



# HIGHLIGHTS OF GOVERNOR'S PROPOSED MAY REVISION 2006-2007 STATE BUDGET

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**OVERVIEW**

The Governor has proposed his May Revision for the 2006-07 Budget Year. The May Revision projects available General Fund resources of \$103.2 billion, and General Fund expenditures of \$101.0 billion. The May Revision contains a General Fund reserve of \$2.2 billion for 2006-07 and projects a General Fund shortfall of \$3.7 billion in 2007-08.

The May Revision contains approximately \$7.5 billion in new revenues above the January 10 proposed budget. This includes \$4.8 billion from additional revenues in the current year and a projected increase of \$2.7 billion in the budget year. The Department of Finance projects 2007-08 revenues to be up about \$1.7 billion from earlier projections, indicating that just a portion of the increased revenues are ongoing. The following chart identifies the May Revision's allocation of the additional \$7.5 billion in General Fund revenues.

**May Revision Allocation of Additional Revenues  
Current Year and Budget Year Combined  
(in billions)**

<b>Description</b>	<b>Amount</b>
Additional Funding for Education	\$2.8
Required new spending (courts, lawsuits, bargained contracts)	\$.5
Prepay Economic Recovery Bonds	\$1.0
Prepay of Other Debts	\$.6
Flood Control	\$.5
Emergency Preparedness	\$.4
Additional Public Safety	\$.1
Additional Reserve	\$1.6
<i>Total</i>	<b>\$7.5</b>

The May Revision proposal increases expenditures for the current year from the January 10 proposed amount of \$90.3 billion to \$92.6 billion in the May Revision and increases the budget year expenditures for the budget year from the January 10 amount of \$97.9 billion to \$101 billion in the May Revision.

Despite the increased General Fund revenues, significant operation deficits persist. The May Revision projects operating deficits of \$7.1 billion in 2006-07 (\$3 billion of this is due to the early repayment of various debts), \$5.4 billion in 2007-08, \$7.6 billion in 2008-09 and \$4.3 billion in 2009-10.

This report provides details on all areas of the Governor's proposed May Revision, but here are some key examples of how the Governor's May Revision moves toward the Assembly Democrats; specifically, the May Revision:

- Increases the General Fund reserve, reduces the on-going structural deficit, and repays General Fund debt.
- Provides full funding for Proposition 98 in the budget year in accordance with the suspension agreement of 2004-05 and establishes a prudent repayment schedule of approximately \$3 billion that the Governor did not provide in accordance with the agreement in 2004-05 and 2005-06.
- Rescinds the January 10 proposal to cut the Federal SSI COLA for the aged, blind, and disabled.
- Makes prudent investments to shore up the budgets of various in resources programs.
- Provides modest assistance to counties that provide additional health care access to children, though the Governor's proposed investment falls well short of the Assembly Democrats' assistance and the Governor does not provide a path to universal healthcare for children.
- Provides a significant enough reserve to absorb the General Fund costs of fair salary increases for state employees negotiated through the collective bargaining process.

However, the Governor's May Revision also remains in conflict with the Assembly Democrats' budget priorities in several key ways, specifically, the May Revision:

- Rips off a total of \$4.1 billion from transportation over a 10 year period by shifting taxes paid at the pump to make the General Fund payments on General Obligation debt.
- Proposes numerous new "boutique" educational programs that will tie the hands of local school districts, rather than providing more local control for districts to meet the needs of their students.
- Continues to limit access to higher education by not providing adequate funding for Academic Preparation programs for the UC and the CSU and by not reducing Community College Fees.
- Fails to make prudent investments for necessary foster care improvements or to maintain access to childcare programs at 1999 levels

so that working parents can keep their jobs rather than having to return to the welfare rolls in order to receive childcare services.

In addition, the Governor's May Revisions contains the following significant proposals:

- Provides \$400 million for various aspects for the state to respond to public health emergencies and pandemic flu.
- Provides an increase of \$142 million for various public safety programs.

The following are a series of charts providing key details of the Governor's May Revision.

**2006-07 May Revision General Fund Summary  
(in millions)**

	<b>2005-06</b>	<b>2006-07</b>
<b>Prior Year Balance</b>	<b>\$9,507</b>	<b>\$9,368</b>
Revenues and Transfers	\$92,450	\$93,866
<b>Total Resources Available</b>	<b>\$101,957</b>	<b>\$103,234</b>
Non-Proposition 98 Expenditures	\$54,260	\$59,737
Proposition 98 Expenditures	\$38,329	\$41,248
<b>Total Expenditures</b>	<b>\$92,589</b>	<b>\$100,985</b>
<b>Fund Balance</b>	<b>\$9,368</b>	<b>\$2,249</b>
Reserve for Liquidation of Encumbrances	\$521	\$521
Special Fund for Economic Uncertainties	\$8,847	\$1,728
<b>Budget Stabilization Account</b>		<b>\$472</b>
<b>Total Available Reserve</b>		<b>\$2,200</b>

