

THE 2001 STATE BUDGET

TRAILER BILLS

EDUCATION TRAILER BILLS

■ AB 441 (SIMITIAN)

AB 441 enacts a formula to equalize school district revenue limits.

Specifically this bill:

- Enacts the Fairness in Education Funding Act establishing a methodology to equalize per average daily attendance (ADA) school district base revenue limits so at least 90% of ADA, according to size and type of district, would receive the same level of per unit base revenue limit funding.
- Appropriates \$40 million to be distributed on a pro-rata basis via the equalization formula created by this bill. This amount represents approximately 10% of the \$400 million necessary to fully fund revenue limit equalization at the 90% target.
- Provides for pro-rata allocation of equalization adjustments in the event that appropriated funds are insufficient to fully fund computed adjustments.
- Establishes the intent of the Legislature to fully fund the equalization formula created by this bill, by the 2006-07 fiscal year, to the extent that funding is available, so that at least 90% of ADA, by size and type of district and including charter school ADA, would receive the same level of per unit basis revenue limit funding by the 2006-07 fiscal year.
- Defines size and type categories of school districts in the traditional manner, as follows: elementary district - less than 101 ADA; elementary district - more than 100 ADA; high school district - less than 301 ADA; high school district - more than 300 ADA; unified district - less than 1,501 ADA; and, unified district - more than 1,500 ADA.
- Provides that this bill is an urgency measure.

SB 347 (O'CONNELL)

SB 347 contains provisions necessary to implement the K-12 provisions of the Budget.

Specifically this bill:

- Codifies AB 2880 (Calderon), Chapter 76, Statutes of 2000, which eliminated the deficit factor for the 2000-01 fiscal year and each year thereafter.
- Extends the sunset date on the Educational Telecommunications Fund (ETF) by one year, to January 1, 2003, and increases from \$10 million to \$15 million the statutory level of the amount deposited in the ETF to fund the California School Information Services Program.
- Suspends the statutory division of Proposition 98 funds between K-12 education and the community colleges for 2001-02.
- Specifies the calculation sequence for distributing an increased amount of federal funding available for the Special Education Program in 2001-02.
- Provides for technical changes to the Public Schools Accountability Act.
- Requires the State Board of Education to establish the rate paid to the publisher of the English Language Development Test and the per pupil apportionment to school districts for administering the English Language Development Test. Also requires Department of Finance approval of any adjustments to the rate.
- Specifies that funding provided in the Budget Act for categorical programs is in lieu of the amounts that would otherwise be required under law.
- Combines funding for Economic Impact Aid, Court-Ordered Desegregation, and Voluntary Desegregation programs to form the Targeted Instructional Improvement Grant Program to, in priority order, be expended on costs of any existing court-ordered desegregation program and to provide instructional improvement for the lowest achieving pupils.
- Changes the application date for the Beginning Teacher Salaries Program.
- Establishes the cost-of-living adjustment (COLA) for specified education programs at 3.87 percent for 2001-02.

- Authorizes creation of a fourth Institute for Science and Innovation at the University of California.
- Restores the one-to-one state-to-local matching requirement for the community colleges Part Time Faculty Office Hours Program.

■ SB 740 (O'CONNELL)

SB 740 creates the Charter School Facility Grant Program to provide assistance with facilities rent and lease costs for charter schools located in low-income areas. This bill funds the program by reducing funding for non-classroom-based instruction in charter schools by 10 percent a year over the next three fiscal years. It also requires charter schools to obtain approval by the State Board of Education in order to receive funding for non-classroom based instruction.

■ SB 982 (O'CONNELL)

SB 982 implements a legal settlement recently reached between the state and school districts over special education mandated cost claims that resulted from state special education laws that exceeded federal education mandates. It accordingly appropriates a total of \$520 million for this purpose.

Specifically this bill:

- Appropriates \$100 million to school districts on an on-going basis to pay for the ongoing costs of state special education mandates.
- Provides for the annual appropriation of \$25 million "on a one-time basis each fiscal year" for the next ten years, for a total of \$250 million.
- Appropriates \$270 million from the General Fund on a one-time basis for prior-year claims.

GENERAL GOVERNMENT TRAILER BILLS

■ SB 294 (SCOTT)

Firearm Dealer Inspection -This bill authorizes an increase in the firearm dealer inspection fee from \$85 to \$115. This increase is needed to support increased levels of inspection by the Department of Justice.

Victims of Crime - This bill requires the California Victim Compensation and Government Claims Board to select up to 5 additional sites to provide comprehensive recovery services to victims of crime.

