provide funding to local child support agencies (LCSAs) for collection enhancement activities. The Fund would be credited with a portion of the increased collections and federal performance incentives that result from the new efforts.
- ◆ **CCSAS and SDU Costs.** Approves \$274 million (\$94 million General Fund) for the continued development of the California Child Support Automation System (CCSAS). In addition to the Child Support Enforcement (CSE) and the State Disbursement Unit (SDU) components, funding and positions would also be provided in 2006-07 for a statewide Customer Service Support Center and a Centralized Financial Management Team to respond to telephone inquiries and resolve exceptions for non-assistance child support cases that will be added to the SDU as it becomes operational.
- ◆ **Date of Collection.** Approves \$28.5 million (\$25.5 million General Fund) to resolve an issue with creation of arrears (outstanding child support obligations) due to a payment processing change implemented by the state in the development of CCSAS.
- ◆ **Compromise of Arrears Program.** Approves \$608,000 (\$207,000 General Fund) to maintain 7.5 of 9.0 expiring limited-term positions for the Compromise of Arrears Program (COAP). This program accepts reduced lump sum settlements from non-

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custodial parents with arrearages in exchange for their commitment to make ongoing payments.

Department of Aging

■ **MAJOR ACTIONS**

- ◆ **Multipurpose Senior Services Program (MSSP).** Increases funding for the Multipurpose Senior Services Program (MSSP) by \$6 million (\$3 million General Fund). In addition, to align MSSP program management and funding, consolidates all funding for MSSP in the Department of Aging (shifted existing MSSP funding from the Department of Health Services to the Department of Aging).

Dept. of Community Services & Development

■ **MAJOR ACTIONS**

- ◆ **Naturalization Services Program.** Appropriates \$3 million to conduct citizenship training through community-based nonprofits. Also adopts Trailer Bill Language to codify the existing program.

Department of Alcohol and Drug Programs

■ **MAJOR ACTIONS**

- ◆ **Proposition 36.** Provides \$120 million of support for the Substance Abuse and Crime Prevention Act (Proposition 36) and adopts Trailer Bill Language that makes programmatic changes to the program.
- ◆ **Substance Abuse Offender Treatment Program.** Creates a new program to match county expenditures related to Proposition 36. The State will provide a 90 percent match for certain treatment expenditures (such as residential drug treatment and methadone), drug testing, and probation costs, for up to \$25 million General Fund.
- ◆ **Methamphetamine Prevention.** Includes \$10 million to establish a methamphetamine prevention program, including a public education and awareness campaign, grants to local collaboratives, state technical assistance and training, and establishment of a statewide task force. Also requires DADP to report on its methamphetamine prevention efforts.

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- ◆ **Drug Medi-Cal rate restoration.** Provides \$4.6 million (\$2.3 million General Fund) to fully restore the 2004-2005 Drug Medi-Cal rate roll back.
- ◆ **Adult Drug Courts:** Provides \$4 million to expand the Adult Felony Drug Court program.
- ◆ **Dependency Drug Courts.** Increases funding for Dependency Drug Courts by \$3 million (General Fund) above the May Revision level of \$2.1 million (General Fund), to expand Dependency Drug Courts to additional counties.
- ◆ **Lawsuit Settlements.** Approves \$5.3 million (\$2.7 million General Fund) and 4.0 two-year limited term positions to comply with the *Conlan v. Bontá* and *Conlan v. Shewry* lawsuits.
- ◆ **Licensing Changes.** Approves \$782,000 (\$578,000 General Fund) and 6.5 positions to improve the licensing and certification of alcohol and drug treatment programs in the state. Approves trailer bill language to require biennial reviews of outpatient-only facilities. Rejects 1.0 positions and trailer bill language which would have expanded the ability of the department to revoke or suspend licenses.
- ◆ **Drug Medi-Cal Fraud.** Approves \$286,000 (\$143,000 General Fund) and 3.0 positions to establish a Drug Medi-Cal fraud deterrence program.

Section 2:

Education Finance

K-12 EDUCATION

Department of Education

MAJOR ACTIONS

- ◆ **Total Proposition 98 for K-12 Education.** Provides roughly the same level of K-12 Proposition 98 funding as proposed by the Governor in his May Revise, which is an increase of approximately \$1.8 billion in one-time funds and an increase of approximately \$800 million in ongoing funds. The amount of Proposition 98 funding for 2006-07 reflects what the minimum Proposition 98 funding level would be, if the state had funded education in 2004-05 at a level that was only \$2 billion less than the minimum.²
- ◆ **COLA Increase.** Provides an additional \$355 million to increase the COLA for K-12 programs, from 5.18% to 5.92%, as proposed in the Governor's May Revise.
- ◆ **Paying Off the State's Mandate Debt to K-12 Schools.** Provides a total of \$927 million in one-time funds to pay off the amount the state owes school districts and county offices of education for their prior-year mandate claims. Mandate claims have accumulated over the past few years, due to the fact that the state has deferred payment on them because of the state's fiscal crisis. The budget also provides \$30 million in one-time funds to partially cover the costs of 2006-07 mandate claims.
- ◆ **New one-time block grant for schoolsites and school districts.** Redirects \$534 million in one-time funding from various May Revise proposals into a mega-block grant to schoolsites and districts for one-time expenses. Of this amount, \$400 million (75% of the total) will be distributed to schoolsites, including charter schools and alternative schools, based on their enrollment, to be spent on schoolsite uses, as determined by the school site council. The local uses for the funds may include, but would be limited to the following uses³: instructional materials, classroom and lab supplies, school and classroom library materials, education technology, deferred maintenance, professional development and efforts to close the achievement gap.

² In 2004-5, the state suspended the constitutional requirement that a certain amount of state funds go to education, and approved intent language that the level of savings from this suspension be limited to \$2 billion. However, when state funds increased beyond expectations, the amount of savings also increased beyond the expected \$2 billion, leading to claims from advocates that the state has broken its deal to keep the 2004-05 suspension to \$2 billion.

³ The majority of the uses listed here were expenditure priorities expressed by the Governor in his May Revise proposals to set aside specific defined pots of money that were restricted to certain expenditures.

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Of the \$534 million total, \$133 million (25% of the total) goes to school districts based on their enrollment, including enrollment in adult education and regional occupational centers and programs. Options for the districts funds would include all the uses listed above, plus fiscal solvency and home-to-school transportation.

- ◆ **Paying off deficit factor.** Provides a \$308.6 million increase in discretionary funds to school districts and county offices of education in the form of an increase to their base revenue limits. This funding was proposed by the Governor's May Revise and adopted by the subcommittee, and is distributed on an equal percentage basis to each district and county office of education. The increase fully restores a COLA to revenue limits that was denied in the 2003-04 fiscal year, due to budget constraints.
- ◆ **Revenue limit equalization.** Provides a \$350 million increase in discretionary funds to school districts in the form of equalization of the rates (revenue limits) used to distribute discretionary funds. This funding level was proposed by the Governor's May Revise and adopted by the subcommittee. This funding is distributed in different amounts to school districts based on the distance between each district's revenue limit and the statewide equalization target. The formula for distributing these funds would be the same as that used in prior years.
- ◆ **Additional flexible funding for poor students and English learners (Economic Impact Aid).** Provides \$350 million in ongoing funds for a 50% increase to the Economic Impact Aid program, which directs supplemental funds to districts to address the learning needs of economically disadvantaged students and English learners. Funding for the program is distributed namely based on the number of economically disadvantaged students and English learners, along with other factors. The funding corresponds to a recommendation by the Assembly Education Committee Working Group on Education Finance. This increase is accompanied by a change in the formula for distributing the funds. The formula changes hold districts harmless from any loss in funds as a result of the change, and generally simplify the calculations used to determine districts' grant levels. The formula changes also include update the data used for identifying poor students, by replacing the current use of CalWORKs data with Title I eligible students.
- ◆ **Additional counseling services for students in grades 7-12.** Provides \$200 million in ongoing funds for a new block grant to support additional counseling services for students in grades 7-12. As a condition of receiving these funds, participating districts must do the following:
 - Give priority in receipt of the additional counseling services to students who have not passed the California High School Exit Exam (CAHSEE), are at risk of not passing the CAHSEE, or risk not graduating due to insufficient credits.
 - Hold a meeting between a counselor, the student and the student's parents for the following types of students at risk of not graduating: 7th

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graders who score below basic on the California Standards Test, 10th graders who fail the CAHSEE on their first try, and 12th graders who have not yet passed the CAHSEE. The meeting must identify coursework designed to help students meet state standards, pass the CAHSEE and obtain sufficient credits to graduate, and this information must be included in the identified students' files as they move from grade level to grade level.

- ◆ **Arts and Music.** Provides \$105 million in ongoing funds for a new block grant to districts to support standards-aligned arts and music instruction in grades K-12. This is similar to the Governor's budget proposal, but at a lower funding level than he proposed. Participating districts can use the funds for hiring of additional staff, purchase of new materials, books, supplies and equipment, and implementing or increasing staff development opportunities.
- ◆ **Preschool.** Provides the following augmentations to expand state preschool programs:
 - \$50 million in ongoing funds to expand the state preschool system, contingent upon legislation that must be approved this session.
 - \$50 million in one-time funds for preschool facilities, for the renovation of existing facilities, or the purchase of new ones, related to the above augmentation.
- ◆ **Physical Education Teachers for Grades K-8.** Provides \$40 million in ongoing funds for new incentive grants to support the hiring of credentialed physical education teachers in grades K-8. Funds will be allocated in the amount of \$35,000 per schoolsite, and grant recipients are to randomly selected.
- ◆ **One-time block grant for Arts, Music and Physical Education Supplies.** Provides \$500 million in one-time funds for districts to purchase arts, music and physical education supplies. This combines several proposals by the Governor's May Revise to earmark specific pots of money for these purposes.
- ◆ **One-Time Block Grant for Libraries, Education Technology and Instructional Materials.** Provides \$100 million in one-time funds for a block grant that districts can use to purchase any of the following uses, according to local needs: library materials, education technology equipment or one-time supports and instructional materials.
- ◆ **Teacher Recruitment and Retention.** Provides \$50 million in one-time funds for a teacher recruitment and retention block grant to the lowest-performing 30% of schools, to help them attract and retain credentialed teachers. Eligible schools can use the funds for the following purposes, including but not limited to:

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assuring a safe, clean school environment, providing support services for students and teachers, activities focused on the recruitment and retention of highly qualified teachers, small group instruction, and providing time for teachers and principals to collaborate. This is very similar to a proposal adopted in last year's budget.

- ◆ **Augmentations to help students pass the California High School Exit Exam.** Provides the following augmentations to help students pass the California High School Exit Exam, which is now a requirement in order to receive a high school diploma:
 - ◇ \$49 million above last year's funding level for a supplemental instruction program designed to assist 12th graders who have not yet passed the California High School Exit Exam (CAHSEE), for a total funding level of \$69 million. The program was created last year in response to concerns that up to 10% of students in the class of 2006 may not pass the CAHSEE, passage of which is now a requirement in order to receive a diploma, beginning with the class of 2006. The program is intended to provide \$500 for each 12th grader that had not passed the CAHSEE by the end of 11th grade. The funding level is intended to cover all eligible 12th graders at the \$500 per-pupil level, with any remaining funds going to help 11th graders who have not yet passed.
 - ◇ \$5.1 million to pay for two additional administrations of the CAHSEE, to give students who have not yet passed extra opportunities to take the exam.
 - ◇ \$5.5 million in one-time funds for districts to purchase state-approved individual intervention materials for students who have failed the CAHSEE.

- ◆ **Professional development for teachers of English learners.** Provides an increase of \$25 million to expand existing professional development programs to better serve the needs of teachers of English learners. This funding is pursuant to legislation that improves the existing Math and Reading Professional Development Program to better meet the needs of these teachers. This funding is in response to research findings in which teachers report receiving very little professional development specifically designed to address the special learning needs of English learners. This funding corresponds to a recommendation by the Assembly Education Committee Working Group on English Learners.