**2006-07 May Revision General Fund Revenue Sources  
(in millions)**

<b>Source</b>	<b>Jan. 10 Amount</b>	<b>Jan. 10 % of Total</b>	<b>May Revision Amount</b>	<b>May Revision % of Total</b>
Personal Income Tax	\$48,716	53.2%	\$50,877	54.2%
Sales Tax	\$28,295	30.9%	\$28,103	29.9%
Corporation Tax	\$10,024	10.9%	\$10,507	11.2%
Insurance Tax	\$2,340	2.6%	\$2,340	2.5%
Tobacco Taxes	\$118	.1%	\$118	.1%
Liquor Tax	\$316	.3%	\$316	.3%
Other	\$1,736	1.9%	\$1,605	1.7%
<i>Total</i>	<b>\$91,545</b>	<b>100%</b>	<b>\$93,866</b>	<b>100.0%</b>

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

<b>Category</b>	<b>Jan. 10 Amount</b>	<b>Jan. 10 % of Total</b>	<b>May Revision Amount</b>	<b>May Revision % of Total</b>
Education (K-12)	\$39,881	40.7%	\$40,541	40.1%
Health and Human Services	\$28,473	29.1%	\$29,141	28.9%
Higher Education	\$11,223	11.5%	\$11,279	11.2%
Business, Transportation and Housing	\$2,719	2.8%	\$2,381	2.4%
Legislative, Judicial, Executive	\$3,382	3.6%	\$3,431	3.4%
General Government	\$1,910	2.0%	\$4,973	4.9%
Youth and Adult Corrections	\$8,081	8.3%	\$8,661	8.6%
Resources	\$1,530	1.6%	\$1,742	1.7%
Environmental Protection	\$71	.1%	\$75	.1%
State and Consumer Services	\$540	.6%	\$571	.6%
Labor and Workforce Development	\$92	.1%	\$97	.1%
<i>Total</i>	<b>\$97,902</b>	<b>100%</b>	<b>\$100,985</b>	<b>100%</b>

## **K-12 EDUCATION**

- Adds a total of \$2.8 billion in Proposition 98 funding to K-12 education over the 2005-06 and 2006-07 fiscal years. Specifically adds \$2 billion in one-time funds counting toward the 2005-06 fiscal year and adds another \$800 million in ongoing funding counting toward the 2006-07 fiscal year.
- Assumes the future pay-back of approximately \$3 billion in one-time settle-up funds to provide the education community with the funds they believe they should have received in 2004-05 and 2005-06, if the state had maintained the 2004-05 Proposition 98 suspension level at \$2 billion and not let it grow to a higher level.
- Adds \$320 million to fully fund cost-of-living adjustments for K-12 programs. This increase pays for the increase in the rate, which was estimated at 5.18% in the January 10 budget, but is now 5.92%.
- Adds \$102.4 million in ongoing funds for revenue limit deficit reduction, for a total of \$307 million. This funding is discretionary for school districts and county offices, and the proposed level will eliminate the revenue limit deficit that was created three years ago when the state withheld a COLA and reduced revenue limits due to a fiscal crisis. This funding would be distributed equally to school districts and county offices of education.
- Adds \$100 million in ongoing funds for revenue limit equalization. This amount, along with the \$200 million proposed January 10, will mean a total of \$300 million for revenue limit equalization. This funding would be distributed in different amounts to school districts and county offices, based on a funding formula.
- Retains the January 10 proposal to provide \$428 million in new funding to expand after school programs, pursuant to Proposition 49.
- Adds \$200 million in ongoing funds for a new program to increase the number of counselors in grades 7-12.
- Adds \$650 million in one-time funds to partially pay down the state's existing debt of unpaid mandate claims. This augmentation, along with the January 10 amount, equals a total of \$818 million for mandate claims. (The state owes this funding to school districts for prior-year mandate claims that school districts have incurred, but the state has not paid.)
- Retains the January 10 proposal to provide \$133 million in ongoing funds to pay for the budget-year costs of K-12 mandate claims.

- Adds \$400 million in one-time funds for classroom and laboratory materials related to standards-aligned instruction in all subjects in grades K-12.
- Adds \$250 million in one-time funds for standards-aligned instructional materials. This augmentation, along with the January 10 amount of \$402 million, equals a total of \$652 million for instructional materials.
- Restores \$30 million in one-time funds for supplemental instructional materials designed to help English learners learn English. The Legislature provided \$20 million in funding for this purpose in last year's budget, but the funding was vetoed.
- Adds \$250 million in one-time funds for equipment and supplies for standards-aligned arts and music programs in grades K-12.
- Adds \$250 million in one-time funds for equipment and supplies for standards-aligned physical education programs in grades K-12.
- Retains the January 10 proposal to provide \$85 million in ongoing funds for a new program to improve physical education and recruit physical education teachers in elementary and middle grades.
- Adds \$75 million in one-time funds for new library materials. Of this amount, \$50 million is earmarked for school libraries in grades K-12, and \$25 million is for classroom libraries in grades K-4.
- Adds \$50 million in ongoing funds for preschool for 4-year-olds in the attendance areas of low-performing schools.
- Adds \$50 million in one-time funds to meet the facilities needs for the expansion of the state preschool system.
- Adds \$50 million in one-time funds for the purchase of career technical education equipment and materials.
- Adds \$37.8 million in ongoing funds to support a 6.75 cent increase in the meal rate for the School Nutrition Program.
- Adds \$30.5 million for additional supplemental instruction to help students pass the California High School Exit Exam, including \$10 million for students from the class of 2006 that do not pass the exam by the end of this instructional year, and \$5.5 million in one-time funds for districts to purchase individual intervention materials to help students pass the exam. These augmentations, along with the \$40 million proposed in January 10, will mean a total of \$70.5 million for this purpose.

