



# HIGHLIGHTS OF GOVERNOR'S PROPOSED 2005-2006 STATE BUDGET

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## Overview

The Governor has proposed his budget for the 2005-06 Budget Year. The Budget has been introduced in the Legislature (AB 90, Laird) and it is now up to the Legislature to analyze, debate, and craft the budget by the June 15<sup>th</sup> Constitutional deadline and in time for the start of the new fiscal year on July 1, 2005.

The Governor's proposed budget contains \$86.9 billion in available General Fund resources, \$85.7 billion in General Fund expenditures, and a \$500 million reserve (plus \$641 million reserved for encumbrances). The proposed budget includes a total of \$9.1 billion in solutions to close the Governor's projected General Fund gap.

This document provides an immediate look at key elements of the proposed budget. A more thorough analysis of the budget will be provided in the annual Preliminary Review, which will be available near the end of January.

**2005-06 General Fund Summary  
(in millions)**

	<b>2004-05</b>	<b>2005-05</b>
<b>Prior Year Balance</b>	<b>\$3,489</b>	<b>\$1,425</b>
Revenues	\$77,904	\$83,227
Transfers	\$315	\$544
Economic Recovery Bonds	\$2,012	\$1,683
<b>Total Resources Available</b>	<b>\$83,720</b>	<b>\$86,879</b>
Non-Proposition 98 Expenditures	\$48,171	\$49,206
Proposition 98 Expenditures	\$34,124	\$36,532
<b>Total Expenditures</b>	<b>\$82,295</b>	<b>\$85,738</b>
<b>Fund Balance</b>	<b>\$1,425</b>	<b>\$1,141</b>
Reserve for Liquidation of Encumbrances	\$641	\$641
Special Fund for Economic Uncertainties	\$784	\$500

## REVENUES

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

Source	Amount	% of Total
Personal Income Tax	\$42,895	50.2%
Sales Tax	\$26,947	31.5%
Corporation Tax	\$9,015	10.5%
Insurance Tax	\$2,300	2.7%
Tobacco Taxes	\$115	0.1%
Liquor Tax	\$315	0.4%
Other	\$3,867	4.6%
<i>Total</i>	<b>\$85,454</b>	<b>100.0%</b>

## EXPENDITURES

### 2005-06 General Fund Expenditures (in millions)

Category	General Fund	Total
Education (K-12)	\$35,884	41.9%
Health and Human Services	\$26,708	31.2%
Higher Education	\$10,042	11.7%
Business, Transportation and Housing	\$380	.4%
Legislative, Judicial, Executive	\$3,016	3.5%
General Government	\$705	.7%
Youth and Adult Corrections	\$7,014	8.2%
Resources	\$1,270	1.5%
Environmental Protection	\$69	.1%
State and Consumer Services	\$563	.7%
Labor and Workforce Development	\$87	.1%
<i>Total</i>	<b>\$85,738</b>	<b>100%</b>

## SUMMARY OF SOLUTIONS

**How the Governor Proposed Closing the  
Projected \$9.1 billion General Fund Gap (includes \$500 million Reserve)  
(in millions)**

<b>Category</b>	<b>Amount</b>
Increasing Current Year Prop 98 Suspension	\$2,284
Non-Prop 98 Education	\$543
Business, Transportation and Housing (suspending Prop. 42)	\$1311
Health and Human Services	\$1,167
General Government	\$928
Youth and Adult Corrections	\$272
Resources (Judgment Bond for Paterno Settlement)	\$475
Others	\$20
Economic Recovery Bonds	\$1,683
Revenues	\$409
<i>Total</i>	<b>\$9,092</b>

## STATE BORROWING AND COST DEFERRALS

The budget includes the following borrowing and deferral proposals:

- Proposes \$1.7 billion of additional Proposition 57 Economic Recovery Bonds. This would leave approximately \$2 billion of remaining unused bond authority out of the \$15 billion of Economic Recovery Bonds authorized by Proposition 57.
- Continues to assume the issuance of Pension Obligation Bonds that were authorized in the current year (for a General Fund savings/deferral of about \$900 million). However, due to litigation challenging the bonds, the budget defers the issuance of these bonds until 2005-06.
- Proposes to issue "Judgment Bonds" to fund a \$464 million settlement of the *Paterno* lawsuit concerning state responsibility for the 1986 levee breaks and flooding north of Sacramento.
- Proposes, as part of the Budget Reform proposals to extend to a period of 15 years the payment of past-due mandated cost reimbursements to local governments and the repayment various loans to the General Fund from transportation funds and other special funds. These payments would start in 2006-07. Also proposes to pay off existing unfunded Proposition 98 education obligations over 15 years.

