



ASSEMBLY BUDGET COMMITTEE 2005-2006 SUBCOMMITTEE REPORT

MAY 31, 2005

John Laird, Chair

Hector De La Torre, Chair of Subcommittee #1

Mervyn Dymally, Chair of Subcommittee #2

Fran Pavley, Chair of Subcommittee #3

Rudy Bermudez, Chair of Subcommittee #4

Pedro Nava, Chair of Subcommittee #5

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OVERVIEW

Summary

On January 10, 2005 the Governor presented his proposed budget to the Legislature and immediately the Assembly Budget Committee started crafting the Assembly version of the State budget for 2005-06.

From the beginning it was clear that the Governor's proposed budget was unacceptable for many reasons, but primarily for the following reasons.

- **Education.** Breaking his Proposition 98 deal and underfunding education.
- **Transportation.** Proposing a two year transportation holiday and suspending Proposition 42.
- **Seniors.** Attacking seniors with cuts to crucial services and taking money out of their pockets by eliminating tax credits and suspending federal COLAs.
- **Borrowing.** Relying too heavily on the Economic Recovery Bond, borrowing from transportation in both 2005-06 and 2006-07, and putting off education increases to future years.

The Assembly Budget Committee accelerated the budget process this year to ensure a full discussion on all the critical issues associated with the budget. The Preliminary Review was released earlier than past years and the full committee and subcommittees began meeting earlier than historical practice.

In total, there have been 100 budget hearings. This includes 3 full committee hearings, 4 Budget Process Committee hearings, 8 budget forums throughout the state, and 85 subcommittee hearings.

Through the countless hours of budget discussions, the Assembly Budget Committee's work has had many positive results. For example, the Governor acquiesced to the position of Subcommittee #5 on Transportation and reversed his proposal to suspend Proposition 42 and ended his call for a two-year transportation holiday. The Governor also heard the outrage against taking away tax relief from our state's poorest seniors while still providing billions of tax relief to our state's wealthiest residents. And the Governor moved toward the Assembly by not proposing the use of Economic Recovery

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Bonds in the budget year, though he remained non-committal on his plans for borrowing from transportation in 2006-07.

The May Revision did not change course, however, in breaking the Governor's deal and underfunding schools by more than \$3.1 billion. Also, the Governor continued proposing critical cuts to the safety net and to seniors, such as taking the federal SSI funds and keeping them in the state's pocket instead of passing it on to the very low income seniors and disabled Californians.

In addition, the Governor's May Revision continues a couple of savings proposals that are not achievable and therefore exaggerate the total of his solutions and the size of his reserve. The two primary examples are the Governor's assumption of:

- Savings of \$469 million from the state no longer making a contribution to the State Teachers' Retirement System (STRS). If this cost is passed down to local school districts, then the Proposition 98 guarantee is automatically increased to cover the school districts' new costs – meaning there would be no net savings to the state.
- Savings of \$408 million in state employee compensation reductions. Achieving this savings requires collective bargaining agreements from represented employees and requires reductions in vested rights – and taking away a vested right is only legal when it is replaced with an equal benefit. In addition, early indications are that the new collective bargaining agreements being reached are actually costing the state more, not less.

In total, the budget crafted by the Assembly Budget Committee is based on the projection of \$91.1 billion in available General Fund resources and contains \$88.7 billion in expenditures. The reserve is \$1.8 billion, which consists of a \$400 million set-aside for 2006-07 amnesty related accounting and a \$593 million set-aside for the 2006-07 VLF gap loan payment. This leaves a final reserve of \$783 million.

The end of the subcommittees is just the first stage of the budget process. The work of the Assembly Budget Committee will now be before the Budget Conference Committee for reconciling the differences with the Senate.

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Revenues

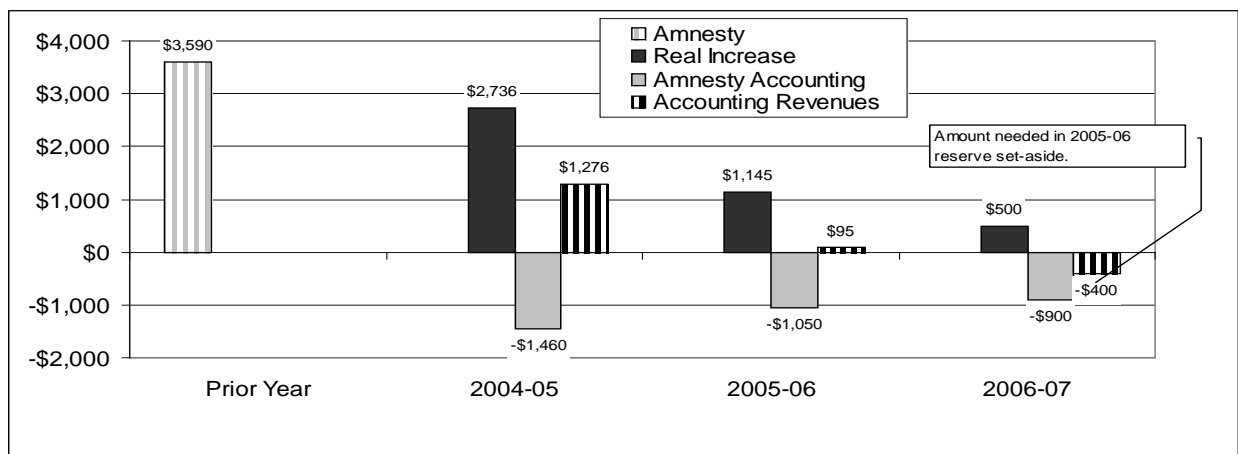
The budget crafted by the Assembly Budget Committee assumes revenues and transfers of \$84.4 billion for 2005-06. This amount, added to a \$6.7 billion starting balance totals \$91.1 billion in available General Fund resources.

The revenue picture has improved from the Governor's January budget proposal with the starting balance increasing by \$5.3 billion and budget year revenues increasing by a net of \$400 million. These revenue gains are offset by transfers being \$343 million less than anticipated in January and no Economic Recovery Bond (ERB) revenues being used (the January budget anticipated \$1.7 billion in ERB revenues).

The revenue assumptions in the budget crafted by the Assembly Budget Committee is very similar to the Governor's May Revision. The primary change is that the subcommittees' budget anticipates an additional \$500 million from the refinancing of an existing tobacco settlement bond. In addition, the budget assumes the Legislative Analyst projection that \$500 million of the new revenues will be ongoing.

Fully understanding how the revenue picture has changed from the January release of the Governor's proposed budget requires an understanding of the accounting of the revenues from the tax amnesty program. All of the revenues collected pursuant to the amnesty program are attributed to fiscal years prior to 2004-05. It is estimated that 95 percent of those revenues would have been collected or will be returned over the 2004-05 through 2006-07 fiscal years.

As a result, the projected increase in revenues from traditional sources (\$2.7 billion in the current year, \$1.1 billion in the budget year, and \$500 million ongoing) are offset by the tax revenues we will not be collecting or refunds that will need to be made due to the amnesty program. This is illustrated by the chart below:



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The following chart identifies the revenue sources for the General Fund for the 2005-06 budget year.

**2005-06 General Fund Revenue Sources
(in millions)**

Source	May Revision Amount	May Revision % of Total	Assembly Budget Amount	Assembly Budget % of Total
Personal Income Tax	\$43,214	51.5%	\$43,232	51.2%
Sales Tax	\$26,951	32.1%	\$26,954	31.9%
Corporation Tax	\$8,817	10.5%	\$8,822	10.5%
Insurance Tax	\$2,300	2.7%	\$2,300	2.7%
Tobacco Taxes	\$116	0.1%	\$116	0.1%
Tobacco Bond Refinance	--	--	\$500	0.6%
Liquor Tax	\$315	0.4%	\$315	0.4%
Other	\$2,154	2.6%	\$2,156	2.6%
Total	\$83,867	100.0%	\$84,395	100.0%

Expenditures

The budget crafted by the Assembly Budget Committee contains General Fund expenditures of \$88.7 billion. This amount is \$177 million above what is contained in the Governor's May Revision, but is \$701 million below the Governor's spending level, once you adjust for the unachievable savings discussed in the Summary.

The major differences in expenditures are as follows:

- **STRS.** Increases spending by \$469 million for the state contribution to STRS. Not providing this contribution would result in the state's support for Proposition 98 increasing and therefore would not result in any net savings for the state.
- **IHSS.** Increases spending by \$206 million to avoid In-Home Supportive Service (IHSS) workers hourly earning from dropping to minimum wage. There is already a shortage of IHSS workers and cutting salaries further hurts critical services to needy seniors and disabled Californians.
- **SSI Federal COLA.** Increases spending by \$97 million to provide the federal COLA for SSI/SSP recipients. The federal government provides these funds for individuals that rely on SSI/SSP for basic living needs, but the Governor proposed keeping these funds in the state treasury.
- **Employee Compensation.** Increases spending by \$408 million due to the Governor's savings from employee compensation not being achievable. Much of the proposed savings would have come from changes in vested employee rights that can only be taken away if replaced with equal benefits. In addition, employee compensation issues are generally subject to collective bargaining, and early indications are that the new collective bargaining agreements being reached are actually costing the state more, not less.
- **Juvenile Probation.** Increases General Fund support for Juvenile Probation by \$201 million, rather than supporting the program from TANF/CalWORKS funds.
- **VLF Gap Loan.** Reduces spending by \$593 million by not pre-paying 50 percent of the VLF gap loan to local governments. Instead, the Assembly Budget Committee budget has a reserve set-aside of \$593 million to assist the full repayment of the VLF gap loan in 2006-07, as constitutionally required. There is no question that local governments will get the loan repaid. However, several local governments have bonded against the repayment, so the benefit of pre-paying the loan will go to investors and not local governments and could lead to accounting complications for those local governments. In addition, county

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governments would benefit more over the long terms with the state maintaining ongoing funding for important programs like IHSS, Juvenile Justice, and COPS.