- Adds \$7.7 million to develop three additional administrations of the California High School Exit Exam.
- Adds \$66 million to the January 10 proposal to create a new block grant to support arts and music instruction in elementary and middle schools. This augmentation, along with the \$100 million proposed in January 10, will mean a total of \$166 million for this new program. The proposed augmentation is intended to expand the program to high schools.
- Retains the January 10 proposal to provide \$100 million for a new teacher and principal quality initiative to help the lowest-performing 30% of schools attract and retain credentialed teachers and principals.
- Retains the January 10 proposal to provide \$25 million for a new program to provide one-time digital classroom block grants.
- Retains the January 10 proposal to re-direct federal one-time carryover funds to low-performing "program improvement schools." Adds \$10 million in federal migrant education funding to the January 10 amount.
- Adds \$11 million in one-time funding to CSIS, for a new transitional version of CSIS that is intended to help districts transition to CALPADS.
- Restores funding for Healthy Start grants, at a level of \$10 million in one-time funds. The program provides limited-term grants to school districts to develop school-based health education and service programs. The Governor also proposes state operations support for this restoration. (The Governor vetoed the funding for this program in last year's budget.)
- Adds \$30 million in one-time funds to a school facility emergency repairs program created by the Williams lawsuit settlement of several years ago, for a total increase of \$137 million.
- Adds \$10 million in one-time funds for a new requirement that districts produce plans for paying down outstanding long-term liabilities related to retiree health benefits.
- Adds \$8.6 million in ongoing funds to the K-12 High Speed Network program, for a total funding level of \$15.6 million. Also adds \$5 million in one-time funds for last-mile connections to the High Speed Network program, to help expand the system to schools and charter schools not currently connected to the network.
- Adds \$5 million to reduce fees for teachers interested in seeking National Board Certification.

## **HIGHER EDUCATION**

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

- Retains a three percent General Fund increase of \$80.5 million for basic budget support.
- Retains \$52 million (based on revised marginal cost rate) for a 2.5 percent enrollment growth to fund an additional 5,149 full time equivalent (FTE) students.
- Retains \$75 million to buy out the Compact proposed and Board of Regents approved student fee increases for undergraduates (8 percent), graduates (10 percent) and professional school students (5 percent for most programs). All fees will remain at current-year levels.
- Retains modifications to the student fee revenue set-aside for financial aid from 25 percent to 30 percent for undergraduates and from 50 percent to 45 percent for graduate students. This is equivalent to an average of 33 percent return-to-aid.
- Continues the one-time \$14 million appropriation for UC Merced for start-up costs including support for faculty salaries and recruitment, instructional technology, library materials, student services and operational support.
- Retains \$1.7 million to continue funding for the expansion of entry-level master's nursing programs.
- Adds \$1 million to provide funding on a one-time basis for faculty recruitment and start-up costs associated with the expansion of master's nursing programs.
- Adds \$300,000 to provide additional funding (Proposition 99) for tobacco-related research.
- Retains \$180,000 for a new cohort of 12 students for the PRIME-LC program, which prepares medical students to serve in underserved areas of the state.
- Retains an additional \$375,000 to complete the system-wide implementation of the Math and Science initiative.
- Reduces \$3.7 million due to enrollment growth target shortfall of 500 full-time equivalent students (FTES) in the current year.

- Eliminates \$17.3 million for academic preparation. The *2005-06 Budget Act* provided \$29.3 million for academic preparation programs. Of this amount, \$17.3 million were General Fund and \$12 million were UC funds.
- Eliminates \$3.8 million in funding for labor research at the UC Berkeley and UCLA campuses.

**California State University (CSU)**

- Retains a three percent General Fund increase of \$75.7 million for basic budget support.
- Retains \$57.7 million (based on revised marginal cost rate) for a 2.5 percent enrollment growth to fund an additional 8,490 FTE students.
- Retains \$54.4 million to buy out the Compact proposed and Board of Trustees approved student fee increases for undergraduates and teacher credential program students (8 percent) and graduate students (10 percent). All fees will remain at current-year levels.
- Retains increases to the student fee revenue set-aside for financial aid from 25 percent to 33 percent.
- Retains \$1.7 million to continue funding for the expansion of entry-level master's nursing programs.
- Adds \$1 million to provide funding on a one-time basis for faculty recruitment and start-up costs associated with the expansion of master's nursing programs.
- Retains an additional \$1.1 million to complete the system-wide implementation of the Math and Science Initiative.
- Retains increase to the Capital Fellows Program by \$84,000 to reflect the three percent Compact funding increase.
- Eliminates \$7 million for academic preparation and student services programs. The *2005-06 Budget Act* provided \$52 million in General Fund for academic preparation programs. Of this amount, \$7 million were General Fund and \$45 million were CSU funds.
- Retains reduction to retirement costs by \$22.5 million to reflect retirement costs rates.