- ◆ **Research on best practices for English learners.** Provides \$20 million in one-time funds for incentive grants to districts that agree to participate in a multi-year statewide research pilot program to identify best practices to improve the academic skills and English language development of English learners. This funding

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corresponds to a recommendation by the Assembly Education Committee Working Group on English Learners.

- ◆ **Supplemental instructional materials for English learners.** Provides \$30 million in one-time funds for districts to purchase off-the-shelf supplemental instructional materials that help English learners learn English, so that they can better benefit from the state-approved instructional materials. This funding was proposed by the Governor's May Revise. The budget also includes state operations funding for CDE to administer this funding.
- ◆ **High Priority Schools.** Provides an increase of \$200 million for the expansion of the High Priority School grant program, as proposed by the Governor's January 10 budget. The program provides limited-term grants of \$400 per pupil to the lowest-performing 20% of schools, to assist these schools in improving their performance.
- ◆ **Teacher recruitment.** Provides the following augmentations to improve the recruitment of credentialed teachers and address critical shortages in certain parts of the state:
 - ◇ \$11.2 million for a new teacher mentoring program, pursuant to legislation enacted during the 2005-06 legislative session.
 - ◇ \$6.8 million pursuant to legislation that contains various changes in state law to increase the supply of credentialed teachers.
 - ◇ \$3 million in one-time funds for state level teacher recruitment personnel teams that provide assistance to individual districts that need to improve their hiring and recruitment processes.
- ◆ **School Meal Reimbursement Increase.** Provides \$37.8 million to increase by 7 cents the amount of the state supplement for federal free and reduced-priced meals. This augmentation addresses a concern that the value of the state supplement has decreased over time, since the state has not raised the amount of the supplement to keep up with inflation.
- ◆ **Healthy Start.** Provides \$10 million in one-time funds to revive the Healthy Start program, which provides 3-4 year grants to school districts to set up school-based health programs. The Governor proposed this funding in the May Revision and it was adopted by the subcommittee. The budget includes a corresponding increase in state operations for this program, as proposed by the May Revise.
- ◆ **Statewide longitudinal student data system (CALPADS/ CSIS).** Provides the following augmentations to accelerate and facilitate the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS), the state's longitudinal student data system:

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- ◇ \$30 million (combination of one-time Proposition 98 funds and Educational Telecommunications Funds) to help ensure that districts are technology-ready once CALPADS is ready for operation. Specifically, the \$30 million is for a new "CSIS-light" proposal for districts not currently participating in the California School Information Services (CSIS) project, as proposed in the May Revise. The proposal would provide these schools with the opportunity to participate in a less intensive version of CSIS to provide them with the main improvements in information technology systems that are usually associated with CSIS. This initiative was developed by the administration in consultation with the California Department of Education and the Legislative Analyst's Office.
 - ◇ \$1 million for additional personnel to support the implementation of this "CSIS light" initiative.
 - ◇ \$533,000 in one-time funds for purchase of equipment related to the "CSIS light" initiative.
- ◆ **Federal Reading First funds.** Provides a total of \$159 million in federal Reading First funds to continue an existing professional development program, including \$12 million in carryover to expand the program to currently unfunded schools in participating districts, as proposed by the Governor's May Revise, and \$3 million in carryover to expand the program to currently unfunded districts.
 - ◆ **Federal carryover for existing programs.** Rejects the Governor's proposal to redirect federal one-time carryover from four different programs to a new program to help program improvement schools. The budget redirects the funding back to the existing federal programs: the federal Migrant Education program, the federal Comprehensive School Reform program, federal Title I and the federal Title I set-aside for program improvement schools and districts.
 - ◆ **High Speed Network.** Approves \$4 million in one-time Proposition 98 funds to supplement existing reserves that the project has from prior-year appropriations, for a total expenditure authority of \$15.6 million to support the K-12 costs of this statewide high-speed internet network, which serves the K-12 education community as well as state higher education institutions. The budget also includes a control section that addresses concerns raised by a recent audit of the program.
 - ◆ **Funding for Emergency School Repairs Per Last Year's Williams Settlement.** Provides a total increase of \$137 million in one-time Proposition 98 reversion account funds for the emergency facility repairs for the state's lowest performing schools, as proposed by the Governor, and in compliance with the Elizer Williams v. State of California lawsuit settlement of two years ago, which requires that half of all funds in the Proposition 98 reversion account go toward this fund.
 - ◆ **Charter schools.** Provides an increase of \$33 million in funding for the charter school categorical block grant, which is intended to provide charter schools with an

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amount of categorical funding similar to what non-charter schools receive. This augmentation funds an increase in the funding rate, as required by Chapter 359, Statutes of 2005 (AB 740 (Huff)), which included reforms to the formula for calculating the categorical block grant. The legislation establishes targets for increasing the rate to \$400 per charter school ADA in 2006-07, and to \$500 per charter school ADA in 2007-08. The \$36 million increase meets the legislative target of \$400 per charter school ADA. In addition, the budget continues \$9 million in one-time funds for the Charter School Facility Grants Program, which provides funding to charter schools in low-income areas, to pay for leasing costs when these charter schools are unable to secure non-leased buildings.

- ◆ **Career-Technical Education Equipment.** Provides \$40 million in one-time funds for school districts and regional occupational centers and programs to purchase supplies and equipment related to career-technical education courses and programs. Of this amount \$2.5 million is set aside for capacity-building incentive grants for grades 7-12 for health-related career pathway programs.
- ◆ **Parental visitation program.** Provides \$15 million in one-time funds for an existing parental visitation program for which funding was reduced in recent years. The program is intended to improve parental involvement by having teachers and district staff visit parents at their homes, as well as other activities intended to increase parents' involvement in their students' schooling.
- ◆ **Fiscal Solvency Grants.** Provides \$10 million in one-time funds to support districts' costs of developing long-term plans to address unfunded liabilities related to retiree health benefits.
- ◆ **Oral Health Assessments.** Provides \$4.4 million in ongoing funds, pursuant to legislation regarding oral health assessments in schools.
- ◆ **Early Mental Health Initiative.** Provides \$5 million in one-time funds to provide new grants through the Early Mental Health Initiative program, which assists school districts in providing early mental health assistance to students who are at high-risk of having more serious problems later on.
- ◆ **Math Teacher Training Pilot.** Provides \$1.8 million in one-time funds for a new Mathematics Teacher Partnership Pilot Program, introduced by the Governor in his May Revise. The program involves selection of a consortia of county offices of education to establish the pilot, which is intended to increase the number of qualified secondary-level math teachers, improve the capacity of existing secondary-level teachers who teach math, and provide professional development for teachers in how to assist students who are struggling to pass the math portion of the CAHSEE.
- ◆ **Special Education-related augmentations.** Provides the following augmentations, in addition to the base funding level increases proposed by the Governor:

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- ◇ \$300,000 for a study of existing funding adjustments that are intended to help offset the higher special education costs that some districts face as a result of having a higher-than-average proportion of high-cost special education students. The study is intended to develop a system for updating these adjustments on a regular basis. (The adjustments have not been updated in recent years due to a lack of data.)
- ◇ \$2 million increase to the extraordinary cost pool that provides relief to school districts that experience extraordinary high special education costs. This increase is linked to an expansion of the types of students that districts can access the extraordinary cost pool for, to include foster care children not residing in licensed children's institutes.
- ◆ **Study of School Assistance and Intervention Teams.** Provides \$500,000 in federal funds to study the effectiveness of School Assistance and Intervention Teams (SAIT teams) in improving school performance. SAIT teams are a central piece of the state's programs for holding schools accountable for student improvements. The study is intended to ensure that these teams are an effective tool for improving schools' performance.

Child Care and Development

■ **MAJOR ACTIONS**

- ◆ **Income Eligibility.** Increases the child care income eligibility ceiling to reflect 75 percent of current State Median Income. The Budget also includes \$67 million to offset costs associated with increasing income eligibility.
- ◆ **Regional Market Rate.** Adopts Trailer Bill Language requiring the California Department of Education (CDE) to implement new county-based regional market rates within 90 days of enactment of the budget. The Trailer Bill Language also expresses the intent of the Legislature to fully-fund CalWORKs Stage 3 Child Care programs.
- ◆ **In-and-Out of Market Rates.** Adopts language to designate the rate setting process CDE uses to pay for child care vouchers. The proposed language addresses a long standing concern regarding the way certain providers that serve mostly vouchered families would be reimbursed while also protecting the privacy of families that receive care outside of the state system.
- ◆ **Standard Reimbursement Rate Increase.** Increases the Standard Reimbursement Rate for center-based child care by shifting funding allocated for growth into the rate increase.

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- ◆ **CARES Training.** Adopts trailer bill language to extend the sunset date, by three years, on a statutory program which allows LA County to use its CARES allocation for family child care homes.

After School

- ◆ **After School Administration.** Adds 9 positions for the Department of Education to administer both the State and federally funded after school programs.

HIGHER EDUCATION

California State Library

MAJOR ACTIONS

- ◆ **Public Library Foundation (PLF).** Approves the Governor's May Revision proposal to increase the PLF by \$7 million. With this increase, total funding for the PLF in 2006-07 will be \$21.3 million.
- ◆ **Transaction-Based Reimbursements.** Approves the proposal to provide \$7 million in funds to cover the costs for the Direct Loan and Inter-Library Loan Programs.

University of California (UC)

MAJOR ACTIONS

- ◆ **Enrollment Funding.** Provides \$50.9 million, or 2.5 percent, for enrollment growth, based on the new marginal cost methodology, to fund an additional 5,149 full-time equivalent students (FTES).
- ◆ **Base Budget Increase.** Provides an \$80.5 million increase, or 3 percent, to the basic support budget.
- ◆ **Student Fee "Buy Out".** Approves \$75 million to buy out the Compact proposed and Board of Regents approved student fee increase for all students. All fees will remain at current year levels.
- ◆ **Institutional Financial Aid.** Approves increases to the student fee revenue set-aside for financial aid from 25 percent to 30 percent for undergraduate students and from 50 percent to 45 percent for graduate students. This is equivalent to an average of a 33 percent return-to-aid.
- ◆ **UC Merced.** Approves a continuation of a \$14 million in one-time funds for the costs associated with the UC Merced campus including support for faculty salaries

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and recruitment, instructional technology, library materials, student services and operational support.

- ◆ **Entry-Level Master's Nursing Program.** Approves \$1.7 million to continue funding for the expansion of entry-level master's nursing programs.
- ◆ **Nursing Faculty Recruitment and Start-Up Costs.** Rejects the proposal to provide an additional \$1 million on a one-time basis for faculty recruitment and start-up costs associated with the expansion of undergraduate and graduate nursing programs.
- ◆ **Math and Science Initiative.** Approves an additional \$375,000 to complete the system-wide implementation of the math and science initiative.
- ◆ **Research Programs.** Increases research programs by \$11 million. Of this amount, \$6 million is for the restoration of funding for labor research and labor education throughout the system, \$4 million is an augmentation to Alcohol and Substance Abuse Research Programs, and \$1 million is an appropriation for obesity and diabetes research.
- ◆ **Academic Preparation Programs.** Restores funding of \$19.3 million for academic preparation programs. Total funding for academic preparation programs in 2006-07 will be \$31.3 million. This amount includes \$12 million in UC funds. The *2005-06 Budget Act* provided \$29.3 million for these programs. Of this amount, \$17.3 million were General Fund and \$12 million were UC funds.

California State University (CSU)

■ **MAJOR ACTIONS**

- ◆ **Enrollment Funding.** Provides a \$61.3 million increase, or 2.5 percent, for enrollment growth, based on the new marginal cost methodology, to fund an additional 8,490 FTES.
- ◆ **Base Budget Increase.** Provides a 3 percent base budget increase of \$75.7 million for basic budget support.
- ◆ **Student Fee "Buy Out".** Approves \$54.4 million to buy out the Compact proposed and Board of Trustees approved student fee increase for all students. All fees will remain at current year levels.
- ◆ **Institutional Financial Aid.** Approves increase of student fee revenue set-aside for financial aid from 25 percent to 33 percent.

