



# HIGHLIGHTS OF GOVERNOR'S PROPOSED 2007-08 STATE BUDGET

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**John Laird**

CHAIR, ASSEMBLY BUDGET COMMITTEE

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## **OVERVIEW**

Today the Governor released his initial budget proposal for the 2007-08 budget year. In total, his proposed budget includes \$104.5 billion in available General Fund revenues (including \$3.2 billion carry over from 2006-07), \$103.1 billion in expenditures, and a reserve of \$590 million. In addition, the Budget Stabilization Account (BSA) is proposed to receive about \$1 billion on top of the \$472 million starting balance. Therefore the proposed final reserve is \$2.1 billion. The Administration has not provided any information regarding out year projections at this time.

The proposed expenditures include about \$1.1 billion in new spending, which includes about \$600 million for early repayment of the Economic Recovery Bonds (on top of the approximately \$2.5 billion that is automatically repaid).

The proposed budget pays for the new spending and closes the General Fund shortfall with \$3.4 billion in solutions. This is accomplished with modest tax increases, major cuts to assistance for underprivileged children, shifts of gas tax revenues for historically General Fund purposes, shifts of Proposition 98 funds for historically General Fund purposes, shifts of bond funds to replace General Fund costs, and other budget reductions throughout the budget.

In addition, the Governor's proposed budget relies on some assumptions that are necessary to keep the proposed budget balanced. This includes \$506 million in revenues from tribal gaming compacts that have yet to be approved by the Legislature, several hundred million in proceeds from the sale of Pension Obligation Bonds, and the state avoiding hundreds of millions of additional costs by prevailing in the *Guillen* lawsuit. In total, there are over \$1.5 billion in specific risks to the Governor's assumptions.

While an important first step in the legislative budget process, the Governor's proposed budget is only that, a proposed budget. The final budget will be the result of months on legislative hearings, deliberations, updates, and negotiations.

Some initial questions that the Legislature faces as it begins deliberating the Governor's proposal are as follows:

- ◆ Should the budget make major cuts in assistance to underprivileged children while adding a \$600 million early repayment to Wall Street investors on top of the \$2.5 billion scheduled repayment?
- ◆ Should Proposition 98 funds be used for historically General Fund purposes (like Stage 2 childcare) rather than increased funding for the classroom, additional school counselors, efforts to reduce the dropout rate, or other educational priorities?

- ◆ Is shifting the responsibility of school bus transportation away from school districts and to transit districts (and funded with gas tax spillover revenues) best for the students and should school bus transportation become dependant upon fluctuating gas prices?
- ◆ Can the budget be adjusted to ensure that UC and CSU fees are not increased through either budget augmentations or changes to the UC and CSU spending priorities?
- ◆ As the state attempts to "...free ourselves from oil and OPEC," as the Governor stated in the State of the State, does it make sense to permanently divert \$1 billion away from public transportation by diverting gas tax spillover revenues to traditionally General Fund uses?

As with all proposed budgets, everyone will find things they like and things they dislike. It is the goal of the budget process to work through all the various issues and craft the best budget for the people of California.

What follows is a quick summary of the highlights of what the Governor has proposed for 2007-08.

**SUMMARY OF CHARTS**

**2007-08 General Fund Summary  
(in millions)**

	<b>2006-07</b>	<b>2007-08</b>
<b>Prior Year Balance</b>	<b>\$10,816</b>	<b>\$3,198</b>
Revenues and Transfers	\$94,519	\$101,278
<b>Total Resources Available</b>	<b>\$105,335</b>	<b>\$104,476</b>
Non-Proposition 98 Expenditures	\$61,325	\$61,951
Proposition 98 Expenditures	\$40,812	\$41,190
<b>Total Expenditures</b>	<b>\$102,137</b>	<b>\$103,141</b>
<b>Fund Balance</b>	<b>\$3,198</b>	<b>\$1,335</b>
Reserve for Liquidation of Encumbrances	\$745	\$745
Regular Reserve (SFEU)	\$2,453	\$590
Budget Stabilization Account	\$472	\$1,495
<b>Final Reserve</b>	<b>\$2,925</b>	<b>\$2,085</b>

**2007-08 General Fund Solutions  
(in millions)**

<b>Source</b>	<b>Amount</b>
Shift Public Transportation Account Spillover to Backfill General Fund Purposes	\$1,111
Anticipated Revenues from Tribal Gaming Compacts	\$506
Cuts to assistance for underprivileged children	\$324
Suspension of CalWORKS COLA	\$140
Shift Stage 2 Child Care to Proposition 98	\$269
Eliminate Teacher Tax Credit and "Yacht loophole"	\$200
Replace General Fund with bond funds for levies and parks deferred maintenance	\$280
Corrections reforms	\$100
Eliminate state funding for homeless mentally ill	\$55
Other (approx)	\$391
<i>Total</i>	<b>\$3.4 billion</b>

**2007-08 General Fund Revenue Sources  
(in millions)**

<b>Source</b>	<b>Amount</b>
Personal Income Tax	\$55,598
Sales Tax	\$29,347
Corporation Tax	\$10,816
Insurance Tax	\$2,354
Tobacco Taxes	\$122
Liquor Tax	\$325
Other	\$2,716
<i>Total</i>	<b>\$101,278</b>

**2007-08 General Fund Expenditures  
(in millions)**

<b>Category</b>	<b>2006-07</b>	<b>2007-08</b>	<b>Change</b>	<b>% Change</b>
Education (K-12)	\$40,016	\$40,512	\$496	1.2%
Health and Human Services	\$29,820	\$29,875	\$55	.2%
Higher Education	\$11,368	\$12,002	\$634	5.6%
Business, Transportation and Housing	\$3,026	\$1,588	-\$1,438	-47.5%
Legislative, Judicial, Executive	\$3,505	\$3,793	\$288	8.2%
General Government	\$2,206	\$3,077	\$871	39.5%
Corrections and Rehabilitation	\$9,236	\$10,043	\$807	8.7%
Resources	\$2,161	\$1,472	-\$689	-31.9%
Environmental Protection	\$92	\$86	-\$6	-6.5%
State and Consumer Services	\$602	\$575	-\$27	-4.5%
Labor and Workforce Development	\$105	\$118	\$13	12.4%
<i>Total</i>	<b>\$102,137</b>	<b>\$103,141</b>	<b>\$1,004</b>	<b>1.0%</b>