**California Community Colleges (CCC)**

**CURRENT YEAR:**

- Adds \$100 million for deferred maintenance, instructional equipment and hazardous substance abatement.
- Adds \$100 million for a "general purpose" block grant to be distributed on a FTES basis which will allow each college to address "other local priorities." Of this amount, \$22.3 million are from the Proposition 98 Reversion Account.
- Adds \$40 million for career technical education equipment and associated facility configurations.
- Adds \$15 million for payment of prior-year amounts owed for mandate costs claims that have been audited.
- Adds \$23.6 million as a set-aside for one-time costs associated with the implementation of a new funding formula for community colleges.
- Adds \$500,000 to extend high speed internet services to offsite centers.
- Adds \$500,000 provided on a one-time basis to expand and establish Student Clinical Placement Registries in all regions of the State as well as an on-line CCC Faculty Registry.

**BUDGET YEAR:**

- Reduces the \$148.8 million January 10<sup>th</sup> amount by \$2.6 million to reflect a recalculation of the three percent growth, which would provide access for an additional 35,000 FTE students
- Adds \$3.3 million to offset a reduced estimate of student fee revenues for 2006-07.
- Reduces the Board of Governor's Fee Waiver Program by \$744,000 to reflect 2006-07 base adjustments.
- Reduces \$85 million from current year funding to reflect current year unused enrollment growth funding.
- Adds \$32.6 million to the \$264.6 million January 10<sup>th</sup> amount for apportionments (\$297.2 million total) to reflect an increase in the cost-of-living-adjustment (COLA) factor from 5.18 percent to 5.92 percent.

- Adds \$2.3 million to the \$20.8 million January 10<sup>th</sup> amount for selected categorical programs (\$23.1 million total) to reflect an increase in the COLA factor from 5.18 percent to 5.92 percent.
- Adds \$29.5 million for ongoing deferred maintenance, instructional materials and hazardous substances.
- Adds \$24 million for matriculation.
- Increases the Economic Development Program by \$15 million to expand targeted training services to improve career technical education.
- Increases apportionments by \$10 million to support remediation programs for high school students who have failed to pass the California High School Exit Exam (CAHSEE).
- Adds \$4 million for ongoing claims of current mandate costs.
- Includes \$2.5 million for apprenticeship instructional program support.
- Adds \$1.5 million on a matching basis with the colleges for a multi-year faculty stipend incentive program.
- Increases the Telecommunications and Technology Services Program by \$800,000 to pay for increased costs of high speed internet service.
- Retains \$130 million for equalization.
- Retains \$50 million for Economic Development and Career Technical Education.
- Adds \$30 million for a one-time loan to the Compton Community College District.
- Retains \$9.6 million for Disabled Student Programs and Services including sign language interpretive services and real-time captioning equipment for deaf and learning disabled students.
- Increases the California Partnership for Achieving Success (CalPASS) January 10<sup>th</sup> allocation by \$500,000 for a total augmentation of \$1 million to the \$1 million base budget.
- Retains a \$100,000 allocation for Baccalaureate Pilot Programs pursuant to Chapter 515, Statutes of 2005 (AB 1280). This augmentation funds two grants of \$50,000 to facilitate collaborative partnerships between

community colleges and four-year institutions for the provision of baccalaureate degrees on community college campuses.

**California Student Aid Commission (CSAC)**

- Reduces \$14.7 million from the \$39.4 million January 10<sup>th</sup> amount for Cal Grants costs to reflect revised estimates for the program in 2006-07.
- Retains \$6.8 million for the increased costs of the Assumption Program of Loans for Education (APLE).
- Retains authorization proposal for an additional 8,000 APLE awards in 2006-07. Of this amount, a total of 600 awards are authorized for participants in the Governor's Science and Math Teacher Initiative.
- Extends authorization to issue 100 warrants for the State Nursing Assumption Program of Loans for Education (SNAPLE), which were authorized in the *2005-06 Budget Act* but were not used due to the delay in adoption of regulations.
- Retains authorization for 100 new National Guard APLE awards.
- Adds \$600,000 in one-time funding for a three-year period to provide up to 40 nurse education recruitment grants to address the nursing shortage within State employment.
- Adds \$30,000 from the Student Loan Operating Fund (SLOF) for 1.5 staff for purposes of implementing the Nurse Education Grant Program for State agencies.

**California State Library (CSL)**

- Adds \$7 million for Transaction Based Reimbursements to cover costs incurred as a result of resource-sharing.
- Adds \$7 million to provide funding for the Public Library Foundation (PLF) program.

## **TRANSPORTATION**

### **CALTRANS**

- Adds new proposal to rip off a total of \$4.1 billion of taxes paid at the pump over 10 years, including \$355 million in the budget year, from direct support for transportation to partially pay the General Fund portion of certain General Obligation bond debts. The funds proposed to be taken would otherwise be "spillover" funds that are used to assist the increased demands on public transportation when gas prices are particularly high. Under the Governor's proposal, more funds would be taken away from public transit than is provided under the recently passed Transportation Bond.
- Continues to fully fund Proposition 42 at \$1.4 billion and repays a portion of a Proposition 42 loan to the General Fund at \$920 million, for a total of \$2.3 billion to provide funding for specified projects, the State Transportation Improvement Program (STIP), the Public Transportation Account and for local street and road maintenance.
- Assumes \$150 million from Tribal Gaming Revenues and delays the projected issuance of the Tribal Gaming Bond by one year and reduced the projected amount of the bond to \$850 million.
- Provides funding for capital outlay support at a level of about 89 percent for state staff and overtime and about 11 percent for contracting out. The total staffing is reduced from earlier projections based on the delay of the sale of the Tribal Gaming Bond.