## BUDGET REFORM PROPOSAL

The budget indicates that the Governor will present a broad set of budget reform proposals to place on the ballot as constitutional amendments. The major elements of his proposal include the following:

- **Automatic Across-the-Board Cuts.** If General Fund spending exceeds resources by \$250 million or more (adjusted for inflation) the Governor must call a special session of the Legislature to remedy the imbalance. If legislation is not enacted within 45 days (30 days if the budget has not been enacted), the State Controller would have to make across-the-board reductions in General Fund payments to all programs except debt service and amounts required by federal law.
- **Continuing Appropriation When Budget is Late.** Expenditure authority at the prior-year levels would continue in the event that the budget is not enacted by July 1 until the new budget is enacted.
- **Prohibition of New Loans.** Prohibits new borrowing from special funds starting in 2006-07 and requires repayment of any existing special fund loans within 15 years.

- **Payment of Mandated Cost Deferrals.** Extends the payment period to 15 years for approximately \$1 billion of past local government claims for mandated costs reimbursements. Current law requires payment of these claims by 2011-12.
- **Proposition 98 Education Funding.** Reduces required state funding of K-14 education under Proposition 98. The "base" funding requirement for Proposition 98 in the future would be reset at the 2004-05 appropriation level, which reflects suspension of the Proposition 98 funding requirement (\$3 billion less than the current 2004-05 Proposition 98 full funding level). Future Proposition 98 suspensions would be prohibited, and there would not be any reduction of the funding requirement in a "low revenue" year, as currently allowed under Proposition 98's "Test 3." The state's current "Maintenance Factor" obligation would be converted to a one-time cash obligation to be paid to K-14 education over 15 years, rather than a gradual increase in the ongoing funding base. The existing "Settle-Up" obligation also would be repaid over 15 years. However, future "Settle-Up" obligations will have to be identified within 24 months and the amounts would be continuously appropriated. Finally, any appropriations in excess of the Proposition 98 minimum guarantee will not be rolled into the ongoing funding base.
- **Proposition 42 Transportation Funding.** The reform proposal proposes repeal of the suspension authority for Proposition 42 transportation funding after 2006-07 and requires repayment of all past suspension amounts over 15 years, with authorization for the state to bond out this obligation.

## TAX ENFORCEMENT

- Includes \$1.8 million and 17 positions to expand the Abusive Tax Shelter Task Force at the Franchise Tax Board. Anticipated revenue is \$43 million in 2005-06 and \$60 million in 2006-07.
- Includes \$8.6 million and 99.2 positions to expand "Tax Gap" enforcement efforts to collect unpaid income taxes. Anticipated revenues are \$34 million in 2005-06 and \$46 million in 2006-07.
- Reduces property tax administration grants to county assessors by \$5.7 million (to a total of \$54.3 million) in 2005-06.

## DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Reduces Emergency Housing Assistance Program grant funds for homeless shelters by \$864,000 (to \$3.1 million).

- Allocates \$9.5 million of Proposition 46 housing bond funds to address health and safety deficiencies at state-owned migrant housing facilities.

## **SENIOR CITIZENS' TAX RELIEF PROGRAMS**

- Proposes General Fund savings of \$135.9 million by limiting or eliminating renters' and homeowners' assistance payments to senior citizens and disabled persons. The budget proposes 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 close to the 1998 level. The homeowners property tax assistance program would be eliminated entirely—instead, the budget proposes to expand the senior property tax deferral program (\$4.7 million cost).

## **K-12 EDUCATION**

- Provides a total funding increase of \$2.9 billion.
- Maintains 2004-05 funding at the same amount provided in last year's budget. This would increase the gap between education funding and the 2004-05 Proposition 98 minimum to \$3.1 billion. Last year, the Governor declared his intent to keep the gap between education funding and the 2004-05 minimum at \$2 billion. By capturing this \$1.1 billion as a savings to the state, the Governor also reduces the 2005-06 Proposition 98 minimum funding level by \$1.2 billion, for a two-year savings to the state of \$2.3 billion.
- Provides funding for growth and COLA for discretionary funding and categorical programs.
- Increases discretionary funding (deficit reduction) by \$328 million, to partially repay a deficit that the state incurred two years ago when it did not provide a COLA to school districts.
- Eliminates \$469 million in state contributions for the retirement fund for public school teachers. In order to maintain current investments in teacher retirements, school districts can either backfill this cut (equating to a \$469 million cut statewide), or teachers will have to contribute more toward their retirement (which will essentially mean a pay cut for teachers).
- Proposes major changes to Proposition 98, the constitutional amendment approved by voters several years ago to guarantee a minimum funding level for schools. Specifically, proposes to:

- 1) Establish the 2004-05 funding level as the new base for future education spending, which is \$3 billion less than the constitutionally-required spending level, because of the state's historic suspension of this requirement last year.
  - 2) Eliminate an existing budget-protection provision that allows education spending to fit within the means available in the state budget, if the growth in the state budget is slower than that of the overall economy. (Eliminates Test 3) .
  - 3) Eliminate an existing provision that ensures that any education funding provided above the minimum guarantee becomes part of the base funding level for calculating the subsequent year's minimum funding level.
- Proposes to pay off existing maintenance factor (from years in which education funding was lower than the growth in the economy) and prior-year settle-up obligations (amounts we owe when the Proposition 98 levels were revised upward after we had passed the budget), over a 15-year period.
  - Promotes the creation of small learning communities within the state's largest schools, through the state's School Facility Program.
  - Proposes to add certain professional development programs into a block grant created last year to provide more flexibility to school districts.
  - Proposes \$100 million in one-time funding for school facilities emergency repairs, pursuant to the Williams lawsuit settlement agreed to by the Governor last year.
  - Reduces funding for the Advancement Via Individual Determination (AVID) program, which helps economically disadvantaged students attend college.
  - Provides \$1.1 million in one-time funding for school business officer training, to address concerns about school districts with fiscal problems.
  - Provides \$45 million for a new cohort of low-performing schools to participate in the High Priority Schools Program.

- Proposes voluntary pilot project to delegate budget decision-making to school sites, instead of school districts.
- Proposes \$20 million for a career-technical education reform initiative to improve: 1) career-technical access in middle schools, 2) career-technical teachers and 3) coordination between K-12 schools and higher education.
- Proposes to allow colleges and universities to approve charter schools. (Current law only allows K-12 entities to approve charter schools.) Also proposes a public-private partnership to increase charter schools to serve children in low-performing schools.
- Proposes a K-12 component of his California Obesity Initiative, to improve access to nutritious foods and physical fitness.
- Proposes to use existing funding from the English Language Acquisition Program for a new program to help support reading skills for English learners in grades 4 through 8.

## **UNIVERSITY OF CALIFORNIA (UC)**

- Fully funds the Compact agreement, which includes a 3 percent General Fund increase of \$76.1 million for basic budget support and a \$37.9 million for a 2.5 percent enrollment growth to fund an additional 5,000 full time equivalent (FTE) students.
- Consistent with the Compact agreement, the UC Board of Regents approved system wide fee increases of 8 percent for undergraduate students (\$4,971 to \$5,406); 10 percent for graduate students (\$5,556 to \$6,162); 3 percent increase in professional school fees.
- The Compact also provides that an amount equivalent to no less than 20 percent and no more than 33 percent of the revenue generated from student fees be used for financial aid. The UC Board of Regents have approved a 25 percent set-aside for undergraduates and a 50 percent set-aside for graduate students from fee generated revenue to be used for financial aid.
- Proposes a \$17.3 million reduction in unallocated cuts, which the UC can cut from academic preparation programs (leaving the \$12 million in UC funds as committed in the Compact) or, the UC can cut enrollment by that amount. The 2004-05 Budget Act provided \$29.3 million in General Fund for academic preparation programs.

- Provides a \$14 million one-time augmentation (General Fund) for UC Merced for a total of \$24 million in 2005-06.
- Eliminates \$3.8 million in funds for the Institute for Labor & Employment (ILE).

## **CALIFORNIA STATE UNIVERSITY (CSU)**

- Fully funds the Compact agreement, which includes a 3 percent General Fund increase of \$71.7 million for basic budget support and a \$50.8 million for a 2.5 percent enrollment growth to fund an additional 8,000 FTE students.
- Consistent with the Compact agreement, the CSU Board of Trustees approved system wide fee increases of 8 percent for undergraduate students (\$2,344 to \$2,520), 8 percent for Teaching Credential students (\$2,334 to \$2,922) and 10 percent for graduate students (\$2,820 to \$3,102).
- The Compact also provides that an amount equivalent to no less than 20 percent and no more than 33 percent of the revenue generated from student fees be used for financial aid. The CSU Board of Trustees have approved a 25 percent set-aside of fee revenue for State University Grants.
- Proposes a \$7 million reduction in unallocated cuts, which the CSU can cut from academic preparation programs (leaving the \$45 million in UC funds as committed in the Compact) or, the CSU can cut enrollment by that amount. The 2004-05 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's redirected funds.

## **CALIFORNIA COMMUNITY COLLEGES (CCC)**

- Proposes over \$7.9 billion through a combination of State, local property tax and federal revenues. Of this amount, \$5.4 billion are Proposition 98 General fund (10.35 percent).
- Provides \$136.7 million Proposition 98 General Fund for enrollment growth. This represents a 3 percent growth to provide access for an additional 34,000 FTE students.
- Provides \$195.5 million Proposition 98 General Fund for a 3.93 percent cost-of-living-adjustment (COLA). This includes \$184.5 to fully fund COLA increases for community college apportionments and \$11.1 million to provide COLA increases for categorical programs.
- Includes \$20 million for the Governor's Career Technical Education initiative that requires CCC to work with high schools to develop vocational education coursework.
- Includes a \$31.4 million set aside for "potential" restoration to community college apportionments, pending the Board of Governor's recommendations on district-specific accountability mechanisms pursuant to AB 1417 (Pacheco), Chapter 581, Statutes of 2004.