- **General Fund Support for Proposition 98.** Reduces General Fund spending for Proposition 98 by \$200 million as a result for estimates that local property taxes support for proposition 98 will be \$200 million above the level contained in the May Revision. This has no net impact on Proposition 98.

(Discussions of total funding for Proposition 98 are ongoing. Because the Senate increased Proposition 98 education spending by \$2 billion, there was no need for the subcommittees to add additional funding to make sure the issue will be addressed in the joint Assembly-Senate budget conference committee.)

- **Federal Funds.** Reduces General Fund expenditures by \$200 million by assuming the receipt of addition federal funds. California continues to collect far below its share of federal funds, and with an aggressive effort the Administration should have no problem collecting at least \$200 million in federal funds to offset General Fund spending.

**2005-06 May Revision General Fund Expenditures
(in millions)**

Category	May Revision Amount	May Revision % of Total	Assembly Budget Amount	Assembly Budget % of Total
Education (K-12)	\$36,118	40.7%	\$36,378	41.0%
Health and Human Services	\$26,834	30.3%	\$27,211	30.7%
Higher Education	\$10,171	11.5%	\$10,229	11.5%
Business, Transportation and Housing	\$1,702	1.9%	\$1,705	1.9%
Legislative, Judicial, Executive	\$3,120	3.5%	\$2,868	3.2%
General Government	\$1,223	1.3%	\$893	1.0%
Youth and Adult Corrections	\$7,259	8.2%	\$7,304	8.2%
Resources	\$1,352	1.5%	\$1,362	1.5%
Environmental Protection	\$78	.1%	\$79	.1%
State and Consumer Services	\$576	.7%	\$562	.6%
Labor and Workforce Development	\$92	.1%	\$111	.1%
Total	\$88,525	100%	\$88,702	100%

Borrowing

The budget crafted by the Assembly Budget Committee contains significantly less borrowing than what was called for in the Governor's January budget proposal. In addition, the Assembly Budget Committee pays off existing debts at a higher rate than the Governor's May Revision. The following are the major borrowing related issues in the Assembly Budget Committee's budget.

- **Economic Recovery Bonds.** Assumes use of no Economic Recovery Bonds (ERBs), leaving approximately \$3.7 billion of available ERBs to address out-year budget shortfalls.
- **Tobacco Securitization Refinancing.** Assumes the refinancing of one of the tobacco securitization bonds, which will generate \$500 million of additional General Fund revenues. This refinancing is necessary because of the unachievable savings proposals contained in the Governor's May Revision.
- **VLF Gap Loan.** Provides a reserve set-aside of \$593 million to repay the VLF gap loan in 2006-07. This is a prudent use of the one-time funds that the state is receiving in the budget year.
- **Education Mandate Repayments.** Repays approximately \$350 million in past mandate claims that are owed to local school districts. The Governor did not propose this repayment, but it is critical that the state makes progress in lowering the debts owed to schools.
- **Paterno Lawsuit.** Provides \$67 million for the first installment owed to settle the Paterno lawsuit.
- **Pension Obligation Bond.** Continues to assume the issuance of Pension Obligation Bonds (POBs) that were authorized in the current year (for a General Fund savings/deferral of about \$524 million). Due to litigation challenging the bonds, the budget defers the issuance of these bonds until 2005-06. Significant pension cuts were agreed to in order to generate the savings necessary to pay the costs of the POBs. Should the POBs ultimately not be issued, the agreed to cuts should also be cut.

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Reserve

The budget crafted by the Assembly Budget Committee contains a total reserve of \$1.8 billion. This includes a set-aside of \$400 million for amnesty accounting in 2006-07, and a set-aside of \$593 million to assist the 2006-07 VLF gap loan repayment. Adjusting for the set-asides, the Assembly Budget Committee reserve stands at \$783 million.

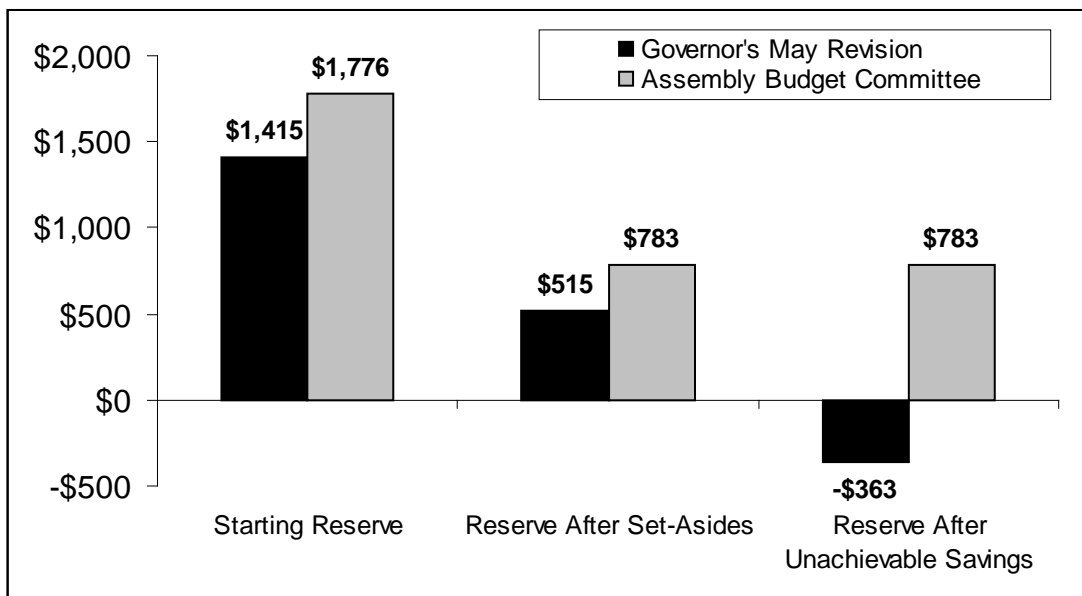
The Governor's May Revision contains a total reserve of \$1.4 billion. This includes a set-aside of \$900 million for amnesty accounting in 2006-07 but also includes \$878 million of unachievable savings proposals. Adjusting for the Governor's set-asides and unachievable savings, the Governor's May Revision reserve is actually a deficit of -\$363 million.

The following charts shows the differences between the Assembly Budget Committee's budget reserve and the Governor's May Revision reserve.

2005-06 General Fund Reserve (in millions)

	May Revision	Assembly Budget
Starting Reserve	\$1,415	\$1,776
Reduction to reserve due to unachievable savings	-\$878	--
Set-aside for Amnesty Accounting in 2006-07	(\$900)	(\$400)
Set-aside for VLF gap loan repayment	--	(\$593)
Final Reserve	-\$363	\$783

General Fund Reserve Comparison (in millions)



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General Fund Summary

The following chart shows the General Fund summary for the budget crafted by the Assembly Budget Committee as compared with the Governor's May Revision over both the current year and the budget year.

**May Revision General Fund Summary
Current Year and Budget Year
(in millions)**

	<u>May Revision 2004-05</u>	<u>Assembly 2004-05</u>	<u>May Revision 2005-06</u>	<u>Assembly 2005-06</u>
Prior-year balance	\$7,200	\$7,200	\$6,714	\$6,725
Revenues and Transfers	\$79,495	\$79,495	\$83,666	\$84,395
Economic Recovery Bonds	2,012	2,012	--	--
Total Resources Available	\$88,707	\$88,707	\$90,581	\$91,120
Total Expenditures	\$81,993	\$81,982	\$88,525	\$88,702
Fund Balance	\$6,714	\$6,725	\$2,056	\$2,418
Budget Reserves:				
Reserve for Liquidation of Encumbrances	(\$641)	(\$641)	(\$641)	(\$641)
Reduced Reserve due to unachievable savings	--	--	-\$878	--
Set-Aside for 2006-07 Amnesty Accounting	--	--	(\$900)	(\$400)
Set-Aside for 2006-07 VLF Gap Loan Payment	--	--	--	(\$593)
Special Fund for Economic Uncertainties	\$6,073	\$6,084	-\$363	\$784

Subcommittee 1 on Health and Human Services

Assemblymember Hector De La Torre, Chair

Members of the Committee:

Assemblymember Hector De La Torre

Assemblymember Loni Hancock

Assemblymember Gene Mullin

Assemblymember Sam Blakeslee

Assemblymember Rick Keene



HUMAN SERVICES

Department of Social Services

CaIWORKs

■ MAJOR ACTIONS

- ◆ **CaIWORKs grants.** Rejects a proposed 6.5 percent reduction to the CaIWORKs grant level. This proposed reduction would have reduced grant levels to below their 1989-1990 level.
- ◆ **CaIWORKs Cost of Living Adjustments.** Rejects a proposal to permanently eliminate statutory Cost of Living Adjustments for the CaIWORKs program, but suspends the Budget Year 4.07 percent COLA. The suspension will freeze grant levels for 1.2 million Californians in the budget year.
- ◆ **CaIWORKs Earned Income Disregard.** Adopts a May Revision proposal to continue the existing Earned Income Disregard Policy for CaIWORKs. The January Budget proposed to reduce the Disregard. The existing policy allows working CaIWORKs participants to keep more of their earnings from work than the May Revision proposal.
- ◆ **CaIWORKs Pay for Performance.** Adopts an alternative version of a program to reward counties that meet certain CaIWORKs performance goals. The language adopted by the Assembly broadens the goals that counties could meet and establishes performance that is consistent with long-standing CaIWORKs policy priorities, such as the success of the children in the program, and the long-term self-sufficiency of the families exiting the program. The Governor's May Revision proposal would have defined performance too narrowly and would have encouraged counties to focus their efforts on federal goals, rather than State goals.
- ◆ **CaIWORKs Sanctions.** Adopts a May Revision restoration of savings from a CaIWORKs Sanction proposal that was assumed in the January Budget. The proposal was to be based upon a CaIWORKs sanction study that has not yet been completed.