### **CALIFORNIA HIGHWAY PATROL**

- Maintains proposal for \$57.1 million and 9.5 positions for the first year of a five-year project to enhance and replace obsolete components of the CHP radio system.
- Maintains proposal for \$33.7 million and 233 positions for additional CHP uniformed and nonuniformed positions throughout the state. This request will result in 240 new officers and 70 new support/managerial staff by the end of the year.
- Maintains proposal for \$6.4 million and 88.8 positions to augment staffing in the CHP Communication Centers to expedite the answering of 9-1-1 calls.

**DEPARTMENT OF MOTOR VEHICLES**

- Adds \$18.8 million (Motor Vehicle Account) and 36.4 positions to begin the planning, programming, and infrastructure development necessary to implement the federal Real ID act.

## **HUMAN SERVICES**

### **Department of Social Services**

- Rescinds a proposal to save \$48.1 million by not passing on a federal SSI/SSP Cost of Living Increase and instead capturing the additional federal funds to offset General Fund costs for SSI/SSP. The proposal would delay the January 2007 federal cost of living increases until July 2008.
- Continues suspension of 2006-2007 CalWORKs and State SSI/SSP Cost of Living Increases that were adopted in last year's budget.
- Restores funding for the CalWORKs Pay for Performance program. Counties that successfully meet the desired outcomes would receive a fiscal reward in 2007-08. Performance would be measured on three outcomes: (1) employment rates, (2) a modified work participation rate that accounts for state allowable activities, and (3) the percentage of county CalWORKs cases that have earned income three months after ceasing to receive aid.
- Includes \$20 million in 2006-07 for the Participation Improvement Project to help counties overcome barriers in engaging CalWORKs recipients in appropriate activities and to improve counties' ability to meet the required work participation rate. This program will provide funding to counties on a competitive basis to implement strategies for addressing unengaged recipients, reducing counties' sanction and noncompliance rates, or reducing the number of recipients who are able to participate but are not continuously engaged.
- Sets aside \$1.5 million of existing research funds for a peer review program to identify best practices and obstacles to improved performance in individual counties. County-specific performance data will be published regularly on the DSS Web site to ensure that information on best practices is available.
- Maintains a January reduction of \$40 million for county administrative costs for CalWORKs.
- Holds \$114.6 million TANF funding in reserve.
- Provides \$35.5 million (\$10 million General Fund) for first year costs to implement the federal IV-E waiver for child welfare services. This funding would be available, subject to approval by the Department of Finance, for counties that formally commit to participate in the waiver.

- Maintains a January proposal to increase Community Care Licensing's random sample licensing visits from 10 percent to 20 percent annually to comply with the statutory requirement that all community care facilities be visited at least once every five years, and to eliminate the existing backlog in random sample licensing inspections for \$5.2 million (\$4.8 million General Fund).
- Maintains a January proposal to establish a comprehensive Licensing Program Analyst Training Academy to ensure appropriate training and enhance the efficiency of field staff to better safeguard facility clients for \$596,000 (\$561,000 General Fund).
- Maintains a January proposal to implement a series of administrative Community Care Licensing proposals for \$956,000 (\$654,000 General Fund).
- Maintains a January proposal to increase sponsor deeming period for the Cash Assistance Program for Immigrants (CAPI) from 5 to 10 years, saving \$12.5 million. Legal low-income immigrants that are elderly and disabled but do not qualify for SSI/SSP because of citizenship status would only qualify for CAPI during the period if the combined income for them and their sponsor were low enough to qualify for the program.
- Maintains a January proposal to continue the suspension of the Fee-Exempt Live Scan Program for two additional years. This program, which pays the one-time \$40 FBI fingerprinting fee for small licensed family child care homes, has been suspended for the past three fiscal years due to the state's ongoing structural deficit. This proposal will result in General Fund savings of \$1.2 million in both 2006-07 and 2007-08.
- Maintains a January proposal to establish an adoptions and permanency initiative for \$12.5 million (\$7.1 million General Fund) to improve permanency outcomes for children via adoption and increase foster care exits by increasing the number and timeliness of finalized adoptions. A key component of this proposal will target resources on older, hard-to-place foster youth to improve permanency options and assist the state in meeting federal performance targets for timely adoptions.
- Maintains a January proposal to implement AB 1412 (Leno) that promotes safe and healthy families and strong communities for \$385,000 (\$156,000 General Fund) in 2005-06 and \$15.2 million (\$8.1 million General Fund) in 2006-07.
- Maintains a January proposal to augment the Kinship Support Services Program which provides services to caregivers who provide for their relative children within their familiar family settings to ensure safe, stable, and permanent placements for at-risk children by \$2.5 million General Fund. This funding will be allocated on a competitive basis to counties that

are able to demonstrate the cost-effectiveness of this program and generate out-year savings.