## **CALIFORNIA STUDENT AID COMMISSION**

- Reduces new Cal Grant A and B awards for students attending private institutions by \$7.5 million, reducing the maximum award from \$8,322 to \$7,449. Approximately 12,100 students in entitlement and competitive programs would be impacted.
- Shifts \$35 million from the Student Loan Operating Fund (SLOF) to the General fund to support financial aid programs.
- Provides \$146 million in General Fund backfill to replace the SLOF funds used to support financial aid programs in the Budget Act of 2004-05.
- Provides an increase of \$44.8 million for the revised current-year estimate of the Cal Grant program.
- Provides a \$200,000 General Fund increase to implement an initial cohort of National Guard APLE program pursuant to chapters 549 and 554,

Statutes of 2004. As proposed, this financial aid program is not "need-based" financial aid.

- Includes a \$6.8 million augmentation to reflect additional payments to new and continuing APLE recipients.

## **DEPARTMENT OF HEALTH SERVICES**

- Achieves a total net savings of \$12.3 million General Fund from Medi-Cal Redesign in the budget year.
- Outlines an alternative hospital financing structure as part of Medi-Cal Redesign.
- Provides \$2.5 million General Fund for incremental measures to maximize enrollment and retention of uninsured children eligible for Medi-Cal or Healthy Families by improving outreach and enrollment through restoring Healthy Families Program/ Medi-Cal application assistance.
- Limits dental services to \$1,000 per year per adult beneficiary and saves \$24.8 million General Fund.
- Begins the shift of the Aged, Blind and Disabled Medi-Cal beneficiaries from fee-for-service to Medi-Cal Managed Care in the 2006-2007 State Fiscal Year.
- Imposes beneficiary cost sharing in Medi-Cal, \$4 per month for each child under 21, \$10 per month for adults and a monthly cap of \$27 for families.
- Recovers \$19.6 million General Fund through increased third party liability recoveries in the Medi-Cal Program.
- Projects an additional \$20 million General Fund in drug rebates by requiring rebates for proton pump inhibitors.
- Reduces Proposition 99 revenues and expenditures by \$9 million to reflect reduced revenues.
- Achieves \$50 million in General Fund savings by shifting the Access for Infants and Mothers Program (AIM) to the General Fund to draw down federal funds and thereby, reduce General Fund expenditures.
- Provides \$15 million in fees from the Genetic Testing Fund to expand Newborn Screening Program.

- Provides full funding for the HIV/AIDS program, \$159.5 million General Fund.
- Provides \$108.6 million in Federal Funds for Bioterrorism Prevention and Preparedness.
- Provides \$6 million for a comprehensive obesity prevention program.
- Provides \$4 million to implement the California Rx Program.
- Eliminates General Fund support for the Office of Bi-national Health for a savings \$694,000 General Fund.

## **DEPARTMENT OF DEVELOPMENTAL SERVICES**

- Increases the budget by \$27.1 million General Fund for the planned July 2007 closure of the Agnews Developmental Center.
- Provides \$6.2 million General Fund for the development and implementation of guidelines for consumer service plans and purchasing services by Regional Centers.

## **DEPARTMENT OF MENTAL HEALTH**

- Places Sexually Violent Predators (SVP) that refuse treatment in a less treatment intensive environment for a savings of \$6 million.
- Requires counties to retain responsibility for pre-committed SVPs until the courts commit them as SVPs.
- Provides \$65.7 million General Fund to fund the opening of the Coalinga State Hospital in September 2005.
- Implementation of Proposition 63, Mental Health Services Act, is dependent upon the completion of a detailed resource needs assessment, which will be included as part of the May Revise, for both the 2004-2005 and 2005-2006 State Fiscal Years.