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- ◆ **Entry-Level Master's Nursing Program.** Approves \$1.7 million to continue funding for the expansion of entry-level master's nursing programs.
- ◆ **Nursing Faculty Recruitment and Start-Up Costs.** Approves \$2 million in one-time funds for faculty recruitment and start-up costs associated with the expansion of undergraduate and graduate nursing programs. Seventeen CSU campuses offer nursing education programs. The CSU has more capacity to expand these programs than the UC system, which only has undergraduate and graduate nursing programs at two campuses, UCLA and UCSF, and is working on establishing a new nursing program at another campus, UC Irvine.
- ◆ **Math and Science Initiative.** Approves an additional \$1.1 to complete the system-wide implementation of the math and science initiative.
- ◆ **Capitol Fellows Program.** Approves the Governor's 3 percent increase to the base, or \$84,000, and augments it by \$230,000 to support increasing costs due to fee increases and increases in benefits costs.
- ◆ **Academic Preparation Programs and Student Support Services Programs.** Restores funding of \$7 million in General Fund for academic preparation programs and student support services programs. Total funding for these programs in 2006-07 will be \$52 million. The *2005-06 Budget Act* provided \$52 million for these programs. Of this amount, \$7 million were General Fund and \$45 million were CSU funds.
- ◆ **Retirement Costs.** Approves \$22.5 million reduction to reflect revised retirement costs rates.

California Community Colleges (CCC)

■ **MAJOR ACTIONS**

Current Year:

- ◆ **General Purpose Block Grant.** Approves \$100 million in one-time funds for a general purpose block grant to be distributed on a FTES basis allowing colleges to address local priorities. Of this amount, \$22.3 million are from the Proposition 98 Reversion Account.
- ◆ **Deferred Maintenance and Instructional Equipment.** Provides \$94.1 million in one-time funds for deferred maintenance, instructional equipment and hazardous substance abatement.

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- ◆ **Career Technical Education Equipment/Facilities/Materials.** Approves \$40 million in one-time funds for career technical education equipment and associated facility reconfigurations.
- ◆ **Mandate Claims.** Approves \$15 million in one-time funds for payment of prior-year mandate claims.
- ◆ **CCC Funding Formula Set-Aside.** Approves \$19.7 million in one-time funds for the implementation of a new funding formula contingent upon the enactment of legislation in the 2005-06 regular session.
- ◆ **Nursing Clinical and Faculty Registries.** Approves \$500,000 on a one-time basis to expand and establish Student Clinical Placement Registries and an online Faculty Registry.
- ◆ **Nursing Faculty Stipends.** Approves \$2.5 million in one-time funds to fund a new pilot grants program designed to recruit and retain nursing faculty. These grants will be allocated on a competitive basis to participating districts over a period of three years. A reporting requirement is included in the language for the system to provide information on the success of the program.

Budget Year:

- ◆ **Enrollment Growth.** Approves a \$94.6 million increase to fund a 2 percent enrollment growth to support an additional 22,145 full-time equivalent students.
- ◆ **Student Fee Reduction.** Approves reduction of the student fee from \$26 to \$20 per unit effective spring 2007 and backfills the \$40 million loss in student fee revenue.
- ◆ **General Purpose Cost-of-Living-Adjustment (COLA).** Approves an additional \$32.6 million to reflect an increase in the COLA factor from 5.18 percent to 5.92 percent. The total COLA funding for general purpose apportionments is \$297.2 million.
- ◆ **Growth and COLA for Categorical Programs.** Approves an additional \$2.2 million to reflect an increase in the COLA factor from 5.18 to 5.92 percent. The total COLA for selected categorical programs is \$23.1 million.
- ◆ **Noncredit Funding.** Provides \$30 million in ongoing funds to increase the per-student rate for noncredit instruction for selected noncredit programs contingent upon the enactment of legislation in the 2005-06 regular session.

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- ◆ **Part-Time Faculty Office Hours.** Provides \$4 million in ongoing funds for part-time faculty office hours. This funding would provide students with access to their instructors regardless of whether their status is full-time or part-time.
- ◆ **Part-Time Faculty Health Insurance.** Provides \$5 million in ongoing funds for part-time faculty health insurance. This funding would provide continuous access for part-time faculty and their eligible dependents to health insurance benefits provided to full-time faculty.
- ◆ **Professional Development.** Provides \$5 million in one-time funds for faculty professional development. These programs provide new hires with orientation to the mission of the community colleges, activities to promote student learning and increased retention and success, venues to share innovative teaching ideas and numerous other activities to promote college and system goals.
- ◆ **Matriculation.** Approves \$24 million in ongoing funds for matriculation activities such as orientation, assessment, counseling and placement.
- ◆ **California High School Exit Exam (CAHSEE) Remediation.** Approves \$10 million in ongoing funds to support remediation programs for high school students that fail the CAHSEE.
- ◆ **Equalization Funding.** Approves \$159.4 million to equalize all districts to the 90th percentile. These funds will be allocated contingent upon the enactment of legislation that includes a new equalization funding formula.
- ◆ **Career Technical Education Grants.** Reduces the proposed \$50 million to \$20 million consistent with the amount appropriated in the current year. Out of the \$20 million appropriated in 2005-06, only \$10.8 million have been awarded.
- ◆ **Mandate Costs.** Approves \$4 million in ongoing funds to pay for current mandate claims.
- ◆ **Compton Community College District.** Approves a \$30 million set-aside in General Fund for a one-time loan to the Compton Community College District to address the District's fiscal solvency and the anticipated loss of program accreditation. These funds will be allocated pursuant to legislation expected to be enacted in the 2005-06 Regular Session.
- ◆ **Special Services for Cal WORKS Students.** Adds \$9 million in ongoing funds for special services for community college students in the Cal WORKS programs. These services include curriculum development and redesign, subsidized childcare, service coordination with county welfare departments, local agencies and employers, work-study and job development and placement.

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- ◆ **Disabled Student Services.** Approves \$9.6 million augmentation in ongoing funding for Disabled Student Programs and Services including sign language interpretive services and real-time captioning equipment or other communication accommodations for deaf and learning disabled students.

California Student Aid Commission

■ **MAJOR ACTIONS**

- ◆ **Cal Grant Programs.** Approves a \$14 million reduction in the current year and a \$14.7 million in the budget year to reflect revised estimates for Cal Grant Entitlement costs.
- ◆ **Cal Grant Awards for Private University Students.** Approves \$11.9 million to increase the maximum award from \$8,322 to \$9,708 for new Cal Grant award recipients at private colleges and universities.
- ◆ **General Fund Backfill.** Approves \$51 million in General Fund to backfill the Student Loan Operating Fund (SLOF). These funds were used to support financial aid program in the current year.
- ◆ **Assumption Program of Loans for Education (APLE).** Approves a \$6.8 million for the increased APLE costs and authorizes an additional 8,000 awards in the budget year. This program provides loan assumption warrants for teachers who commit to teaching in specified subject areas in low performing schools.
- ◆ **State Nursing Assumption Program of Loans for Education (SNAPLE).** Extends authorization to issue 100 warrants for this program. These warrants were authorized in the *2005-06 Budget Act* but were not used due to the delay in adoption of regulations. This program was established to serve an incentive to individuals who obtain a graduate degree in nursing and become nursing faculty at a California community college or four-year institution.
- ◆ **Math and Science APLE.** Rejects the proposed 600 APLE awards set-aside for participants in the Governor's Math and Science Initiative. This new program within the existing APLE requires separate legislation and consideration by policy committees.
- ◆ **National Guard APLE.** Approves authorization of 100 new National Guard APLE awards. This program offers loan forgiveness as an incentive for more individuals to enlist in the National Guard, State Military Reserve, and Naval Militia. Specifically

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qualifying members have a portion of their education loans forgiven after each year of military service-\$2,000 after their first year, \$3,000 their second, third and fourth year of service-for total loan forgiveness of \$11,000. This program was established in 2003 and amended in 2004 but funding for the warrants had not been authorized in the budget act.

- ◆ **Nurse Education Grant Program for State Agencies.** Rejects proposal to use \$600,000 in one-time funds to provide up to 40 nurse education recruitment grants to address the nursing shortage within State employment. Instead, it authorizes 40 new State Facilities Nursing Program loan assumption warrants and approves the \$30,000 appropriation from the SLOF to support 0.5 positions to administer the new program, which is contingent upon the enactment of legislation.

Section 3:

Natural Resources and Environmental Protection



NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Resources Agency

MAJOR ACTIONS

- ◆ **Sierra Nevada Cascade Grants.** Provides \$42.6 million (Proposition 40 and Proposition 50 bond funds) to the Office of the Secretary for River Parkway and Sierra Nevada Cascade Conservation Grants.
- ◆ **Conservation Easement Registry.** Provides \$100,000 (General Fund) to the office of the Secretary to establish a conservation easement registry.
- ◆ **CBDA Transfer to Resources Agency.** Rejects proposal to transfer the California Bay Delta Authority, \$31.0 million and 68 positions, to the Resources Agency. Instead the legislature acted to transfer a smaller core staff to the Resources agency to provide policy oversight and coordination of CBDA departments. Additionally, all other positions formerly located within CBDA were transferred to CALFED implementing Departments.

Department of Forestry and Fire Protection

MAJOR ACTIONS

- ◆ **Employee Recruitment.** Provides \$5.0 million (General Fund) to provide the Department with additional staff to train and hire new public safety employees.
- ◆ **Forestry Programs.** Provides \$9.0 million (Forestry Resources Improvement Fund and General Fund) to restore forestry programs that were suspended due to revenue shortfalls and a timber harvest injunction.
- ◆ **Managers and Supervisors.** Approved \$30 million (\$15 million General Fund; \$15 million Special Fund) within the Department of Personnel Administration (DPA) to deal with statewide recruitment and retention issues. The DPA is to provide to the legislature their plan to address these issues in October with a 30 day Legislative review requirement.

State Lands Commission

■ MAJOR ACTIONS

- ◆ **School Land Bank.** Approves \$2.2 million (School Land Bank Funds) for remediation activities on School Land Bank lands.

Department of Fish and Game

■ MAJOR ACTIONS

- ◆ **Non Game Fish and Wildlife.** Augments by \$10 million (General Fund) for Department non-game fish and wildlife activities that have seen funding reduction in the previous years. This funding includes up to \$1.5 million for Best Management Practices to abate mosquito populations on DFG managed lands.
- ◆ **Salmon and Steelhead Restoration.** Provides \$10 million (General Fund) on a one-time basis and \$4 million ongoing (General Fund) for salmon and steelhead restoration.
- ◆ **Marine Life Protection and Management Acts.** Augments by \$5.6 million (General Fund) for the implementation of the Marine Life Protection Act and the Marine Life Management Act.
- ◆ **Conservation Planning.** Augments \$3 million (General Fund) for increased conservation planning and resource assessment.
- ◆ **Marine Programs.** Augments \$5 million (General Fund) for Department marine programs
- ◆ **Land Management.** Augments \$1 million (General Fund) for land management activities.
- ◆ **Fish and Game Wardens.** Approved \$30 million (\$15 million General Fund; \$15 million Special Fund) within the Department of Personnel Administration (DPA) to deal with statewide recruitment and retention issues. The DPA is to provide to the legislature their plan to address these issues in October with a 30 day Legislative review requirement.
- ◆ **Structural Reform.** Provides \$25.8 million (General Fund) to the Fish and Game Preservation Fund in order to bring each of the subaccounts within the fund into balance and to account for declining sporting license revenue.