■ SB 736 (Poochigian)

SB 736 removes the sunset date for the Citizens Option for Public Safety (COPS) and Juvenile Justice program. Specifically this bill specifies that funds are not allocated by the county auditor until an approved expenditure plan is received by the local Law Enforcement Oversight Committee.

■ SB 742 (ESCUZIA)

SB 742 is the general government omnibus Budget trailer bill implementing the policy of the 2001-02 Budget Act. Specifically, this bill:

- Requires the Commissioner of Corporations to reduce or suspend fees charged in connection with securities-related actions in a manner that will result in a fund balance no greater than 25% in the state Corporations Fund by June 30, 2007.
- Changes the loan criteria for the Child Care Facilities Financing Program, including a reduction in the matching funds requirement from 50 to 20%, an extension of the loan term from 20 to 30 years, and establishment of the interest rate at 3%.
- Extends the benefits of the state Employees' Pretax Parking Payroll Deduction Program, to employees parking at private facilities that do not contract with the State Controller for payroll deduction.
- Extends the authority of the Department of General Services to act as a control

agency and allow departments to write off bad debts of up to \$5,000; to approve legal settlements and to purchase goods from the private sector in competition with the Prison Industry Authority. The extension would be effective until June 30, 2002, or until the 2002-03 Budget Act is signed.

- Extends the sunset date from January 1, 2002, to January 1, 2004, of the program conducted by the Technology, Trade and Commerce Agency that provides loans and grants to upgrade, replace, or remove petroleum underground storage tanks to meet applicable local, state, or federal standards, or to take corrective actions.
- Increases salaries for the chair of the Judicial Council, administrative presiding judges of the Courts of Appeal and presiding judges of a superior court which has 15 or more judges by 4% and would increase salaries for presiding judges of a superior court which has four to 14 judges by 2%. These provisions would become effective January 2, 2002.
- Allows the Department of Housing and Community Development to recover any costs, up to \$50,000, from local governments who received fee payments for employee housing plan checks and did not respond within 60 days.
- Reduces members' fees and charges for residential care at the Veterans' Home of California to no greater than 47½% of the member's annual income, or \$1,200 per month, whichever is less.
- Provides for an orderly transition of the Universal Service Telephone Programs (USTP) to state fiscal and budgetary control, as required by SB 669 (Polanco), Chapter 677, Statutes of 1999. These programs are the High-Cost A Fund and the High-Cost B Fund Program, the Universal Lifeline Telephone Service Program, the Deaf and Disabled Telecommunications Program (DDTP), the Pay Phone Service Providers Program, and the California Teleconnect Program. Transfer from private trust accounts to special funds in the State Treasury all existing balances and future revenues of USTP (except for the DDTP) on and after October 1, 2001. DDTP existing balances and future revenues are transferred to a special fund in the State Treasury as of July 1, 2002. This bill also allows temporary loans between program funds if authorized in the annual Budget Act.
- Establishes the "Buy California Program" within the California Department of Food and Agriculture (CDFA) to encourage consumer nutritional and food awareness and encourage purchases of high-quality California agricultural products. State funding for the program, together with industry any industry co-funding or in-kind contribution, could be used to finance activities under a marketing agreement

issued by the Secretary of CDFA. CDFA would be required to provide annual program reports to the Legislature, starting January 1, 2002. SB 739 (Peace), the 2001-02 Budget Bill, appropriates \$5 million from the General Fund to CDFA for this program.

HOUSING TRAILER BILLS

■ AB 445 (CARDENAS)

This bill eliminates future appropriations for and changes the sunset date of the School Facilities Fee Assistance Program, which was created in 1998 to assist homebuyers by reimbursing some or all of the school facilities fees paid on their homes.

Specifically, this bill:

- Establishes January 1, 2002 as the sunset date for the program.
- Deletes the program's \$40,000,000 budget year appropriation and \$20,000,000 appropriation in the 2002-03 fiscal year.
- Requires that any unobligated dollars in the School Facilities Fee Assistance Fund (as of January 1, 2002) be transferred to the General Fund.

Additionally, the budget bill transfers \$108,000,000 from the School Facilities Fee Assistance Fund to the General Fund. This action leaves \$18,000,000 in the fund to allow the program to continue funding reservations for fee assistance received through December 31, 2001.

CRIMINAL JUSTICE TRAILER BILLS

■ AB 440 (CARDOZA)

This bill appropriates an additional \$5.4 million to city and county law enforcement entities to acquire high technology crime fighting equipment.

The Budget Act provides \$30 million in grants to city and county law enforcement agencies. Under the provisions of the Budget Act, funds are allocated base upon the population in the jurisdiction of agency. It also provides for a minimum grant size of \$20,000 per agency.