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- ◆ **TANF funds for Juvenile Probation.** Removes all TANF funding from Juvenile Probation programs. The Juvenile Probation program continues to be funded with General Fund.
- ◆ **Quarterly Status Reporting.** Adopts language to use unspent current year CalWORKs funding to backfill an over-estimation of savings assumed in the Governor's Budget from the implementation of quarterly reporting. The language is needed to continue the effective administration of the program.
- ◆ **CalWORKs reform clean-up.** Adopts Trailer Bill Language to clarify legislative intent on CalWORKs policy changes contained in last year's Human Services Trailer Bill. The new language clarifies how certain program activities are counted towards CalWORKs participation.

Food Stamps

■ MAJOR ACTIONS

- ◆ **Food Stamp Simplification.** Adopts proposal to simplify Food Stamp eligibility. The proposed change is estimated to draw down \$1 million in additional federal Food Stamps.
- ◆ **ABAWDs.** Adopts language to streamline the waiver process for counties to extend Food Stamp eligibility for Able Bodied Adults Without Dependents (ABAWDs). The proposed language should expand the availability of food stamps throughout the State beyond the Governor's budget proposal.
- ◆ **Quarterly Status Reporting.** Appropriates an additional \$10 million to backfill an over-estimation of savings assumed in the Governor's Budget from the implementation of quarterly reporting. The additional funding is needed to continue the effective administration of the Food Stamps program.
- ◆ **Statewide Fingerprint Imaging System (SFIS).** Eliminates funding for the SFIS system for a budget year savings of \$4 million.

In Home Supportive Services

■ MAJOR ACTIONS

- ◆ **IHSS Provider Wages.** Continues existing law that requires the state to match county wages up to \$9.50 per hour plus \$.60 per hour for benefits. In the Budget Year, this rate will increase to \$10.50 per hour plus \$.60 per hour for benefits. The Governor proposed to reduce the state's participation to the minimum wage level of \$6.75 total.

Child Care and Development

■ MAJOR ACTIONS

- ◆ **Time-limiting of Stage 3 Child Care.** Rejects Governor's proposal to institute a time limit on CalWORKs Stage 3 child care that would take effect in future years.
- ◆ **Tiered Reimbursement.** Rejects Governor's proposal to set child care providers maximum reimbursement rates at levels that reflect the market and certain training, assessment or accreditation levels. The proposed reimbursement levels would have reduced the maximum rate for most of the providers in the State, with licensed-exempt providers being reduced in the budget year and other providers being reduced in future years. The proposed reimbursement levels would have reimbursed some providers at levels below the minimum wage.
- ◆ **In-and-Out of Market Rates.** Adopts language to designate the rate setting process CDE uses to pay for child care vouchers. The proposed language addresses a long standing concern regarding the way certain providers that serve mostly vouchered families would be reimbursed while also protecting the privacy of families that receive care outside of the state system.
- ◆ **11 and 12 Year Olds.** Adopts language to change the process to allow 11 and 12 year olds to receive care in child care programs. Last year, the Legislature declared that afterschool was the preferred placement for children at this age. The proposed language would modify the process families utilize to maintain their eligibility for child care to better reflect this intent.
- ◆ **Centralized Eligibility Lists (CEL).** Creates a CEL in each county to track the demand for child care in one central location for each county. The Assembly also adopted language to establish the CEL in the Alternative Payment program that is linked to the Resource and Referral program.

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- ◆ **Rate Reform.** Adopts reporting language to establish a working group to evaluate the impact of the new market survey and consider future rate reform
- ◆ **Child Development Policy Advisory Committee.** Rejects a May Revision proposal to repeal the statutory authority for the Child Development Policy Advisory Committee.

Afterschool

- ◆ **21st Century Afterschool program changes.** Appropriates \$73 million in federal afterschool funds for the California Department of Education for an expended afterschool program. The budget includes language to increase reimbursement rate to \$7.50 per day, double both school-site cap and district caps, and allows all grantees to receive their 15% for administration without earning the funds through attendance and include a waiver provision for staff development.
- ◆ **New Cohort.** Appropriates any unspent funding for 21st Century Funding for a new cohort of Afterschool programs. The May Revision had proposed to seek a federal waiver to use this unspent funding as part of a one-time No Child Left Behind related program.
- ◆ **Afterschool Administration.** Modifies a May Revision proposal for afterschool administration to establish two new positions at CDE to handle afterschool programs.

Child Welfare and Foster Care

■ **MAJOR ACTIONS**

- ◆ **Foster Care Reform.** Appropriates \$45.5 million (21.2 million General Fund) to efforts to improve child welfare programs. This represents a \$3.5 million General Fund increase over the May Revision proposal. The additional funding is needed to expand county improvement efforts in making urgent reforms to improve the State's child welfare outcomes.
- ◆ **County Share for Child Welfare Services Federal Penalties.** Rejects proposal that would require counties to pay for any penalties the State received as a result of the federal review of the State's child welfare and foster care systems. The State must take a leadership role in preventing these penalties instead of trying to pass these penalties onto the counties.

Supplemental Security Income/State Supplemental Program (SSI/SSP)

■ MAJOR ACTIONS

- ◆ **Federal COLA pass through.** Rejects Governor's proposal to not pass-through the 2.3 percent (January 1, 2006) federal Cost of Living Adjustment for the SSI portion of the SSI/SSP program. Over 1.2 million individuals will receive an increase in their grant levels from this COLA.
- ◆ **State COLA.** Accepts the Governor's proposal to cut the 4.07 percent January 1, 2006 state COLA for the SSP portion of the SSI/SSP program.

Community Care Licensing

■ MAJOR ACTIONS

- ◆ **Community Care Licensing Visits.** Accepts a May Revision proposal to retain the current staffing triggers for community care licensing visits. The January budget had proposed to eliminate a statutory trigger that required the Department to increase the number of visits conducted by licensing when the amount of citations increase by more than 10 percent in a given year. The Assembly rejected this proposal prior to the May Revision, due to the impact it could have on the safety of children and seniors in California's licensed facilities.
- ◆ **Fingerprinting fee for small child care providers.** Suspends a program that pays the fees the FBI and Department of Justice charge for fingerprinting as part of the Community Care Licensing process for small child care providers. The Administration had proposed to eliminate the program.

Department of Child Support Services

■ MAJOR ACTIONS

- ◆ **Federal Automation Penalty.** Includes \$218 million General Fund to pay the federal Child Support Automation Penalty. However, the Assembly version of the budget assumes that \$128 million of this penalty is relieved through the enactment of HR 2409 (Matsui), currently pending in Congress. This penalty relief will reduce California's penalty to the level of expenditures

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- ◆ **Child Support County Funding.** Adds \$1 million for additional county administration for the three counties with the lowest allocations per case, Los Angeles, San Bernardino, and Imperial. These counties need this additional funding to provide their clients with the same level of service that other counties can currently provide.

Department of Aging

■ **MAJOR ACTIONS**

- ◆ **HICAP.** Adds \$2 million in additional funding for the Health Insurance Counseling and Advocacy Program (HICAP) to provide additional resources to handle the additional need for information associated with the implementation of the federal Medi-Care Modernization Act. The additional funding is generated, in part, by an increase in the assessment for managed care plans. In the next year, 4.1 million Californians will be affected by the proposed changes to their Medi-Care drug coverage. The additional resources will help ensure that these individuals can get the information they need to make the right choice in their drug plan.

**Department of Community Services and
Development**

■ **MAJOR ACTIONS**

Naturalization Services Program. Appropriates \$2.5 million to conduct citizenship training through community-based nonprofits.

HEALTH

Department of Health Services

■ MAJOR ACTIONS

- ◆ **Medi-Cal Redesign.** Provides staff to expand Medi-Cal Managed Care into 13 counties. Expansion is limited to the TANF population. The Aged, Blind and Disabled population would be included in the expansion County Organized Health Systems but not in the Geographic Managed Care expansion counties nor the Local Initiative Counties.
- ◆ **Medi-Cal Adult Dental.** Establishes a \$1,800 limit, exclusive of dentures and surgeries and inclusive of cleanings, on dental services for adults in the Medi-Cal Program.
- ◆ **Medi-Cal Premiums.** Rejects the imposition of premiums on Medi-Cal beneficiaries in families with more than one hundred percent of the Federal Poverty Level.
- ◆ **Aids Drug Assistance Program (ADAP).** Provides full funding of ADAP, as proposed in the May Revision and provides \$5.6 million for the AIDS Prevention and Education Program.
- ◆ **IMPACT Project.** Provides \$5 million for the prostate cancer program for low-income men in the 2005-2006 fiscal year.
- ◆ **Bi-National Health Program.** Rejects the proposed de-funding of the program and provides \$604,000 for the 2005-2006 fiscal year.
- ◆ **Alameda Alliance for Health.** Provides \$3 million for a temporary five percent rate increase
- ◆ **Long-Term Care Integration.** Provides the round of resources for three counties, San Diego, Orange, and San Mateo to begin implementation of the program.

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- ◆ **Medicare Modernization Act.** Provides the resources for the state to begin the implementation of the Part D drug program of Medicare. The General Fund provides \$45 million for drugs being discontinued for those Medicare eligible beneficiaries who are also eligible for Medi-Cal.
- ◆ **Domestic Violence Prevention.** Approves funding for the provision of services to non-traditional users of shelter services, as identified in a survey by the Department of Health Services. They include: Individuals who identify themselves as Lesbian, Gay, Bi-sexual and Transgender; Women with mental illness and substance abuse problems; and Women with developmental disabilities.

Department of Developmental Services

■ **MAJOR ACTIONS**

- ◆ **Statewide Purchase of Services Standards.** Rejects the Governor's proposal for Statewide Purchase of Services Standards for the Regional Center System.
- ◆ **Cost Containment.** Continues for the third year a variety of cost containment measures which will save the General Fund \$85 million in the 2005-2006 fiscal year.
- ◆ **Closure of Agnews Developmental Center.** Approves the continuation of the closure of the Agnews Developmental Center.
- ◆ **Self-Directed Services.** The budget would expand the program statewide and would eventually enroll over 10,000 Regional Center clients in the program

Department of Mental Health

■ **MAJOR ACTIONS**

- ◆ **AB 3632 Special Education Pupils Mandate.** Provides \$90 million for the continuation of the mandate for special education pupils.
- ◆ **Proposition 63.** Provides resources to various state departments, including substantial resources to the Department of Mental Health for the implementation of the program
- ◆ **Coalinga State Hospital.** Provides the resources to open the new state mental hospital in September of 2005.