## **K-12 EDUCATION**

- ◆ Provides an overall increase of \$1.4 billion (2.9 percent) in ongoing Proposition 98 funding to K-12 education. In general, provides similar levels of funding as those contained in last year's budget, as well as some minor increases for existing programs and some small new programs. Fully funds the Proposition 98 minimum funding guarantee.
- ◆ Funds COLA at 4.04 percent for K-12 education programs, including discretionary funds (revenue limits) and categorical programs (except for home-to-school transportation, see bullet below). Since the K-12 population is expected to decline, the Governor's budget captures attendance-related savings and does not provide growth funding, except for those individual programs that have growth calculations that are different than that of the overall K-12 population.
- ◆ Cuts \$627 million in K-12 home-to-school transportation funding and replaces it with \$627 million in revenue from gas taxes "paid at the pump" (Public Transportation Fund), which are required by law to be used for public transportation. Accordingly, the Governor proposes to adjust the Proposition 98 guaranteed minimum funding level for education downward to account for the use of Public Transportation Funds instead of Proposition 98 funds to pay for school transportation.
- ◆ Switches the funding sources for CalWORKs childcare from federal TANF funds to Proposition 98 funds, resulting in a total increase in Proposition 98 funds for CalWORKs childcare funding of \$269 million.
- ◆ Reduces the state's contribution to the Supplemental Benefit Maintenance Account of the State Teachers Retirement System, from the current 2.5 percent of teacher payroll to 2.2 percent. This account ensures that benefits to retired teachers retain their purchasing power over time. This purchasing power benefit is not currently vested, and the Governor proposes to fully vest the benefit, so that in the future retired teachers will be assured that their retirement benefits retain at least 80 percent of their original purchasing power.
- ◆ Continues ongoing funding for last year's new programs at the same level provided in the 2006-07 budget, adjusted for COLA. These programs include the Grade 7-12 Counseling program (\$208 million), the Arts and Music Block Grant (\$109 million), Physical Education Block Grant (\$41.6 million), English learner professional development (\$25 million), Preschool for Low-Decile Attendance Areas (\$50 million), Career Technical Education funding to the Community Colleges (\$52 million) and Study Guides for the California High School Exit Exam (\$5 million).

- ◆ Continues the \$350 million increase to the Economic Impact Aid program, contained in last year's budget, (total funding \$1 billion).
- ◆ Adds \$35 million in one-time funding to the Charter School Facility Grant Program, for a total funding level of \$43.9 million (last year's funding level was \$9 million.) Of the \$43.9 million total proposed funding level, \$20 million is intended to backfill unfunded program costs from 2006-07.
- ◆ Continues the \$38 million proposed in last year's budget to increase the reimbursement rate for the schools meals program. The Governor proposes that this increase be linked to the elimination of unhealthy fats and fried food from school meals.
- ◆ Continues \$50 million in one-time funding for the Low-Performing Schools Enrichment Block Grant, which provides funding to low-decile schools to improve conditions and student achievement. This program was first funded at that level two years ago.
- ◆ Adds \$69 million in one-time funds to backfill cuts in federal funds to National Forest Area schools.
- ◆ Adds \$10 million to create a new EnCorps Teachers Program, to add 2000 retired professionals to the teaching corps. The new program would establish a public-private partnership in which retired individuals will be supported by their old employers and receive the necessary education to become effective teachers.
- ◆ Adds \$1 million to create a new California Program Improvement Management System, to provide low-performing schools and districts with research-based programs and virtual coaching, to help superintendents and principals improve school performance.
- ◆ Adds \$1.5 million for a new Partnership for Success program to provide grants to three partnerships between local school districts and a CSU campus. The program is intended to provide a road map to students on how to complete the necessary coursework to enter college.
- ◆ Proposes \$2.5 million to continue the development of the California Longitudinal Pupil Achievement Data System (CALPADS), and \$1.1 million to continue the development of the California Longitudinal Teacher Integrated Data Education System (CalTIDES).
- ◆ Proposes \$2.5 million to fully fund the remaining candidates for the Chief Business Officers Training Program.

- ◆ Increases ongoing Proposition 98 funding for the High Speed Internet Access program, for a total ongoing funding level of \$10.4 million, up from last year's funding level of \$4 million.

## **HIGHER EDUCATION**

### **University of California (UC)**

- ◆ Provides a 4 percent increase of \$116.7 million for basic budget support.
- ◆ Provides \$54.4 million for a 2.5 percent enrollment growth to fund an additional 5,340 full-time equivalent students (FTES).
- ◆ Includes \$104.7 million associated with the proposed 7 percent student fee increase for undergraduates, graduate students and most professional school students. Law and business students' fees will increase by 10 percent. The UC Board of Regents will be considering the proposed fee increase at their March meeting.
- ◆ Continues the 33 percent set-aside from student fee revenue for financial aid for undergraduate and professional students but increases the set-aside for graduate students to 45 percent.
- ◆ Continues to provide \$14 million in one-time funds for costs associated with the UC Merced campus operations for a total funding of \$24 million.
- ◆ Includes \$757,000 to continue to support the expansion of entry-level master's nursing programs.
- ◆ Includes \$570,000 for the next cohort of 38 students for the Program in Medical Education for the Latino Community (PRIME-LC) program.
- ◆ Provides \$15 million for the California Institutes of Science and Innovation operating costs.
- ◆ Includes \$5 million in state matching funds to enhance the UC's bid to build a \$200 million Petascale computer.
- ◆ Increases annuitant health benefits support by \$10.5 million.
- ◆ Increases lease-purchase payments by \$15.8 million.
- ◆ Eliminates \$19.3 million for academic preparation programs. The *2006-07 Budget Act* provided \$31.3 million in General Fund for academic preparation programs. Of this amount, \$19.3 million were General Fund and \$12 million were UC funds.
- ◆ Eliminates \$6 million for labor research.

**California State University (CSU)**

**BUDGET YEAR**

- ◆ Provides a 4 percent increase of \$108.9 million for basic budget support.
- ◆ Provides \$65.5 million for a 2.5 percent enrollment growth to fund an additional 8,355 FTES.
- ◆ Includes \$97.8 million associated with the proposed 10 percent student fee increase for undergraduates, graduate students and teacher credential students. The CSU Board of Trustees will be considering the proposed fee increase at their March meeting.
- ◆ Continues the 33 percent set-aside from student fee revenue for financial aid.
- ◆ Provides \$2 million to establish three regional science and math teacher recruitment centers.
- ◆ Provides a 4 percent increase, or \$120,000 for the Capitol Fellows Program consistent with the Compact augmentations to the base budget.
- ◆ Includes a \$23.3 increase for retirement costs.
- ◆ Includes a \$2.7 million reduction for lease purchase payments.
- ◆ Eliminates \$7 million for academic preparation programs. The *2006-07 Budget Act* provided \$52 million in General Fund for academic preparation programs. Of this amount, \$7 million were General Fund and \$45 million were CSU funds.

**California Community Colleges (CCC)**

- ◆ Provides \$109.1 million, or 2 percent increase, for enrollment growth to fund an additional 23,000 FTES.
- ◆ Includes a \$224.9 million increase for a cost-of-living-adjustment (COLA) for general purpose apportionments.
- ◆ Provides a \$19.6 million increase for growth and COLA for categorical programs.
- ◆ Redirects \$33.1 million of surplus Basic Skills funding to support matriculation and other student support services.

- ◆ Includes \$9 million in one-time funds to support additional nursing program enrollment.
- ◆ Provides \$32.2 million to backfill the remaining student fee revenue reduction included in the *Budget Act of 2006-07*.
- ◆ Reduces apportionments by \$197.2 million to reflect estimated growth in local property taxes of an identical amount.

**CURRENT YEAR**

- ◆ Provide a \$4.1 million increase in property tax revenue based on revised estimates.
- ◆ Includes \$6.6 million to backfill an estimated increase in fee revenue due to an increase in the average number of credit units taken per FTES.