AB 440 would increase the minimum grant size to \$30,000 per agency.

■ AB 443 (AANESTAD)

This bill appropriates \$18.5 million to provide \$500,000 in annual grants to 37 small county sheriff departments.

The appropriation in AB 443 supercedes the \$18 million appropriation to 36 counties in the Budget Bill that was vetoed by the Governor.

HEALTH TRAILER BILL

■ AB 430 (CARDENAS)

This is the omnibus health trailer bill.

Specifically this bill:

- Requires regional centers to comply with the Lanterman Act and its implementing regulations for the Early Start program except in the cases where compliance with those provisions would result in any delays in or cost to the families for the provision of early intervention. When compliance would result in any delay or costs to the families, the Department of Developmental Disabilities (DDD) may authorize a regional center to use a special service code that would allow immediate procurement of services.
- Expands the Quality Awards Program, funded from the Federal Citation Penalty Account, for long-term care facilities to permit awards to fund innovative efforts to increase employee recruitment, retention or both. The awards are to be disbursed to the qualifying facilities by January 1 of each year, beginning with January 1, 2002.
- Establishes the Trauma Care Fund (TCF) and requires all monies deposited in the fund to be allocated to local Emergency Medical Services (EMS) agencies for distribution to local Emergency Medical Services agency-designated trauma centers.
- Repeals the General Fund \$120,000 expenditure limitation on the EMS Children Program.
- Repeals the requirement that fees collected for certified copies of vital records be deposited in the Health Statistics Special Fund (HSSF).

- Repeals the State Vital Record Improvement Account in HSSF and the authority to expend any remaining funds in the account on improving and automating the processing of vital records maintained by the State Registrar.
- Establishes new fees for certified copies of vital records and provides for the distribution of the fees to the State Registrar and local collecting agencies. Fees collected are to be used to enhance services to the public, to improve analytical capabilities of state and local health authorities to address the health needs of newborn children and maternal health problems and to analyze the health status of the general population.
- Repeals existing fee structure for certified copies of vital records and the distribution of the fees to the State Registrar and local collecting agencies.
- Requires the State Registrar to annually prepare a summary report of the statewide activities related to the revenue collected by the State Registrar.
- Establishes a state Breast and Cervical Cancer screening program for individuals with family incomes less than 200 percent of the federal poverty level (FPL).
- Repeals the state's existing Breast and Cervical Cancer Early Detection Screening.
- Establishes a state Breast and Cervical Cancer Treatment Program to expand and ensure quality breast and cervical cancer treatment for low-income uninsured and underinsured individuals, those in families with less than 200% of the FPL, who are diagnosed with breast and cervical program.
- Establishes the Tobacco Settlement Fund in the State Treasury and dedicates money appropriated from the fund to health care.
- Increases the limit on the amount of funds that may be deposited into the Safe Drinking Water Account to \$7 million in the 2001-02 fiscal year (FY) and limits the year to year increase in funds in the Account to 5%.
- Repeals the sunset on water company reimbursement of the Department of Health Services (DHS) for its costs relating to issuing water supply permits, inspections, monitoring, surveillance and water quality evaluation.
- Conforms the Child Health Disability Prevention (CHPD) Program statute to the administration of the program by DHS.

- Permits DHS to adopt screening and evaluation frequencies in the CHDP Program equal to those of provided in the Healthy Families Program (HFP) and permitted in the managed care plans which provide service under the Medi-Cal program. Immunizations may be provided at the frequency recommended by the Committee on Infectious Disease of the American Academy of Pediatrics.
- Establishes a floor of \$75,000 as the base funding level for rural health clinics.
- Permits licensed dental and vision plans to join health plans in providing application assistance directly to applicants acting on behalf of eligible children in the HFP and Medi-Cal Programs.
- Permits self-verification of income for eligibility by applicants in HFP.
- Expands HFP to parents of children with incomes greater than 200% of the FPL and less than 250% of the FPL.
- Extends HFP to otherwise eligible parents and children who are qualified aliens.
- Extends the Medi-Cal-to-Healthy Families Bridge Program to two months, from one month.
- Creates the Healthy Families-to-Medi-Cal Bridge Program and provides benefits for two months, as does the Medi-Cal-to-Healthy Families Bridge Program.
- Establishes the HFP waiver cross-reference to the Medi-Cal Program.
- Allocates the supplemental payment rate for Community Treatment facilities 60% to the counties and 40% to the state. The average monthly caseload for the 2001-02 FY will be limited to approximately 100.
- Permits increasing the patient population of Patton State Hospital from 1,336 to 1,670 patients until one year after the activation of the Coalinga Secure Treatment Facility. The Department of Corrections and the Department of Mental Health are jointly responsible for the external and internal security during the construction of the additional beds at Patton State Hospital.
- Permits patients in state mental hospitals to save all or any portion of his or her monthly amount of aid provided for personal and incidental needs.