Subcommittee 2 on Education Finance

Assemblymember Mervyn Dymally, Chair

Members of the Committee:

Assemblymember Mervyn Dymally
Assemblymember Wilma Chan
Assemblymember Joe Coto
Assemblymember Jackie Goldberg
Assemblymember Lynn Daucher
Assemblymember Bob Huff

K-12 EDUCATION

Department of Education

MAJOR ACTIONS

- ◆ **Total Proposition 98 for K-12 Education.** Provides the same level of Proposition 98 funding as proposed by the Governor in his May Revise. Although this was the action of the budget subcommittee, discussions of total funding for Proposition 98 are ongoing. The Senate increased Proposition 98 education spending by \$2 billion above the May Revision level. Because of this action, there was no need for the Assembly to also act on this funding to make sure the overall level of spending will be addressed in the joint Assembly-Senate budget conference committee.
- ◆ **COLA Increase.** Provides an additional \$113 million to increase the COLA for K-12 programs, from 3.93% to 4.23%, as proposed in the Governor's May Revise.
- ◆ **Reject Proposal to Shift Retirement Costs to School Districts.** Rejects the Governor's January and May Revision proposal to shift \$469 million in teacher retirement costs (which the state currently pays) to school districts.
- ◆ **Revenue Limit Deficit Reduction/ Discretionary Funds.** Provides \$328 million for revenue limit deficit reduction funding (discretionary funding increase of \$328 million, provided to all districts and county offices on an equal basis), as proposed by the Governor in January.
- ◆ **Paying Down the State's Mandate Debt to K-12 Schools.** Redirects one-time funding from nine new programs proposed by the Governor in his May Revise into paying down the state's mandate debt to school districts. The state currently owes schools districts approximately \$1.4 billion for prior-year mandate claims. The Assembly's proposed budget provides a total of \$350 million to begin paying down that debt. Mandate claims have accumulated over the past few years, due to the fact that the state has deferred payment on them, due to the state's fiscal crisis. The proposed \$350 million payment on this outstanding debt will provide almost \$60 per pupil in new one-time funds to school districts.

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- ◆ **Supplemental instructional materials for English learners.** Restores \$30 million set-aside for supplemental instructional materials for English learners, to allow districts flexibility in purchasing off-the-shelf materials that help English learners master English. In his January 10 budget, the Governor proposed converting this set-aside into funding for the existing state instructional materials program.
- ◆ **Special Education:**
 - ◆ Provides a total increase of \$251 million for special education (Proposition 98 and federal funds), as proposed by the Governor in his May Revise. This includes an increase of \$58.3 million in federal funds, with the remainder being Proposition 98 funds.
 - ◆ Uses a portion of the increase in federal funds to pay for the COLA and growth adjustments on existing federally-funded special education expenditures.
 - ◆ Continues \$69 million in federal special education funds to counties to help pay for an existing mandate that counties provide mental health services to special education students. Similarly continues \$31 million in Proposition 98 funds to SELPA's to provide pre-referral services to special education students who may need more intensive mental health services. Both of these amounts were provided in last year's budget.
 - ◆ Increases funding for the new out-of-home care formula by \$14 million relative to the Governor's May Revise funding level.
 - ◆ Changes the base year used for calculating the new out-of-home care formula from 2002-03 to 2003-04.
 - ◆ Provides \$4.4 million to correct a technical error in the out-of-home care formula, in which a group of homes were inadvertently excluded from the formula. This amount is for the two-year cost of the correction.
 - ◆ Re-appropriates \$24 million in one-time special education savings from the 2003-04 fiscal year for special education purposes. The Governor's May Revise did not recognize or re-appropriate these savings. The savings result from lower-than-expected growth in attendance in 2003-04.
 - ◆ Provides an increase of \$422,449 in federal special education funds to open additional family empowerment centers, which provide education and technical assistance to families of special education students.
 - ◆ Continues the existing special education incidence adjustment for SELPA's with high costs.

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- ◆ Includes conceptual intent language (provisional budget bill language) regarding a potential future three-year pilot program to shift the responsibility for providing mental health services for special education students from counties to school districts.

- ◆ **Healthy Start.** Rejects \$2 million cut proposed by the Governor in his January 10 proposal, which would have eliminated funding for the program. This program provides grants to school districts to set up school-based health programs.

- ◆ **Charter School Facilities Grant Program.** Restores \$9 million in one-time funds to this program, as the Governor proposed in the May Revise. This program provides funding to charter schools in low-income areas, to pay for leasing costs when these charter schools are unable to secure non-leased buildings.

- ◆ **Additional Federal Funds for Charter School Facilities.** Provides \$9.7 million for the first year of a three-year federal grant for the lease or construction of charter school facilities, as proposed by the Governor in his May Revise.

- ◆ **High Priority Grant Program.** Increases the amount available for additional low-performing schools to participate in the High Priority Grant program by \$15 million, for a total of \$60 million, as proposed by the Governor in his May Revise to comply with the Elizer Williams v. State of California lawsuit settlement of last year. However, the subcommittee elected to earmark these funds for high schools whose students have low passage rates on the California High School Exit Exam.

- ◆ **Funding for Emergency School Repairs Per Last Year's Williams Settlement.** Provides \$100 million for emergency facility repairs for the state's lowest performing schools, as proposed by the Governor in his January 10 budget, in compliance with the Elizer Williams v. State of California lawsuit settlement of last year.

- ◆ **Advancement Via Individual Determination (AVID).** Restores an \$840,000 cut to this program, which helps school districts improve the college attendance rates of their students. Although the Governor proposed this cut in his January 10 budget, he proposed to restore it in his May Revision.

- ◆ **School Business Officer Training.** Provides \$1 million to train school districts' business officers on good financial practices. This amount was proposed by the Governor in his January budget.

- ◆ **Smaller Learning Environment Initiative.** Provides \$1.6 million to promote smaller learning environments and smaller schools, as a way to improve parental involvement and boost student achievement. This amount was proposed by the Governor in his May Revise.

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- ◆ **Translation of parental documents.** Provides \$1 million in one-time federal carryover funds to translate education-related documents that are given to parents of children in public schools, in compliance with state and federal law. The documents are to be translated into languages other than English and posted on a statewide clearinghouse for parental documents translated into languages other than English, to help districts comply with federal and state laws requiring districts to communicate with parents in their native language.

Child Care and Development

■ MAJOR ACTIONS

- ◆ **Time-limiting of Stage 3 Child Care.** Rejects Governor's proposal to institute a time limit on CalWORKs Stage 3 child care that would take effect in future years.
- ◆ **Tiered Reimbursement.** Rejects Governor's proposal to set child care providers maximum reimbursement rates at levels that reflect the market and certain training, assessment or accreditation levels. The proposed reimbursement levels would have reduced the maximum rate for most of the providers in the State, with licensed-exempt providers being reduced in the budget year and other providers being reduced in future years. The proposed reimbursement levels would have reimbursed some providers at levels below the minimum wage.
- ◆ **In-and-Out of Market Rates.** Adopts language to designate the rate setting process CDE uses to pay for child care vouchers. The proposed language addresses a long standing concern regarding the way certain providers that serve mostly vouchered families would be reimbursed while also protecting the privacy of families that receive care outside of the state system.
- ◆ **11 and 12 Year Olds.** Adopts language to change the process to allow 11 and 12 year olds to receive care in child care programs. Last year, the Legislature declared that afterschool was the preferred placement for children at this age. The proposed language would modify the process families utilize to maintain their eligibility for child care to better reflect this intent.
- ◆ **Centralized Eligibility Lists (CEL).** Creates a CEL in each county to track the demand for child care in one central location for each county. The Assembly also adopted language to establish the CEL in the Alternative Payment program that is linked to the Resource and Referral program.
- ◆ **Rate Reform.** Adopts reporting language to establish a working group to evaluate the impact of the new market survey and consider future rate reform.

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- ◆ **Child Development Policy Advisory Committee.** Rejects a May Revision proposal to repeal the statutory authority for the Child Development Policy Advisory Committee.

Afterschool

- ◆ **21st Century Afterschool program changes.** Appropriates \$73 million in federal afterschool funds for the California Department of Education for an expended afterschool program. The budget includes language to increase reimbursement rate to \$7.50 per day, double both school-site cap and district caps, and allows all grantees to receive their 15% for administration without earning the funds through attendance and include a waiver provision for staff development.
- ◆ **New Cohort.** Appropriates any unspent funding for 21st Century Funding for a new cohort of Afterschool programs. The May Revision had proposed to seek a federal waiver to use this unspent funding as part of a one-time No Child Left Behind related program.
- ◆ **Afterschool Administration.** Modifies a May Revision proposal for afterschool administration to establish two new positions at CDE to handle afterschool programs.

HIGHER EDUCATION

California State Library

■ MAJOR ACTIONS

- ◆ **Public Library Foundation (PLF).** Rejects the Governor's proposal to further reduce the PLF funding by \$2.2 million and restores the funding by this same amount. Since 2001, the PLF funding has been reduced by 79 percent from \$52.9 million to \$12.1 million as proposed in 2005-06.

University of California (UC)

■ MAJOR ACTIONS

- ◆ **Enrollment Funding.** Provides a \$37.9 million increase, or 2.5 percent, for enrollment growth to fund an additional 5,000 full-time equivalent students (FTES).
- ◆ **Base Budget Increase.** Increases the basic support budget by \$76.1 million, or 3 percent.
- ◆ **UC Merced.** Approves a continuation of \$10 million in ongoing operating funds and an additional \$14 million in one-time funds for the costs associated with the UC Merced campus, which is scheduled to open this fall.
- ◆ **Labor Research Funding.** Restores \$3.8 million for labor research. This is the second consecutive year that the Governor has proposed elimination of all funding for this purpose.
- ◆ **Academic Preparation Programs.** Rejects the Governor's \$17.3 million unallocated reduction proposal, which he directs the UC to achieve by either reducing enrollment growth or academic preparation programs by this same amount. Instead, the subcommittee restores this funding for academic preparation programs and includes budget bill language stating that this \$17.3 million are to be matched with \$12 million from existing university resources for a total of \$29.3 million. This is the same level of funding appropriated for these programs in the *2004-05 Budget Act*.

