

THE 2002-2003 STATE BUDGET

GENERAL GOVERNMENT

FRANCHISE TAX BOARD

The Franchise Tax Board (FTB) administers the Personal Income Tax (PIT), the Bank and Corporation Tax (BCT) laws, and several non-tax and audit programs that contribute over 60 percent of General Fund revenue. The mission of the Franchise Tax Board is to collect the proper amount of tax revenue and operate its programs at the least cost. The Franchise Tax Board also collects delinquent debts and child support payments on behalf of other governmental agencies. The 2002-03 Budget appropriates \$408.9 million from the General Fund for the FTB. This represents an increase of \$11.7 million, 2.9 percent, compared with estimated General Fund spending in 2001-02. The increase is due to enhanced tax auditing, enforcement, and collection activities

Major Provisions

The major provisions of the Franchise Tax Board budget include:

- **Various Savings and Service Reductions.** Savings of \$3.5 million and 32 personnel-years (PYs) of staff. These reductions include a total of \$2 million from reducing consulting contracts in information technology and child support automation and a savings of \$414,000 from reducing district office public counter staff.
- **Call Center Staffing.** Restored \$836,000 and 21.5 PYs to maintain existing level of taxpayer service. The Governor vetoed this restoration.
- **Child Support Replacement Project.** Savings of \$1.9 million (General Fund--net savings from all funds is \$393,000). The budget includes General Fund and special fund savings due to the elimination of one-time contract costs for this project, which collects delinquent child-support payments. The budget also includes an increase of 21.9 personnel-years for child support collections staff funded by \$1.9 million of federal funds from the Department of Child Support Services.
- **Augment Collections Staff.** Adds 130 collections staff to address tax collection accounts with an anticipated cost/benefit ratio of better than 5:1. The estimated revenue increase is \$39.1 million. (The net benefit is \$29.1 million after subtracting the \$10 million cost of the new staff.)

- **Augment and Redirect Audit Efforts.** Adds 44.6 personnel-years (PYs) of audit staff to address workloads with an anticipated cost/benefit ratio of better than 5:1. Also redirects between 7 and 10 audit staff to focus on corporate tax credit claims, including the research and development credit and the manufacturer's investment credit. The estimated revenue increase is \$112 million. (The net benefit is \$107.5 million after subtracting the \$4.5 million cost of the new staff.)
- **High-Risk Accounts.** Adds \$3.3 million for 41 limited term positions to implement a program to offer to forgive any penalties, interest or fees on unpaid income tax and sales tax accounts if the outstanding tax liability is paid. This authority is limited to the period October 1, 2002 through June 30, 2003, and limited to "high-risk" accounts which the board determines to be otherwise unlikely to be paid or uneconomical to collect. The budget includes additional General Fund revenue of \$125 million resulting from this program at the FTB in 2002-03.
- **Accelerate Settlement Workload.** Adds 4 limited-term positions to work down a backlog of voluntary settlement cases. This will result in estimated revenue of \$14.1 million in 2002-03 (\$13.6 net benefit after subtracting the \$520,000 cost of the positions).
- **Expand and Prioritize Tax Settlements.** Redirects existing resources to increase revenues by a total of \$43 million by allowing more cases into settlement (\$28 million) and by accelerating collections in 2002-03 by prioritizing cases with taxes due (\$15 million).
- **Add Staff for Large Protest Cases.** Adds 2 positions to work on tax protest cases involving more than \$5 million of tax liability. In 2002-03 this will increase revenue by \$3 million (a net benefit of \$2.7 million after subtracting \$260,000 for the cost of the positions). However, most of the estimated revenue gain will occur in 2003-04 (\$64 million), due to the lead-time needed to resolve protests.
- **Cost Increases and Technology Maintenance.** Increase of \$2.9 million--\$1.5 million for baseline audit travel and printing cost increases and \$1.4 million for various mission-critical technology maintenance issues.
- **City Business Tax Information.** Restored \$250,000 of \$1 million reduction in program for FTB to reimburse cities for providing business tax information to the extent that this expenditure produces a 5:1 return in state tax revenue. The Governor vetoed this restoration.
- **Mandatory e-Filing.** Rejects Governor's proposal to require e-filing of all returns by tax practitioners filing 100 or more returns.

BOARD OF EQUALIZATION

The State Board of Equalization (Board) administers 21 tax programs for support of state and local government activities, including Sales and Use Taxes; Motor Vehicle Fuel License Tax; Diesel and Use Fuel Tax; Alcoholic Beverage Tax; Cigarette Tax; Cigarette and Tobacco Products Surtax; Insurance Tax; Energy Resources Surcharge; Emergency Telephone Users Surcharge; Hazardous Substances Tax; Integrated Waste Management Fee; Underground Storage Tank Fees; Oil Spill Prevention Fees; Occupational Lead Poisoning Fees; Childhood Lead Poisoning Prevention Fees; Tire Recycling Fees; Private Railroad Car Tax; and Timber Yield Tax. The Board also assesses utility property for local property tax purposes, and provides guidance to local governments in the administration of the property tax. The board also is an appellate body for contested decisions by the Franchise Tax Board, which administers the personal income tax and the bank and corporation tax.

The five-member Board is established by the State Constitution. Four members are elected to represent equalization districts, and the State Controller serves as an ex officio, voting member. The Board administers programs generating taxes exceeding \$44.6 billion, including an estimated \$23 billion of General Fund sales tax revenue in 2002-03.

The budget for the board provides a total of \$311.8 million for 2002-03, a decrease of \$7.1 million (2.3 percent) from estimated spending in 2001-02. The board's proposed General Fund support declines by \$6 million (3 percent) to \$193.4 million in 2002-03. The budget reduces the board's staff by 172.7 personnel-years (4.5 percent) to a total of 3,657.9 personnel years in the 2002-03.