- Extends the final report on the Traumatic Brain Injury Pilot Project to January 1, 2005, from January 30, 2003.
- Extends the sunset date for the Traumatic Brain Injury Pilot Projects to July 1, 2007, from January 1, 2005.
- Requires developmental centers to report all resident deaths and serious injuries of unknown origin to the appropriate law enforcement agency.
- Provides that the Department of Finance shall notify the Legislature when the Organization of Area Boards on Developmental Disabilities is not expected to receive federal funds, the dollar amount needed to fully continue operations of the Area Boards and the amount is appropriated from the General Fund 10 days after the notification.
- Provides that financial reports on the financial status of regional centers and their operations is moved from December 31 to February 28 of each year.
- Provides that any contract between DDD and a regional center shall require that all employment contracts with regional center staff or contractors shall be available to the public for review upon request.
- State that the Legislature make findings and declarations on autism.
- Provides that DDD shall develop by April 1, 2002, evaluation and diagnostic procedures for the diagnosis of autism disorder and other autistic spectrum disorders. DDD shall arrange for the publication of the evaluation and diagnostic procedures and develop a training program for regional center clinical staff by July 1, 2002.
- Extends the self-determination pilot projects in DDD are extended by two years to January 1, 2002.
- Streamlines the consumer complaint process of DDD and expands reporting on complaints by DDD.
- Repeals the sunset on Mental Health Rehabilitation Centers.
- Extends the Mental Health Respite Project sunset until June 30, 2004.
- Repeals the prohibition on placing other than Sexually Violent Predator patients at the Coalinga facility.

- Increases the personal needs allowance for community care.
- Establishes annual eligibility re-determination for adults in the Medi-Cal Program.
- Increases the personal needs allowance in community care.
- Establishes accelerated Medi-Cal eligibility for children who are in the process of entering the foster care system.
- Establishes the Federal optional Medi-Cal Breast and Cervical Cancer program.
- Includes parents and certain other adults in HFP to the extent that federal financial participation is available.
- Implements accelerated enrollment of HFP and Medi-Cal children through a single-point-of-entry centralized processing entity.
- Provides that all references to the Medi-Cal card shall also be deemed to a reference to the "benefits identification card."
- Provides for purposes of the state only Breast and Cervical Cancer Program, that DHS is authorized to issue a "benefits identification card" to persons who are eligible for the state only breast and Cervical Cancer Program.
- Repeals the sunset on the state only Institute for Mental Disease ancillary services.
- Repeals cost based reimbursement for Federally Qualified Health Centers and Rural Health Clinics, institutes a prospective payment system of reimbursement and requires DHS to conduct a study on the financial impact of the prospective payment system on clinics.
- Repeals authority for emergency regulations in the Medi-Cal program authorized in the 1992 health trailer bill.
- Establishes a limited emergency regulation authority in the Medi-Cal program.
- Establishes a supplemental Medi-Cal reimbursement for Distinct Part/ Skilled Nursing Facilities that are owned and operated by public entities.

- Repeals an outdated provision of the Medi-Cal drug contracting program that controlled drug product prices or rates of payment for services.
- Repeals the provision in the Medi-Cal drug program that required that initial contracting process for each major therapeutic category be completed by January 1, 2001 and waives other provisions of the program.
- Establishes a supplemental rate adjustment to the Medi-Cal reimbursement rate for specific types of long-term care facilities.
- Requires DHS to submit to the Legislature a formal report on developing a long-term care reimbursement methodology that more effectively ensures individual access to appropriate long-term care.
- Permits the County Medical Services Program to contract with DHS for administration of a pharmacy benefit program and permits the state to forego its at-risk payment to the program one more year.
- Repeals Medi-Cal emergency regulation authority granted in 1991.
- Declare that regulations previously issued in the Medi-Cal Managed Care Program continue to be valid under the new authority granted to DHS.
- Codifies a DHS All-County letter that prescribes procedures for removing any indication of other health coverage, other than Medi-Cal, from a foster child's Medi-Cal eligibility information.
- Requires DHS to report on changes in federal law permitting the state to expand the state program for cancer treatment for low-income women to the Legislature by March 31, 2002.
- Provides two year expenditure authority for Tobacco Programs.
- Permits local emergency medical services agencies that do not have an existing trauma care system plan to submit proposals for funding for their preparation of a trauma care system plan to the Emergency Medical Services Authority (EMSA) and EMSA is authorized to fund the proposals on a one-time basis.
- Requires DHS to make available on request all reports and updates provided to the Centers for Medicare and Medicaid Services on the Los Angeles County 1115 Waiver.