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- ◆ **Levee Repair.** Provides \$8.8 million (General Fund) on a one-time basis to repair damaged levees and other infrastructure on DFG-owned lands caused by the winter storms of 2005-06.
- ◆ **Avian Influenza.** Provides \$1.1 million (General Fund) to provide funding for a program to detect avian influenza in migratory birds.
- ◆ **Fish Hatcheries.** Provides \$9 million (General Fund) to fully backfill costs associated with the implementation of AB 7 (Cogdill).
- ◆ **Delta Conservation Plans.** Provides expenditure authority for federal funds and reimbursements and 11 positions for the development of conservation plans in the San Joaquin River Delta.
- ◆ **Bay Delta Sport Fishing.** Provides \$1.5 million (Fish and Game Preservation Fund) and 2.5 positions to provide fishery enhancement, angler access and education projects for the Bay delta.
- ◆ **San Joaquin River Restoration.** Provides \$5 million (Proposition 13 funds) over the next three years to support San Joaquin River Restoration activities related to the fishery, wetland and riparian resources and regional water supply reliability in the San Joaquin Valley.
- ◆ **Automated License System.** Provides \$448,000 (Fish and Game Preservation Fund) for the creation of an automated License Data System to replace the current paper based process.

Wildlife Conservation Board

■ **MAJOR ACTIONS**

- ◆ **Wetlands Restoration.** Provides \$5 million (General Fund) one-time for wetlands and riparian habitat conservation.

California Coastal Commission

MAJOR ACTIONS

- ◆ **Energy and Ocean Resource Unit.** Augments by \$350,000 (General Fund) to establish 3 new positions to address increasing workload associated with the review of increasing Outer Continental Shelf Leases, Power Plants Plans, and Desalination Projects.
- ◆ **Permitting Staff.** Augments by \$400,000 (General Fund) to fund four new permitting staff.
- ◆ **Improving Coastal Access and Development Mitigation.** Augments by \$450,000 (General Fund) to establish four new positions to track expiring offers to dedicate and facilitate their opening. The Governor did not address this problem in his budget.

Coastal Conservancy

MAJOR ACTIONS

- ◆ **Marine Life Protection Act.** Augments by \$8 million (General Fund) for Marine Life Implementation Act implementation.
- ◆ **Offers to Dedicate.** Augments by \$1.8 million (Special Funds) support: access to trail easements; acceptance of Offers to Dedicate (OTD); design and construction of trails, stairways, staging areas, restrooms and interpretive signage; and provision of facilities for physically disabled, or mobility impaired visitors.
- ◆ **Watersheds.** Provides \$23.5 million (Proposition 50 funds) for grants to local entities for watershed related projects.

Department of Parks and Recreation

MAJOR ACTIONS

- ◆ **Deferred Maintenance.** Provides \$250 million (General Fund) on a one-time basis for State Parks deferred maintenance.
- ◆ **Operations and Maintenance.** Provides a \$15 million (General Fund) augmentation for ongoing operations and maintenance staffing for existing and new State Parks. Additionally, this funding will be used to address lifeguard staffing and operations shortfalls.
- ◆ **Empire Mine.** Provides \$5 million (General Fund) to fund remediation studies and treatment for Empire Mine.
- ◆ **Wastewater and Sewer Systems.** Provides \$4 million (General Fund) multi year funding - \$1.4 million (General Fund) budget year - for wastewater and sewer systems.

Department of Water Resources

MAJOR ACTIONS

- ◆ **Local Flood Subventions.** Provides \$100 million (General Fund) to pay for local flood control subventions.
- ◆ **Central Valley Flood Protection.** Provides \$35 million (General Fund) to implement a multi-year Central Valley flood management plan.
- ◆ **Flood Control Projects.** Provides \$41.3 million (\$31.4 million General Fund) for six new or continuing flood control capital projects: Folsom Dam Modifications, American River Common Features, Sacramento River Bank Protection, Folsom Dam Raise, American River Natomas Features, and Upper Sacramento River Levee Restoration.
- ◆ **All American Canal.** Provides \$84 million (General Fund) for the lining of the All American Canal.
- ◆ **Water Use Efficiency.** Provides \$32.1 million (Proposition 50) for the CALFED Water Use Efficiency Program that provides grants to water districts and other applicants for water efficiency projects.

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- ◆ **California Bay Delta Program.** Increases the Bay Delta Program by \$34 million (\$11 million-Proposition 50; \$22 million-Proposition 13) and will be broken out as follows: Conveyance (\$5.5 million); Water Quality (\$6.5 million); Ecosystem Restoration (\$15.7 million); and Surface Storage (\$6.4 million). Funding in this proposal will result in a net budget increase of \$29.8 million because funding requested for the Department overhead in this proposal will be offset by overhead cost reductions in other DWR programs.

- ◆ **San Joaquin River Restoration.** Provides \$5 million (Proposition 13) over three-years for the state-led program to investigate non-flow related restoration actions such as fish passage, water quality and water supply alternatives for the San Joaquin River. Funding for this proposal will be appropriated as follows: \$1 million in 2006-07; \$2.0 million in 2007-08; and \$2.0 million in FY 2008-09. The Department of Fish and Game has submitted a matching San Joaquin River Restoration proposal.

California Bay Delta Authority

■ **MAJOR ACTIONS**

- ◆ **CBDA Transfer to Resources Agency.** Rejects proposal to transfer the California Bay Delta Authority, \$31.0 million and 68 positions, to the Resources Agency. Instead, the Legislature acted to transfer a 33 core staff to the Resources agency to provide policy oversight and coordination of CBDA departments. Additionally, all other positions formerly located within CBDA were transferred to CALFED implementing Departments.

- ◆ **Ecosystem Restoration Program.** Consolidates the Environmental Restoration Program within the Department of Fish and Game.

Secretary for Environmental Protection

MAJOR ACTIONS

- ◆ **Climate Change Initiative.** Approves \$465,000 (MVA/GF/APCF) for the Climate Action Team, stakeholder outreach, annual reports, and economic analysis. Additional trailer bill language creates a sunset date for the Climate Action Registry and provides legislative intent that this governmental function be continued within the Air Resources Board.
- ◆ **California Mexico Border Programs.** Redirects 5 positions and \$619,000 (various funds) from existing boards to the Office of the Secretary to support agency-wide environmental policy and program coordination for California-Mexico border-related activities.

Air Resources Board

MAJOR ACTIONS

- ◆ **Climate Change.** Approved \$1.9 million (MVA) for various rulemaking and regulatory actions to reduce green house gas emissions. Additionally, trailer bill language was approved to sunset the Climate Action Registry and ensure protection of any Registry approved credits.
- ◆ **Alternative Fuels.** Augmented \$31.5 million (MVA) for alternative fuels development. This action includes \$6.5 million designated for the Administration's hydrogen highway initiative.
- ◆ **School Bus Replacement.** Provides \$25 million (Motor Vehicle Account) to replace pre-1977 school buses with buses that meet federal safety standards.
- ◆ **Air Quality Incentives.** Augments by \$25 million (Motor Vehicle Funds) to provide incentives to local governments for clean construction equipment, local motive technology and clean dairy technology.
- ◆ **Goods Movement.** Provides \$1.6 million (Motor Vehicle Account) and 8.0 personnel years to demonstrate new technologies and develop mitigation measures from goods movement activities.
- ◆ **Air Quality Enforcement.** Augments by \$4.0 million (\$1.3 million one-time Air Pollution Control Fund and \$2.7 ongoing Motor Vehicle Account) and 19 positions

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for the Air Board to enforce heavy-duty diesel regulations, evaluate on-board diagnostic systems in vehicles, and replace older testing and diagnostic equipment.

- ◆ **Clean Air Technology Grants.** Provides a one-time augmentation of \$2 million (Air Pollution Control Fund) for the expansion of the Innovative Clean Air Technologies Grant Program in order to facilitate the commercialization of new and innovative clean-air technologies.

The Integrated Waste Management Board

■ **MAJOR ACTIONS**

- ◆ **Climate Change.** Approved \$241,000 (IWMA) for contracts and 2 PYs to adopt regulations in solid waste facilities permits to reduce methane and other GHG gases.
- ◆ **Electronic Waste Recycling Act.** Provides \$1.1 million (Electronic Waste Recovery and Recycle Account) to implement the provisions of the Electronic Waste Recycling Act. Additionally the budget includes \$223,000 and 3.0 personnel years to prevent recycling fraud in the program.
- ◆ **Tire Recycling Enforcement.** Provides \$5.2 million (Tire Recycling Management Fund) and 3.0 permanent positions to enhance enforcement of the waste and used tire industry.

State Water Resources Control Board

■ **MAJOR ACTIONS**

- ◆ **Water Quality.** Approves \$4.5 million (Waste Discharge Permit Fund) to support existing staff in the National Pollutant Discharge Elimination System (NPDES) permit program and shift funding to support the Surface Water Ambient Monitoring program (SWAMP).
- ◆ **Surface Water Monitoring.** Provides \$4.0 million (Waste Discharge permit Fund) to provide for increased surface water monitoring.
- ◆ **CALFED Programs.** Provides \$40.4 million in local assistance bond funds for future approved projects. Included in this funding are funds for water recycling, non-point sources pollution control, watershed and other CALFED related programs.

Department of Food and Agriculture

■ MAJOR ACTIONS

- ◆ **Emerging Threats.** Approves \$6.2 million (General Fund and Federal Funds) to implement statewide program to prevent and respond to emerging threats.
- ◆ **Invasive Weed Management.** Approves \$2.5 million (General Fund) for invasive weed management grants to local invasive weed districts.
- ◆ **High Risk Pest Exclusion.** Augments by \$3 million (General Fund) for high-risk pest exclusion activities performed by local Agriculture Commissioners.

Section 4:
**General Government and
State Administration**



PUBLIC SAFETY

Office of Emergency Services (OES)

MAJOR ACTIONS

- ◆ **Increased Costs of Disaster Recovery.** Provides a net increase of \$4.1 million to provide assistance and support to local agencies for disaster recovery efforts, including the Winter Storms of 2006.
- ◆ **Innocence Projects.** Provides \$400,000 to re-establish the California Innocence Projects. The funding will assist efforts to utilize DNA evidence to overturn wrongfully convictions.
- ◆ **Gap Analysis.** Directs the office to contract for an independent gap analysis of the statewide preparedness for a catastrophic disaster.
- ◆ **War of Methamphetamine.** Provides a \$20 million augmentation to the War on Methamphetamine Grant program which supports California Multi-Jurisdictional Methamphetamine Enforcement Teams. Increases the total allocation to \$29.5 million.
- ◆ **Victim Services.** Provides \$1.1 million and one position to provide an increase in local assistance to Victim-Witness Center throughout the state that assists victims and witnesses during parole revocation hearings.
- ◆ **Separation of the Office of Homeland Security.** Rejects the Administration's proposal to create a separate organization code and budget item for the Office of Homeland Security.
- ◆ **Vertical Prosecution.** Provides \$8 million to fund the vertical prosecution units.

Department of Justice

MAJOR ACTIONS

- ◆ **Proposition 69 Funding.** Establishes an additional \$1 penalty for every ten dollars in fines for offset General Fund cost (\$7.3 million savings) and maintains current

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program level for the DNA Fingerprint, Unsolved Crime, and Innocence Protection Act.

- ◆ **Gang Suppression Enforcement Teams.** Provides \$6 million and 33.6 positions to create six new Gang Suppression Enforcement Teams to supplement the single existing team.
- ◆ **California Methamphetamine Strategy.** Provides \$6.5 million and 29.6 positions to create three new teams within the existing California Methamphetamine Strategy (CALMS) Program. CALMS activities center around curbing the trafficking of methamphetamine and methamphetamine production supplies along the state's northern and southern borders. Also provides funds for an independent review to assess the effectiveness of statewide methamphetamine enforcement activities.
- ◆ **Firearms Database.** Provides \$5 million and 32.3 positions for workload associated with DOJ Armed Prohibited Persons System (APPS) database. The APPS database cross-references persons who possess or own a firearm, and have been subsequently prohibited from owning or possessing a firearm. Funding also provides for enforcement teams to remove firearms from prohibited individuals.
- ◆ **Megan's Law Funding.** Increases General Fund support by \$81,000 to continue the current level of service for the Megan's Law Program. The General Fund revenue will offset a decline in Sexual Predator Public Information Account revenue.
- ◆ **Special Crimes Unit.** Provides \$1.3 million and 13.2 positions to increase investigation activities within the DOJ Special Crimes Unit, which coordinates the investigation and prosecution of crimes involving large-scale financial crimes targeting the elderly.
- ◆ **Environmental Protection.** Provides \$1 million to support the legal defense of statutes regarding the reduction of greenhouse gas emissions.