## SOCIAL SERVICES

- Suspends both the State and Federal Cost of Living Adjustments (COLAs) for the Supplemental Security Income/State Supplemental Program (SSI/SSP) for a General Fund savings of \$258.8 million in the budget year. A grant for an aged recipient would remain at \$812 per month; it would have increased by \$37 (4.6 percent) to \$849 per month in January, 2006 if the COLA was not suspended.
- Suspends the CalWORKs COLA for \$163.8 million budget year savings to the CalWORKs program. The COLA would have increased the \$723 grant for a family of three by \$34 (4.6 percent) to \$757 per month.
- Reduces CalWORKs grants by 6.5 percent for a \$212.2 million budget year savings to the CalWORKs program. The current grant for a family of three of \$723 would be reduced by \$47 to \$676 per month. Combined with the COLA suspension, the CalWORKs grant would be reduced from \$757 to \$676, an \$81 (10.7 percent) reduction.
- Deletes a statutory provision that provides an annual COLA to CalWORKs grants on July 1 of the fiscal year.
- Reduces State reimbursements for In Home Supportive Services to minimum wage for budget year \$194.8 million General Fund savings. On July 1, 2005, the State would reduce reimbursements to the July 1, 2004 levels, reducing reimbursements to counties that increased wages in the current year. On October 1, 2005 the State would reduce reimbursements to all counties to the minimum wage. Unlike the proposal in the 2004-2005 budget, this reduction would include a reduction to counties that had existing MOU agreements with labor unions.
- Reduces the Tribal TANF program by \$5 million.
- Saves \$42.9 million by using unexpected prior year savings in CalWORKs for current year expenses.
- Assumes \$12 million in savings to the CalWORKs program by "strengthening CalWORKs work requirements" through the implementation of a sanction policy. The new sanction policy would be proposed after the findings of the ongoing CalWORKs sanction study are released.
- Implements a "pay-for-performance" provision to the CalWORKs Single Allocation. The proposal would set aside 5 percent of the CalWORKs Single Allocation and award this funding to counties that meet certain

performance goals by the end of the fiscal year. Counties use the CalWORKs Single Allocation to pay for Stage 1 Child Care, employment services, and eligibility expenses. The budget assumes \$22.2 million savings to the CalWORKs program from the implementation of this provision.

- Reduces CalWORKs employment services funding by \$50 million.
- Assumes \$62.6 million in savings to the CalWORKS program from the implementation of reforms to child care programs.
- Decreases the CalWORKs Earned Income Disregard for \$82 million in savings to the CalWORKs program. The Earned Income Disregard encourages CalWORKs participants to work by allowing them to keep the first \$225 they earn through each month work without impact their grant level. The grant levels of participants in then reduce by \$.50 for of each dollar they earn above \$225 per month. The Governor's proposal would allow CalWORKs participants to earn \$200 per month without impacting the grant and would reduce their grant by \$.60 for each dollar they earned above that amount.
- Shifts \$316.5 million in General Fund expenditures into the CalWORKs TANF Maintenance of Effort. This shift allows cuts in the CalWORKs program to achieve savings in the General Fund. The shift is composed of expenses from: \$60 million Department of Mental Health expenditures, \$55.1 Foster Care expenditures, and \$201.4 million in juvenile probation costs.
- Creates an In Home Supportive Services worker tracking phone system to minimize potential fraud and abuse in the program.
- Implements the Standardized Safety Assessment System for Child Welfare Services in all counties.
- Requires counties to pay a portion of any federal penalties levied against the State for failing to meet required child welfare services outcome standards.
- Continues \$14.1 million to implement California's Program Improvement Plan (PIP) that is designed to improve the State's performance on federal outcome measures for Child Welfare and Foster Care programs.

## **CHILD SUPPORT SERVICES**

- Projects child support collections for 2005-06 to be \$2.4 billion (\$322.4 million General Fund). The collections for 2004-05 are estimated also to be \$2.4 billion (\$320.7 million General Fund).
- Includes a \$218 million General Fund payment for the 2005 Federal Fiscal Year child support automation penalty. The State has received this penalty for failing to have a certified statewide-automated child support computer system.

## **CHILD CARE AND DEVELOPMENT**

- Assumes \$98.4 million Proposition 98 funding and \$62.9 million in the Department of Social Services budget from various child care reforms detailed below.
- Creates a tiered reimbursement structure for child care that will reduce reimbursement for licensed exempt care.
- Implements a statutory provision that would require all state child care voucher payments to be tied to amounts paid by private-pay families.
- Merges current CalWORKs Stage 3 Child Care caseload into the Alternative Payment Program for no net savings in the budget year. Creates a two-year entitlement for CalWORKs Stage 3 child care. Requires current CalWORKs families to compete on the waiting list for ongoing child care Alternative Payment Program slots for child care beyond two years of CalWORKs Stage 3 child care. Also reforms the waiting list process so that families receiving current Stage 1, Stage 2, and Stage 3 child care have a better chance of securing an Alternative Payment Program voucher.
- Implements a centralized child care waiting lists in each county for a \$7.9 million cost.
- Changes the benchmark for child care programs from the State Median Income to the Federal Poverty Level.

## **DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**

- Eliminates funding for the Naturalization Services Program for \$1.5 million General Fund savings.