- Maintains a January proposal to augment the Transitional Housing for Foster Youth Program, which provides transitional housing placement services to youth who have emancipated from the foster care system and provides supervised independent living arrangements that prepare foster youth to live on their own by \$2.6 million (\$1.4 million General Fund). This proposal will enable additional counties to provide services to former foster youth who are at risk of homelessness, unemployment, or incarceration.
- Provides \$2.1 million General Fund to maintain expenditures of \$1.8 million in 2006-07 for the Dependency Drug Court program expansion initiated in 2004-05 and to provide \$300,000 in contract funding for an evaluation of the cost-effectiveness of the existing pilot project.

### **Child Support Services**

- Maintains the January proposal to include \$220 million General Fund to pay the federal fiscal year (FFY) 2006 Alternative Federal Penalty. The Governor's Budget assumes there will not be a penalty for FFY 2007, as the department plans to submit a request for federal certification of its single, statewide-automated child support system as an Alternate System Configuration by September 2006.
- Maintains the January proposal to continue to provide federal funding to counties that overmatch state participation in order to expand their local child support services programs. Statewide, this represents \$20 million in federal funds to match \$10 million in voluntary county funding for child support.

### **Child Care and Development**

- Appears not to include a child care reform proposal.

### **Department of Community Services and Development**

- Maintains the January appropriation of \$1.5 million General Fund for the Naturalization Services Program.

**Department of Alcohol and Drug Programs**

- Maintains \$120 million to continue activities related to the Substance Abuse Prevention and Crime Prevention Act of 2000 (Proposition 36). Although this level of funding is equivalent to the amount provide annually by Proposition 36, it is less than the \$150 million DADP expects to spend in the current year.

## **HEALTH SERVICES**

### **Department of Health Services**

- Retains the Certified Application proposal and revises the incentive plan to pay the CAAs \$75 for who assist with enrolling in public health coverage programs. Also, revises the incentive payment to be \$50, increased from 425.
- Eliminates the five percent managed care capitation rate decrease, \$32.7 million General Fund, imposed in 2003.
- Increases Medi-Cal managed care rates for several managed care entities.
- Refines the distribution of costs between Licensing and Certification Fund and General Fund to better reflect a better estimate of the costs to license and certify both state-owned facilities and certified only facilities that cannot be charge fees.
- Adds expenditure authority for fingerprint criminal clearance processing for Certified Nurse Assistants.
- Increases funds the Aids Drug Assistance Program.
- Identifies \$20.9 million in savings resulting from revised reimbursement structures with the program's pharmacy benefits manager, revised Medi-Cal screening guidelines and savings resulting from implementation of Medicare Part D.
- Estimates the Genetic Disease Screening increases by \$8.6 million from the Genetic Disease Testing Fund due to an increase in caseload and costs for follow-up, counseling, and diagnostic services in both the newborn and prenatal screening programs.
- Adds \$2 million General Fund to increase grants to Alzheimer's Disease Research Centers.

### **Managed Risk Medical Insurance Board**

- Adds \$23 million, and one-year funds to eliminate waiting lists in counties with county base health care programs.

**Department of Mental Health**

- Proposes to restructure AB 3632, mental health services to Special Education pupils, with a \$69 million General Fund increase, (offset by a \$50 million General Fund savings in the Mandate program) to restructure the program.

## **NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION**

### **Resources Agency**

- Adds \$50 million (General Fund) on a one-time basis for the following Resources Agency expenditures: \$10 million for salmon and steelhead restoration; \$10 million for marine life and marine reserve management; \$10 million for non-game fish and wildlife programs; \$10 million for deferred maintenance in state parks; \$5 million for wetlands and riparian habitat conservation; \$5 million, from which the interest only would be expended for management of coastal wetlands.
- Retains January 10 proposal for \$42.59 million (Proposition 40 and Proposition 50 bond funds) to the Office of the Secretary for River Parkway and Sierra Nevada Cascade Conservation Grants.

### **Department of Fish and Game**

- Adds on a one-time basis \$10 million for salmon and steelhead restoration; \$10 million for marine life and marine reserve management; and \$10 million for non-game fish and wildlife programs.
- Adds on a one-time basis \$2.62 million (General Fund) for the implementation of the second phase of the Marine Life Protection Act.
- Adds on a one-time basis \$19.9 million to the Fish and Game Preservation Fund, in order to bring each of the subaccounts within the fund into balance.
- Adds on a one time basis \$8.8 million for the DFG to repair damage to levees and other infrastructure on DFG-owned lands caused by the winter storms of 2005-06.
- Adds \$1.9 million (General Fund) to compensate for below than expected fish license revenues for the Fish and Game Preservation Fund.
- Adds \$1.1 million to provide funding for a program to detect avian influenza in migratory birds.
- Adds \$3 million (General Fund) to the Governor's budget to fully backfill costs associated with the implementation of AB 7 (Cogdill).
- Adds expenditure authority federal funds and reimbursements and 11 positions for the development of conservation plans in the San Joaquin River Delta.