Department of Corrections and Rehabilitation

■ **MAJOR ACTIONS**

- ◆ **Adult Population.** Provides \$216.8 million in General Fund and \$1.8 million in inmate Welfare Fund resources to support an estimated institutional Average Daily Population of 172,627 inmates and 117,754 parolees.
- ◆ **Juvenile Population.** Provides \$11.1 non-Prop 98 General Fund and a net reduction of \$2.6 million in Prop 98 General Fund resources to support a estimated year-end population of 2,660 wards and 2,935 parolees.

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- ◆ **Farrell v Hickman.** Provides a \$90 million in total resources (capital outlay, salary and programmatic) to meet the terms of the consent decree to bring comprehensive reform to the Division of Juvenile Justice.
- ◆ **Health Care Separate Item.** Creates a separate budget item for the Prison Healthcare System, with provisional language to support legislative and administrative interaction with the Federal Court Appointed Receiver in *Plata v Schwarzenegger*.
- ◆ **Mental Health Services.** Provides \$71.3 million in total resources (capital outlay, salary and programmatic) to meet the conditions of the court order for *Coleman v Schwarzenegger*.
- ◆ **Inmate Dental Care.** Provides \$24.3 million in total resources to provide comprehensive dental care and increase program supervision to meet the terms of the stipulated agreement in *Perez v. Hickman*.
- ◆ **High Risk Sex Offender Parolees.** Provides \$5.1 million to expand the use of Global Positioning Systems (GPS) to monitor and track the movement of High Risk Sex Offender parolees assessed to be at a high risk to re-offend. This proposal seeks to utilize GPS devices on a total of 2,500 paroles.
- ◆ **Local Correctional Officer Training.** Provides \$19.5 million from the Corrections Training Fund to reimburse local correctional agency costs for providing training for sheriff deputies and probation officers.
- ◆ **Victim/Witness Representation.** Allows the department to use up to \$4.2 million of their appropriated funds to provide legal representation to witnesses subpoenaed to testify in a parole revocation hearing.
- ◆ **Mentally Ill Offenders.** Provides \$45 million to the Corrections Standards Authority to establish the Mentally Ill Offender Crime Reduction Grant program to curb recidivism of adult and juvenile offenders with mental illness.

Judicial Branch

■ **MAJOR ACTIONS**

- ◆ **Extension of the State Appropriations Limit.** Rejects the Administration's proposal to expand the State Appropriations Limit (SAL) to the entire Judicial Branch.

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- ◆ **Trial Court Funding.** Establish the methodology for calculating the annual the State Appropriation Limit (SAL) adjustment. Plus adopts Supplemental Report Language detailing the allocation of the budget year SAL adjustment.
- ◆ **New Trial Court Judgeships.** Provides \$5.5 million to support facilities and staff for up to 50 new judgeships in the budget year, with no commit to out-year judicial expansion.
- ◆ **Judicial Compensation.** Provides for an 8.5 percent increase for judicial compensation effective January 1, 2007.
- ◆ **Court Access.** Provides \$10 million for court interpreters in civil cases, with priority given to cases concerning domestic violence and family law. Additionally, designates approximately \$4 million within the SAL adjustment for self-help centers.
- ◆ **Trial Court Security.** Provides a base adjustment of \$18.7 million for court security to add 97 new entrance screening stations and establish a five-year replacement schedule for entrance screening equipment.

Gambling Control Commission

■ **MAJOR ACTIONS**

- ◆ **Field Inspection Program.** Provides \$887,000 and 8.5 positions to augment Licensing workload and establish a Field Inspection Program. The Field Inspection Program will provide random onsite inspections of gaming devices under the provisions of the new and amended compacts.

Technical Services Program. Provides \$732,000 and 5.0 positions (two-year limited term) to develop a Technical Services Program, Research and Testing Unit. The Unit will seek to provide the state with technical staff resources to provide oversight for electronic

GENERAL GOVERNMENT

Seismic Safety Commission

MAJOR ACTIONS

- ◆ **Continuation of Assessment Funding.** Adopts trailer bill legislation to extend by two years (until July 1, 2009) the existing assessment on property insurers, which supports the Seismic Safety Commission. The assessment produces approximately \$1.1 annually for support of the commission. The assessment authority currently expires on July 1, 2007.

State Controller

MAJOR ACTIONS

- ◆ **21st Century Project.** Funds budget request (as modified in the May Revision) for \$35.1 million (\$17.7 million General Fund) and 77.6 2-year limited-term positions to implement the design, development, and initial rollout phases of the new human resources management system (21st Century Project). This system will replace the current dated and obsolete systems that handle state payroll, employment history, leave accounting, and position control. Funding for this multiyear project first was provided in 2004-05.
- ◆ **Unclaimed Property Program.** Reduces by 2.5 positions and \$197,000 a May Revision budget request to increase funding and staff by \$4.2 million and 35 positions. The augmentation is for ongoing workload, replacement of the Unclaimed Property Information System, additional auditors to identify unclaimed property held by financial institutions and others that should be transferred to the state, and for elimination of the backlog of notices that must be provided to the last recorded owners of the unclaimed property. The state receives property, such as bank deposits and brokerage accounts, which has gone unclaimed despite attempts to contact the owner. The Controller's Office disposes of the unclaimed property and deposits the proceeds in the General Fund. However, property owners retain the right to reclaim the proceeds of their property upon verification of a claim. The additional auditors will increase ongoing General Fund revenues by \$15 million (\$7.5 million in 2006-07). Eliminating the notice backlog will temporarily reduce General Fund revenues by \$8.2 million in 2006-07 and 2007-08 because of a temporary increase in claims by owners.

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- ◆ **Apportionment Payment System.** Approves Governor's Budget request for \$766,000 (special funds) for the third year of the Apportionments Payment System Project to replace the existing aging system that distributes apportionments of various revenues to local entities.

- ◆ **Bank Reconciliation System Replacement.** Approves Governor's Budget request for \$710,000 (\$308,000 General Fund) to replace the State Controller's existing system for issuing and tracking warrants for the state. The current system is obsolete and technicians trained to operate it are becoming increasingly scarce.

- ◆ **Other Post-Employment Benefits Reporting.** Approves Governor's Budget request for \$252,000 to prepare an estimate of the state's liability for future post-employment benefits of state workers, other than retirement benefits. The primary non-retirement state liability is for health and dental benefits for annuitants. The state must identify this future liability to comply with Governmental Accounting Standards Board (GASB) Statement 45. Also added Budget Bill language requiring identification of any significant differences in assumptions or methodology from the estimate of retirement benefits liability by CalPERS and to provide an illustrative example of how much the state's health and dental benefits liability would be reduced if the state switched from pay-as-you-go funding to pre-funding these benefits.

Tax Relief

■ **MAJOR ACTIONS**

- ◆ **Senior Homeowners' and Renters' Tax Assistance.** Fully funds, as proposed by the Governor's Budget and May Revision adjustments, a total of \$182.1 million (General Fund) for renters' and homeowners' assistance payments to low-income seniors and disabled persons.

- ◆ **Other Tax Relief Programs.** Fully funds, as proposed in the Governor's Budget, subventions for Homeowners' Property Tax Exemptions (\$442.5 million) and Open Space Subventions (\$39.6 million). In total, the subcommittee approved \$679.1 million of General Fund spending for tax relief programs. Also provides more than \$5 billion of K-14 education funding to replace former General Fund VLF "backfill" payments to local governments in order to replace the local revenue loss from the reduction in the Vehicle License Fee tax rate.

Tax Administration

■ MAJOR ACTIONS

Franchise Tax Board (FTB)

- ◆ **Out-of-State Legal Counsel.** Approves Governor's Budget request for \$694,000 (General Fund) and 1.4 staff for the FTB to contract with outside counsel to represent the Board in out-of-state bankruptcy cases. The budget indicates that the Attorney General previously performed this function, but has indicated that he no longer has resources for this purpose.
- ◆ **Court-Ordered Debt Collection Program.** Approves Governor's Budget request for \$3.8 million (special fund) and 29.6 personnel-years to expand the Court Ordered Debt Collection Program to serve all 58 counties, consistent with the direction in SB 246 (Escutia) of 2004.
- ◆ **Butterfield Phase III.** Augments by \$24 million (\$21.6 million General Fund), as requested by a spring Finance Letter, for increased rental and maintenance costs at Phase III of the board's Butterfield Office Complex.
- ◆ **Tax Gap Staff.** Adds \$659,000, as requested in the spring Finance Letter, for full-year funding of tax gap audit and discovery staff added in the current year.
- ◆ **California Child Support Automation System.** Approves May Revision request to shift \$16.1 million (\$5.5 million General Fund) of spending from the current year to 2006-07 for the development and implementation of the California Child Support Automation System and to shift \$8.6 million (\$3.1 million General Fund) from 2004-05 into the current year. Adopts revised language to provide more legislative control over augmentation authority.
- ◆ **E-filing Savings.** Reduces budget request by \$338,000 (General Fund) to recognize increased savings from additional e-filing of tax returns.
- ◆ **Tax Expenditure Reporting.** Adopts Trailer Bill language to require more comprehensive annual reporting on tax expenditures by the Department of Finance.

State Board of Equalization (BOE)

- ◆ **Out-of-State Tobacco Purchases.** Approves Governor's Budget request for \$1.9 million (\$216,000 General Fund) and 19.5 PYs (2-year limited-term) for the BOE to collect unpaid California taxes from cigarettes and other tobacco products that were purchased over the internet or through the mail from out-of-state sellers. The BOE estimates the program will generate \$33.8 million in additional revenues in 2006-07.

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Most of the money will go to the Proposition 10 and Proposition 99 funds; \$3.9 million will go to the General Fund, and the Breast Cancer Fund would receive \$777,000. In 2007-08, the projected revenue gain drops to \$16.9 million, as the staff works down the backlog of purchase records.

- ◆ **Retail Licensing Enforcement.** Augments by \$1.9 million (\$1.3 million General Fund) the Governor's Budget request for \$1.6 million (\$1.1 million General Fund) and 13.8 PYs (2-year limited term) for a BOE "pilot program" to identify and register businesses that fail to pay sales and use taxes on the goods and services these businesses provide. The board estimated that the budgeted enforcement effort will generate \$12.6 million in additional sales and use tax revenues in 2006-07 (\$7.9 million General Fund). The legislative augmentation provides an additional 18.5 limited-term positions and results in an additional revenue gain of \$7.8 million in 2006-07.
- ◆ **Customs Data Mining.** Augments by \$260,000 and four limited-term positions to increase data analysis of major purchases declared to U.S. Customs by Californians returning home. Additional annual Use Tax revenues of \$5.4 million (\$3.4 million General Fund) are anticipated.
- ◆ **Vehicle Inspection Station Tax Leads.** Approves Governor's Budget request for \$1.4 million (\$811,000 General Fund) and 15.1 PYs (2-year limited term) for the BOE to identify property brought into the state without the payment of applicable sales and use taxes. The two-year pilot program will be run from California Department of Food and Agriculture (CDFA) border inspection stations, through which all commercial vehicle traffic must pass. The BOE estimates the program will generate \$7.4 million in additional sales and use taxes in 2006-07, of which \$4.2 million will go to the General Fund.
- ◆ **International Fuel Tax Agreement.** Approves Governor's Budget request for \$1.1 million in federal funds and 11.5 staff for the second year of a program under which BOE temporarily maintains International Fuel Tax Agreement (IFTA) accounts for Mexican motor carriers who will begin operating in the state pursuant to the North American Free Trade Agreement (NAFTA). This program was established administratively in 2005-06.
- ◆ **Property Tax Valuation Factors.** Approves Governor's Budget request for \$263,000 (General Fund) and 1.9 positions for the BOE to develop more accurate property tax valuation factors for biopharmaceutical and non-production computer equipment. Valuation factors are used by county assessors to determine the value of commercial business equipment for property tax purposes.
- ◆ **AB 71 Funding Shift.** Approves Governor's Budget request to shift \$2.4 million of the cost of the \$9.4 million cost of the Cigarette and Tobacco Products Licensing Program--established by AB 71 (Horton) in 2003—from one-time licensing fees to

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the various funds that receive cigarette and tobacco tax revenues (primarily Propositions 10 and 99 funds), as contemplated by AB 71.