## **SECRETARY OF STATE**

- Suspends funds to support the federal Help America Vote Act (HAVA) of 2002 pending the approval of a spending plan. In 2003-04 the State received \$84.5 million federal funds to support activities required by the federal Help America Vote Act (HAVA) of 2002. In the spring of 2004, \$264.4 million in additional federal HAVA funds were provided to the State. Some funds were approved for expenditure in 2004-05; however, the Legislature restricted the release of a portion of the original grant and the subsequent HAVA funding pending the receipt of a plan for the use of HAVA funds and approval by the Department of Finance and the Legislature. The plan is currently under administrative review.
- Increases funding for elections by \$3 million. Due to the elimination of Section 27.00 related to deficiencies from the budget act, the State may no longer depend on deficiencies to fund the full cost of statewide elections. This increase in funding will provide for unexpected costs resulting from statewide elections.

## **DEPARTMENT OF INDUSTRIAL RELATIONS**

- Provides \$3 million and 27.5 positions for the Department of Industrial Relations to participate in the Economic and Employment Enforcement ("Triple E") Coalition, a partnership of enforcement agencies that will identify the worst offenders for targeted workplace enforcement actions throughout the state.

## **EMPLOYMENT DEVELOPMENT DEPARTMENT**

- Provides \$2.5 million and 23.8 positions for EDD to participate in the Economic and Employment Enforcement ("Triple E") Coalition, a partnership of enforcement agencies that will identify the worst offenders for targeted workplace enforcement actions throughout the state.
- Provides \$9.1 million and 147 positions to eliminate the backlog of Benefit Audits that are conducted to help recover overpayments of benefits.

## **DEPARTMENT OF CONSUMER AFFAIRS**

- Increases Contractor's Licensing Board funding by \$1 million and 10.5 positions to increase enforcement levels. Working in coordination with the Departments of Labor and Workforce Development Agency, the board will increase enforcement of unlicensed contractors through sweep and sting operations. The Board will also increase the number of investigations opened as a result of consumer complaints towards contractors. This effort is part of the Administration's Economic and Employment Enforcement ("Triple E") Coalition focused on reining in the underground economy.

## **DEPARTMENT OF CORPORATIONS**

- Provides \$400,000 and 1.0 position to the Seniors Against Investment Fraud (SAIF) Program, which is designed to educate senior citizens about investment fraud and ways to protect their finances from predatory investment schemes.

## **DEPARTMENT OF GENERAL SERVICES**

- Reduces funding for the Office of State Publishing (OSP) by \$6.2 million and 114 positions resulting from a decrease in demand for traditional printing services. OSP will be directed to enhance its digital printing services while Departments and Agencies that are unable to fulfill printing needs through the OSP will be encouraged to utilize private industry.

## **DEPARTMENT OF TECHNOLOGICAL SERVICES**

- Creates the Department of Technology Services from the consolidation of the Stephen P. Teale Data Center, the Health and Human Services Data Center (excluding the Systems Integration Division, which will be transferred to the Health and Human Services Agency) and the voice telecommunications and data networking functions of the Telecommunications Division of the Department of General Services. The Department of Technology Services will be the general-purpose technology service provider for the Executive Branch and will continue to provide the information and telecommunication services provided by the previous consolidated entities
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## **MILITARY DEPARTMENT**

- Increases funding for the Oakland Military Institute by \$1.3 million and an additional 10.5 positions to provide for an increased enrollment of approximately 200 students and provide sufficient Military Department instructors to meet the originally authorized staffing ratio of 30 students per instructor.

## **DEPARTMENT OF VETERANS' AFFAIRS**

- Reduces \$940,000 General fund and increases \$2 million (federal funds) in funding to convert Residential Care for the Elderly Beds to Intermediate Care Facility Beds at the Chula Vista Home.

## **DEPARTMENT OF JUSTICE**

- Increases \$11.2 million from the DNA Identification Fund in 2005-06 (pursuant to the provisions of Proposition 69) or the Department of Justice to address workload resulting from expanded collections of DNA, palm prints, and thumbprints. In addition, the Budget includes \$4 million in fiscal year 2004-05 and \$3.6 million in fiscal year 2005-06 for the Department of Corrections to obtain the necessary samples from inmates and parolees.
- Increases \$4 million General Fund to redesign various criminal database systems.
- Increases \$1.8 million General Fund for ongoing technical support and modifications to the Violent Crime Information Network.

## **DEPARTMENT OF CORRECTIONS**

- Proposes a net increase for the department of \$247.5 million in 2005-06
- Savings of \$95.3 million through population reductions in inmate and parolee programs.
- Assumes a .2 percent reduction in the inmate population and 6.7 percent reduction of the parole population. The Budget proposes full funding of inmate population and parolee caseload.
- Transfer of two fire camps from CYA.

- Provides a special fund augmentation \$4 million in fiscal year 2004-05 and \$3.6 million in fiscal year 2005-06 to obtain the necessary DNA samples from inmates and parolees pursuant to Proposition 69.
- Increases funding by \$30.1 million to improve the delivery of medical services to inmates and to address related litigation costs.
- Provides a \$44.8 million increase to address unfunded personnel costs associated with vacancies and training requirements.
- Provides \$7.5 million to reimburse local governments for the cost the prosecution of crimes in state correctional system.
- Additional funding of \$2.1 million to enhance departmental employee discipline and labor relations activities.
- Assumes the collection of \$78.5 million in federal reimbursements under the State Criminal Alien Assistance Program.