■ Major Provisions

The major provisions of the Board of Equalization budget include:

- **3-percent General Fund Reduction.** Reduction of \$6.2 million and 146 positions, primarily in the Sales and Use Tax Program, but also affecting the administration of property taxes, cigarette and tobacco taxes, and the alcoholic beverage tax. These reductions include \$1.2 million (38 positions) for clerical support at field offices; \$694,000 (15 positions) to reduce field office supervisor-to-staff ratios; \$950,000 (25 positions) for headquarters planning and operations staff; and \$1 million for (13 positions) for technology services staff and contract services from the Teale Data Center. No revenue changes are associated with these tax administration reductions.
- **Data Entry System Replacement.** Increase of \$635,000 (\$508,000 General Fund) to replace the data entry system used for tax return processing.
- **Increased Field Office Rental Rates and Postage.** Increase of \$489,000 (\$159,000 General Fund) to pay higher rental rates for the board's field offices. Increase of \$173,000 (\$87,000 General Fund) to cover half of increased postage costs.
- **Workload Shift to Proposition 10 and Proposition 99 Funds.** Increase of \$1.1 million from the California Children and Families First Trust Fund (\$720,000)—created by Proposition 10—and the Cigarette and Tobacco Products Surtax Fund—

created by Proposition 99—for investigations and enforcement to reduce evasion of the tobacco tax laws. This increase is offset an equivalent reduction \$1.1 million reduction (\$627,000 General Fund) in investigative resources for the sales and use tax and the diesel fuel tax programs.

- **Board Member Facilities and Staff.** Reappropriates \$639,000 (General Fund) for tenant improvements at district offices for new incoming board members, and to upgrade an existing staff position for each board member (budget trailer legislation—AB 3000—allows conversion of one existing civil service position to an exempt position appointed by the Governor for each of the elected board members. The Governor reduced the reappropriation amount to \$339,000.

STATE TREASURER

The State Treasurer provides banking services to state government with goals to minimize interest and service costs and to maximize yield on investments. The Treasurer has custody of all monies and securities belonging to, or held in trust by, the state; invests state funds; and administers state bond sales and bond redemption and interest payments. The Treasurer also pays warrants drawn by the State Controller and other agencies, and oversees a number of state financing entities. The budget includes \$22.6 million (\$8.8 million General Fund) for the Treasurer's Office in 2002-03, a decrease of \$8.9 million (\$8.3 million General Fund) from estimated 2001-02 spending. This reduction reflects (1) a lower funding need in the budget year for Phase II development of the Treasurer's new Debt Management System and (2) deferral of \$3.5 million of payments for local mandate costs.

■ Major Provisions

The major provisions of the State Treasurer's budget include:

- **Debt Management System.** Increase of \$2.1 million (\$1.8 million General Fund) in one-time costs for the final year of the second phase of development of the Debt Management System.
- **Tobacco Settlement Securitization.** Increase of \$220,000 General Fund and two positions for increased workload related to the Tobacco Settlement Securitization Revenue Bonds. The budget also includes a current-year augmentation of \$140,000 and one position for the bond sale.
- **Deferral of Mandate Reimbursement.** Reduction of \$3,520,000 by deferring payment of local mandate claims for cost of preparing required investment reports. This action is consistent with the general deferral of local mandate payments in the budget.

SCHOLARSHARE INVESTMENT BOARD

The Golden State Scholarshare Trust Program, is a state-sponsored, college savings program that gives Californians the opportunity to invest on a tax-advantaged basis to meet the costs of higher education, as allowed by federal law. Participants may invest for their children's college costs over a number of years. Under recent federal tax legislation, earnings on invested funds are federally tax exempt. Administrative costs for the program are paid from a portion of the investment returns.

The board also maintains the scholarship investment accounts for the Program, established by SB 1688 (Polanco), Chapter 404, Statutes of 2000. This program awards \$1,000 scholarships to each public high school student who demonstrates high academic achievement on the STAR test. The Governor's Distinguished Mathematics and Science Scholars Program awards \$2,500 scholarships to students who win a Governor's Scholars Award and also demonstrate high achievement in math and science by achieving specified scores on Advanced Placement, Golden State, or International Baccalaureate examinations.

■ Major Provisions

The major provisions of the ScholarShare Investment Board budget include:

- **Governor's Scholars Programs Estimate Reduction.** Reduction of \$11 million (General Fund) reflecting lower estimates in the May Revision of the number of students qualifying for the two program components.
- **Deferral of Awards.** Reduction of \$89 million (General Fund) by delaying payment of Governor's Scholars awards earned by ninth and tenth graders for one year. The Budget appropriates \$28 million for awards earned by eleventh graders and for awards under the Governor's Distinguished Mathematics and Science Scholars Program. The Governor vetoed Budget Bill language regarding the deferral and indicated that timely payment is required due to the absence of trailer bill language authorizing the deferral. Budget Bill language authorizes the Director of Finance to augment funding for the awards if necessary, subject to legislative notification.
- **Tax Conformity for Scholarshare Savings.** Federal tax conformity legislation (SB 657/AB 1122) was enacted in May in response to the Governor's January budget tax proposals. This legislation provides a state income tax exemption for earnings in Scholarshare savings accounts, in conformity with a recent federal tax law change. Previously, earnings were taxable to the student beneficiary. The estimated annual General Fund revenue loss from this change is \$1 million.

ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

This Financing Authority was established for the purpose of providing California industry an alternative method of financing the construction and installation of facilities using alternative methods and sources of energy. Such construction can help meet the energy needs of the State in a manner which minimizes degradation of the environment and conserves scarce energy resources. Chapter 1218, Statutes of 1994, expanded the purpose of the Authority to include the financing and development of advanced transportation technologies. The Authority consists of five members: the State Treasurer (Chairperson); the State Controller; the Director of Finance; the Chairperson of the Energy Resources Conservation and Development Commission; and the President of the Public Utilities Commission.

The Authority is authorized to issue up to \$350 million in revenue bonds to finance alternative energy projects.

GENERAL FUND LOANS FROM FINANCING ENTITIES

The budget provides loans to the General Fund totaling \$89 million from three state financing entities. The General Fund will pay interest at the rate earned by the Pooled Money Investment Account when the loans are drawn. The budget specifies that the General Fund must fully repay these loans by October 1, 2004, or sooner if required to meet program needs

■ Major Provisions

The proposed General Fund loans from financing entities are as follows:

- **Tax Credit Allocation Committee.** The budget provides a total of \$62 million of loans from the committee's funds. The committee allocates state tax credits for low-income housing development. A \$35 million loan from the Occupancy Compliance Monitoring Account (which funds ongoing monitoring of each housing project) would leave several million in the account to support annual expenditures of \$1 million until repayment. A separate \$27 million loan from the Tax Credit Allocation Fee Account would leave several million to support annual expenditures of \$1.5 million until repayment.
- **Pollution Control Financing Authority.** The budget provides a \$25 million loan to the General Fund from the Pollution Control Financing Authority Fund. The authority issues revenue bonds to finance private pollution control and resource recovery projects.
- **Debt Limit Allocation Committee.** The budget provides a \$2 million loan from the Debt Limit Allocation Committee Fund to the General Fund.

PUBLIC UTILITIES COMMISSION

The Public Utilities Commission (PUC) regulates investor-owned utilities, including gas, electricity, telephone, water, and railroads, and certain passenger and household goods carriers to ensure the delivery of stable, safe, and economic services. The commission has traditionally met this responsibility through enforcement of safety regulations, controlling industry rates for services, and promoting energy and resource conservation.

The budget provides total funding of \$1.3 billion entirely from special funds for the PUC in 2002-03, a decrease of \$318 million (20 percent). The funding decline is due primarily to the deletion of one-time General Fund support for energy programs (\$151.3 million) and projected spending changes in the Universal Service Telephone Programs, which account for \$1.1 billion of the spending budgeted in the PUC.

■ 2001-02 Adjustments

SB 1 3X (Peace), Chapter 1, Statutes 2002 provides the following adjustments for the Public Utilities Commission's budget:

- **Oil and Gas Retrofits.** Reverts \$9.6 million (General Fund) appropriated by Chapter 7, Statutes of 2001, First Extraordinary Session (SB 5X) for energy audits and to subsidize installation of more efficient technologies and oil and natural gas facilities.
- **California Alternative Rates for Energy (CARE) Program.** Reverts \$83.8 million of the \$100 million appropriated to augment this program from the General Fund by SB 5X. The CARE Program subsidizes utility bills for low-income households. Ratepayer funds provide ongoing financing for the CARE Program.
- **High-Cost B Fund Transfer.** Transfers \$35.5 million of surplus funds in the California High-Cost Fund-B to the General Fund. The High-Cost Fund-B receives revenue from surcharges on telephone bills of customers of the major telephone companies in California. Money in the fund is reallocated among the companies to compensate them for their excess expenses in serving high-cost areas within their service territories. Language adopted with the transfer prohibits any surcharge increase due to the transfer.

■ Major Provisions

The major provisions of the Public Utilities Commission's budget (all special funds) include:

- **"Green Team."** Reduction of \$93,000 to eliminate PUC funding for the Governor's Clean Energy Green Team.

- **PG&E Bankruptcy.** Augments by \$5.75 million, at the Administration's request, for legal and financial expertise to assist with debt financing, bankruptcy, and reorganization issues related to PG&E's proposed reorganization plan and the PUC's alternative proposal.
- **DWR Ratesetting.** Augments by \$950,000 for 10 additional limited-term positions to conduct further rate-setting proceedings for DWR electricity procurement costs.
- **Power Plant Performance Reviews.** Augments by \$2,077,000 and 19.5 positions for power plant performance reviews, at the Administration's request, in order to implement AB 28 X2 (Migden) and SB 39 X2 (Burton).
- **Utility Audits.** Augments by \$871,000 for 11 positions, at the Administration's request, to conduct utility audits.
- **Office of Ratepayer Advocates.** Limits the term of 18 existing positions in the Telecommunications Branch to 2 years in order to provide for legislative review of program activities and accomplishments.
- **Transfer of "High-Cost" Fund Balances to General Fund.** Transfers a total of \$278.1 million from the High-Cost Fund A (\$27.2 million) and the High-Cost Fund B (\$250.9 million). These funds receive revenue from PUC-imposed charges on telephone bills and are used to subsidize low-cost basic telephone service in places that are more expensive to serve. The "A" fund serves the smaller phone companies, and the "B" fund serves the major phone companies. The PUC identified the transfer amounts as available balances.

CALIFORNIA CONSUMER POWER AND CONSERVATION FINANCING AUTHORITY

Senate Bill 6X (Burton)--Chapter 10, Statutes of 2001, First Extraordinary Session—created the California Consumer Power and Conservation Financing Authority. The purposes of the authority include augmenting electric generating facilities and to ensure a sufficient and reliable supply of electricity; providing financing incentives for investment in cost-effective energy-efficient appliances and energy demand reduction, to increase power reserves; financing for the retrofit of inefficient electric powerplants, renewable energy and conservation; and, where appropriate, developing strategies for the authority to facilitate a dependable supply of natural gas at reasonable prices to the public. The budget provides \$4.4 million from the second year of a startup loan to the authority in 2002-03.