**California Student Aid Commission (CSAC)**

**BUDGET YEAR**

- ◆ Provides an increase of \$61.3 million over the revised 2006-07 level for anticipated growth in the Cal Grant program due to increased participation and the anticipated student fee increases at the UC and CSU.
- ◆ Includes a \$2.9 million increase over the revised 2006-07 level for anticipated growth in costs in the Assumption Program of Loans for Education (APLE).
- ◆ Authorizes 600 new warrants for the APLE program for students participating in the Science and Math Teacher Initiative.

**CURRENT YEAR**

- ◆ Captures \$19.7 million in savings in the Cal Grant and APLE programs.

**TRANSPORTATION**

**CALTRANS**

- ◆ Provides full funding of Proposition 42 and the required repayment of past suspensions, pursuant to Proposition 1A, for a total of \$684 million for the Traffic Congestion Relief Program (TCRP), \$699 million for the State Transportation Improvement Program (STIP), and \$175 million for the Public Transportation Account. (Local governments do not receive a share of Prop.42 revenues in 2007-08 since they received their portion in prior years while Prop 42 was suspended).
  
- ◆ Appropriates \$8.2 billion of Proposition 1B bond funds, including \$523 million to be allocated in the current year and \$2.8 billion to be allocated in the budget year. The following is a chart of planned Proposition 1B implementation that from the Governor's Budget Summary.

Figure BTH-03  
**Planned Proposition 1B Implementation**  
 (Dollars in Millions)

	2006-07*	2007-08	2008-09	2009-10	Proposed 2007-08 Appropriations
Corridor Mobility	\$100	\$317	\$712	\$1,090	\$2,119
Transit		\$600	\$350	\$350	\$1,300
State Transportation Improvement Program	\$262	\$340	\$287	\$408	\$1,035
Local Streets & Roads		\$600	\$300	\$150	\$1,050
Trade Infrastructure	\$15	\$170	\$255	\$255	\$680
State Highway Operation and Protection Program	\$141	\$403	\$102	\$13	\$518
State/Local Partnership		\$170	\$166	\$166	\$502
Grade Separations		\$55	\$60	\$59	\$174
Highway 99		\$28	\$44	\$99	\$171
School Bus Retrofit		\$97	\$96	\$7	\$97
Local Seismic	\$5	\$9	\$13	\$17	\$39
<b>Total Appropriations</b>	<b>\$523</b>	<b>\$2,789</b>	<b>\$2,385</b>	<b>\$2,614</b>	<b>\$7,685</b>

\*2006-07 expenditures to be proposed in separate legislation

- ◆ Diverts \$1.1 billion from public transportation to help close the General Fund budget gap by using spillover revenues (gas tax revenues paid at the pump for public transit) to backfill General Fund costs, including \$627 million to cover the costs of school bus services, \$144 million for Regional Center transportation services, and \$340 million for repayment of General Obligation Bond debt.
  
- ◆ Provides full funding for the annual STIP needs, including the December 2006 STIP augmentation, which added \$2 billion in programming capacity.

- ◆ Provides \$1.8 billion for the State Highway Operation and Protection Program (SHOPP).

### **California Highway Patrol**

- ◆ Provides \$17.5 million for an additional 120 new uniformed officers and 41 support staff by the end of the year.
- ◆ Includes \$8.3 million to relocate and consolidate the CHP headquarters due to expiring leases in the Sacramento area.

### **Department of Motor Vehicles**

- ◆ Provides \$9.6 million for facility leases to establish three Business Service Centers, relocate two Driver Safety Offices, and to consolidate one Telephone Service Center, all as part of the overall effort to improve customer service.

## **HUMAN SERVICES**

### **Department of Social Services**

- ◆ Provides a 4.21 percent Cost of Living Adjustment (COLA) to the Supplement Security Income/State Supplemental Program (SSI/SSP). The COLA will increase the grant for an adult from 856 to 892.
- ◆ Suspends the FY 07-08 CalWORKs Cost of Living Adjustment (COLA) for a budget year savings of \$140.3 million General Fund. The 4.21 percent COLA would otherwise go into effect on July 1, 2007 and would raise the grant for a CalWORKs family of three by \$30 per month, from 723 to 753.
- ◆ Requires CalWORKs safety-net cases to participate in welfare-to-work activities in order to receive aid. Safety net cases are CalWORKs families that have been on aid for longer than their 60 months of federal TANF eligibility. The Governor assumes that this proposal will be implemented in November 2007, resulting in \$175.8 million General Fund savings and a 4 percent increase in California's federal work participation rate.
- ◆ Includes a "full-family" sanction on CalWORKs families. CalWORKs families on sanction status for over 90 days would lose the adult and child portions of the grant. Under current law, only adults are sanctioned when a family fails to comply with such requirements. The budget assumes that this proposal will cost \$11.4 million General Fund in the budget year, as the budget envisions 75 percent of sanctioned cases would begin working as a result of this change. This proposal would take effect in November and the budget projects a 9 percent increase in work participation as a result of this policy change. The proposed changes to the sanction and safety-net policies could eliminate all financial assistance to over 190,000 children in the budget year.
- ◆ Limits child-only CalWORKs cases to 60 total months of CalWORKs benefits. Under current law, children can still receive assistance if their parents are undocumented or are not eligible due to a conviction for a drug felony. The budget projects \$160 million in savings from a November implementation of this proposal.
- ◆ Begins implementation of semi-annual reporting by CalWORKs and Food Stamp recipients. Currently law requires quarterly reporting. The change should reduce the administrative burden of the program and is expected to be implemented in FY 08-09.
- ◆ Caps State participation for In Home Supportive Services (IHSS) wages at the January 10, 2007 levels. Counties would receive no additional State funding for any wage increase beyond current year levels, but would continue

to receive funding for existing State wages. Under current law, the State's revenues would trigger a statutory provision that would increase the threshold for State participation from \$11.10 per hour to \$12.10 per hour for a total cost of \$14.1 million General Fund.

- ◆ Includes \$4.3 million (\$4.1 million General Fund) and 55.5 positions to increase from 20 percent to 30 percent the random sample of inspections of licensed care facilities.
- ◆ Provides \$1.7 million (\$1.5 million General Fund) and 9.4 positions to implement a Licensing Reform Automation Project to improve limitations and weaknesses of information technology systems supporting the licensing program. This augmentation will provide automated tools to enable licensing staff to conduct more follow-up visits and better focus on the health and safety of clients in care.
- ◆ Provides \$550,000 (\$487,000 General Fund) and 6.2 positions to provide follow-up visits when a Temporary Suspension Order, Revocation, or an Exclusion Order has been served to ensure that the facility has ceased operation or that the excluded individuals are no longer at the facility. Proper follow-up will further enhance client protections.
- ◆ Provides \$.3.2 million for probation specific activities related to the implementation and completion of county system improvement plans.
- ◆ Establishes a Child and Family Services Review Unit to oversee data quality and integrity, monitor program performance, and ensure compliance with federal requirements. The proposal is expected to cost \$1 million (\$500,000 General Fund).
- ◆ Provides \$1 million (\$300,000 General Fund) to improve the identification of mental health and developmental needs of children and youth in the foster care system.
- ◆ Increases funding for Transitional Housing for foster youth by \$12 million in the current fiscal year.
- ◆ Provides \$200,000 (\$100,000 General Fund) to establish and support the California Child Welfare Council, which as created last year by AB 2216 (Bass and Maze).
- ◆ Transfers \$15 million for the Employment Training Fund to the CalWORKs program for a one-time General Fund savings of \$15 million.
- ◆ Offsets \$56.4 million of Child Welfare-related General Fund expenditures with federal TANF funding to achieve a corresponding General Fund savings.