## **DEPARTMENT OF YOUTH AUTHORITY**

- Proposes the transfer of two fire camps to CDC (Washington Ridge and Ben Lomond).
- Local responsibility of some juvenile offenders currently at CYA by the use of incentives to county governments. This proposal will be further develop as part of the May Revision.
- The Administration's response to the settlement of the Farrell v. Allen litigation will be presented as part of the May Revision.

## **YOUTH AND ADULT CORRECTIONAL AGENCY (YACA)**

- Proposes the reorganization of YACA to the Department of Corrections and Rehabilitation.

## **JUDICIARY/TRIAL COURT FUNDING**

- Ongoing baseline adjustment of \$92.6 million beginning in 2005-06 related to court employee salary and benefits, court employee retirement, court security, and county-provided services. This relates the 88.4 million adjustments in the current year.
- An increase of \$97.4 million as a growth factor has been included for Trial Court Funding in the Governor's Budget.

## **STATE TEACHERS RETIREMENT SYSTEMS (STRS)**

- Eliminates state payment to STRS. Schools would assume responsibility for any non-employee contributions to the teachers' retirement system resulting in a savings of \$469 million. As of June 30, 2003, STRS has estimated that the system is 82 percent funded.

## **BOARD OF PRISON TERMS**

- Transfers duties and responsibilities to the Board of Parole Hearings as part of the proposed reorganization of the Youth and Adult Correctional Agency.

## **BOARD OF CORRECTIONS**

- Transfers Duties and responsibilities to the Correctional Standards Authority as part of the proposed reorganization of the Youth and Adult Correctional Agency.
- County probation camp funding of \$201.4 million will be provided from the federal Temporary Assistance for Needy Families. These funds will come from the budget from the Department of Social Services.
- \$25 million in the Juvenile Justice Grant program funding will be administered from this department. This represents a reduction of \$75 million as compared with current year funding for this program.

## **COMMISSION ON CORRECTIONAL PEACE OFFICERS' STANDARDS AND TRAINING**

- Transfers duties and responsibilities to the Correctional Standards Authority as part of the proposed reorganization of the Youth and Adult Correctional Agency

## **OFFICE OF EMERGENCY SERVICES**

- \$300,000 for funding of the CALGANG project.
- An augmentation of \$462,000 in support of benefits to Disaster Service Worker Volunteer Program participants that incur injury.
- Additional funding of \$1.8 million in support of the administration of federal homeland security grants.
- Reduces local public safety grants by \$4 million. (Community Crime Resistance Program, Career Criminal Apprehension Program, Serious Habitual Offender Program, Drug Abuse Suppression in Schools Program, Rural Crime Prevention Program).

## **EMPLOYEE COMEPENSATION**

- \$198 million (\$260 million all funds) in support of existing obligations under Memoranda of Understanding in 2005-06.
- Proposes a constitutional amendment to prohibit state or local governments from offering a defined benefit retirement plan to employees.
- Increases employee's share of retirement contributions by \$205.8 million (\$374 million all funds).
- Proposes legislation to allow new employees to elect to leave PERS saving \$90.2 million (\$164 million all funds).
- Denies new employees health care coverage until 6 months of employment have been completed at a saving and placing new limits on employer contributions for health care benefits for a savings of \$30 million (\$55.3 million all funds),
- Five day furlough for non-public safety employees as a savings of \$60 million (\$109 million all funds).
- Eliminates two state holidays for a savings of \$1.7 million (\$3.1 million all funds).
- Eliminates recognition of paid leave for the purposes of calculating overtime hours worked for a savings of \$20 million (\$36.4 million all funds).

- The imposition of limits on the accrual of employee earned vacation and annual leave. The Administration has not identified a savings associated with this proposal.
- \$150 million unallocated reduction for departments and agencies under the Administration.

## **LOCAL GOVERNMENT**

- Ongoing funding of probation camps from TANF funds (\$201 million). These funds will come from the budget of the Department of Social Services.
- Eliminates \$18.5 million for rural county sheriff departments.
- \$75 million reduction to Juvenile Justice Grant Program. The remaining \$25 million will be included in the budget of the Board of Corrections.

## **CALIFORNIA GAMBLING CONTROL COMMISSION**

- \$4.8 million in special funds to address additional workload associated with the Tribal-State Gaming Compacts that include state compliance requirements.

## **COMMISSION ON UNIFORM STATE LAWS**

- The Governor's Budget proposes to continue funding of \$100,000 for this Commission in 2005-06. As part of the Governor's reorganization of boards and commissions, this commission is proposed to be eliminated.