■ Major Provisions

The major provisions of the California Consumer Power and Conservation Financing Authority budget include:

- **Repayment of General Fund Loan.** Replaces \$10 million General Fund startup loan provided in 2001-02 (with \$5.5 million remaining available for 2002-03) with a loan from the Renewable Resources Trust Fund (freeing up \$10 million for the General Fund). Also schedules a \$1 million loan repayment in 2002-03 and requires full loan repayment to the Renewable Resources Trust Fund by the end of 2004-05.
- **Budget Savings.** Reduces budget by \$1.1 million to focus on the most feasible items in the authority's resource plan.

CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

The primary objectives of the California Victim Compensation and Government Claims Board (formerly known as the Board of Control) are to compensate victims of violent crime and eligible family members for certain crime-related financial losses; consider and settle all civil claims against the State; establish state travel allowances; consider bid protests; and determine reimbursement for county costs of special elections for legislative and congressional seats. The budget proposes \$155.4 million (\$1.8 million General Fund) for the board's programs in 2002-03, an increase of \$6.4 million (4.3 percent). Proposed staffing declines slightly (3.4 percent) to 341.8 personnel years in 2002-03.

■ Major Provisions

The major provisions of the California Victim Compensation and Government Claims Board's budget include:

- **Hearing Officers.** Augments by \$468,000 (Restitution Fund) to provide five hearing officers to improve the level of service to victims by accelerating timeframes in which appeals can be heard and resolved, by traveling to the communities in which victims reside, and providing more personal and private attention to victims.
- **Eliminate Vacant Positions.** Reduces by \$941,000 (Restitution Fund) reduction to eliminate 11 vacant positions.
- **Claims Review Unit.** Augments by \$966,000 (Restitution Fund) augmentation to establish claims review units within the counties that administer the victims of crime program locally. The augmentation helps assure continued federal funding by addressing audit finds from a federal review of the claims process.

- **Eliminate Loan to General Fund.** Eliminates, at the administration's request, a \$20 million loan to the General Fund from the Restitution Fund, which the Governor's Budget proposed in January.

ELECTRICITY OVERSIGHT BOARD

The Electricity Oversight Board is an entity established by the electricity deregulation legislation to oversee the operations and governance of the Independent System Operator (ISO) and the (now defunct) Power Exchange. The board continues to play a role in overseeing the ISO (which is primarily under federal jurisdiction) and in representing the state's interests in electricity matters before the Federal Energy Regulatory Commission and the courts. The budget provides \$3.5 million from electricity user charges to fund the board in 2002-03.

■ Major Provisions

The major provisions related to Electricity Oversight Board include:

- **Power Plant Maintenance Protocols.** Deletes \$750,000 (General Fund) for development of power plant outage scheduling protocols and maintenance standards. Funding for oversight of power plant operations was placed in the Public Utilities Commission. This action eliminated all General Fund support for the board.

STATEWIDE PRO RATA ASSESSMENTS

Special Funds are assessed a pro rata charge each year that is transferred to the General Fund. These assessments pay for services received by special fund programs from central service entities supported by the General Fund. For 2002-03, the budget estimates that pro rata recoveries to the General Fund will total \$310.8 million. This is an increase of \$55.2 million (22 percent) compared with estimated pro rata recoveries of \$255.6 million in the current year.

■ Major Provisions

The major provisions related to Pro Rata assessments include:

- **Extension of Pro Rata to Additional Funds.** Increase of \$23.7 million in General Fund recoveries due to assessment of pro rata charges to additional special funds.

STATE-MANDATED LOCAL COSTS

Under the California Constitution, the state generally must reimburse local governments for new programs or higher levels of service mandated by the state. The Governor's Budget for 2002-03 included a total of \$171.8 million from the General Fund for reimbursement of various mandates (excluding education mandates funded within the Proposition 98 guarantee). In addition, the Governor's Budget anticipated expenditures of \$30 million annually in 2001-02 and in 2002-03 for mandate deficiencies and \$17.8 million for payment of mandated cost claims from prior years. These mandate reimbursement costs totaled \$249.6 million.

■ Major Provisions

The major provisions related to Mandated Cost Reimbursement include:

- **Deferral of Mandated Cost Reimbursements.** Defers \$249.6 million of spending for mandate cost reimbursements. Payments will be made to local governments at a future time.
- **Mandate Reform.** Budget trailer legislation (AB 3000) enacts a number of reforms in mandate claiming and reimbursement, including the following:
 - **Time Limit for Initial Test Claims.** Authorizes the Commission on State Mandates to review claims only if the test claim is filed not later than three years following the date the mandate became effective, or in the case of mandates that became effective before January 1, 2002, one year from the effective date of AB 3000.
 - **Report by Commission on State Mandates.** Requires the commission to report on new mandates approved for reimbursement as to whether the mandate was identified at the time that the legislation imposing the mandate was considered and to compare the approved cost of the mandate to the cost estimate that accompanied the legislation.
 - **Reports by State Controller and the Legislative Analyst.** Requires the Controller and the Legislative Analyst to submit reports regarding mandates and requires the Legislative Analyst to make recommendations on whether certain mandates should be repealed, funded, suspended, or modified.

PROPERTY TAX SHIFT FROM REDEVELOPMENT AGENCIES

Redevelopment agencies (RDAs) generally receive the property tax revenue from the increase in assessed value within redevelopment areas. From 1992-93 through 1994-95, state law transferred a portion of RDAs property tax revenues to the Educational Revenue Augmentation Fund (ERAF). The ERAF is a supplemental source of property tax revenue for schools, and the revenue that schools receive from the ERAF reduces the state's school

funding obligation under Proposition 98. State law also requires ERAF transfers from cities, counties, and special districts on a permanent basis.