## **Department of Alcohol and Drug Programs**

- ◆ Reduces funding for Proposition 36 drug treatment by \$25 million. The Governor's proposal would reduce overall funding for Proposition 36 related expenditures from \$155 million General Fund in the current year to \$60 million General Fund in the budget year. Proposition 36, the Substance Abuse and Crime Prevention Act, was passed by voters in 2000 and required that certain individuals convicted off nonviolent, simple drug possession offenders receive substance abuse treatment instead of incarceration. For five years, the initiative provided \$120 million per year in funding for substance abuse treatment services associated with this program. In the current year, the funding is subject to appropriation in the budget and has been continued at the \$120 million level. In addition to this funding, the current year budget includes \$25 million for a new Substance Abuse Offender Treatment program that provided counties additional funding to match 90 percent of expenditures on treatment, probation, testing, and other costs associated with Proposition 36 participants. Counties anticipate spending over \$160 million on the program in the current year. The Governor's budget proposes to eliminate \$60 million of the funding dedicated to Proposition 36 and instead increase the Substance Abuse Offender Treatment program by \$35 million to \$60 million total. This proposal would dramatically undermine the availability and adequacy of treatments options available to Proposition 36 participants, which would reduce the effectiveness of the program.

## **Child Support Services**

- ◆ Provides a backfill for Lost Federal Incentives Matching Funds - Effective October 1, 2007, the Federal Deficit Reduction Act of 2005 will eliminate California's ability to claim federal matching funds for earned federal incentive payments. These incentive payments are awarded to all states based on program performance in a number of areas, such as paternity establishment. The Governor's Budget includes increased funding of \$23 million General Fund to maintain the current funding level for local child support agencies.
- ◆ Includes a reduction of \$220 million General Fund due to the state's request for federal certification of its statewide, automated child support system. During the federal certification process, the federal government will hold future penalties in abeyance pending final review of the state's child support automation system. Once the federal government certifies the system, it will reimburse the state \$198 million, or 90 percent of the state's final penalty payment. Given the current project schedule, the state system should be certified in 2008-09, and the Governor's Budget assumes accrual of the penalty reimbursement to 2007-08.

## **Child Care and Development**

- ◆ Shifts \$269 million of federal TANF CalWORKs Stage 2 Child Care expenditures to Proposition 98 funding. The shift allows the Governor's Budget to score \$269 million in General Fund savings from reductions in CalWORKs program. This proposal does not reduce child care programs.

**Department of Community Services and Development**

- ◆ Includes \$3 million for the Naturalization Services Program.

## **HEALTH SERVICES**

### **Department of Health Services**

- ◆ Revises the Medi-Cal caseload growth for 2007-08 down to 1.6 percent from 2.5 percent increase.
- ◆ Achieves savings of \$44 million as a result of the switch from Average Wholesale Price to the Average Manufacturer Price for the drug reimbursement component of pharmacy claims.
- ◆ Provides \$11.3 million, (\$5.6 million General Fund), for Human Papillomavirus Vaccinations.
- ◆ Achieves \$14.4 million in savings through reducing reimbursement rates for Long-Term Facilities.
- ◆ Provides \$1.5 million to expand the Newborn Hearing Screening Program.

### **Department of Public Health**

- ◆ Provides for an accelerated implementation of the statutory requirement for the Licensing and Certification to become fee-supported, a savings of \$7.2 million General Fund in 2007-08.
- ◆ Provides \$7.2 million from the Licensing and Certification Fund to implement the reporting and follow-up on adverse events in hospitals.
- ◆ Provides net increase of \$21 million from the Genetic Disease Testing Fund for Genetic Disease testing.
- ◆ Provides \$2.1 million to enhance the state's response capabilities to food borne illnesses such as E.coli.
- ◆ Provides \$2.0 million General Fund additional local assistance funding to increase surveillance staff for HIV reporting activities.
- ◆ Provides \$1.6 million to implement the Hospital Infectious Disease Control Program.
- ◆ Provides \$1.2 million to begin implementation of an environmental contaminant bio-monitoring program.

**Department of Developmental Services**

- ◆ Provides \$144 million in Public Transportation Account funding on a one-time basis in 2007-08 to replace the General Fund share of regional center transportation costs.
- ◆ Includes a reduction of \$44 million General Fund in DDS' budget to reflect increased federal financial participation for services at ICF/DDs.
- ◆ Reduces the population of Developmental Centers from 2,695 to 2,455, a reduction of 240 persons.
- ◆ Provides \$3.0 million General Fund for one continuing and three new projects. Two projects will add modern personal alarm systems at Fairview and Porterville Developmental Centers, thereby providing security for staff, which interact with behaviorally challenged consumers. The third project will add air conditioning to the school and activity center at Fairview Developmental Center, which will allow year-round consumer use of those facilities. The fourth project is a continuation of satellite kitchen and dining room renovations at Porterville Developmental Center.
- ◆ Continues to provide funding for the closure of Agnews Developmental Center.
- ◆ Provides an increase of \$12.6 million General Fund to bring some salaries within 18 percent of salaries of the Plata court ordered salaries in the California Department of Corrections and Rehabilitation.
- ◆ Provides \$26.4 million (\$18.3 million General Fund) to fund the increase in minimum wage.
- ◆ Continues the temporary cost containment measures established in prior years budgets.

**Department of Mental Health**

- ◆ Provides \$28.9 million General Fund in 2006-07 and \$53.9 million General Fund in 2007-08 to provide for an increase in Sexually Violent Predators (SVPs) at state hospitals, manage increased SVP evaluations and court testimony, and fund increased administrative costs at Department headquarters and Coalinga State Hospital.
- ◆ Provides a \$5 million increase in Proposition 98 General Fund to augment the Early Mental Health Initiative (EMHI), which provides grants to local education agencies for supportive, non-clinical mental health intervention and prevention services to children (grades K-3) who have mild or moderate

school adjustment difficulties. The augmentation would increase total program funding to \$15 million in 2007-08.

- ◆ Provides an increase of \$224.8 million for state operated DMH long-term care.
- ◆ Eliminates the Integrated Services for Homeless Adults with Serious Mental Illness program.
- ◆ Provides \$3.4 billion for mental health services in the communities to prevent commitment to a state hospital or incarceration.
- ◆ Improve the Early and Periodic, Diagnosis and Treatment Program (EPSDT) expenditure estimating model.
- ◆ Provides a \$5 million increase for the Early Mental Health Initiative.
- ◆ Estimates the Proposition 63 funds will increase by \$495.7 million in 2007-2008. The budget proposes no changes in state administration expenditures for 2007-08.
- ◆ Provides \$7.1 million to bring DMH medical salaries to within 18 percent of the court ordered salaries for the Plata case.