- Permits Local Educational Agencies (LEAs) participating in the LEA Medi-Cal billing option to contribute funds to DHS for a rate study for the LEA Medi-Cal billing option.
- Requires the Department of Developmental Services (DDS) to provide the fiscal committees of the Legislature with copies of data, analyses and survey work conducted as part of the second phase of the Purchase of Services Study to be completed in 2002.
- Requires DHS to convene a workgroup on the availability and cost trends for general liability and professional liability insurance for long-term care providers in California and to submit a report to the Legislature by March 1, 2002.
- Requires DHS to provide the Legislature with a copy of the independent assessment of the state's Home and Community-based Waiver upon its completion.
- Requires DDS to provide the Legislature with an annual update regarding special incident information as collected and developed by DDS at the request of the Center for MediCare and Medicaid Services.
- Provides that emergency regulations issued under earlier statutory authority shall remain in effect.
- Permits DHS to adopt emergency regulations to implement applicable provisions of the act.
- Provides Proposition 99 funding to emergency room physicians and for emergency room services.
- Establishes that this bill does not establish a local government mandate and does not require any reimbursement of local governments.

SOCIAL SERVICES TRAILER BILLS

■ AB 427 (HERTZBERG)

This bill makes changes to the Foster Care program administered by the Department of Social Services (DSS).

Specifically this bill:

- Creates the “Supportive Transitional Emancipation Program” (STEP) which continues primary support for foster youth while participating in an education or training program or an activity consistent with a transitional living plan up to the age of 21.
- Creates the Internet-Based Health and Education Passport pilot in Los Angeles an internet-based program for health and education information for foster care children.
- Establishes the Foster Youth Transitional Housing (FYTH) Fund to pay for new transitional housing costs for foster and emancipated youth.

■ AB 429 (BUDGET COMMITTEE)

AB 429 is the omnibus social services Budget trailer bill.

Specifically this bill:

- Adopts Department of Finance technical language that clarifies the relationship between FTB, DCSS, and county child support departments.
- Extends for one year current DCSS authority to implement the new program through all-county letters and emergency regulations.
- Provides authority for DCSS to require timely remissions of child support payment collections from local child support agencies.
- Establishes a Child Support Collections Recovery Fund, to meet federal audit requirements.

- Aligns the standards for payment of performance incentives to local child support agencies to federal and state program standards, and arrange for payment of those incentives based on performance in the budget year and thereafter.
- Codifies the provisions of SB 5X, Chapter 7, Statutes of 2001, relating to the California Low Income Home Energy Assistance Program (CaLIHEAP).
- Extends eligibility for weatherization and energy education services under the CaLIHEAP program to licensed community care facilities serving six or fewer individuals.
- Extends the sunset date for the test of a system of care for the delivery of substance abuse services, and require a report to the Legislature on options to take the system of care test to scale statewide.
- Authorizes the use of the Health Data and Planning Fund to develop a web-enabled data collection and dissemination system for healthcare facility utilization and hospital community benefits data.
- Eliminates the sunset on the Employment Training Fund (ETF) contribution, and makes technical corrections to statute authorizing ETF.
- Authorizes the appropriation of \$61.6 million from ETF for a portion of the state's maintenance of effort in the California Work Opportunity and Responsibility to Kids (CalWORKs) program.
- Clarifies that local Workforce Investment Act funds can be used for screening and assessment of disabilities for persons seeking work.
- Makes technical corrections to permit the distribution of funds provided in the Budget for Independent Living Centers to provide information and linkages to assistive technology.
- Permits counties to continue to provide CalWORKs services (including mental health treatment, job search, or other employment services) for no more than 180 days to parents whose children have been removed, when the county and the dependency court believe that there is a substantial likelihood the child will be returned home within the 180 days, and that such services are necessary to reunification of the child with the family.
- Provides authority to DSS to require that counties provide information

permitting the cumulative time on aid for welfare recipients, and sharing of penalties for failure to do so.