- ◆ **Curtainwall Repair.** Recognizes \$7.8 million of 2005-06 General Fund savings identified in the May Revision due to a reduced cost estimate for repair of the curtainwall at the BOE Headquarters Building based on the revised cost estimate approved by the Joint Legislative Budget Committee.
- ◆ **Purchase of Headquarters Building.** Includes trailer bill language authorizing the Department of General Services to exercise an option to purchase under an existing lease-purchase agreement for the BOE headquarters building at 450 N Street in Sacramento. The State Publics Works Board would issue bonds to finance the acquisition of the building. This purchase is anticipated to save millions dollars for the state General Fund, various special funds and to reduce tax administration charges to local governments over the term of the bond, relative to the current lease payments. In addition, the purchase will suspend lease payments for 6 months, resulting in General Fund savings of \$2.7 million in 2006-07.
- ◆ **Local Sales and Use Tax Calculations.** Adopts revised methodology developed by BOE and recommended by the Legislative Analyst to allocate Sales and Use Tax administrative costs among the state, the local Bradley-Burns tax, and special taxing jurisdictions for an annual General Fund savings of \$5.7 million. Also recognizes \$10 million annual General Fund savings (to Proposition 98 K-14 Education funding) starting in 2005-06 from correcting an error in the calculation of property tax replacement revenue for the "Triple-Flip."

Revenues

■ **MAJOR ACTIONS**

- ◆ **"Yacht Tax" Extension.** Extends the "yacht tax" provision by one year (until July 1, 2007), as proposed in the Governor's Budget, for an estimated General Fund revenue gain of \$28 million in 2006-07 (plus about \$14 million for local governments). Under this provision, California residents who purchase a vehicle, vessel or aircraft out of state and bring it into California within 12 months pay Use Tax on that item if it is subject to California registration or property tax (if not, then the use tax applies if the item is used or stored in California more than half of the time during the first twelve months after purchase). Currently, this provision sunsets on June 30, 2006, after which vehicles, vessels, and aircraft could again be brought into California without a tax liability after just 90 days.
- ◆ **Teacher Retention Tax Credit Suspension.** Extends the suspension of the Teacher Retention Tax Credit for one additional year (tax year 2006), as proposed

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in the Governor's Budget, resulting in an estimated General Fund revenue gain of \$165 million. The credit was suspended in 2002 and also in 2004 and 2005. This Personal Income Tax benefit provides for credits ranging up to \$1,500 to teachers, depending on their years of service, with the highest benefit going to the most senior teachers.

Local Government

■ **MAJOR ACTIONS**

- ◆ **Restoration of Local Property Tax Revenue.** Includes, as provided in the Governor's Budget, a General Fund spending increase of \$1.3 billion (for Proposition 98 K-14 Education) in order to replace property tax revenues that were shifted from local governments to schools and community colleges for two years--in 2004-05 and 2005-06. The \$1.3 billion of property tax revenue will be restored to cities, counties, special districts, and redevelopment agencies as provided under existing law.
- ◆ **Replacement of VLF Backfill.** Includes more than \$5 billion of K-14 education funding to replace former General Fund VLF "backfill" payments that are now funded by property tax revenues shifted from schools and community colleges to local governments.
- ◆ **Allocates "Stranded" VLF Excess Compliance Revenues.** Reinstates the allocation mechanism for excess Vehicle License Fee (VLF) compliance revenue. These revenues derive from delinquent VLF revenues and penalties collected by the Franchise Tax Board on behalf of the Department of Motor Vehicles. A special Realignment account receives the first \$14 million of these revenues each year. The "excess" over \$14 million formerly was allocated to cities and counties on a population basis. However, as with the OHV fees, the cross-referenced allocation language was deleted by the legislation implementing the local government agreement in 2004. The stranded amounts to date total \$39.2 million (\$23.2 million from 2004-05 and \$16 million for the current year). This provision permanently restores the population allocation authority for these funds. VLF revenues are constitutionally dedicated to local government.
- ◆ **Allocates "Stranded" OHV Revenues.** Adopts trailer legislation to enable the State Controller's Office to allocate \$1.1 million of "stranded" revenue from Off-Highway Vehicle (OHV) fees collected prior to January 1, 2006. The allocation of these OHV fees is governed by Vehicle Code Section 38240, which cross-references the population-based allocation mechanism that formerly was included in Revenue and Taxation Code Section 11005. However, the 2004 budget legislation implementing the local government agreement deleted the cross-referenced

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provision. As a result, the revenues have been stranded. This provision restores the former allocation authority for these remaining pre-2006 funds. Starting in 2006, AB 2666 (Maldonado) enacted a new allocation methodology effective January 1, 2006.

- ◆ **County Redevelopment Loans.** Adopts trailer legislation to extend the maximum term of county redevelopment loans to 15 years, consistent with the current repayment schedule for state payment of deferred mandate claims. Also allows the redevelopment agency to offset against the county's loan liability capital or deferred maintenance spending by the county if those projects further the redevelopment plan.

- ◆ **COPS/Juvenile Justice Grants.** Provides a total of \$238 million, compared with a May Revision request for \$242.6 million. This approved funding level increases support for these programs by \$38 million compared with 2005-06 (which provided \$173.9 million of state funds plus \$26.1 million of local carryover balances). The Citizens' Option for Public Safety (COPS) program provides per-capita grants that are allocated at a local level to police departments, sheriffs, and district attorneys. The Juvenile Justice Crime Prevention Act provides per-capita grants to counties to finance juvenile justice strategies to reduce recidivism under local plans developed using multi-agency coordination. Each program receives an equal share of the funding.

- ◆ **Booking Fee Subventions.** Provides \$35 million to reimburse cities for booking fees that they paid to counties in 2005-06. Trailer Bill language enacts an alternative to booking fees, effective in 2007-08. Any year in which the state provides at least \$35 million in subventions for local jail facility funds, existing booking fees would be eliminated. Instead, counties and cities with jails will be restricted to charging arresting agencies a new jail access fee for bookings of municipal code and misdemeanor violations that exceed the most recent three-year average of each local arresting agency. Misdemeanors for driving under the influence or related to domestic violence would be excluded from the jail access fee calculation. Local governments could reinstate booking fees in any year in which the state appropriates less than \$35 million, but only in proportion to the shortfall in the appropriation. Also, the maximum rate of any future booking fees, after 2006-07, would be limited to the fee in effect on June 30, 2006 plus an annual inflation adjustment equal to the increase in the California Consumer Price Index plus 1 percent. The May Revision proposed legislation to continuously appropriate \$40 million, beginning in 2006-07, for similar purposes but included a maintenance of effort requirement for county jail support and had more limitations on the new jail access fee.

- ◆ **Rural and Small County Law Enforcement Grants.** Includes, as provided in the Governor's budget, \$18.5 million to fully fund this program, which provides grants of \$500,000 to 37 counties.

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- ◆ **Disaster Relief.** Includes, as provided in the Governor's budget, \$1.6 million to offset property tax revenue losses to local communities affected by disasters in 2005 pursuant to existing law.
- ◆ **Local Detention Facility Fund.** Does not adopt the May Revision proposal for legislation to continuously appropriate \$40 million for allocation to county sheriffs for jail improvement and maintenance and to replace existing booking fees with a much more limited system of jail access fees. The May Revision proposal replaced a proposal in the Governor's Budget for legislation to reinstate Booking Fee subventions.

Commission on State Mandates, Local Government Mandate Payments

Provides a total of \$402.4 million (General Fund) for local government (excluding K-14) mandate costs, as follows:

- ◆ **2005-06 Claims.** Includes \$90.3 million, as requested in the May Revision, for payment of 2005-06 claims already filed by local governments for mandates that are continued in force in 2006-07. This appropriation complies with Proposition 1A's "pay-or-suspend" rule. Also provides an additional \$16.6 million to pay 2005-06 claims for the Peace Officers' Procedural Bill of Rights (POBOR) mandate, which is not subject to the Proposition 1A requirement.
- ◆ **2006-07 Claims.** Provides \$109 million to pay estimated mandate claims that will be filed by local governments for costs incurred in 2006-07, The May Revision proposed deferring these payments. Also provides an additional \$16.6 million to pay 2006-07 claims for the POBOR mandate,
- ◆ **Payment of Deferred Claims.** Provides a total of \$169.9 million to pay for both the 2006-07 and 2007-08 installments (\$83 million and \$86.9 million) of a 15-year payment plan to reimburse local governments for mandated costs for which payment was deferred prior to 2004-05. Local governments have submitted more than \$1 billion of claims for reimbursement of these past costs.
- ◆ **Mental Health Services to Students.** Separately provides a total of \$118 million in the Department of Mental Health's budget for county mental health services to pupils (AB 3632). Please see the budget actions for the Department of Mental Health for a description of this action. (These funds are in addition to the \$402.4 million provided in the Commission on State Mandate's budget.)
- ◆ **Audit Recoupments.** Recognizes a savings of \$44 million (versus the May Revision) from the recognition of \$44 million of savings due to audit exceptions and claim adjustments against prior local government mandate claims paid by the state. This amount will be recouped as offsets against the payments for 2005-06 claims and/or the payments of previous deferred claims.

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- ◆ **Trailer Bill Provisions.** Adopts trailer bill language to clarify when newly-determined mandates first come under the Proposition 1A pay-or-suspend rule, and to direct the Commission on State Mandates to reconsider the existing mandate determinations regarding reimbursement for the Workers' Compensation Cancer Presumption mandates for firefighters and peace officers in light of court decisions and law changes (this will not affect the rights of firefighters or peace officers).

Electricity Oversight Board

■ **MAJOR ACTIONS**

- ◆ **Ongoing Support.** Approves the Governor's proposal for \$3.9 million from ratepayer special funds and 21.9 positions.

Public Utilities Commission

■ **MAJOR ACTIONS**

- ◆ **Railroad Safety.** Augments by a total of 29.9 positions and \$2 million (special funds). The increase consists of a Governor's Budget augmentation of \$1.4 million and 14.2 positions to enhance rail safety plus an additional 6 inspection positions and \$574,000. Specifically, this action includes the following:
 - ◇ Continues on a permanent basis 10 limited-term positions for railroad safety inspections (6 positions) and rail safety analysis (3 positions, plus one supervisor) at a cost of \$946,000. These positions were included in a legislative augmentation to the 2005-06 Budget. Added an additional 6 new inspector positions.
 - ◇ Adds three staff at a cost of \$252,000 for the Rail Crossing Engineering Section in order to increase safety at rail crossings, investigates crossing accidents, and carry out federal requirements, including approval of Quiet Zones.
 - ◇ Adds two staff at a cost of \$180,000 for rail transit safety accident investigation and rail transit security oversight. The PUC indicates that these positions would backfill positions that it has diverted to address increased workload for oversight of rail transit construction projects.