**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION**

- ◆ Proposes \$6.0 billion in new General Obligation Bond and Revenue Bonds for statewide water infrastructure including: \$4 billion for new reservoirs; \$500 million for groundwater storage; \$1 billion for Delta restructuring projects; and \$500,000 for water stewardship and conservation.
- ◆ Provides \$629.9 million (Proposition 1E, Proposition 84, and Proposition 13 bond funds and from AB 142), and 75 new positions to continue the repair of critical levee erosion sites, provide local flood control subventions, and continue development of the state's strategic flood management capability.
- ◆ Includes \$37 million in Proposition 1E and 84 funds for Sacramento and American River flood control projects
- ◆ Proposes \$26.5 million in non General Funds and 107.1 positions for Cal/EPA boards and departments to implement greenhouse gas emissions reduction programs and develop a market based greenhouse compliance program.
- ◆ Proposes \$1.1 billion in Proposition 84 funding for various Resources and Cal/EPA programs.

**Secretary for Resources**

- ◆ Provides \$13.9 million (Proposition 84) to support implementation of a settlement agreement between the federal government, local water users, and environmental advocates to restore portions of the San Joaquin River, including channel modifications and ecosystem restoration projects that will be implemented by the Department of Water Resources and the Department of Fish and Game.

**Tahoe Conservancy**

- ◆ Provides \$5.1 million (Proposition 84) for the Conservancy in conjunction with the Department of Forestry to enhance programs that promote biomass energy generation.
- ◆ Includes \$23.5 million (various funds) for support and local assistance to continue the state's efforts to support the Environmental Impact Program for the Lake Tahoe Basin.
- ◆ Provides \$716,000 (Proposition 84) for equipment to support the Conservancy's existing ReGreen Program.

**Sierra Nevada Conservancy**

- ◆ Provides \$17.5 million (Proposition 84) to the conservancy for the protection of rivers, lakes, and streams in the Sierra Nevada region, along with their watersheds and associated land, water, and other natural resources. The Governor's Budget provides \$17.5 million of this funding to the Conservancy in 2007-08.

**Department of Conservation**

- ◆ Provides \$12.3 million (Proposition 84) and 4 positions to assist communities to build sustainable, clean communities, facilitate planning efforts to develop conservation easements.
- ◆ Includes \$2 million (Beverage Container Recycling Fund) and 23 positions to carry out the provisions of Chapter 907, Statutes of 2006 (AB 3056).

**Department of Forestry and Fire Protection**

- ◆ Provides \$5.1 million (Proposition 84) for the Department of Forestry in conjunction with the Tahoe Conservancy to provide grants to biomass energy generating facilities and enhance existing programs that promote biomass generation.
- ◆ Includes \$9.3 million (various bond funds) for urban forestry programs that provide grant funding for projects such as tree planting and vegetation maintenance programs. Of this total, \$1.5 million is proposed to be dedicated to carbon sequestration.

**Department of Fish and Game**

- ◆ Includes \$47 million (Proposition 84) for CALFED Bay Delta Ecosystem Restoration Programs.
- ◆ Provides \$11.5 million (Proposition 84) and 14.5 positions for Coastal Salmonid Monitoring Plan implementation, Coho Recovery Plan implementation, Coastal Steelhead and Chinook Recovery, and the Steelhead Report Card Program.
- ◆ Proposes \$7.4 million (Yuba Feather Flood Protection Subaccount) to continue environmental mitigation, restoration, and enhancement measures for the Yuba Feather River Flood Control Project, which provides flood protection for over 25,000 residences.

- ◆ Includes \$6.8 million (Proposition 84) for the acquisition of lands for natural resource protection and public access to natural resources, consistent with the purpose of the Lower Colorado River Multi-Species Habitat Conservation Plan.
- ◆ Provides \$4.5 million (Fish and Game Preservation Fund) and 34 positions for the California Environmental Quality Act (CEQA) Review Program. Chapter 667, Statutes of 2006, increased the fees collected by Fish and Game for CEQA reviews by an estimated \$4.5 million.

### **Department of Boating and Waterways**

- ◆ Includes \$31 million (Harbors and Watercraft Revolving Fund) to provide funding for boating facility construction loans and grants, which include \$12.9 million for local government grants, \$6 million for private marina owners for loans to develop, construct, and renovate marinas, and \$12.1 million for public boat launching lanes, restrooms, parking areas, and other ancillary projects.

### **Department of Parks and Recreation**

- ◆ Includes \$4.1 million (General Fund) and 6 positions for the continued implementation of remediation and treatment measures.
- ◆ Provides \$7.3 million (Proposition 84) funds and 76.8 positions for planning and administration for the state park system, program delivery for local grant programs, and statewide bond administration.
- ◆ Reverts \$86 million (General Fund) from funding allocated to the Department of Parks and Recreation for deferred maintenance in the 2006-07 Budget.

**Department of Water Resources**

- ◆ Proposes \$4.5 billion in new bonds (\$2.5 billion general obligation bonds and \$2 billion revenue bonds) for water storage projects including: \$4 billion for new reservoirs and \$500 million for groundwater storage.
- ◆ Includes \$1 billion in new proposed General Obligation Bonds to upgrade water conveyance infrastructure through the delta.
- ◆ Includes \$250 million in new proposed General Obligation Bonds to fund a Klamath River settlement and restoration projects in the Salton Sea, San Joaquin River, Sacramento River and portions of the Delta.
- ◆ Includes \$200 million in new proposed General Obligation Bonds for water conservation projects.
- ◆ Includes \$8.4 million (General Fund) and 35 positions for levee maintenance activities, including San Francisco Bay-Sacramento-San Joaquin River Delta levees, improved emergency response capabilities, and floodplain mapping.
- ◆ Includes \$462.6 million from Propositions 1E and 84 and 52 positions for investments to improve the state's flood control systems. This funding includes \$401 million for local assistance including flood control subventions, grants for projects to improve flood protection in urban Central Valley areas, support for local maintenance and improvements of delta levees, grants for new flood control feasibility studies and levee evaluations, and programs to improve floodway corridors. Additionally, \$61.6 million is provided for state operations, including development of a California Flood Plan, support for floodplain evaluations and delineation, sediment removal to improve channel flows, and administration and technical assistance for grant programs.
- ◆ Provides \$47.3 million (General Fund) and \$34.7 million (Proposition 84) for the lining of the All American and Coachella canals, and other projects considered essential to reduce the state's use of Colorado River water.
- ◆ Provides \$364.6 million (Propositions 1E, 50, and 84) for projects to protect communities from drought, protect and improve water quality, improve storm water management, and reduce dependence on imported water. This funding includes \$322 million for local assistance grants and \$42.6 million for state operations for grant administration, technical assistance, and improving systems for collection and dissemination of water quality and groundwater monitoring data.

- ◆ Includes \$49.5 million for other Proposition 84 programs, including \$25.1 million for the Delta Water Quality Program, \$15.1 million for Statewide Water Planning, and \$9.3 million for the Urban Streams Grant Program.

### **Secretary for Environmental Protection**

- ◆ Proposes \$26.5 million in non General Funds and 107.1 positions for Cal/EPA boards and departments to implement greenhouse gas emissions reduction programs and develop a market based greenhouse compliance program.