- Requires a working group to develop a new budgeting methodology for CalWORKs by November 15, 2001, considering all funds and programs under the CalWORKs funding umbrella.
- Requires adjustment to CalWORKs allocations based on federal welfare to work funds be based on actual expenditures.
- Requires allocation of reappropriated current year CalWORKs funds to those counties that received under the average amount in the current year. This permits counties to adjust to a reduced appropriation in CalWORKs.
- Requires development of a new allocation formula for mental health and substance abuse funds in CalWORKs.
- Eliminates funds for county performance incentives budgeted in the current year.
- Requires DSS to establish a process where counties may request funds from the Temporary Assistance for Needy Families reserve.
- Clarifies standards for site visits of continuing care retirement communities.
- Permits DSS to exempt kinship guardians from CalWORKs requirements, unless the guardian is an applicant for benefits on his or her own behalf.
- Provides counties with flexibility to implement reductions in the County Services Block Grant program, necessitated by budget reductions.
- Waive the trigger for an increase in state participation in In-Home Supportive Services (IHSS), for wage and benefits paid by public authorities; and provides for an increase in state participation in county payments to individual providers who are not employees of a public authority.
- Simplifies eligibility for the Special Circumstances program, a capped fund that provides for special nonrecurring needs in an emergency to persons receiving Supplemental Security Income (SSI) or IHSS; raises the limits for specific payments under the program, and permits the shift of funds from administrative to program costs.
- Provides counties with flexibility to implement reductions in the Adult

Protective Services program, necessitated by budget reductions.

- Repeals the sunset on the state's Wraparound Program for services to children in out-of-home care.
- Eliminates the sunset on the portion of the California Food Assistance Program (CFAP) that provides food stamps to certain legal immigrants who entered the United States (U.S.) after August 1996.
- Eliminates the sunset on the portion of the Cash Assistance Program for Immigrants (CAPI) that provides an SSI-type benefit to certain legal immigrants who entered the U.S. after August 1996, but extends the period of time during which the immigrant's sponsor's income and resources are considered to be available to the immigrant from the current five years to 10 years.
- Requires an audit of the Statewide Fingerprint Imaging System of DSS, to determine the level of fraud detected by the system.

RESOURCES TRAILER BILLS

■ AB 434 (KEELEY)

This bill makes various legislative findings relating to the Hatton Canyon property by the California Department of Transportation (CalTrans) and provides authorization for the transfer of the property from CalTrans to the State Coastal Conservancy.

Specifically, this bill:

- Includes Legislative findings that CalTrans has determined that the Hatton Canyon bypass is not viable, that the Hatton right-of-way is thus surplus property in recognition of its lack of viability, and that it is appropriate that the lands be sold for purposes of a state park; and
- Specifies that the canyon is within the Coastal Zone, as the zone was defined in 1977.

The property in the Hatton Canyon, near the City of Carmel, was purchased for the creation of a freeway that would be an alternate route to Highway 1.

CalTrans has since determined that the Hatton Canyon bypass to Highway 1 is not feasible. The California Constitution permits the transfer of state property within the coastal zone for the purpose of use as a state park, species and habitat protection, or agricultural land preservation.

SB 75, the 2001-02 budget bill contains \$250,000 to complete the purchase of the Hatton Canyon property by the State Coastal Commission. AB 434 permits the transfer of this property and allow for the payment of these funds to CalTrans.

■ AB 435 (BUDGET COMMITTEE)

This bill permits the Department of Fish and Game to implement the Automated License Data System (ALDS), an automated hunting and fishing licensing system to replace the existing paper-based system. Additionally, AB 435 amends the budget bill, AB 739, to clarify specific provisions relating to the Department of Parks and Recreation's concession contracts.

Specifically, this bill:

- Permits the department to issue hunting and fishing licenses through the existing paper-based system, as well as through the ALDS in a manner to be specified by the Fish and Game Commission.
- Permits fishing and hunting licenses to be issued via the ALDS either in-person or via other electronic means.
- Brings the Department into compliance with federal law that requires states to collect the Social Security numbers of applicants for various types of licenses as part of a nation-wide effort to improve child-support compliance.
- Provides that specific provisions of the 2001-02 budget bill, AB 739, are only operative in so much as they are in compliance with Section 9, Article IV of the California Constitution.

The proposed 2001-02 Budget Act includes \$4,700,000 for the department to implement the ALDS.