- **Redevelopment ERAF Transfer.** The budget requires RDAs to transfer a total of \$75 million of property tax revenue to the ERAF in 2002-03. The ERAF transfer results in a \$75 million savings to the state General Fund for school support.

ELIMINATION OF VACANT POSITIONS

The budget requires the elimination of at least 6,000 existing, but vacant, positions in 2002-03. The Director of Finance must revert at least \$300 million (\$150 million General Fund) in savings from departmental budgets as a result of these position elimination. To the extent that departments justify reestablishment of eliminated positions, the Director of Finance may restore funding that has been reverted. However, the total amount of funding restorations may not exceed half of the reverted amounts. Consequently, the General Fund savings from these actions will be at least \$75 million.

In addition, budget trailer legislation (AB 593) requires the elimination of an additional 1,000 positions in the 2003-04 Governor's Budget.

STATE OPERATIONS REDUCTION

Budget trailer legislation (AB 593) authorizes the Director of Finance to reduce Budget Act appropriations for state operations (support of state agency staff and operating costs) by up to 5 percent, for a statewide total of up to \$750 million. The director must identify specific reductions in the 2003-04 Governor's Budget.

AGRICULTURAL LABOR RELATIONS BOARD

The Agricultural Labor Relations Board (ALRB), was created by the Agricultural Labor Relations Act of 1975, which is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes.

■ Major Provision

The major provision of the Agricultural Labor Relations Board budget include:

- **General Fund Reduction.** A reduction of \$100,000 (General Fund) which will result in the following:
 - Cancellation of Universal Credit Card for Office Supplies.
 - Discontinuation of the Use of Legal Interns.
 - Diminution of Rent in Salinas Regional Office.
 - Reduction in Board and General Counsel Travel.
 - Reduction General Counsel Postage.
 - Reduction in Agency Intranet Costs.
 - Elimination of Press Clipping Service.
- **Additional General Fund Reduction.** A reduction of \$519,000 (General Fund) from agency operations to reflect an unallocated reduction to operations.

DEPARTMENT OF INDUSTRIAL RELATIONS

The Department of Industrial Relations (DIR) has the responsibility to protect the workforce, improve the working conditions, and advance opportunities for profitable employment in California. The Department enforces workers' compensation laws, adjudicates workers' compensation claims, administers programs to prevent industrial injuries and deaths, promulgates regulations, and enforces laws relating to wages, hours, and conditions of employment.

■ Major Provisions

The major provisions of the Department of Industrial Relations budget include:

- **General Fund Reduction for Division of Workers' Compensation.** A reduction of \$7.3 million (General Fund) and 90.5 position for the Division of Workers' Compensation (DWC). DWC oversees the provision of workers' compensation benefits for California employees and employers, including administration of the exclusive judicial system for resolution of work injury claims. The DWC currently operates 25 courts, referred to as "WCAB District Offices," throughout the state from Eureka to San Diego. According to the DIR, this elimination of funding is expected to result in a reduction in the number of audits performed by the claims Adjudication Unity, the Vocational Rehabilitation Unit and the Audit Unit. Additionally, the department states that a longer retention period is to be expected with case files going before the Workers' Compensation Appeals Board.
- **Increased Fraud Prevention Activities.** Augmentation of \$1.0 million (General Fund) for increased fraud and illegal un-insurance prevention activities pursuant to the requirements of AB 749 (Chapter 6, Statutes 2002).
- **Workers' Compensation Reforms.** Governor vetoed the legislative augmentation of \$3.68 million (General Fund) and \$920,000 (WCARF) to staff the Division of Workers' Compensation with regards to the reforms included in AB 749 (Chapter 6, Statutes of 2002).
- **General Fund Reduction for Division of Occupational Safety and Health (DOSH).** A reduction of \$3.5 million (General Fund) and 25 positions in DOSH. According to the DIR, this elimination of funding will result in fewer general compliance safety inspections and consultations performed annually. However, the department has submitted a budget request for a funding shift enabling the department to continue with its' safety inspections and consultations focused on high hazard industries.
- **General Fund Reduction in the Division of Administration.** A reduction of \$2.0 million (General Fund) for the Division of Administration. This will result in the elimination of the Labor Relations Unit, the Collections Unit, and a reduction in services provided through public information, legal services for the Uninsured Employers Fund, and information technology services.

- **Case Management System.** An augmentation of \$960,000 for Division of Labor Standards Enforcement (DLSE). This funding will enable DLSE to implement a Case Management System to facilitate the identification of repeat offenders and track employers with a history of labor law violations, management of accounts receivable for maximizing the collection of fees, and improved ability to share data collected within the division and with other federal and state agencies.

CALIFORNIA SCIENCE CENTER

The California Science Center is an educational, scientific and technological center administered by a nine-member board of directors appointed by the Governor. It is located in Exposition Park, a 160-acre tract in South Central Los Angeles, which is owned by the State in the name of the Science Center. The Science Center is a place where children, teachers and families can explore how science is relevant to their everyday lives.

■ Major Provisions

The major provisions of the California Science Center budget include:

- **Science Center Phase II.** Augmentation of \$96.9 million (Special Fund and Private Donations) for the construction of the Science Center Phase II project, a four story addition to the existing Science Center. The project combines science exhibits with live animal exhibits, including a two-story reef tank.
- **California African American Museum.** Reduction of \$435,000 (General Fund) and 4.7 personnel years for the California African American Museum.
- **Education Program.** Reduction of \$740,000 (General Fund) and 10.5 personnel years for the Science Center's Education Program.
- **Additional General Fund Reduction.** Reduction of \$1.1. million from the Science Center's Budget.
- **Provisional Language.** Provisional language allowing for the pre-qualification of subcontractors who will be participating in the construction of the Science Center's Phase II. This ensures that specialized exhibits and animal displays in the project will be constructed by companies who have demonstrated expertise in the different disciplines and complexities of museum construction.