### **Air Resources Board**

- ◆ Includes \$3.2 million and 17.2 positions for The Air Resources Board (CARB) to collect greenhouse gas emissions data in California order to identify the major sources of emissions and develop reduction measures. CARB will use mandatory reporting to provide the data necessary to enable to maintain an emissions inventory and measure the effectiveness of emission reduction strategies.
- ◆ Includes \$1.8 million and 10.8 positions for CARB to develop a comprehensive scoping plan to attain 1990 emission levels by 2020. The Board will evaluate the cost-effectiveness and technological feasibility of regulatory and market-based emission reduction strategies, analyze economic impacts, and identify and make recommendations on specific emission reduction measures. Where necessary, this plan will include consultation with other state entities that are outside of CARB's jurisdiction.
- ◆ Includes \$12.0 million and 35.8 positions for CARB to develop a market-based compliance program to achieve greenhouse gas emission reduction. This proposal will also will implement the Green Building Action Plan to require state buildings to comply with energy efficiency standards and use recycled materials.
- ◆ Includes \$7.1 million and 29.4 positions for CARB to implement early action measures identified by the Climate Action Team to reduce GHG emissions. These actions include developing additional energy efficiency standards and clean alternative fuels and improving heavy duty engines.
- ◆ Includes \$7.4 million and 9 positions for CARB to perform economic analyses to provide data on cost effectiveness of statewide emission reduction strategies.
- ◆ Includes \$4.0 million and 23.9 positions for CARB to collaboration efforts with other State entities and governmental bodies to achieve emission reductions.

- ◆ Includes \$96.5 million (Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund) and 2.9 positions to replace pre-1987 school buses and retrofit old diesel school buses.
- ◆ Provides \$6.0 million (Motor Vehicle Account) and 7.7 positions for the Air Resources Board for matching funds for up to eight publicly accessible hydrogen fueling stations.

### **Integrated Waste Management Board**

- ◆ Includes \$518,000 various special funds and 4.8 positions to conduct financial, performance, and service audits to enhance the Board's ability to ensure that its waste diversion, used oil and tire recycling and electronic waste programs are properly administered.
- ◆ Includes \$716,000 (Integrated Waste Management Account) and 1.9 positions for the Household Hazardous Waste grant program to develop and promote alternatives to the illegal disposal of household hazardous waste items.
- ◆ Provides \$435,000 (Electronic Waste Recovery and Recycling Account) and 4.8 positions to improve the Board's ability to promptly process payments to recyclers, and enforce the state's electronic waste program requirements.

### **State Water Resources Control Board**

- ◆ Includes \$75.7 million (Proposition 84) and 8 positions for the State Water Pollution Control Revolving Fund Program that provides low interest loans or grants to construct municipal wastewater treatment facilities, storm water pollution control projects, non-point source pollution projects, and estuary enhancement projects. This funding includes the state share of federal matching funds.
- ◆ Provides \$6.2 million (Proposition 84) and 1.5 positions for the Agricultural Water Quality Grant Program. This program provides grants for public agencies or nonprofit organizations to improve agricultural water quality, including projects related to research and construction of agricultural drainage water improvements.
- ◆ Proposes \$14.6 million (Proposition 84) and 3 positions for the Urban Storm Water Grant Program. This program provides grants to local public agencies for projects that contain storm water runoff, such as diverting the runoff to treatment facilities.
- ◆ Funds \$8.8 million (Proposition 84) and 5.7 positions for the Clean Beaches Grant Program. This program provides grants to public agencies for water

quality projects in coastal waters, estuaries, and bays. Projects include upgrading septic systems, storm water pollution reduction programs, and clean beach projects in Santa Monica. Proposition 84 specifies that 20 percent of the funds for clean beaches be allocated to the Santa Monica Bay Restoration Commission.

- ◆ Provides \$6.1 million (Proposition 84) and 11.9 positions for basin and land use planning activities. This program will provide grants to local agencies to incorporate watershed protection efforts into land use policy, including projects such as restoring creeks and wetlands, directing runoff to permeable surfaces, and increasing water reuse.
- ◆ Provides \$3.1 million (Cleanup and Abatement Account) and 25.1 positions for the Water Board to accelerate the cleanup of approximately 750 additional brownfield sites.

### **Department of Toxic Substances**

- ◆ Provides \$219,000 (Special Funds) and 1.9 positions for the Department of Toxic Substances Control to implement recent legislation that provides incentives for brownfield cleanups.
- ◆ Includes \$3,700,000 (General Fund and Stringfellow Proceeds Account) to continue maintenance and remediation activities at the Stringfellow site.

### **Energy Commission**

- ◆ Provides \$1.1 million and 4.8 positions to reduce greenhouse gas emissions. Emission reduction strategies include expanding energy efficiency, increasing the use of alternative fuels and biofuels, promoting renewable electricity generation, and implementing electricity demand strategies.
- ◆ Includes \$994,000 and 4.8 positions to implement SB 1 and the New Solar Homes Partnership.

## **PUBLIC SAFETY**

### **Department of Justice**

- ◆ Provides \$2.5 million to maintain compliance with Proposition 69 requirements for felon DNA samples.
- ◆ Includes \$767,000 to enhance the Megan's Law website to include additional information on sex offenders pursuant to enacted legislation.
- ◆ Provides \$400 million in bond funding to construct a new DNA laboratory.

### **Department of Corrections**

- ◆ Provides an additional \$53.8 million in General Fund support for a projected average daily adult institutional population of 177,577 and projected average daily parole population of 122,148.
- ◆ Includes \$56.7 million in savings as a result of proposed modification to the state's adult parole structure.
- ◆ Provides an additional \$8.2 million in General Fund support for a projected average daily juvenile institution population of 2,490.
- ◆ Includes a decrease of \$2.4 million in General Fund support for a projected average daily juvenile parole population of 2,405, which reflects a decrease of 240 juvenile parole cases.
- ◆ Eliminates \$10 million for the Juvenile Justice Community Re-entry Challenge Grant.
- ◆ Provides \$5.5 billion (\$4.4 billion in lease revenue bonds, \$1.1 billion in local matching funds to fund 45,000 local jail beds and 5,000 local juvenile beds.
- ◆ Provides \$4.4 billion (\$3.3 billion in lease revenue bonds, \$800 million contract authority, \$300 million General Fund) to fund 16,238 new state prison beds on existing sites, up to 7,000 re-entry beds, a new training facility and construct a modernized Death Row at San Quentin.
- ◆ Provides \$1 billion (lease revenue bonds) to construct medical, dental and mental health facilities as mandated by ongoing federal court cases.
- ◆ Includes \$13.2 million to contract with prison facilities outside California.

- ◆ Includes \$457,000 to permanently establish a Sentencing Commission to review and recommend change to current and future sentencing. The commission will consist of 17 members, and will initially focus on parole reform.
- ◆ Includes \$30.4 million 2006-07 and \$77.3 million in 2007-08 for the implementation of Jessica's Law, which provides for the increase parole agent supervision and provide Global Positioning System monitoring.
- ◆ Provides \$47.2 million to implement the High Risk Sex Offender Task Force recommendation.
- ◆ Provides \$93.9 million in 2007, for drug treatment, counseling, housing assistance and various recidivism reduction programs.
- ◆ Includes \$1.7 million General Fund to perform pre-activation functions necessary to implement a program for Female Rehabilitative Community Correctional Centers.
- ◆ Includes \$278.9 million to comply with court orders and lawsuits, including the Federal Receiver.