California State University (CSU)

■ MAJOR ACTIONS

- ◆ **Enrollment Funding.** Provides a \$50.8 million increase, or 2.5 percent, for enrollment growth to fund an additional 8,000 FTES.
- ◆ **Base Budget Increase.** Increases the basic support budget by \$71.7 million, or 3 percent.
- ◆ **Retirement Contribution.** Approves \$44.4 million for baseline retirement contribution increases.
- ◆ **Academic Preparation Programs and Student Support Services Programs.** Rejects the Governor's \$7 million unallocated reduction proposal, which he directs the CSU to achieve by either reducing enrollment growth or academic preparation programs and student support services programs by this same amount. Instead, the subcommittee restores the funding and includes budget bill language stating that the CSU will support these programs with \$45 million for a total of \$52 million. This is the same level of funding appropriated for these programs in the *2004-05 Budget Act*.

California Community Colleges (CCC)

■ MAJOR ACTIONS

- ◆ **Enrollment Growth.** Provides a \$136.5 million increase to fund a 3 percent growth. This funding will provide access for an additional 34,000 FTES. The subcommittee also took action to appropriate an additional \$20 million for "unfunded" enrollment growth. This funding is for campuses whose student enrollment exceeds the amount of funding for which they have been budgeted.
- ◆ **Noncredit Funding.** Appropriates \$20 million to increase the per-student rate for noncredit instruction. The state funds noncredit courses, which include basic skills, English as a Second Language (ESL), Citizenship classes, short-term vocational programs and courses for the disabled.
- ◆ **Partnership for Excellence Funds (PFE).** Approves restoration of \$31.4 million, which is the amount of PFE funds the Governor vetoed in the *2004-05 Budget Act*. In his veto message, the Governor indicated that restoration of these funds was contingent upon the approval of district-specific accountability recommendations.

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- ◆ **Property Tax Shortfall.** Provides an additional \$33 million to offset the property tax revenue shortfall in the current year. Without this backfill, community college districts would have to absorb the revenue loss. In his May Revise, the Governor provided \$54.3 million for the property tax shortfall in 2005-06 but neglected to provide the funding needed for 2004-05.
- ◆ **STRS.** Rejects the Governor's proposal to eliminate the state's contribution into STRS and restores \$469 million to cover the costs that would have been incurred by school and community college districts. The Chancellor's Office estimates that this proposal would impose close to \$40 million of new costs on to community colleges statewide.
- ◆ **Mandate Claims.** Appropriates \$10 million to help community colleges pay overdue mandates from prior years.

California Student Aid Commission

■ **MAJOR ACTIONS**

- ◆ **Cal Grant Awards for Private University Students.** Approves the \$7.4 million restoration to fund the maximum Cal Grant award for students attending private universities. In his January 10th budget, the Governor proposed to reduce this funding but rescinded this proposal in his May Revision. This action restores the maximum grant award level to \$8,322, the same level as last year.
- ◆ **National Guard APLE.** Approves a \$200,000 allocation deferral for 2006-07 to implement an initial cohort of awards.
- ◆ **Student Loan Operating Fund (SLOF).** Approves a \$51 million in SLOF transfer to the General Fund to cover Cal Grant costs.

Subcommittee 3 on Natural Resources and Environmental Protection

Assemblymember Fran Pavley, Chair

Members of the Committee:

Assemblymember Fran Pavley
Assemblymember Noreen Evans
Assemblymember Cindy Montan^{ez}
Assemblymember David Cogdill
Assemblymember George Plescia

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Resources Agency

■ MAJOR ACTIONS

- ◆ **Sierra Nevada Conservancy.** Approves the Governor's proposal for \$3.6 million (Environmental License Plate Fund) to establish the Sierra Nevada Conservancy. The Sierra Nevada Conservancy will work to protect the Sierra Nevada region stretching over 22 counties. This proposal is consistent with the Governor's budget.

Energy Resources Conservation and Development Commission

■ MAJOR ACTIONS

- ◆ **Transfers to the General Fund.** Transfers a total of \$15.5 million to the General Fund. Of this amount, \$11.5 million is from the balance of the Energy Resources Programs Account with restoration of the full surcharge rate (including \$6.7 million made available by reducing the Governor's Hydrogen Highway request for the Air Resources Board and rejecting proposed funding for Frontier Transmission Line planning). The remaining \$4 million consists of interest earnings from the Public Interest Research, Development, and Demonstration Fund.
- ◆ **Frontier Transmission Line.** Rejects the Governor's May Revision request for \$2.5 million to fund participation in a four-state partnership to develop the proposed Frontier Transmission Line from Wyoming. The subcommittee determined that the proposal should be considered in policy legislation.
- ◆ **Research Funding Increase.** Approves Governor's budget proposal for an increase of \$10 million (ratepayer funds) for research grants and projects and \$629,000 for 7 additional positions for the Public Interest Energy Research and Demonstration Program. Total funding for this program increases from \$69.9 million in the current year to \$80.1 million in 2005-06. Adopted Trailer Bill Language to require the commission to prepare a multiyear work plan and staffing plan for the program. The Subcommittee also approved \$15 million from the Gas Consumption Surcharge

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Fund and 4.8 positions to initiate a natural gas research program that will improve energy efficiency in consumer gas appliances and manufacturing processes.

- ◆ **Analytical Resources.** Approves \$796,000 and 8 additional positions from state electricity surcharge revenues in the Energy Resources Programs Account to enhance the Commission's analytical capabilities in the electricity, transportation, and petroleum fuel areas and to provide support to the Public Utilities Commission's energy procurement process.

Air Resources Board

■ **MAJOR ACTIONS**

- ◆ **Hydrogen Highway.** Approves \$4.1 million (Motor Vehicle Account/Energy Resources Program Account) for the purposes of establishing the first of three years of funding for the Governor's Hydrogen Highway Blue Print Plan. This funding will provide for initial fueling stations, vehicle purchasing incentives and additional research.

California Coastal Commission

■ **MAJOR ACTIONS**

- ◆ **Energy and Ocean Resource Unit.** Approves \$350,000 (General Fund) to establish three new positions to address increasing workload associated with the review of increasing Outer Continental Shelf Leases, Power Plants Plans, and Desalination Projects. The Governor did not address this problem in his budget.
- ◆ **Improving Coastal Access and Development Mitigation.** Approves \$600,000 (General Fund) to establish five new positions to track expiring Offers to Dedicate and facilitate their opening. The Governor did not address this problem in his budget.

Department of Forestry and Fire Protection

■ MAJOR ACTIONS

- ◆ **Replacement of Fleet.** Approves \$5.0 million one-time (General Fund) and \$10.8 million ongoing (General Fund) funding for the replacement and enhancement of its fire fighting vehicle (fire engines, helicopters, etc.) fleet. This proposal is consistent with the Governor's budget and May Revision.
- ◆ **Southern California Year Round Fire Protection.** Approves \$9.0 million (General Fund) and 48.8 positions to provide an additional four months of fire protection in San Diego, Riverside and San Bernardino County. This proposal is consistent with the Governor's budget and May Revision.

State Lands Commission

■ MAJOR ACTIONS

- ◆ **Tideland Oil Revenue.** Approves the transfer of more than \$116 million to the General Fund for royalties paid to the State for offshore oil stores. In addition, the budget approves the transfer of \$8 million to the Department of Parks and Recreation for staffing and deferred maintenance and the transfer of \$8 million for Salmon habitat preservation activities.

Department of Fish and Game

■ MAJOR ACTIONS

- ◆ **Fish and Game Preservation Fund.** Approves a comprehensive effort to balance the Fish and Game Preservation Fund including: the Governor's May Revision proposal to assume \$1.7 million in revenue from increased; \$1.5 million across-fund reduction; and supplemental report language requiring a complete review of the activities supported by the fund.
- ◆ **Environmental Filing Fees.** Approves \$6.1 million in assumed revenue from a revised fee schedule for environmental filing fees on approved CEQA projects. Currently the department is only reviewing 10-15 percent of CEQA documents. The Governor did not address this problem in his budget.

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- ◆ **Land Management.** Approves \$5 million (General Fund) to provide for additional game wardens to the department to provide increased enforcement and monitoring activities. The department has lost 25 percent of its game wardens due to budget cuts. The Governor did not address this problem in his budget.

Department of Parks and Recreation

■ **MAJOR ACTIONS**

- ◆ **Hearst Ranch Funding.** Approves \$1.3 million (General Fund) for staffing and operational support and equipment for the Hearst Ranch West Conservation Easement. This is consistent with the Governor's budget and May Revision.
- ◆ **Deferred Maintenance.** Approves \$3.0 million (General Fund) for State Parks deferred maintenance. Currently, the department has a backlog of \$857 million in deferred maintenance. The Governor did not address this problem in his budget.

Department of Water Resources

■ **MAJOR ACTIONS**

- ◆ **Paterno Settlement.** Approves \$464 million (General Fund) over a period of ten years for the Paterno v. State of California settlement in which the state was held liable for a 1986 levee break that flooded hundreds of homes and a shopping center in the Yuba County town of Linda. This is consistent with the Governor's May Revision. |

CALFED

■ **MAJOR ACTIONS**

- ◆ **CALFED Alternative Funding Plan.** Approves \$159.33 million (various funds) for a reduced CALFED Spending plan. This reduced budget was constructed using the following general principles: expenditures of local assistance and grant funds are delayed; activities and projects that have not been started, to date, are delayed; activities that existed prior to the existence of the CALFED program are retained. This Proposal – \$82.3 million less than the Governor's proposed budget – was

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developed in response to an absence of a viable long-term finance plan for CALFED.