DEPARTMENT OF CONSUMER AFFAIRS

The predominant duty of the Department of Consumer Affairs is the education and protection of consumers to ensure a fair and honest marketplace. In addition, and within the scope of its purpose, the Department of Consumer Affairs oversees professional and occupational practices on behalf of the state's consumers through nine bureaus and programs. It shares this oversight and regulatory authority with 28 quasi-independent committees, boards, and commissions.

■ Major Provisions

The major provisions of the Department of Consumer Affairs budget include:

- **Auto Body Repair Inspection Pilot Program.** \$430,000 (Special Funds) for the Bureau of Automotive Repair (BAR). Specifically, this funding would allow BAR to prosecute documented cases of fraud resulting from the Auto Body Repair Inspection Pilot Program.
- **Consumer Assistance Program Reduction.** A reduction of \$26.5 million (Special Fund) and 18.5 positions in the Consumer Assistance Program to align program expenditures with revenues. This reduction is in response to the current year transfer of funding from the HPPRA account to the General Fund.
- **Office of Privacy Protection.** Reduction of \$100,000 (General Fund) for the Office of Privacy Protection.
- **State Athletic Commission.** Reduction of \$74,000 (General Fund) for the State Athletic Commission.
- **Consumer Relations and Outreach Division.** Reduction of \$41,000 (General Fund) for the consumer Information Center.

DEPARTMENT OF GENERAL SERVICES

The Department of General Services is responsible for the management, review control and support of state agencies as assigned by the Governor and specified by statute. The department provides support services to operating departments to achieve greater efficiency and economy than they can individually provide themselves.

■ Major Provisions

The major provisions of the Department of General Service's (DGS) budget include:

- **General Fund Reduction.** A reduction of \$2.5 million (General Fund) pursuant to the Governor's Office request of departments to propose a 15 percent General Fund

reduction for the 2002-03 fiscal year. DGS plans to offset this reduction with a Service Revolving Fund expenditure authority increase of \$2.4 million in its eBusiness Center and a reduction of \$115,000 (General Fund) for the Asbestos Abatement Program.

- **Funding Reduction for the California Home Page.** Reduction of \$5.8 million (General Fund) will result in the decrease of restructuring and support for the California Home Page and E-Mail Activity.
- **East End Project Building Maintenance.** \$5.2 million (Special Funds) to the Building and Property Management Branch (BPM). The new Capitol Area East End Complex is scheduled for completion and will begin occupancy March 1, 2003. The maintenance and operation of this complex is the responsibility of BPM. This funding request is to provide BPM the expenditure authority required to operate this complex.
- **Ziggurat Building.** \$5.4 million (\$56,000 General Fund & Various Special Funds) to fund increased costs for Fiscal Year 2002-03 as a result of its consolidation during Fiscal Year 2001-02, from ten dispersed locations in the Sacramento downtown area, to the Ziggurat building located at 707 3rd Street in West Sacramento.

DEPARTMENT OF INSURANCE

The Office of the Insurance Commissioner has the responsibility to enforce insurance law as found in the California Insurance Code. The Department conducts examinations of insurance companies to ensure that their operations are consistent with the requirements of the Insurance Code and that they are financially viable. The Department also investigates complaints and responds to consumer complaints; reviews and approves insurance rates; and administers the conservation and liquidation of insolvent insurance companies.

■ Major Provisions

The major provisions of the Department of Insurance budget include:

- **General Fund Reduction.** A reduction of \$21,000 (General Fund) in operating expenses and equipment for the Premium Tax Audit Bureau and Tax Processing Unit.
- **Increased Audits.** \$636,000 (Insurance Fund) and 6.6 personnel years to increase the number of audits performed annually and to provide additional support necessary to cover increases in the audit workload of both the Premium Tax Audit Bureau and Tax Processing Unit.
- **Funding Shift.** Fund shift of \$1.77 million (General Fund) to the Insurance Fund for the Premium Tax Program.

SECRETARY OF STATE

The Secretary of State (SOS), a constitutionally established office, serves as the chief election officer and is responsible for the administration and enforcement of election laws. The SOS also administers and enforces laws regarding security agreements, and the filing of corporate and limited partnership documents. In addition the SOS appoints notaries public, enforces notary laws, and is responsible for the procurement and preservation of various documents of historical significance.

■ Major Provisions

The major provisions of the Secretary of State's (SOS) budget include:

- \$5.7 million (Special Fund) to continue the Business Automation Project (BPA). According to the SOS, the BPA project would enhance commerce in California by implementing technology that would standardize and simplify the processing of business and security interest filings in the Business Programs Division (BPD), and would provide convenient public access to information the BPD. The following are the services the BPD currently administers through mail, in person delivery at public counter and by telephone:
 - Corporate Filings
 - Corporate Records
 - Statement of Corporate Officers and Other Business Entity Filing and Records
 - Special Filings and Trademarks
 - UCC Filing and Records

This special fund request would allow the SOS to automate these services, and consequently streamline these services to better serve their customers.