## **NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION**

- Provides \$38.35 million (Propositions 40 and 50) to provide grants for the development and protection of river parkways.
- Includes \$11.65 million (Proposition 50) to provide grants for the acquisition of land and water resources to protect lakes, reservoirs, rivers, streams, and wetlands in the Sierra Nevada region.
- Provides \$22.7 million General Fund to the Department of Forestry and Fire Protection for fire engine and helicopter replacement, increased staffing in Southern California facilities, and the replacement of emergency equipment.

- Proposes \$1.3 million General Fund increase to the Department of Parks and Recreation for the operation of the Hearst Ranch Conservation Acquisition.
- Ensures continued flood prevention activities of the Department of Water Resources, providing \$9.7 million General Fund for levee maintenance, structural integrity evaluations, improved emergency response capabilities, and floodplain mapping.
- Assumes the sale of nearly \$475 million in "Judgment Bonds" to meet the State's flood responsibilities as a result of the Paterno v. State of California.
- Continues bond fund expenditures at the Department of Water Resources, using \$202.5 million from Proposition 50 for various water projects, including grants for regional water management projects, CALFED water use efficiency projects, and desalination projects.
- Increases funding to the Department of Water Resources by \$59.1 million General Fund for the lining of the All-American and Coachella canals.
- Provides \$1.563 million (federal and special funds) and 14.6 positions to the State Water Resources Control Board to expedite groundwater cleanups, respond to cleanup and oversight requests for new sites around the state.
- Continues bond fund expenditures to protect our environment, including \$164.7 million in local assistance funding from Proposition 50 and Proposition 13 to fund projects that improve water quality.
- Ensures \$15 million to accelerate reimbursement of private parties for their underground storage tank cleanup costs, and includes an ongoing augmentation of \$32.5 million for the same purpose.

## DEPARTMENT OF FOOD AND AGRICULTURE

- Continues \$8.0 million General Fund support and 137 positions for the Mediterranean Fruit Fly Program Preventative Release Program.
- Adds \$2.7 million General Fund and 17.0 positions to address potential threats to California's food supply by animal disease or bioterrorism.
- Provides \$1.3 million General Fund to replace old and outdated laboratory equipment in the Department's Veterinary Labs.

- Includes \$1.1 million Agriculture Fund and 5.0 positions to inspect dairy farms for sanitation and food safety compliance.
- Continues \$760,000 General Fund for full year funding of Los Angeles County's Detection and Trapping Program.

## **TRANSPORTATION**

- Suspends Proposition 42, which saves the General Fund \$1.311 billion, with a repayment of 15 years. Proposition 42 was enacted by the voters of California to require that all state sales tax revenue collect on the sale of gasoline is used for transportation projects.
- Request a Constitutional Amendment to remove the ability to suspend Proposition 42 in fiscal year 2007-08.
- Recovers the Gasoline Tax Spillover, which saves the General Fund \$215.8 million. The Revenue & Taxation Code Section 7102 (a) (1) provides a formula for depositing excess gasoline sales tax revenue into the Public Transportation Account to primary fund mass transit and rail programs.
- Extends the repayment deadline for Transportation Investment Fund (Proposition 42) loans until 2020. The extension includes repayments excepted to be received in fiscal year 2008-09.
- Eliminates the current year assumption of \$1.4 billion in Tribal Gaming Bonds, for the purpose of transportation loan repayment. Due to litigations that have been filed against the State, the timing of the bond sale is unknown.
- Creates the "Go California" initiative to provide comprehensive reform for the states system of goods movement, completion of transportation projects and incorporating public-private partnerships.

## **DEPARTMENT OF TRANSPORTATION**

- Proposes \$8 billion and 22,445.5 positions, a decrease of \$119.3 million but an increase of 87.5 positions from the current year.
- Authorizes \$3.2 billion for transportation capital outlay programs as compared to \$2.8 billion in the current fiscal year.
- Provides \$1.4 billion in local assistance funding.

- Proposes \$3.3 billion in state operations funding, which represents an increase of \$79.6 million compared to current year estimates. Increases are primary due to budget change proposals and prices increases.
- Restore \$45.8 million and 40 positions for the major maintenance contracts to the 2000-01 level and establish a New Culvert Inspection Program. The Culvert Inspection Program will establish a state inventory of all drainage facilities.

## **CALIFORNIA HIGHWAY PATROL**

- Proposes 1.5 billion and 10,339.5 positions, which an increase of \$44 million and 5.4 positions.

## **DEPARTMENT OF MOTOR VEHICLES**

- Proposes \$762.3 million and 8,256 positions, which represents an increase of current year (\$7.3 million and 2.8 positions in the revised 2004-05 budget).

## **HIGH SPEED RAIL AUTHORITY**

- Proposes \$3.9 million and 3.5 positions. All of the funds are provided from non-General Fund sources.