- ◆ **CALFED Audit.** Approves \$300,000 from the General Fund to conduct a comprehensive audit of the CALFED program. This proposal is consistent with the May Revision.

Department of Toxic Substances

■ **MAJOR ACTIONS**

- ◆ **BKK Landfill.** Approves the Governor's May revision proposal for \$8.5 million (General Fund) to provide emergency response and essential site operations at the BKK hazardous waste landfill facility in West Covina. This proposal is consistent with the Governor's May Revision.

Subcommittee 4 on State Administration

Assemblymember Rudy Bermudez, Chair

Members of the Committee:

Assemblymember Rudy Bermudez
Assemblymember Juan Arambula
Assemblymember Nicole Parra
Assemblymember Chuck DeVore
Assemblymember Michael Villines

GENERAL GOVERNMENT

State Controller

MAJOR ACTIONS

- ◆ **21st Century Project.** Approves the Governor's budget request for \$10.4 million (\$7.9 million in special funds, \$2.5 million in reimbursements) and 22.7 positions in the budget year to continue activities associated with the replacement of the existing employment history, payroll, leave accounting, and position control systems.
- ◆ **Mandate Claim Auditors.** Augments the Governor's Budget by \$998,000 (General Fund) to add 11 positions for additional audits of mandated-cost reimbursement claims from local governments. The additional auditors are expected to yield substantial state savings from audits of the \$1.5 billion of deferred claims that are scheduled to be paid starting in 2006-07. The Subcommittee did not adopt a separate May Revision budget request for 5 positions specifically to audit AB 3632 mental health mandate claims.
- ◆ **Mandate Reimbursement E-Claims Project.** Approves the May Revision Budget request for \$1.2 million (General Fund) and 3 positions to implement an Internet-based filing system for local agencies to file mandate reimbursement claims. The project is expected to result in at least \$14.7 million of annual future state savings.
- ◆ **Unclaimed Property Program.** Approves Governor's Budget proposal for \$955,000 (General Fund) to continue and make permanent 14 expiring limited-term positions for ongoing workload. Also approves budget request for \$350,000 to defend lawsuits against the program.
- ◆ **Apportionment Payment System.** Approves \$1.7 million (special funds) requested in the Governor's Budget for the second year of a project to replace the now-obsolete information system used to apportion various revenues to local governments.

Tax Relief

■ MAJOR ACTIONS

- ◆ **Senior Homeowners' and Renters' Tax Assistance.** Restores a net total of \$135.9 million (General Fund) for renters' and homeowners' assistance payments to low-income seniors and disabled persons. The Governor's January budget proposed legislation to limit the annual income eligibility of renters' assistance recipients to \$13,200 (compared with \$37,000 currently) and to reduce the dollar benefit to the 1998 level, for a savings of \$100.8 million. The January budget also proposed legislation to eliminate entirely the senior and disabled homeowners' property tax assistance program, for a savings of \$40.6 million. Instead, the January Governor's Budget included \$4.7 million to expand the senior homeowners' property tax *deferral* program. The expansion was deleted by the subcommittee. The subcommittee also made conforming changes to restore administrative support for the tax assistance program at the FTB and to delete proposed additional support for the deferral program at the State Controller. The May Revision Budget also includes all of these actions.
- ◆ **Other Tax Relief Programs.** Fully funds, as proposed in the Governor's Budget, subventions for Homeowners' Property Tax Exemptions (\$440 million) and Open Space Subventions (\$39.7 million). In total, the subcommittee approved \$675.4 million of General Fund spending for tax relief programs. Also provides almost \$5 billion of K-14 education funding to replace former General Fund VLF "backfill" payments that are now funded by property tax revenues shifted from schools and community colleges to local governments.

Employee Compensation

■ MAJOR ACTIONS

- ◆ **Elimination of State Holidays.** Rejects Administration proposal to eliminate two state holidays. The Administration proposed the elimination of two state holidays in order to reduce amounts of overtime staffing at 24/7 facilities.
- ◆ **Deferral of Employee Health Coverage.** Rejects Administration proposal to delay employer health care coverage for new employees through their probationary period. This would generally be for a six-month period. Employees in a professional classifications or part time employees could be required to wait an additional period of time before being covered.

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- ◆ **Increased Employee Pension Contributions.** Rejects Administration proposal to require employees' retirement contribution to match the employer's contribution. Based upon 2004-05 retirement rates, this proposal would increase employee contributions by 6 to 17 percent of salary.
- ◆ **Limited Contribution for Employee Health Insurance Premiums.** Rejects Administration proposal to limit employer contributions for employee health insurance premiums and assume that employees would be required to pay most of the future cost increases. Currently, increases in premiums are shared by the employer and employee.
- ◆ **Employer Pension Contribution Rate Smoothing.** Adopts Administration's May Revision proposal to smooth investment gains and losses over a 15-year period as compared with the current 3-year timeframe. The estimated employer retirement contribution rates for most employees (Miscellaneous Tier 1) would be reduced by 1.08 percent.
- ◆ **Employer Contributions for Retired Annuitant Health Insurance Premiums.** Rejects the Governor's Budget proposal to reduce contributions for retired annuitant's health insurance premiums. Savings were anticipated by the implementation of the pharmaceutical prescription program under Medicare Part D. During the May Revision, the Administration agreed that savings under this program in the budget year would be unlikely and recommended the restoration of funds in concurrence with the subcommittee's actions.
- ◆ **Rural Health Care Premium Payments.** Rejects Administration proposal to capture unspent funds to assist employee health insurance premiums for members outside of HMO coverage areas in violation of existing Memoranda of Understanding.

Secretary of State

■ MAJOR ACTIONS

- ◆ **Election Mandates.** Rejects Governor's proposal to suspend local mandates for absentee ballots, handicapped voter access, and presidential primary mandate.
- ◆ **Help America Vote Act.** Approves reappropriation of \$264 million to fund Help America Vote Activities such as Voter education, Statewide database, Poll worker Training and County Training Grants. This proposal is consistent with the Governor's budget.

Department of General Services

■ MAJOR ACTIONS

- ◆ **Office of State Publishing.** Rejects Governor's proposal to reduce staffing at the Office of State Publishing by 174 positions. Additionally, the budget rejects trailer bill language that allows state departments to use private sector printing services.
- ◆ **Strategic Sourcing.** Eliminates expected budgeted savings from strategic sourcing activities for the current year and the budget year. The Governor's budget initially anticipated that strategic sourcing procurement reform would create \$48 million in savings in the current year and \$96 million in the budget year. This proposal is consistent with the governor's budget.

Department of Corporations

■ MAJOR ACTIONS

- ◆ **Seniors Against Investment Fraud Grants.** Approves \$400,000 (General Fund) for the Seniors Against Investment Fraud program that trains senior citizen volunteers to provide investment fraud information to other seniors. Reduction of \$424,000 resulting from the elimination of the Inspector General for Veterans' Affairs. This proposal is consistent with the Governor's budget.

Department of Consumer Affairs

■ MAJOR ACTIONS

- ◆ **Contractor's State Licensing Board.** Approves \$998,000 and 11 three-year limited term positions for activities that target unlicensed contractors in coordination with the Employment Development Department and the Department of Industrial Relations. The Board will operate sweep and sting operations and will increase the number of investigations opened as a result of consumer complaints against unlicensed contractors. This proposal is consistent with Governor's budget.

Secretary for Business Transportation and Housing

■ MAJOR ACTIONS

- ◆ **Tourism.** Approves \$7.3 million (General Fund) augmentation to provide for increased tourism promotion for California. This proposal is consistent with the Governor's May Revision.
- ◆ **Manufacturers Technology Program.** Approves \$2.2 million General Fund Augmentation for the Manufacturing Technology Program that provides business consulting services, in a public private partnership, to small manufacturers within the state.

Military Department

■ MAJOR ACTIONS

- ◆ **Oakland Military Institute.** Approves 1.3 million in General Fund to support the Oakland Military Institute. This funding will reestablish 112 positions that were eliminated in the 2003-04 and 2004-05 budgets. This proposal is consistent with the Governor's budget.

Local Government

■ MAJOR ACTIONS

- ◆ **Juvenile Justice.** Adopts \$100 million in funding for the Schiff-Cardenas Juvenile Justice Grant Program. This program provides funding to counties for innovative programs for at-risk youth to reduce recidivism rates. The Governor reduced budget year funding from \$100 million to \$25 million for this program as part of a comprehensive review of state and local juvenile justice programs. The May Revision proposed that counties use current-year funds to provide services in the 2005-06.
- ◆ **Property Tax Administration Grant Program.** Restores \$2.5 million of the \$5.7 million reduction proposed by the Governor in January for ongoing grants to enhance county property tax assessment activities. The restoration provides a total of \$56.8 million for these grants and is consistent with the May Revision Budget.

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The remaining reductions reflect savings that will occur under the program because "basic aid" counties and other counties will not receive grants and some counties choose not to apply for grants.

- ◆ **Mandate Funding Increases to Comply with Proposition 1A and to Maintain Necessary Mandates.** Augments the following mandate cost reimbursement appropriations to fund the current amount of reimbursement claims filed by local governments for 2004-05:
 - ◆ **Open Meeting Act.** Augments by \$9.5 million to provide a total of \$11.5 million. The Governor's Budget proposed only \$2 million for 2005-06 claims assuming substantial savings from legislation to reduce the scope of this mandate. The subcommittee adopted placeholder Trailer Bill Language with the intent to reduce the scope and cost of this mandate in the future.
 - ◆ **Mandate Reimbursement Process.** Augments by \$4.3 million to fund 2004-05 claims and retain this mandate. The Governor's Budget proposed zero funding to suspend the mandate. However, suspension would have eliminated the requirements of the mandate claiming process. The subcommittee also adopted Trailer Bill Language to direct the Commission on State Mandates to reconsider, for the future, whether the reimbursement process constitutes a reimbursable state mandate.
 - ◆ **Photographic Records of Evidence.** Augments by \$300,000 to fund 2004-05 claims and retain this mandate. The Governor's Budget proposed zero funding to suspend the mandate. However, suspension would have imposed additional costs on the courts to handle dangerous or hazardous evidence and could have confused the laws regarding evidence.