### **Judiciary and Trial Court Funding**

- ◆ Provides \$3.7 billion (\$2.3 billion General Fund) for the Judicial Branch, which includes the State Judiciary and Trial Courts.
- ◆ Provides a growth factor increase of \$146 million (General Fund), of which 130.1 million is slated for Trial Court operations and 16.7 million of State Judiciary operations.
- ◆ Includes \$27.8 million (General Fund) to provide funding for 100 new judgeships over a two-year period, consistent with the administrations prior year proposal to create 150 new judgeships over a three-year period concluding in 2008-09.
- ◆ Includes \$5 million (General Fund) to implement a pilot program in three Superior Courts to identify and provide representation to unrepresented litigants in a wide range of civil matters.
- ◆ Includes \$17.4 million (General Fund) to implement the Conservatorship and Guardianship Reform Act of 2006.
- ◆ Includes \$1.4 million (General Fund) for Court-Appointed Counsel for Children in Dependency Cases.

- ◆ Includes \$2 billion in bond funds for State Judiciary Facilities.

## **GENERAL GOVERNMENT**

### **Secretary of State**

- ◆ Provides \$10.5 million federal funds to continue implementing the federal Help America Vote Act (HAVA). Of the funds included for HAVA, \$6.9 million is to implement the new VoteCal voter database system. The Governor's Budget also includes \$3.5 million for other HAVA implementation activities including funds for assistance to disabled voters, interim voting systems, and voter education materials.
- ◆ Includes \$299,000 General Fund and 2.8 positions to expand the role of the Safe at Home Program by including victims of sexual assault to those eligible for this program.

### **State Controller**

- ◆ Provides \$38.3 million (\$19.7 million General Fund, \$14.6 million in special funds, and \$4.0 million in reimbursements) and 76.6 one-year limited term positions in 2007-08 to continue activities associated with the replacement of the existing employment history, payroll, leave accounting, and position control systems.

### **State Teachers Retirement System**

- ◆ Includes a \$75 million General Fund savings related to proposed legislation to fully vest the existing target of 80-percent purchasing power protection for retired teachers. In return for the vesting guarantee, the state would reduce its purchasing-power contributions from 2.5 percent to 2.2 percent of salary.

### **Commission on State Mandates**

- ◆ Includes a one-time General Fund reduction of \$402.4 million since the 2006 Budget Act provided the estimated full year cost of mandates to be claimed in for the 2005-06 and 2006-07 fiscal years, and the first two payments towards retiring mandate obligations incurred prior to June 30, 2004. However, the budget proposes no funding for mandate claims for costs incurred by local governments in 2007-08. Payment of these claims would be deferred to 2008-09.
- ◆ Provides \$52 million to fully-fund costs of the AB 3632 mental health services mandate.

- ◆ Proposes to revise the current process in which the commission determines mandates and their reimbursement guidelines to a process under which the Department of Finance will work with local agencies to develop a cost-efficient method of compliance with new laws and a reasonable and relatively simple way to determine the amounts to be reimbursed to local governments.
- ◆ Proposes to repeal the Local Government Employment Relations mandate created by Chapter 901, Statutes of 2000. The Governor's Budget is now proposing that this mandate be repealed because it views these additional costs as unnecessary.

### **State Board of Equalization**

- ◆ Provides \$1.1 million (\$696,000 General Fund) to expand the U.S. Customs Program from five positions to 16.5 positions. This Program collects California import data from the Department of U.S. Customs and Border Protection to ensure payment of use tax by California-based purchasers. The budget estimates the proposed positions will generate \$15.2 million in revenues in 2007-08, of which \$9.4 million will accrue to the General Fund and \$5.8 million to local governments.

### **Franchise Tax Board**

- ◆ Provides \$19.6 million General Fund and 230 positions for various efforts to close the state's estimated \$6.5 billion tax gap-- the difference between the amount of tax owed and the amount paid. Of the proposed resources, \$13.6 million and 180.5 positions continue six existing pilot programs proposed for permanent establishment. The existing programs concentrate on detecting non-filers and filers of fraudulent returns and on audit and collections activities. The FTB estimates these programs will generate \$64.7 million in revenues in 2007-08, and \$68.5 million in revenues in 2008-09. The remaining \$6 million and 49.5 positions are for new initiatives to educate independent contractors about filing requirements, expand the corporate non-filer program, address out-of-state tax avoidance, and increase investigations of persons who fail to file a return, or who file fraudulent returns. The budget estimates these initiatives will generate \$12.8 million in revenues in 2007-08, and \$29.8 million in revenues in 2008-09.
- ◆ Augments by \$1.3 million to restore 27 customer service positions that were previously eliminated due to budgetary constraints. The proposed positions will allow FTB to reduce customer service wait times and to respond more effectively to taxpayer inquiries.

- ◆ Reduces funding for the California Child Support and Automation System by \$99.2 million (\$33.7 million General Fund) in 2007-08. This adjustment reflects the transition of the project from development to implementation.

### **Senior Citizens' Tax Relief Programs**

- ◆ Provides a total of \$203.5 million to fund Senior Citizens' Property Tax Assistance and Deferral Programs and Senior Citizens' Renters' Assistance in 2007-08.

### **Revenue Proposals**

- ◆ Proposes permanent elimination of the teacher retention tax credit (which is currently suspended through the 2006 tax year), resulting in an estimated General Fund revenue gain of \$165 million.
- ◆ Proposes to make permanent the one-year period during which vehicles, vessels and aircraft purchased by Californians generally must remain out of state in order to avoid a use-tax obligation. This results in a General Fund revenue gain of \$35 million in 2007-08.

### **Department of Housing and Community Development**

- ◆ Proposes 2007-08 expenditure of \$658 million of the \$2.85 billion of housing bonds approved by the voters in November 2006 as Proposition 1C.
  - \$373 million for affordable home ownership (\$88 million), affordable rental housing (\$140 million), farmworker housing (\$40 million), permanent housing for homeless persons and foster care youth ((\$95 million), and for homeless shelter construction (\$10 million). These amounts do not require budget appropriations.
  - \$135 million of budget appropriations for the Equity and Growth in Neighborhoods (BEGIN) Program (\$40 million), which provides grants to cities and counties to make deferred-payment second mortgage loans to qualified buyers of new homes, and the Transit-Oriented Development program (\$95 million) to develop and construct housing projects close to transit stations.
  - \$145 million for programs that require legislation—Infill Incentive Grants (\$100 million), Affordable Housing Innovation (\$15 million), and Housing and Urban-Suburban-Rural Parks (\$30 million). The administration will propose budget trailer legislation to implement these programs.
- ◆ Includes \$747,000 and 4.0 positions to implement Chapter 718, Statutes of 2006 (AB 1550) and increase assistance and oversight to economic

development areas including Enterprise Zones, Manufacturing Enhancement Areas, Local Military Base Recovery Areas, and Targeted Tax Areas.

**Department of Fair Employment and Housing**

- ◆ Provides \$873,000 from the General Fund and 6.7 positions to improve case processing and service to individuals that file a housing discrimination complaint.