- **General Fund Reduction.** A total General Fund reduction of \$1.4 million which will affect the following:
 - \$778,000 reduction for maintenance and support of Information Databases.
 - \$239,000 reduction for outreach and promotion for the Safe at Home Program. This program aims to keep victims of domestic violence safe by maintaining a private avenue, other than their home, for them to receive mail or information regarding their dangerous situation.
 - \$412,000 reduction for the elimination of an Associate Programmer Analyst; a specialist position in the Policy and Planning unit. This unit is responsible for routinely updating the SOS Administrative Manual, Fee Directory, and the issuance of Management Memos and Bulletins. Rather than centralizing this function, it is proposed that the Divisions absorb this workload.

DEPARTMENT OF PERSONNEL ADMINISTRATION

The Department of Personnel Administration (DPA) manages the non-merit aspects of the State's personnel system. The goals of the DPA are to insure proper administration of existing terms and conditions of employment for the State's civil service employees, and to represent the Governor as the employer in all matters concerning State employer-employee relations.

■ Major Provisions

The major provisions of the Department of Personnel Administration's (DPA) budget include:

General Fund Reduction. \$211,000 (General Fund) reduction affecting the following:

- \$74,000 reduction from a redistribution of Administration costs.
- \$42,000 reduction from the elimination of 1.0 Legal Support Supervisor 1. The Legal Support Supervisor is responsible for supervising approximately 13 clerical staff, as well as assigning work, assessing performance, providing instruction and training, and other duties. These duties will be dispersed to the Chief counsel and /or other supervising attorneys.
- \$25,000 reduction in the Labor Relations Division (LRD). This will reduce the allotment for meeting rooms and will require LRD to use a combination of state and union meeting rooms.
- \$70,000 reduction from the elimination of 1.0 Personnel Program Advisor. This position is responsible for responding to departments regarding classification proposals, studies and projects and support for Labor Relations activities.

DEPARTMENT OF INFORMATION TECHNOLOGY

The Department of Information Technology (DOIT) was charged with providing leadership, guidance, statewide coordination and oversight of information technology in state government. The DOIT sunsetted on July 1, 2002 pursuant to AB 1686 (Ch. 873, 1999).

■ Major Provisions

The major provisions of the DOIT's budget include:

General Fund Reduction. \$8.81 million (General Fund) deleted funding for DOIT.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development (HCD) strives to expand and preserve safe and affordable housing options for all Californians. Specifically, the Department administers housing finance, economic development and rehabilitation programs, proposes housing policy, analyzes and implements building codes, and enforces construction standards for manufactured homes.

■ Major Provisions

The major provisions of the Department of Housing and Community Development budget include:

- **Farmworker Housing Program.** \$10.9 million (General Fund) for the Farmworker Housing Grant Program for grants to local governments and non-profit agencies. This reflects a \$6.6 million reduction from current year funding levels. According to the Governor's veto message, the additional \$3.0 million reduction is necessary for a prudent General Fund reserve. It is anticipated that passage of the Housing Bond in November will provide \$200 million for farmworker housing programs.
- **Emergency Housing Assistance Program.** \$11.3 million (General Fund), which reflects a \$2 million reduction, from current year funding, for grants to counties and non-profit organizations through the Emergency Housing Assistance Program (EHAP). This will help finance the creation of emergency shelters for homeless individuals and families.
- **Office of Migrant Services.** \$565,000 redirection of unused Special Funds for the Office of Migrant Services (OMS). These dollars will be used for health and safety infrastructure repairs at migrant farm worker housing centers.
- **Self-Help Housing.** \$2.1 million reduction from elimination of the Self-Help Housing Program.
- **Other Reductions.** \$652,000 reduction in State Operations (General Fund), which includes the redirection of two positions to special funded activities (Multifamily Housing Program and Mobilehome Parks Fund) that have experienced increased workloads. The remaining savings come from reductions in Personnel Services and Operating Expense & Equipment.

MILITARY DEPARTMENT

As the department responsible for the command, leadership and management of the California Army and Air National Guard, the Military Department provides military service supporting California and the nation through 118 armories, 10 air bases, and 3 army bases throughout the state. The California National Guard's missions are to provide: mission ready forces to the federal government as directed by the President; emergency public safety support to civil authorities as directed by the Governor; and support to the community as approved by proper authority.

■ Major Provisions

The major provisions of the Military Department budget include:

- **Turning Point Academy.** \$3.0 million reduction for the elimination of the Turning Point Academy.
- **Army National Guard.** \$480,000 (Federal Funds) and 3.8 Civil Service Personnel Years to provide support for the Construction and Facilities Management Branch of the Army National Guard, which is responsible for maintaining, modernizing, and repairing the Department's armories, support facilities, and training sites.
- **Firefighters.** \$2.3 million (Federal Funds) for forty-two State Active Duty Firefighters for the Air National Guard's 129th Rescue Wing at Moffett Field.
- **Environmental Program.** \$800,000 (Federal Funds) and 4.8 State Civil Service Personnel Years for the Department's Environmental Program, which is responsible for ensuring statewide environmental compliance.
- **Modernization Plan Reduction.** \$1.9 million General Fund reduction for the Army National Guard Modernization Plan.
- **Grizzly Youth Challenge Academy.** \$155,000 General Fund reduction for the Grizzly Youth Challenge Academy, which is a six-month resident program for 16-18 year old high school dropouts.

TECHNOLOGY, TRADE AND COMMERCE

Created in 1992, the Technology, Trade and Commerce Agency promotes economic growth by coordinating and facilitating business development, job creation and job retention efforts. The Agency also oversees the state's international trade programs through foreign investment, export cultivation, and strategic planning and research projects.