Proposition 1A requires the Legislature to fund existing valid mandate reimbursement claims from local governments or to suspend mandates (except for mandates related to employee rights or benefits).

- ◆ **Vehicle License Fee (VLF) "Gap" Loan Repayment.** The Subcommittee did not consider the Governor's May Revision proposal to repay about half (\$593.4 million) of the VLF "Gap Loan" to cities and counties. This payment currently is not due until August 2006, and many local governments already have bonded against their repayments. Instead, preparation for this and other liabilities and costs that the state will face in 2006-07 will be addressed in the context of the budget reserve.

Electricity Oversight Board

■ MAJOR ACTIONS

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

Public Utilities Commission

■ MAJOR ACTIONS

- ◆ **Railroad Safety.** Augments by \$1.2 million from regulatory fees to increase the Rail Safety Program by 13 positions for inspections, investigations, safety analysis and increased participation in federal legislative and regulatory proceedings. Also augmented by \$100,000 to fund a study of land use planning to promote rail safety, vandalism and terrorism-related safety issues, and emergency response capabilities for rail accidents.
- ◆ **Universal Lifeline Telephone Service.** Augments, consistent with the May Revision Budget, by \$6 million of ratepayer funds to enroll 53,000 additional subscribers into the program, which funds basic telephone service for low-income households.
- ◆ **Household Goods Carrier Enforcement.** Approves Governor's Budget augmentation of \$521,000 from the Transportation Rate Fund and 5.2 positions to address workload and improve investigative and enforcement activities related to incidents of illegal carrier activity.
- ◆ **Informal Complaint Resolution.** Augments by \$300,000 and 5 positions, the Governor's Budget proposal to provide \$483,000 from utility ratepayer funds to make 8 expiring positions permanent. The legislative augmentation will reduce the average time to resolve complaints to 60 days.
- ◆ **Teleconnect Program.** Approves the Governor's Budget request for \$20.3 million of ratepayer funds for the Teleconnect Program in 2005-06. The program provides subsidies for telephone bills and other telecommunications services, to schools, libraries, public hospitals, and nonprofit organizations.
- ◆ **Office of Ratepayer Advocate (ORA).** Approves the Governor's Budget request for \$18.3 million of ratepayer funds to support the ORA in 2005-06. Consistent with the

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May Revision, places ORA's appropriation in a separate fund. The subcommittee also adopted Trailer Bill Language to give ORA control over its legal staff and to provide for the PUC to act on ORA's annual budget publicly.

Tax Administration

■ MAJOR ACTIONS

Franchise Tax Board (FTB)

- ◆ **Abusive Tax Shelter Task Force.** Reduces by \$200,000 the Governor's Budget request for \$1.8 million and 17.1 positions to increase staffing for the Abusive Tax Shelter Taskforce. The additional funding to combat abusive tax shelters is expected to generate \$43 million in General Fund revenue in fiscal year 2005-06 and \$60 million in fiscal year 2006-07. The reduction reflects hiring auditors at the starting step.

- ◆ **Tax Gap Enforcement.** Approves the Governor's budget proposal for a package of five measures to reduce the tax gap (the shortfall between what is owed and what is paid) at a cost of \$8.6 million and 99.2 positions. The effort will target preparers of fraudulent returns, increase audit staff, use more information sources to identify nonfilers, expand underground economy criminal investigations, and provides informant rewards. These measures will generate an estimated \$34 million of General Fund revenue in fiscal year 2005-06, increasing to nearly \$44 million in fiscal year 2006-07. The proposal includes Trailer Bill Language to increase informant rewards, require check cashing businesses to report persons cashing more than \$10,000 in checks in any year, and authorizing FTB to suspend tax professionals who have been suspended or disbarred by the federal government (the Governor's proposal also would have authorized state disbarment in the case of federal disbarment). Also adopted language to (1) develop additional information regarding tax compliance by independent contractors and the most viable approaches to selective withholding and (2) begin a process for coordination and improvement of the state's tax information systems.

- ◆ **Ready Return.** Prohibits the FTB from using any budgeted funds to continue the Ready Return pilot project which provided taxpayers with tax returns that FTB prepared for their approval.

- ◆ **E-Filing Savings.** Reduces by \$800,000 to recognize additional savings from increased e-filing of tax returns.

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- ◆ **Child Support Collections.** Transfers \$12.4 million and 168.5 positions for the Child Support Collection Program from the FTB to the Department of Child Support Services (DCSS), as requested by the Governor.

- ◆ **Child Support Enforcement.** Approves the The Governor's proposal for the Franchise Tax Board augmentation of \$26.1 million General Fund, \$52.9 million reimbursements from the DCSS, and 15.5 positions to continue the federally mandated development of a single, statewide child support enforcement system in fiscal year 2005-06. It also includes an augmentation of \$170,000 General Fund and \$330,000 reimbursements for activities related to the State disbursement unit. Also approves a May Revision net augmentation of \$673,000 (\$1.2 million General Fund savings) due to a carryover adjustment. The FTB is responsible for development and operation of these systems in cooperation with the DCSS.

- ◆ **Additional Revenue Generation Activities.** Approves the following revenue-generating augmentations that were not included in the May Revision Budget:
 - ◆ \$1.2 million and 20 positions to reinstate discovery audits (offset by equal revenue).
 - ◆ \$2.8 million to retain 47 collection positions for a revenue gain of \$12.6 million.
 - ◆ \$239,000 to retain 2 settlement positions for a revenue gain of \$5.8 million.

- ◆ **Privacy Protection.** Approves \$698,000 (\$513,000 General Fund) requested in the Governor's Budget to implement privacy protections for social security numbers as required by SB 25.

- ◆ **Phase III Building Occupancy.** Augments by \$3.4 million, consistent with the May Revision Budget for costs associated with the completion and occupancy of one million square feet of new space at the FTB's Butterfield campus.

- ◆ **Unallocated Reduction.** Includes an unallocated reduction of \$7.84 million that was proposed in the Governor's Budget.

State Board of Equalization (BOE)

- ◆ **E-Waste Recycling Fee.** Reduces by \$716,000 the Governor's budget request for \$5.7 million in special funds and 76.8 personnel-years of staff to collect fees for the Covered Electronic Waste Recycling Act on behalf of the California Integrated Waste Management Board.

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- ◆ **Special Taxing Jurisdictions Workload.** Augments by \$2.3 million (reimbursements), as requested in the May Revision, to administer collection of sales taxes for 24 new voter-approved special taxing jurisdictions.
- ◆ **Curtainwall Repairs.** Reduces by \$11.2 million funding included in the May Revision Budget to replace leaky window seals at the BOE's headquarters building. The subcommittee action retains \$690,000 for preliminary plans. Construction funding is not likely to be needed until 2006-07.
- ◆ **Consumer Use Tax Enforcement.** Augments by \$470,000 above the May Revision Budget to add 8 more positions to collect use tax on private purchases of vehicles, vessels and aircraft for a net revenue gain of \$3.8 million.
- ◆ **Sales and Use Tax Gap.** Adopts language directing BOE to report on strategies for reducing the sales and use tax gap and on a pilot audit to determine the extent of misuse of resale certificates to avoid payment of sales tax.

**Department of Housing and Community
Development**

■ MAJOR ACTIONS

- ◆ **Emergency Housing Assistance Program.** Restores \$864,000 (General Fund) to maintain operating grants for homeless shelters at the same level as in the current year. The Governor's Budget proposed reducing funding from \$4 million to \$3.1 million.
- ◆ **Governor's Initiative to Address Chronic Homelessness.** Reduces by \$875,000 (General Fund) the Governor's May Revision request for this new program targeted at housing the homeless mentally ill. The action reduces funding for a new coordinating council from \$250,000 to \$125,000 and deletes \$750,000 for predevelopment loans because these can be provided from existing Proposition 63 Mental Health funds and the existing Housing Predevelopment Loan Fund.

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- ◆ **Migrant Farmworker Housing.** Adopts Trailer Bill Language to extend through August 2006 the availability of \$8.2 million of Proposition 42 Housing Bond funds for projects to house migrant farmworkers. Also allows funds to be used for innovative projects in cooperation with growers, local governments, and nonprofit organizations. Authorizes an additional \$5.2 million of bond funds for reconstruction and renovation of state-operated migrant housing centers. The Governor's Budget requested \$9.5 million for the state-operated centers. The \$4.3 million reduction provides a portion of the \$8.2 million authorized for innovative projects and consists of funding for improvements that can be deferred.

- ◆ **Regional Housing Needs Assessment.** Deletes the mandate suspension proposed in the Governor's Budget because the Commission on State Mandates has reconsidered this mandate and determined that it is not subject to state reimbursement. This action is consistent with the May Revision.

- ◆ **Enterprise Zone Program.** Augments by \$334,000 (General Fund) to replace fee support for the Enterprise Zone Program effective January 1, 2006.

- ◆ **Transfer Remaining Fund Balance.** Approves transfer of \$1.7 million balance to the General Fund from the California Homebuyer Downpayment Assistance Program. These funds were originally provided from the General Fund in the 2000 Budget Act. Housing bond funds now provide downpayment assistance.

- ◆ **Mobilehome/Manufactured Home Inspections.** Approves augmentation of \$1 million and 7 positions to reduce wait times for inspections, consistent with the May Revision Budget.

Contingency and Emergency Funding

■ MAJOR ACTIONS

- ◆ **Supplemental Appropriation Process.** Adopts Budget Bill Language to establish a specific process for supplemental appropriations bills that augment the budget appropriation for contingencies and emergencies (formerly deficiency appropriations). The language requires that submission of specified information and compliance with provisions that apply to the Budget Act appropriation for contingencies and emergencies unless specifically waived.

PUBLIC SAFETY

Secretary for Youth and Adult Correctional Agency (YACA)

■ MAJOR ACTIONS

- ◆ **Reorganization Efficiencies.** Adopts a fifteen percent savings target for existing management positions in the Youth and Adult Correctional Agency as it converts to the Department of Corrections and Rehabilitation. The Administration proposes minor increased costs as a result of the reorganization.