- Adds \$216,000 (Reimbursements) to fund restoration activities in Bolsa Chica Lowlands.
- Retains \$4.0 million (General Fund) augmentation to encompass a shortfall in the Fish and Game Preservation Fund Non-Dedicated revenues.
- Retains \$4 million augmentation (General Fund) to support the state match for grants and contracts to restore habitat for coastal anadromous salmonid species in coastal counties.
- Retains \$1.5 million (Fish and Game Preservation Fund) and 2.5 positions to provide fishery enhancement, angler access and education projects for the Bay delta.
- Retains and augmentation of \$5 million (Proposition 13 funds) over the next three years to support San Joaquin River Restoration activities related to the fishery, wetland and riparian resources and regional water supply reliability in the San Joaquin Valley. The appropriation will be scheduled as follows: \$750,000 in 2006-07; \$2.25 million in 2007-08; and \$2.25 million in 2008-09.
- Retains \$448,000 (Fish and Game Preservation Fund) for the creation of an automated License Data System to replace the current paper based process. With the new system, license sales will be made available over the internet, allow for improved sales data collection and support point of sale terminals.
- Retains \$681,000 (Federal Trust Fund and Reimbursements) to restore and enhance salmon and steelhead hatchery mitigation programs and increase public outreach at four State-operated hatcheries in the Feather River, Mokelumne River, Nimbus (American River) and the Merced River.
- Retains \$886,000 (Proposition 12 Funds) in expenditure authority to continue resource management projects on DFG managed lands.

**Wildlife Conservation Board**

- Adds \$5 million (General Fund) one-time for wetlands and riparian habitat conservation.

**Conservation Corps**

- Retains \$8.2 million from the Collins-Dugan California Conservation Corps Reimbursement account to the General Fund. This fund shift is being proposed to maintain current program service levels in light of declining bond funds.
- Retains 15 positions to CDF to establish a new capital outlay implementation function within the department. The workload addressed in the proposal is currently under the purview of the Department of General Services. Due to delays projected by DGS; CDF is proposing to perform associated workload within the department in order to expedite the increased workload.

**Coastal Conservancy**

- Retains \$1.3 million augmentation (Special Funds) support: access to trail easements; acceptance of Offers to Dedicate (OTD); design and construction of trails, stairways, staging areas, restrooms and interpretive signage; and provision of facilities for physically disabled, or mobility impaired visitors.
- Retains \$23.5 million (Proposition 50 funds) for grants to local entities for watershed related projects.

**Department of Boating and Waterways**

- Adds \$15 million transfer (Motor Vehicle Fuel Account) from the Department of Parks and Recreation to the Department of Boating and Waterways for increased local assistance grants.
- Retains \$21.4 million (Harbors and Watercraft Revolving Fund) for public loans for expansions and rehabilitation of existing marinas.
- Retains \$9.6 million (Harbors and Watercraft Revolving Fund) for local assistance grants for launching facility capital outlay grants.
- Retains \$3.5 million (Harbor and Watercraft Revolving Fund) for Marina construction loans.
- Retains \$2.5 million (Harbor and Watercraft Revolving Fund) for Marine Law Enforcement Grants to local law enforcement agencies.

**Department of Parks and Recreation**

- Adds on a one-time basis \$10 million (General Fund) for State Parks deferred maintenance.
- Adds \$15.0 million (General Fund) to backfill an additional transfer of \$15 million (Motor Vehicle Account) from the Department to Boating and Waterways.
- Retains \$5 million (General Fund) to fund remediation and treatment for Empire Mine.
- Retains \$4 million (General Fund) multi year funding - \$1.4 million (General Fund) budget year - for wastewater and sewer systems.

**Department of Forestry and Fire Protection**

- Adds \$7 million for increased workers compensation and unemployment insurance costs.
- Adds \$5.0 million to provide the Department with additional staff to train and hire new public safety employees. The Department has significant increases in retirements in its public safety classifications due to recent benefit enhancements.
- Adds \$9.0 million (Forestry Resources Improvement Fund) to restore forestry programs that were suspended due to revenue shortfalls and a timber harvest injunction.
- Adds \$8,437,000 (General Fund) and \$2,217,000 (Reimbursements) for costs related to increases for sleep pay for CDF fire fighting personnel.
- Retains \$39 million (General Fund) for costs related to increased overtime due to year round fire schedule.

**Department of Water Resources**

- Adds \$100 million (General Fund) to pay for local flood control subventions.
- Retains \$35 million (General Fund) to implement a multi year Central Valley flood management plan.
- Retains \$41.3 million (\$31.4 million General Fund) for six new or continuing flood control capital projects: Folsom Dam Modifications, American River

Common Features, Sacramento River Bank Protection, Folsom Dam Raise, American River Natomas Features, and Upper Sacramento River Levee Restoration.