■ Major Provisions

The major provisions of the Technology, Trade and Commerce Agency budget include:

- **Manufacturing Technology.** \$2.7 million reduction for the Manufacturing Technology Program.
- **Foreign Trade Offices.** \$2.0 million unallocated reduction for the foreign trade offices, which leaves \$4.1 million available for funding.
- **Next Generation Internet.** \$1.0 million General Fund reduction for the Next Generation Internet Program, a 50% reduction of current year funding. The Next Generation Internet Program provides improved Internet access to businesses and companies throughout the state.
- **Rural E-Commerce.** \$1.0 million General Fund reduction for the Rural E-Commerce Grant Program, a 50% reduction of current year funding. This program provides grants to rural communities that are competing for federal telecommunications matching grants.
- **Biomass to Energy.** \$2.0 million General Fund reduction for the Biomass to Energy Grants Program. This leaves \$6.0 million for continuation of this program. The program provides an incentive to reduce open-field burning of agricultural waste, to use renewable sources for electrical power, and to sustain the biomass industry.
- **Small Business Loans.** \$150,000 reduction for the Small Business Loan Guarantee Program. This leaves approximately \$1.9 million (\$886,000 General Fund and \$1.0 million Federal Fund) for program activity.
- **Military Base Retention.** \$100,000 General Fund reduction for consultant services for the Office of Military Base Retention and Reuse Program. This leaves \$193,000 for support of the Office of Military Base Reuse and Retention.
- **Small Business Development.** \$1.2 million (Federal Funds) augmentation for Small Business Development Centers, which will allow for an increase in local assistance services and professional development training.
- **Underground Petroleum Tanks.** \$6.0 million (Special Funds) increase in grants for the Petroleum Underground Storage Tank Financing Account, which provides upgrade or replacement of tanks to comply with environmental requirements implemented by SB 989 (Sher), Chapter 812, Statutes of 1999.
- **Export Finance Fund.** \$8.0 million General Fund transfer from the Export Finance Fund, which will reduce funding for loan guarantees and capture an additional \$400,000 (General Fund) and 6.3 personnel years for reduced support.
- **Environmental Technology.** \$293,000 (General Fund) and 3.0 personnel years for elimination of the Environmental Technology Export Program, which helps companies expand their sales of environmental technology and services overseas.
- **Small Business Expansion.** \$8.0 million loan from the Small Business Expansion Fund to the General Fund, which leaves \$29.5 million to guarantee loans.

- **CalTIP.** \$3.0 million reduction for CalTIP grants, which leaves \$3.0 million available for program activity.
- **Unallocated Reduction.** The Budget Act requires the Secretary of the Technology, Trade and Commerce Agency, with the approval of the Director of Finance, to make reductions totaling \$10.0 million.

DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs (CDVA) provides services to California Veterans and their dependents, and to eligible members of the California National Guard. The principle activities of the CDVA include:

- 1) Providing home and farm loans through the Cal-Vet Farm and Home Purchase to qualifying veterans, using proceeds from the sale of general obligation and revenue bonds;
- 2) Assisting eligible veterans and their dependents to obtain federal and state benefits by providing claims representation, subventions to county veterans service officers, and direct educational assistance to qualifying dependents and;
- 3) Operating veterans' homes in Yountville, Barstow, and Chula Vista with several levels of medical rehabilitation services, as well as residential services. For the Barstow and Chula Vista Homes, the budget assumes full occupancy in all levels of care by September 2002.

■ Major Provisions

The major provisions of the Department of Veterans Affairs budget include:

- **Veterans Service Offices.** \$175,000 (Special Fund) increased spending authority for the Veterans Service Office Fund, which provides funding to counties for County Veterans Service Offices (CVSO). The CVSOs provide disability compensation, pension, education, life insurance, and home loan assistance and services to veterans and their dependents. This increased spending authority would be for a two-year limited term.

CALIFORNIA ARTS COUNCIL

The California Arts Council (CAC) was created in 1975 to encourage artistic awareness and expression among the residents of California. The Council has eleven members, nine of whom are appointed by the Governor, one appointed by the Speaker of the Assembly and one by the President pro-Tempore of the Senate.

■ Major Provisions

The major provisions of the California Arts Council budget include:

- **State Operations.** \$562,000 reduction of the support budget, which leaves \$2.0 million for department operating costs.
- **Local Assistance.** \$7.0 million reduction for local assistance grants and programs, which leaves \$16.4 million available for program activity.

DEPARTMENT OF FOOD AND AGRICULTURE

The Department of Food and Agriculture promotes and protects the state's agriculture industry through marketing and industry inspections. The Department also develops California's agricultural policies, assures accurate weights and measures in commerce, and provides financial oversight to county, district, and citrus fairs.

■ Major Provisions

The major provisions of the Department of Food and Agriculture budget includes:

- **Major programmatic reductions:**
 - A) \$121,000 (General Fund) and 1.6 personnel years in information technology support for plant health activities.
 - B) \$274,000 (General Fund) in research funds for existing and potential pests.
 - C) \$24,000 (General Fund) in various operating expenses for the Policy and Planning activities.
 - D) \$2.3 million (General Fund) reduction to the department's Red Imported Fire Ants Program, leaving \$5.1 million (General Fund) for the eradication activities.
 - E) \$3.5 million (General Fund) reduction to the "Buy California" marketing program. This reduction leaves \$20.0 million (\$1.5 million General Fund and \$18.5 million federal funds).
 - F) \$100,000 in various operating expenses in the administrative budgets.
 - G) \$15.0 million loan from the Agriculture Fund to the General Fund.
- **Mediterranean Fruit Fly Preventative Release Program.** \$9.2 million (General Fund) and 131.0 personnel years to make permanent, the Mediterranean Fruit Fly preventative release program.
- **Agriculture Inspection Station Capital Outlay.** \$14.8 million (special funds) for the Yermo Agriculture Inspection Station. \$6.4 million (special funds) for the Dorris Agriculture Inspection Station.