**Public Utilities Commission**

- ◆ Provides \$1,272,000 (special fund) and 2.9 positions for the PUC's greenhouse gas emissions reduction efforts. These resources will enable the PUC to conduct climate change proceedings to implement emission reduction strategies, evaluate various electric and natural gas sector greenhouse gas emission cap scenarios, and develop protocols to measure and verify actual emissions reductions.
- ◆ Proposes \$2,460,000 and 2.9 positions to implement this initiative. This proposal will provide necessary staff for PUC proceedings, enable the PUC to develop a pricing structure that provides an incentive to generate solar energy during peak-demand hours, and fund an independent program evaluation.
- ◆ Includes \$950,000 and 10.3 positions to implement the Video Competition Act and enable the PUC to ensure that video service is non-discriminatory, review applications and issue state franchises, and report annually to the Legislature. This proposal includes one position for the Division of Ratepayer Advocates to promote service and quality standards on behalf of ratepayers.

**Budget Stabilization Account (BSA)**

- ◆ Includes a transfer of about \$2 billion to the BSA, consistent with the Proposition 58 target for 2007-08 of 2 percent of General Fund revenues. Half of this amount is used to accelerate payment of the Economic Recovery Bonds (see below).

**Debt Service**

- ◆ Redirects \$340 million of Public Transportation Account sales tax "spillover" funds to offset General Fund debt service payments on transportation bonds.
- ◆ Accelerates payoff of Economic Recovery Bonds (ERBs).
  - Provides an additional \$1 billion (50 percent of the amount transferred from the General Fund to the Budget Stabilization Account) consistent with Proposition 58.
  - Augments ERB repayment by a further \$595 million from the General Fund. The budget indicates that the administration plans to fully repay the ERBs by August of 2009.

**Unallocated Reduction**

- ◆ Includes \$100 million of General Fund savings that will be identified by the administration during 2007-08.

**Elimination of Boards and Commissions**

- ◆ Proposes the elimination of the following boards or commissions, generally on the basis that they are defunct or their primary purpose has ended:
  - Electricity Oversight Board
  - California Consumer Power and Conservation Financing Agency
  - Heritage Preservation Commission
  - California Quality Education Commission

**Office of Emergency Services**

- ◆ Includes \$1.2 million (\$608,000 General Fund) for the Response and Recovery Division to eliminate a significant backlog of disaster assistance claims and provide adequate service to local governments and disaster victims.

**Office of State Inspector General**

- ◆ Includes \$1.8 million and 9.9 positions for the Office of the Inspector General to conduct new types of investigations, including fraud investigations, correctional facility inspections, and to respond to critical incidents.

**Department of Food and Agriculture**

- ◆ Includes \$658,000 (General Fund) for new Medfly rearing systems.
- ◆ Provides \$407,000 and 4.7 positions to continue the All Vehicle Inspection Pilot Program located at the Inspection Station in Needles, California for a second year.

**Fair Political Practices Commission**

- ◆ Provides \$604,000 (General Fund) and 4.7 positions to support workload growth created by new legislative requirements.

**Secretary for Business Transportation and Housing**

- ◆ Reduces \$6.3 million (General Fund) reduction in the ongoing state contribution to tourism marketing pursuant to Chapter 790, Statutes of 2006 (AB 2592), which authorizes a new assessment of the rental car industry to support the marketing efforts of the California Travel and Tourism Commission.
- ◆ Includes \$591,000 (General Fund) and 3.0 positions to carry out Chapter 663, Statutes of 2006 (SB 1513), which requires the Business, Transportation and Housing Agency to produce a comprehensive study of the need for state programs to facilitate foreign trade, develop an international trade and investment strategy, and convene a statewide partnership for international trade and investment.
- ◆ Includes a one-time General Fund appropriation of \$832,000 to match \$4.3 million in federal funds to provide additional loan guarantees to small businesses, particularly in areas that have suffered sudden job loss due to natural disasters or manufacturing plant closures.

**Military Department**

- ◆ Provides an increase of \$1.7 million to establish a tuition assistance program for members of the California National Guard (CNG).
- ◆ Includes \$4.5 million (\$3.0 million General Fund and \$1.5 million Federal Trust Fund) for maintenance and repairs at armories statewide. The proposed funding will allow the Department to continue making needed repairs, modernizing its armory infrastructure, and ensuring compliance with environmental laws and building codes at various armories on a priority basis.
- ◆ Provides \$1.8 million General Fund and 22.1 positions to provide additional resources to meet the demand for increased military funeral honor ceremonies in California. The California National Guard serves as the principle provider of such ceremonies for veterans who or whose families request funeral services in California with military honors.

**Department of Veterans' Affairs**

- ◆ Provides \$10.3 million General Fund (\$7 million one-time) and 20.9 positions to procure and implement a statewide Veterans Home Information System that will replace the current proprietary system in the existing homes and be used in any additional homes that are constructed in the future.
- ◆ Includes \$2.3 million (\$2.1 million General Fund and \$245,000 other funds) and 18 positions to reopen 40 Skilled Nursing Facility beds at the Barstow Veterans Home. The activation of the unit will occur over two fiscal years.
- ◆ Provides \$995,000 General Fund and 7.6 positions for the initial construction and pre-activation phases of the Greater Los Angeles and Ventura County Veterans Homes project.

**Department of Industrial Relations**

- ◆ Includes \$1.9 million (Elevator Safety Account) and 15.2 positions to approve permits for elevator plans prior to construction, as required by law.
- ◆ Provides \$19.1 million special fund to support the revised project costs of the Electronic Adjudication Management System.

**Employment Development Department**

- ◆ Eliminates \$27.1 million Contingent Funds from the Job Services Program resulting in a corresponding savings to the General Fund.
- ◆ Provides an increase of \$2.5 million (Employment Training Fund) for the Employment Training Panel to augment its employment training contract program.
- ◆ Includes \$2.8 million (\$2.5 million General Fund and \$.3 million various special funds) for the EDD's Automated Collection Enhancement System (ACES), which will improve the EDD's ability to track, collect, and audit the payment of specified employer payroll taxes, including the personal income tax withholding.
- ◆ Transfers \$15 million for the Employment Training Fund to the CalWORKs program for a one-time General Fund savings of \$15 million.

**California Science Center**

- ◆ Includes \$1.9 million and 4.3 positions for equipment and employee support to bring the Phase II project online. The Phase II project is a 146,000 square-foot facility that will nearly double the amount of exhibit space at the Science Center.

**Department of Consumer Affairs**

- ◆ Includes \$1.1 million and 4.8 positions to create the Professional Fiduciaries Bureau pursuant to Chapter 491, Statutes of 2006 effective January 1, 2007.
- ◆ Provides \$12.3 million and 8.6 positions to incorporate a visible smoke test into the Smog Check Program by January 1, 2008 and to increase the vehicle retirement payment to specified consumers.
- ◆ Includes \$11.4 million in federal and special funds and 74.7 positions to continue funding for the Bureau of Private Postsecondary and Vocational Education. Although the Bureau is scheduled to sunset effective July 1, 2007, the Administration will be sponsoring legislation to reform the Bureau's operations, and establish the Private Postsecondary Education and Student Protection Act.

**Department of General Services**

- ◆ Includes \$3.4 million from the Service Revolving Fund and 4.7 positions to implement the required energy savings programs and projects as specified in the Governor's Executive Order and the accompanying Green Building Action Plan.
- ◆ Provides \$7.4 million in General Fund and 4.3 positions to complete critical repairs to the State Capitol.
- ◆ Includes \$1.5 million in General Fund to complete the Capitol Park Master Plan.