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- ◇ Reappropriates \$100,000 originally appropriated in the current year to fund a study of land use planning to promote rail safety, vandalism and terrorism-related safety issues, and emergency response capabilities for rail accidents.

- ◆ **Telecommunications Bill of Rights Decision.** Reduces by \$518,000 the administration's request for \$12.8 million from ratepayer funds (including \$2.8 million requested in the May Revision) for implementation of the PUC's March 2006 decision regarding the Telecommunications Consumer Bill of Rights, as follows:
 - ◇ Approves \$7.1 million to create a consumer education campaign, including \$3.5 million for advertising, \$1 million for outreach by community-based organizations, and \$350,000 for PUC community meetings and forums. Ongoing costs would be \$3 million annually. Includes \$2 million requested for media experts to design and produce the campaign, but conditions the expenditure of \$1 million of this amount approval of an interim report on the use of the funds, the specific message, and the specific actions that the campaign will encourage among consumers.
 - ◇ Approves \$1.7 million to upgrade the commission's consumer database to better track consumer inquiries and complaints.
 - ◇ Approves \$650,000 for training of enforcement staff and complaint resolution staff.
 - ◇ Approves \$300,000 to assist in developing actions against fraudulent activities that the Attorney General or local district attorney will pursue in court.
 - ◇ Reduces from \$500,000 to \$300,000 the amount provided in 2006-07 for independent review of the effectiveness of the education program on the basis that much of the evaluation work will not need to be done until 2007-08.
 - ◇ Reduces by \$318,000 the \$2 million requested for 29.5 positions to implement the program. Positions requested include 13 bilingual consumer affairs representatives, 8.5 enforcement positions, and 7.5 additional analysts for the telecommunications consumer fraud unit. The reduction recognizes that positions will not be filled immediately.
 - ◇ Approves \$550,000 for other equipment and expenses, including providing enforcement staff access to Lexis/Nexis to assist in enforcement research.

- ◆ **High-Cost A Program.** Augments, as requested in the May Revision, by \$14.3 million of telecommunications ratepayer funds to reflect the final funding level adopted by the commission for the "High-Cost A" Program, which subsidizes basic telephone service to areas with high cost for smaller phone companies.

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- ◆ **Teleconnect Program.** Fully funds the program by providing \$26.8 million for 2006-07 costs, as requested in the May Revision, and an additional \$15.1 million to pay remaining claims of telecommunications providers from past years. Recognizes a repayment from the General Fund of \$18.2 million of an outstanding loan repayment obligation of \$150 million to the Teleconnect Fund. The loan repayment is required under existing law to avoid an increase in the surcharge for Teleconnect on phone bills. (Early repayments to other special funds will be reduced to offset the General Fund impact in 2006-07.) Expenditure of the 2006-07 appropriation amount after December 31, 2006 is conditioned on approval by the Director of Finance and legislative notification of actions taken by the commission to coordinate Teleconnect with the federal E-rate Program and fully comply with the requirements of existing law. Both programs subsidize the telecommunications bills of schools and libraries. Also reappropriates \$2 million of Teleconnect funds for community technology centers pursuant to SB 1788 of 2003 (Bowen)

- ◆ **Staff Restorations.** Augments by \$5.1 million to add 46.5 positions to address workload needs identified by the commission as necessary to carry out existing law. The largest augmentations are for \$2.3 million for 22.5 positions in the Energy Division and \$1.3 million for 14 positions in the Division of Ratepayer Advocates. Also restores 4 positions for support of programs to protect low-income populations and 3 of the 9 existing positions for the Payphone Enforcement Program. The Governor's Budget proposed to eliminate all staff technical support for low-income programs and all staffing for the Payphone Program.

- ◆ **Climate Change.** Reduces by 6 positions and \$539,000 (ratepayer funds) the Governors request for 12 positions to carry out new tasks for the Governor's Climate Change Initiative in light of the significant staffing increase provided to address unmet needs of existing law.

- ◆ **Division of Ratepayer Advocates (DRA).** Approves Governor's Budget request for \$154,000 of ratepayer funds to establish a lead attorney position within the DRA, as provided for in SB 608 (Escutia).

- ◆ **Headquarters Building Improvements and Child Care Study.** Approves Governor's Budget request for one-time funding of \$1,122,000 of ratepayer funds for a variety of maintenance repairs, energy efficiency improvements, and relocation of the child care center at the PUC's San Francisco headquarters.

- ◆ **Workstation Makeover.** Approves Governor's Budget request for \$2.4 million in 2006-07, to be followed with an additional request for \$2.4 million in 2007-08, to replace the PUC's modular workstations, which were purchased in 1986.

Department of Fair Employment and Housing

MAJOR ACTIONS

- ◆ **Investigations.** Approves Governor's Budget request for \$1.1 million and 13 positions to increase the number of discrimination complaints that DFEH can accept and to complete more investigations within the statutory 1-year time limit.
- ◆ **Appointment Scheduling.** Approves Governor's Budget request for \$464,000 and 2 positions for DFEH to automate appointment scheduling and processing of "Right to Sue" applications, in which complainants seek permission to file a discrimination lawsuit in place of a DFEH investigation.
- ◆ **Mediation Program.** Provides \$500,000 (\$250,000 General Fund augmentation and \$250,000 redirection) to establish a mediation program to assist in the resolution of complaints. The action includes language for a March 2007 report on the initial results of the program.

Department of Housing and Community Development

MAJOR ACTIONS

- ◆ **Emergency Housing Assistance Program.** Restores \$864,000 (General Fund) to maintain operating grants for homeless shelters at the same level as in the current year. The Governor's Budget proposed reducing funding from \$4 million to \$3.1 million.
- ◆ **Migrant Farmworker Housing Centers.** Approves Governor's Budget request for \$3.4 million (General Fund) for the migrant farm worker housing centers. Of this amount, \$2.35 million is to reconstruct two state-built daycare facilities at the San Benito Center in Hollister and at the Buena Vista Center near Watsonville in order to address health and safety standards. The remaining \$1.025 million provides an ongoing increase for operation and maintenance for the migrant centers.
- ◆ **Funding Redirections.** Approves May Revision proposal to redirect \$15 million of unused Proposition 46 bond funds that had been designated for student housing to be used instead for the Transit-Oriented Housing Component of the Downtown Rebound Program. Partially offsets this transfer by returning \$7.5 million to the General Fund from a past appropriation for the Downtown Rebound Program.
- ◆ **Mobile Home Programs.** Approves Governor's Budget request for \$501,000 (special fund) and 6 positions to process increased license applications, investigate consumer complaints, and staff the Office of Mobilehome Ombudsman.

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- ◆ **Housing Planning Activities.** Approves May Revision request for \$486,000 to improve housing element information systems and update the state housing plan.
- ◆ **Self-Help Housing Program.** Augments by \$500,000 (General Fund) to continue making construction management grants under the Self-Help Housing Program in anticipation that additional bond funding will become available later in the year upon voter approval of Proposition 1C.
- ◆ **Enterprise Zone Program.** Provides permanent fee authority to fund the department's administration of the Enterprise Zone Program.

Budget Adjustment Authority

■ **MAJOR ACTIONS**

- ◆ **Unallocated Reductions.** Includes Control Section 4.05 authorizing reductions in General Fund spending totaling \$100 million in 2006-07. These one-time reductions are in addition to the \$100 million unallocated 2006-07 reduction provided for in Control Section 4.05 of the 2005 Budget Act (for a total of \$200 million in reductions). The Conference Budget limits state operations reductions to 20 percent and local assistance reductions to 5 percent, and it also includes language requiring detailed reporting by the administration to identify the individual reductions and their programmatic impacts.
- ◆ **One-Percent Personnel Reduction.** Deletes the Governor's proposed Control Section 3.45. This provision, as proposed, would have required the Director of Finance to reduce salaries and wages spending by \$58 million (General Fund) in 2006-07. The May Revision proposed exempting the Department of Corrections and Rehabilitation from the cut, reducing the savings to \$21.5 million.
- ◆ **Mid-Year Reductions.** Deletes Budget Control Section 4.06, as proposed by the Governor's Budget. This provision would have authorized the Director of Finance to reduce General Fund appropriations by up to 25 percent if necessary to protect the financial interests of the state.

Secretary of State

■ **MAJOR ACTIONS**

- ◆ **Help America Vote Act.** Approves the Governor's proposal for current year federal fund expenditure authority of \$5.5 million, and adds \$760,000 in federal fund

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expenditure authority for the Secretary of State to continue Source Code Review. Also includes language to require the Secretary of State to report their progress in bringing California in line with the Federal Help America Vote Act. The Administration's request to re-appropriate approximately \$45 million in Federal Funding for the Help America Vote Act was rejected to ensure these funds are spent only for approved purposes.

- ◆ **Notaries Public.** Rejects the Governor's budget proposal for \$3.1 million from the Business Fees Fund and 30 positions to address the increasing workload in the Notary Public Section of the Business Programs Division; and instead approves 16 positions (12 permanent, 4 two-year limited terms) and the associated costs for such positions. Certain line-items of the Operating and Expense costs for each position were also cut due to lack of justification for such funding, leaving a total allocation of \$1.7 million.
- ◆ **Business Programs Automation.** Approves the Governor's proposal for \$2.2 million to provide ongoing maintenance and operation costs for the Uniform Commercial Code phase of the Business Programs Automation Project.
- ◆ **Online Disclosure.** Requires the Secretary of State to complete the free filing online disclosure system which was statutorily required to be completed by December 31, 2002 but remains incomplete. Trailer bill Language is included requiring the Secretary of State to report on their progress in these actions.

California Arts Council

■ **MAJOR ACTIONS**

- ◆ **Local Assistance Funding.** Provides \$1.8 million from the Graphic Design License Plate Account for local assistance from the Arts Council.

Employee Compensation

■ **MAJOR ACTIONS**

- ◆ **Recruitment and Retention.** Allocates \$30 million (\$15 million General Fund) for the purpose of addressing recruitment and retention issues in employee compensation for represented and excluded employees. Prior to allocation of these funds, the Department of Personnel Administration must submit a plan (no later than October 1, 2006) showing how they intend to address existing recruitment and retention issues, including the purpose for and manner in which funds will be

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allocated, the problem for which the funds will be used to address, and which departments the funds shall be allocated to.

- ◆ ***Plata v. Schwarzenegger.*** Allocates approximately \$82 million for costs related to the *Plata v. Schwarzenegger* lawsuit. These costs will fund increases to attempt to address medical staff vacancy issues in the Department of Corrections and Rehabilitation (both adult and youth), as well as the Department of Mental Health.
- ◆ **Existing Bargaining Unit MOUs.** Includes an increase of \$2,385,000 for Unit 7 (California Union of Safety Employees), \$5,776,000 for Unit 18 (California Association of Psychiatric Technicians) for health care costs not included in the Governor's Budget; and an increase of \$47,536,000 for Unit 6 (California Correctional Peace Officers Association). Since the Unit 6 salaries are linked to the compensation received by Unit 5, the revised estimate from Unit 5 salary survey increases the costs for Unit 6. Also adds \$7.76 million from special funds for Bargaining Unit 5, reflecting the salary survey for police and sheriff in statutorily specified jurisdictions compared to California Highway Patrol. These costs were previously underestimated by DPA.
- ◆ **Expired Bargaining Unit MOUs.** Continues, from the January 10 Governor's Budget, exclusion of funding for all employee bargaining units without completed MOUs. The necessary amounts will have to be added after negotiations are complete.

State Personnel Board

■ **MAJOR ACTIONS**

- ◆ **State Examination and Certification Replacement Project.** Allocates two positions and \$2.5 million from the General Fund for the purpose of replacing the State's Examination and Certification system. The Current Examination and Certification system was built over 30 years ago and has been updated only sporadically to comply with legal requirements. These changes will enhance the system for both the employer and prospective employees, as well as enable easier modifications to the system in the future.