TAX RELIEF TRAILER BILLS

■ AB 426 (CARDOZA)

AB 426 provides for permanent agricultural and rural sales and use tax exemptions:

Specifically this bill:

- Exempts from all state and local sales and use taxes for liquefied petroleum gas (LPG) delivered to a qualified residence for household use or used in producing and harvesting agricultural products by a qualified person (person engaged in an agricultural business). A "qualified residence" is defined as a residence not served by gas mains or pipes, with a minimum 30-gallon storage tank capacity. A city, county, or a city and county would be authorized to impose a utility users tax upon the use of LPG that is exempt from the sales and use tax.
- Exempts General Fund sales and use tax for farm equipment and machinery and the parts thereof that are purchased for use by a qualified person (person engaged in an agricultural business) and used primarily to produce and harvest agricultural products). This exemption would not apply to local sales and use taxes or to the \$0.01 portion of the state sales and use tax dedicated to the Local Public Safety Fund (LPSF) or the Local Revenue Fund (LRF) (realignment).
- Exempts sales and use tax for equipment and machinery designed primarily for off-road use in commercial timber harvesting operations and used for commercial timber harvesting. This exemption would not apply to local sales and use taxes or to the \$0.01 portion of the state sales and use tax dedicated to LPSF or LRF (realignment).
- Exempts General Fund sales and use tax for racehorse breeding stock. This exemption would not apply to local sales and use taxes or to the \$0.01 portion of the state sales and use tax dedicated to LPSF or LRF (realignment).
- Exempts sales and use tax for diesel fuel used in farming activities, effective as soon as implementation is possible, but not later than September 1, 2001. This exemption applies to diesel fuel purchased for use in farming activities, including food processing and the delivery of farm products to the marketplace. This exemption would not apply to local sales and use taxes or to the \$0.01 portion of the state sales and use tax dedicated to LPSF or LRF (realignment).

- Revises the trigger mechanism for the quarter-cent state GF sales and use tax component, which triggers on or off depending on the state's fiscal condition. Under current law, the quarter-cent rate is triggered off if the GF reserve exceeded 4 percent of GF revenues and transfers during the prior fiscal year, and the Director of Finance estimates that the reserve in the current year also will exceed 4 percent of revenues and transfers (excluding revenue from the quarter-cent tax). The Director must make this annual determination by November 1, and the quarter-cent rate triggers on or off on January 1 for that calendar year. The Senate amendments revise the existing quarter-cent sales tax trigger effective with the determination to be made on November 1, 2001. The amendments provide that the state sales and use tax rate shall be reduced by quarter-cent in any year the Director of Finance determines (by November 1) that:
 - The estimated GF reserve for the current year will exceed 3 percent of revenues, excluding the revenues derived from the quarter-cent sales and use tax; and,
 - Actual GF revenues for the period May 1 through September 30 equal or exceed the May Revision forecast for that period.
- Increases benefits paid under the Senior Homeowners' and Renters' Assistance Program by 45 percent, on a permanent basis. Current law provides cash assistance to seniors and disabled with incomes of up to \$35,251 in 2001. This income limit is adjusted annually by the change in the California Consumer Price Index. The assistance provided is inversely related to the amount of total household income. The current maximum assistance payments (for households with incomes less than \$8,813) are \$326 for homeowners and \$240 for renters, and the minimum payment is \$10 for those at the income limit of \$35,251. The intent of the Senate amendments is to increase these payment amounts by 45%, to a maximum of \$473 for homeowners and \$348 for renters. (Technical drafting errors in the Senate amendments would apply the 45 percent increase to the income levels rather than the benefit amounts and will be corrected in cleanup legislation.)

■ SB 733 (BRULTE)

SB 733 conforms state tax law with recent federal tax legislation concerning qualified college savings plans, such as the Golden State Scholarshare Trust (California's state-sponsored plan). Specifically, this bill provides that withdrawals from trust accounts by the beneficiary are exempt from taxation (currently account earnings are taxed at the rate of the beneficiary student).

TRANSPORTATION TRAILER BILLS

■ AB 437 (BUDGET COMMITTEE)

This bill establishes a new Rural Transit System Grant Program (RTSGP) to be administered by the State Department of Transportation (Caltrans) under guidelines adopted by the California Transportation Commission (CTC).

Specifically this bill:

- Requires Caltrans to prepare program guidelines by August 31, 2001, and require CTC to review and adopt guidelines by October 15, 2001.
- Requires the guidelines to provide grants to recipients on a competitive basis for projects serving primarily rural areas.
- Limits the use of the grants to purchase, construct and refurbish transit facilities, vehicles and equipment, and purchase transit system rights-of-way.
- Establishes grant criteria.
- Limits eligible claimants to Transportation Development Act (TDA) claimants (operators, cities, counties and consolidated transportation service agencies).
- Imposes a local grant matching requirement, equal to the percentage of TDA funds not used for transit, bike and pedestrian purposes (essentially, the streets and roads expenditure percentage), but at least 10 percent and not more than a 50 percent match. However, no grant may be awarded to an applicant in a city, county, or city and county, in which funds that may be claimed by the applicant under the Mills-Alquist-Deddeh Act are expended for street and road purposes in the same year as the year in which the application for a grant is made.
- Requires a local funding maintenance of effort and demonstration of financial ability to sustain participation.
- Requires Caltrans to prepare a report describing the types of projects funded under RTSGP and submit the report to the Legislature by June 30, 2002.
- Sunsets the provisions of the bill on January 1, 2003.