Office of the Inspector General (OIG)

■ MAJOR ACTIONS

- ◆ **Increased Workload.** Adopts and increase of \$1 million in support of workload as determined pursuant to SB 1432 (Speier) Chapter 733, Statutes of 2004.
- ◆ **Reorganization Workload.** Rejects the May Revision proposal to augment the OIG for additional workload created pursuant to the reorganization of the Department of Corrections and Rehabilitation by not hearing the proposal. The department was asked to look for existing resources to be redirected from the efficiencies created by the reorganization.

Office of Emergency Services (OES)

■ MAJOR ACTIONS

- ◆ **Increased Costs of Disaster Recovery.** Adopts \$32.8 million in additional State share of costs related to the recovery efforts from a federally declared disaster in Southern California (fires) in 2004.
- ◆ **Mutual Aid Fire Engines.** Adopts augmentation of \$5 million to purchase additional fire trucks to be used by local governments that participate in a state-local mutual aid program.

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- ◆ **Creation of the Office of Homeland Security.** Denies Administration's proposal to create a separate Office of Homeland Security through a budget trailer bill. The subcommittee seeks to address this issue with proposed legislation within the policy process.

Department of Justice

■ **MAJOR ACTIONS**

- ◆ **Proposition 69 Funding.** Adopts \$6.7 million in funding as part of the May Revision in support of the workload associated with Proposition 69, which requires the collection of DNA samples of persons arrested, and convicted of felonies or sex offenses which are misdemeanors. This is an additional approval of \$11 million in the current year and \$11.2 million in the budget year for this purpose. Lesser funding is also provided to the Department of Corrections, Department of Youth Authority, and local governments to perform tasks in accordance with this initiative.
- ◆ **Forensics Workload.** Adopts increase of \$1.7 million for staffing and \$2.5 million in one time equipment for the Bureau of Forensic Services to address increased workload. This program provides primary crime lab services to 46 counties. Ongoing needs for equipment will be addressed in a future year.
- ◆ **Department of Corrections Legal Workload.** Adopts \$4.2 million to address increased legal workload associated with the Department of Corrections health programs.
- ◆ **Child Abduction.** Adopts \$14 million in additional funding in support of a program to authorize local district attorneys to pursue children abducted in other counties, states and countries.
- ◆ **Santa Rosa Forensic Laboratory.** Adopts \$1.2 million in additional funding for the Santa Rosa Forensic Laboratory to address increased construction costs for this project. This would bring the total construction costs for the laboratory to \$9.8 million.
- ◆ **Habeas Corpus Litigation.** Adopts \$2.2 million augmentation to address increased workload associated with representation of the State in state and federal habeas corpus litigation.
- ◆ **Methamphetamine Grants.** Adopts an augmentation of \$3.2 million for the California Methamphetamine Strategy from federal funds. These funds will enhance the department's electronic surveillance capabilities.

Department of Corrections

■ MAJOR ACTIONS

- ◆ **Population Increase.** Adopts \$85.4 million increase due to an increase in estimated population as part of the May Revision process. This in addition to a \$280.1 million increase (and \$207.6 million increase in 2004-05) related to the Fall 2004 population estimate as presented in the Governor's Budget.
- ◆ **Mental Health Services.** Adopts a payment of \$61 million to the Department of Mental Health related to treatment of CDC inmates in the budget year.
- ◆ **Medical Services Programs.** Adopts a targeted ten percent savings for the department's medical services program as a result of reorganization efficiencies and to encourage the department to aggressively adopt cost savings strategies such as those implemented in other states.
- ◆ **Pharmaceutical Service Programs.** Adopts a ten percent savings target for the department's pharmaceutical program as a result of reorganization, to encourage price savings resulting from quantity discounts of drugs, and to continue implementation of information technology projects to monitor prescribing practices and inventory of drugs.
- ◆ **Correctional Academy Training.** Adopts \$29 million augmentation in support of two additional correctional academies.

Board of Corrections (BOC)

■ MAJOR ACTIONS

- ◆ **General Funding.** Deletes General Fund support for state administration at the Board of Corrections until further information is provided regarding the training of state and local correctional officers.
- ◆ **Probation Grants.** Approves \$201.4 million funding for county probation grants by the Board of Corrections. This program provides funding for at risk youth involved in the juvenile justice system, in an effort to prevent recidivism and graduation into CYA and adult facilities.

Board of Prison Terms (BPT)

■ MAJOR ACTIONS

- ◆ **Parole Revocation.** Adopts \$2 million augmentation in support of increased workload related to parole revocation (*Valdivia*) hearings.

Department of Youth Authority

■ MAJOR ACTIONS

- ◆ **Education Remedial Plan.** Adopts and increase of \$17.1 million in support of the educational remedial plan required by the *Farrell v Allen* lawsuit submitted to the court in March 2005.
- ◆ **County Reimbursements.** Adopts an increase of \$25.0 million to cover the costs of county reimbursements related to the commitment of wards to CYA from the county. In the current year, the delay in reimbursements from the counties resulted in cash flow difficulties for the department. Beginning in 2005-06, reimbursements from the counties will be remitted directly to the General Fund as revenue.
- ◆ **Substance Abuse Programs.** Adopts an increase of \$1.4 million in support of substance abuse programs to backfill a reduction in federal funds.
- ◆ **Farrell v Allen Litigation Costs.** Adopts \$1.7 million in litigation and oversight fees associated with the *Farrell v Allen* litigation.
- ◆ **Post Relief Factors.** Adopts \$6.6 million support relief coverage for posted positions.
- ◆ **Training Needs Assessment.** Adopts \$1.5 million to assess staffing training needs pursuant to compliance with the *Farrell v Allen* litigation.
- ◆ **Ward Grievance System.** Adopts \$1.1 million to improve the system for addressing ward grievances at CYA facilities pursuant to the *Farrell v Allen* litigation.

Judicial Branch

■ MAJOR ACTIONS

- ◆ **Unallocated Funding Increases.** Defers funding increases pending further discussions regarding the allocation of these funds.

Subcommittee 5 on Transportation and Information Technology

Assemblymember Pedro Nava, Chair

Members of the Committee:

Assemblymember Pedro Nava
Assemblymember Lois Wolk
Assemblymember John J. Benoit



TRANSPORTATION & INFORMATION TECHNOLOGY

Department of Transportation (Caltrans)

MAJOR ACTIONS

- ◆ **Proposition 42.** Reinstates the General Fund transfer of sales tax revenue on gasoline to the Transportation Investment Fund, but rejected the recommendation to transform the Governor's GoCalifornia policy proposals into trailer bill language. The transfer is estimated to be \$1.313 billion. The funds would be allocated according to current law as follows:
 - ◆ \$678 million to the Traffic Congestion Relief Fund (TCRF),
 - ◆ \$254 million the State Transportation Investment Program (STIP)
 - ◆ \$254 million to cities and counties for local streets and roads.
 - ◆ \$127 million to the Public Transportation Account.
- ◆ **Tribal Gaming Bond Revenue.** Decreases the assumptions for the proposed revenue to be generated by the sale of tribal gaming bonds. The assumption was reduced by \$222 million, bringing the projected budget year contribution to \$1.0 billion for the repayment of TCRF loans to the General Fund.
- ◆ **Capitol Outlay Support.** Provides additional resources for construction projects due to increased resources for Proposition 42 and Tribal Gaming Revenue assumptions to bring total capitol outlay support resources to \$174.2 million.
- ◆ **Environmental Enhancement and Mitigation Program (EEMP).** Appropriates \$10 million for EEMP to award grants to local agencies to undertake mitigation projects that are directly related to the environmental impacts of modifying existing transportation facilities or constructing new facilities.
- ◆ **Operational Savings.** Redirects \$101 million in additional resources to transportation construction projects. The revenue is a reversion due to increases in department efficiencies.
- ◆ **Infrastructure Preservation and Inspection.** Provides \$45.8 million and 38 personnel years for major maintenance contracts and to implement a statewide

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culvert inspection and repair program. The major maintenance contract dollars will be directed primarily toward pavement preservation projects around the state. The culvert inspection and repair program will create a routine inspection program to identify the present condition of culverts or note deficiencies and repair strategies.

- ◆ **Budget Display.** Amends various code sections to ensure clarity and compatibility within the Caltrans Budget by requiring all displays to be shown in a modified accrual format.

Special Transportation Programs

■ **MAJOR ACTIONS**

- ◆ **Increased Funding.** Approves funding increase of \$65 million for total funding of \$202 million for Special Transportation Programs line of the budget, as proposed by the Governor. This funding supports the State Transit Assistance program for local transit agencies.
- ◆ **PTA Spillover.** Makes no changes to the Governor's January Trailer Bill proposal to suspend the spillover for the Public Transportation Account. This will provide nearly \$400 million in General Fund relief.

California Highway Patrol

■ **MAJOR ACTIONS**

- ◆ **Workers' Compensation & Industrial Disability Retirement.** Approves further examination of the method in which the CHP administrates workers' compensation and Industrial Disability Retirement. The CHP will publish two reports: a report examining the disparity in IDR rates between chiefs and other uniformed personnel and a report to establish goals and performance measures to reduce workers' compensation costs and claims.

Department of Motor Vehicles

■ MAJOR ACTIONS

- ◆ **Credit Card Fees.** Provides \$6.6 million, on a two-year limited term basis, to cover fees assessed by Visa, MasterCard, American Express, and Discover for credit card transactions conducted by the online DMV customers.
- ◆ **Queuing System Expansion.** Provides \$2.1 million to install queuing management systems in 42 "high traffic" DMV field offices. This action will place queuing systems in 134 of the 164 field offices.

Stephen P. Teale Data Center

■ MAJOR ACTIONS

- ◆ **Consolidation of Data Centers.** Creates the budget authority to accommodate the proposed creation of the new Department of Technology Services (DTS), but rejected the Governor's proposal to create a continuously appropriated fund for DTS.