Department of Personnel Administration

■ **MAJOR ACTIONS**

- ◆ **Employee Classification Reform.** Approves \$640,000 proposed in the Governor's Budget for the purpose of completing reforms to only the Information Technology (IT)

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classification and selection structure. This reform may serve as a guide to a complete reform of the Employee Classification structure. This process will be a joint effort between the State Personnel Board and the Department of Personnel Administration.

CA Public Employees' Retirement System

■ MAJOR ACTIONS

- ◆ **Assisting contracting agencies to comply with GASB 45.** Provides one-time expenditure authority of \$2.9 million to assist contracting agencies to comply with GASB 45 financial reporting requirements. Under this request, CalPERS would assist contracting agencies in meeting their short-term needs by providing the health data necessary to complete the health actuarial valuation necessary to calculate their health benefit liability.
- ◆ **Contribution Rates.** Updates the state retirement contribution rates, and sets aside \$43 million for anticipated costs associated with such rate increases.

California State Teachers' Retirement System

■ MAJOR ACTIONS

- ◆ **State Contribution.** Reduces the state's contribution to CalSTRS' retirement benefits, per the Governor's May Revision, by \$121.5 million due to an error recently discovered in the CalSTRS' accounting system and a revised estimate of teacher compensation for the budget year. The error resulted in the state contributing more than is required by law in fiscal years 2002-03, 2004-05 and 2005-06. Since the General Fund transfers have already been completed for these fiscal years, the \$121.5 million correction is included as an adjustment to the state's 2006-07 transfer from the General Fund. The error also affected the state's Benefit Funding and Supplemental Benefit Maintenance Account in fiscal years 2003-04 through 2005-06.

Employment Development Department

MAJOR ACTIONS

- ◆ **Employment Training Fund Shift.** Shifts \$20 millions of Employment Training Funding from the CalWORKs program back into the funding at the discretion of the Employment Training Panel.
- ◆ **Healthcare Workforce Training.** Includes \$5.7 million (General Fund) to support the Healthcare Workforce Training program. The funding continues this training program in Los Angeles County.
- ◆ **Nursing Simulators.** Rejects a spring Finance Letter to provide \$4.5 million (General Fund) for nursing education simulators. The state has yet to expend funding budgeted for nursing simulators in FY 2005-06 year, so it is too soon to know how well they work in expanding nursing training.
- ◆ **Displaced Worker Funding.** Adopts budget bill language to use federal Rapid Response Workforce Investment Act funding to backfill Dislocated Worker funding lost to local workforce investment boards in areas with agricultural areas. Also adopted reporting language to address the funding formula in future years.
- ◆ **Automated Collection Enhancement System.** Approves an augmentation of \$3.1 million (\$2.7 million General Fund) and 15 positions to continue a technology project that will integrate and automate tax information.

Department of Industrial Relations

MAJOR ACTIONS

- ◆ **Minimum Wage Enforcement.** Includes \$1.5 million (General Fund) for increased minimum wage and overtime enforcement. In 2005, although California had over 17 million employees, the Department issued only 81 citations for minimum wage violations last year.
- ◆ **Safety Inspection.** Includes \$1.5 million for additional Cal/OSHA inspection staffing. The additional staff will protect California workers at their workplace by providing enough staffing to reach the national average level of staffing.
- ◆ **Farmworker Remedial Account.** Diverts \$100 of the fee charged to Farm Labor Contractors to the Farmworker Remedial Account. This transfer should help address a structural problem with the fund.

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- ◆ **Garment Worker Fund.** Appropriates \$500,000 to allow the fund to play outstanding claims for unpaid garment worker wages.
- ◆ **Worker's Compensation.** Approves funding, extends positions, and repeals the filing fees for Worker's Compensation liens.

Military Department

■ **MAJOR ACTIONS**

- ◆ **Military Headquarters.** Approves \$1 million (General Fund) for a two-year purchase option on 30 acres of land at the former Mather Air Force Base to build a headquarters for the department. The full cost of the headquarters is expected to be \$98.5 million.
- ◆ **Roseville Armory.** Provides \$2.5 million for the construction of the Roseville Armory Expansion and Renovation project. Total project costs will be \$6 million (\$3 million General Fund). The proposal also contains provisional language to allow the expenditures of federal funds.
- ◆ **Expands ChalleNGe Program.** Establishes a second Youth ChalleNGe program for a \$3.9 million (\$900,000 General Fund). The new program would take place in Los Alamitos Joint Forces Training Base. The first class starts January 13, 2007. Second class starts July 14, 2007. The target graduation rate is 200 students per year.
- ◆ **Creating an Internal Control Office.** Includes \$182,000 (General Fund) and two auditor positions to provide an ongoing audit of the departments fiscal systems and practices.
- ◆ **Homeland Security Funding.** Includes \$1.7 million federal funds and seven positions for federal Office of Homeland Security contracts.

Department of Veteran's Affairs

■ **MAJOR ACTIONS**

- ◆ **Veteran's Outreach.** Includes \$300,000 (General Fund) for additional veterans outreach to improve the number of California Veterans getting federal benefits. Of this amount, \$250,000 will go to County Veteran Service Officers for additional

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county outreach activities and \$50,000 is for the Department to provide training and outreach materials to Veteran's Service Organizations. The proposal also includes language that requires the Department to report on an outreach plan that is developed through a stakeholder driven process.

- ◆ **Yountville Alzheimer's and Dementia Unit.** Includes \$3.8 million (\$3.4 million General Fund) and 75.7 positions to operate a new Alzheimer's and Dementia Unit at the Yountville Home. The new unit is expected to serve 75 current residents identified with these conditions with a specifically designed facility to care for them. A corresponding augmentation of \$1.3 million (\$371,000 General Fund) and 33.5 positions will backfill two nursing wards that currently house this population.
- **Combat-Related Behavior Treatment Program.** Approves \$1 million (General Fund) and 11 positions to establish a new program to treat veterans with post traumatic stress disorder and other combat-related psychiatric problems. The new program will offer psychology, psychiatry, and substance abuse treatments services.
- **Barstow Nursing Bed Restoration.** Approves \$1.3 million (\$906,000 General Fund) and 10.6 positions to restore 20 nursing beds at the Barstow Home. Barstow Home closed its nursing facility in 2003 after a series of incidents involving mistreatment of residents. The Department of Health Services authorized Barstow to re-open its skilled nursing facility in April 2005.
- ◆ **Yountville Recreation Building Renovation.** Includes \$8.3 million to renovate the Yountville Home recreation building. This project will improve the functionality of the building and also address hazardous material abatement and fire and seismic code issues.
- ◆ **Yountville Food Costs and Drug Reimbursements.** Provides \$847,000 to increase the food budget and restore the no-cost drug benefit at the Yountville Veterans Home.

Section 5:
**Transportation and Information
Technology**



TRANSPORTATION & INFORMATION TECHNOLOGY

Department of Transportation (Caltrans)

MAJOR ACTIONS

- ◆ **Proposition 42 for 2006-07.** Provides an estimated \$1.4 billion for full transfer of General Fund sales tax revenue on gasoline in accordance with Proposition 42. The transfer will provide \$678 million for the Traffic Congestion Relief Fund (TCRF), \$594 million to the State Transportation Investment Program (STIP), and \$148 million for the Public Transportation Account (PTA). Local governments do not receive a share of the Proposition 42 transfer in 2006-07 due to local governments receiving what would have been their allocation during earlier years when the transfer was suspended. What would have been the local share instead is allocated to the STIP.

- ◆ **Early Repayment of 2003-04 Proposition 42 Suspension.** Provides \$495 million to repay a portion of the 2003-04 Proposition 42 suspension. The repayment is not required under current law until 2008-09. The repayment will provide full repayment of the principal and interest to the STIP (estimated at \$198), local streets and roads (estimated at \$198 million), and PTA (estimated at \$99 million).

- ◆ **Early Repayment of 2004-05 Proposition 42 Suspension.** Provides \$920 million to repay a portion of the 2004-05 Proposition 42 suspension. The repayment is not required under current law until 2007-08. The repayment will provide full repayment of the STIP (estimated at \$242), local streets and roads (estimated at \$242), and the PTA (estimated at \$121). In addition, the TCRF will receive \$315 million.

**Total \$2.8 billion General Fund
Support for Proposition 42**

(in millions)	2006-07 Prop 42 transfer	Early Prop 42 repayment	Total
TCRF	\$678	\$315	\$993
STIP	\$594	\$440	\$1,034
Local Streets and Roads	--	\$440	\$440
PTA	\$148	\$220	\$368
Total	\$1,420	\$1,415	\$2,835

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- ◆ **Environmental Enhancement and Mitigation Program (EEMP).** Appropriates \$10 million for EEMP to award grants to local agencies to undertake mitigation projects that are directly related to the environmental impacts of modifying existing transportation facilities or constructing new facilities.
- ◆ **PTA Spillover.** Rejects the Governor's proposal to rip off an additional \$343 million of sales tax on gasoline for the benefit of the General fund. Instead, the budget provides \$248 million for local transit operations, \$62 million for the STIP, \$13 million for the High Speed Rail Authority, and \$20 million for one time grants for farmworker transportation program expansion.
- ◆ **Agricultural Industries Transportation Services.** Provides \$20 million from PTA spillover revenues to expand the successful Agricultural Industries Transportation Services (AITS) that is currently in the Kings County area to other agricultural areas of the state. The AITS program provides safe, reliable, and affordable transportation services for workers in the agricultural industry. The \$20 million will provide one-time startup grants to develop AITS programs that are expected to be self-funded within three years.
- ◆ **Capital Outlay Support.** Increases funding for capital outlay support by \$19.7 million above the Governor's May Revision by reducing the proposed reduction by half. The additional funds were approved in anticipation of increased workload due to the transportation bond that is on the November ballot, and are conditioned on the bond passing.
- ◆ **Tribal Gaming Bond.** Shifts anticipated receipt of tribal gaming revenues from the current year to the budget year and reduces the anticipated amount from \$1 billion to about \$850 million. The state has already received \$150 million from tribal gaming revenues, and those funds will be allocated in the current year for transportation purposes rather than securitized for the tribal gaming bond. The budget specifies that if the bond is not issued by June 15, 2007, then the first \$60 million of the annual contribution will go to the PTA in order to guarantee cash flow needs for the account.

Special Transportation Programs

■ **MAJOR ACTIONS**

- ◆ **State Transit Assistance.** Increases support for State Transit Assistance (STA) from the Governor's proposed \$271 million to \$630 million. The increase is due to providing an additional \$248 million from the PTA spillover and \$110 million from the early repayment of Proposition 42 loans. The additional funding is needed for the

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STA due to the continuing budget struggles of local transit agencies and the added pressure on public transit as a result of the high gas prices.

High Speed Rail Authority

■ MAJOR ACTIONS

- ◆ **Budget Increase.** Provides \$13 million increase for the High Speed Rail Authority for the purpose of 1) completing the environmental reports for the Northern Mountain Crossing connecting the central valley with the bay area, 2) developing and submitting a financing plan, and 3) commencing site specific environmental work, right-of-way acquisition, and other work to preserve rail corridors for high speed rail and other rail services.

California Highway Patrol

■ MAJOR ACTIONS

- ◆ **Radio System.** Provides \$57.1 million for the first year of a five-year project to enhance and replace obsolete components of the CHP radio system. The new radio system will be interoperable with other law enforcement and public safety agency radio systems.
- ◆ **Additional CHP officers.** Provides over \$30 million for an additional 240 new uniformed officers and 70 new support and managerial staff by the end of the budget year.
- ◆ **9-1-1 Staffing.** Provides \$6.4 million for additional CHP Communication Centers staffing to expedite the answering of 9-1-1 calls.

Department of Motor Vehicles

■ MAJOR ACTIONS

- ◆ **Real ID Act.** Specifies that the \$18.8 million (Motor Vehicle Account) provided for information technology systems are in anticipation of increased demands on the DMV, but does not authorize the implementation of the federal Real ID Act, which if implemented, shall be done pursuant to subsequent legislation.