■ AB 438 (BUDGET COMMITTEE)

AB 438 defers the shifting of sales tax revenues from the General Fund (GF) to the Transportation Congestion Relief Program (TCRP) for two years and extends the program for two years. Specifically this bill:

- Restructures the financing mechanisms and provisions of AB 2928 (Torlakson), Chapter 91, Statutes of 2000 and the subsequent "cleanup" legislation, SB 1662 (Burton), Chapter 79, Statutes of 1999, to preserve the use of gasoline sales tax revenues in 2001-02 and 2002-03 for budgetary purposes.
- Postpones by two years (until 2003-04) the transfer of gasoline sales tax revenues deposited in the GF to the Transportation Investment Fund (TIF) for purposes of the Traffic Congestion Relief Act. The transfer of the sales tax funds would extend through 2007-08, rather than the current 2005-06, to make up for the two-year startup delay.
- Continues the funding of local street and road maintenance at the same dollar amount provided under current law. Funds would come from the State Highway Account (SHA), however, in 2001-02 and 2002-03 rather than from TIF. SHA funds would be paid back from gasoline sales tax revenues in 2006-07 and 2007-08.
- Authorizes the Department of Transportation to make short-term loans among SHA, TIF, Public Transportation Account (PTA) and the Traffic Congestion Relief Fund (TCRF) for cash flow and financing purposes. Such loans must be repaid in the same fiscal year or when needed to meet cash expenditure needs in the loaning fund or account.
- Authorizes long-term loans from PTA or SHA to TCRF as part of the annual Budget Act in order to meet the cash flow requirements of TCRP. It would allow the Director of Finance to authorize an interest free loan of up to \$100 million from the Motor Vehicle Account (MVA) between July 1, 2004 and July 1, 2007, and an unspecified amount from the GF to TCRF. The MVA loan could not be made, or would be repaid immediately, if the funds are needed to make expenditures authorized in the Budget Act or other appropriation by the Legislature. Loans from PTA would be capped at a cumulative \$280 million and SHA loans would be capped at a cumulative \$180 million over the life of the legislation.
- Places a cap, or limit, on potential "spillover" revenues which otherwise

might be transferred to PTA in 2001-02 and 2002-03. The capped amounts would be \$81 million and \$37 million, respectively, plus 50 percent of any amount exceeding those figures. The GF potentially could realize 50 percent of any amount over the caps if the spillover occurred and was of sufficient magnitude.

- Specifies dates for the repayment of the various loans and transfers authorized in this bill, as well as repeal the loan and transfer authorizations on specified dates after completion of the various authorized financial transactions.
- Requires periodic reporting to the Legislature on the loans, cash flow, expenditures, fund conditions and other financial transactions, including: a) a summary and discussion in the California Transportation Commission's annual report to the Legislature; and, b) quarterly and annual (March 1) reports to the Legislature's fiscal, policy and budget committees.
- Makes a conforming change relative to the use of \$76.1 million in TCRF funds currently remaining after the Governor's individual project vetoes and reductions in AB 2928 last year.
- Clarifies that GARVEE bonds can be used to borrow against federal funding for projects in various transportation programs, including TCRP, STIP and SHOPP.

CONSTITUTIONAL AMENDMENT

■ ACA 4 (DUTRA)

ACA 4 amends the Constitution to dedicate for specified transportation purposes the revenues collected from the state sales tax on gasoline, beginning in 2003-04.

Specifically ACA 4:

- Transfers to the Transportation Investment Fund (TIF) the state's share of gasoline sales tax revenue that is deposited in the General Fund (GF).
- Specifies that for 2003-04 through 2007-08 the TIF funds are allocated pursuant to statute.

- Specifies that beginning 2008-09 the TIF funds are allocated for public transit and mass transportation (20%), capital improvement projects subject to State Transportation Improvement Program (STIP) requirements (40 percent), and city street and highway maintenance (20 percent) and county street and highway maintenance (20 percent).
- Authorizes a one-year suspension of the revenue transfer from the General Fund (GF) to TIF if the Governor issues a proclamation that the transfer would have a significant negative effect on the government functions supported by the GF, and the Legislature enacts a stand-alone statute, by a two-thirds vote in each house that suspends the transfer for one year.
- Authorizes the Legislature to modify the allocation formula for the dedicated revenues through a stand-alone statute passed by a two-thirds vote in each house.