- Retains \$84 million (General Fund) for the lining of the All American Canal.
- Retains \$32.1 million (Proposition 50) of the CALFED Water Use Efficiency Program that provides grants to water districts and other applicants for water efficiency projects.
- Retains increase to the Bay Delta Program by \$34 million (\$11 million-Proposition 50; \$22 million-Proposition 13) and will be broken out as follows: Conveyance (\$5.5 million); Water Quality (\$6.5 million); Ecosystem Restoration (\$15.7 million); and Surface Storage (\$6.4 million). Funding in this proposal will result in a net budget increase of \$29.8 million because funding requested for the Department overhead in this proposal will be offset by overhead cost reductions in other DWR programs.
- Retains \$2.0 million in Local Assistance funding (Proposition 13) for the San Luis Low Point Bypass feasibility study.
- Retains \$5 million (Proposition 13) over three-years for the state-led program to investigate non-flow related restoration actions such as fish passage, water quality and water supply alternatives for the San Joaquin River. Funding for this proposal will be appropriated as follows: \$1 million in 2006-07; \$2.0 million in 2007-08; and \$2.0 million in FY 2008-09. The Department of Fish and Game has submitted a matching San Joaquin River Restoration proposal.

### **California Bay Delta Authority**

- Adds a proposal to transfer the California Bay Delta Authority, \$31.0 million and 68 positions, to the Resources Agency. Additionally this proposal reorganizes the CBDA to address governance and accountability concerns and centralizes the Environmental Restoration Program within the Department of Fish and Game.

### **Secretary for Environmental Protection**

- Adds \$500,000 (Air Pollution Fund) to enable the Secretary for Environmental Protection to evaluate options for the establishment of a mandatory climate change emissions reporting program and to develop climate change emissions reporting protocols for local and regional governments
- Retains \$900,000 (\$135,000 General Fund, \$765,000 Special Fund) and two personnel years to help implement the Governor's Climate Change initiative.

- Retains redirection of 5 positions and \$619,000 (various funds) from existing boards to the Office of the Secretary to support agency-wide environmental policy and program coordination for California-Mexico border-related activities.

### **Air Resources Board**

- Adds \$25 million (Motor Vehicle Account) to replace pre-1977 school buses with buses that meet federal safety standards.
- Retains \$5.2 million (\$3.3 million one-time Air Pollution Control Fund and \$1.9 million ongoing Motor Vehicle Account) and 14.8 positions for the Air Resources Board to develop measures that require the use of bio-diesel fuel, reduce hydrofluorocarbon emissions and reduce emissions from heavy-duty vehicles.
- Retains \$1.6 million (Motor Vehicle Account) and 8.0 personnel years to demonstrate new technologies and develop mitigation measures from goods movement activities.
- Retains \$6.5 million (Motor Vehicle Account) to establish three public hydrogen fueling stations and federal matching funds for five hydrogen fuel cell buses for operation in public transportation.
- Retains \$4.0 million (\$1.3 million one-time Air Pollution Control Fund and \$2.7 million ongoing Motor Vehicle Account) and 19 positions for the Air Board to enforce heavy-duty diesel regulations, evaluate on-board diagnostic systems in vehicles, and replace older testing and diagnostic equipment.
- Retains a one-time augmentation of \$2 million (Air Pollution Control Fund) for the expansion of the Innovative Clean Air Technologies Grant Program in order to facilitate the commercialization of new and innovative clean-air technologies.

### **The Integrated Waste Management Board**

- Retains \$1.1 million (Electronic Waste Recovery and Recycle Account) to implement the provisions of the Electronic Waste Recycling Act. Additionally the budget proposes \$223,000 and 3.0 personnel years to prevent recycling fraud in the program.
- Retains \$5.2 million (Tire Recycling Management Fund) and 3.0 permanent positions to enhance enforcement of the waste and used tire industry.

**The Department of Pesticide Regulation**

- Retains a proposal to reorganize the department that would consolidate the Registration and Health evaluation program with its Pest Management, Environmental Monitoring, Enforcement and Licensing program.
- Retains \$425,000 (Department of Pesticide Regulation Fund and 4.0 auditor positions to enhance enforcement of mill assessment collections and regulation.

**State Water Resources Control Board**

- Retains \$4.5 million (Waste Discharge Permit Fund) to support existing staff in the National Pollutant Discharge Elimination System (NPDES) permit program and shift funding to support the Surface Water Ambient Monitoring (SWAMP) program.
- Retains \$4.0 million (Waste Discharge permit Fund) to provide for increased surface water monitoring.
- Retains \$40.4 million in local assistance bond funds for future approved projects. Included in this funding are funds for water recycling, non-point sources pollution control, watershed and other CALFED related programs.

**Department of Food and Agriculture**

- Retain \$7.2 million (General Fund) to implement statewide program to prevent and respond to emerging threats.

## **PUBLIC SAFETY**

### **Department of Justice**

- Adds \$15.2 million for the support of the Department of Justice, increasing the administration's total funding proposal to \$745 million (\$383 million General Fund). This reflects a 2.04% increase from the January 10 budget proposal.
- Retains \$5 million and 32.3 positions for workload associated with DOJ Armed Prohibited Persons System (APPS) database. The APPS database cross-references persons who possess or own a firearm, and have been subsequently prohibited from owning or possessing a firearm.
- Retains \$6 million and 29.6 positions to create three new teams within the existing California Methamphetamine Strategy (CALMS) Program.
- Retains \$1.3 million and 12.6 positions to increase investigation activities within the DOJ Special Crimes Unit.
- Retains an increase of \$9.8 million and 47.9 positions, phased in over two years (\$6.5 million and 31.9 positions in 2006-07, increasing to \$9.8 million and 47.9 positions in 2007-08), to allow the DOJ to add six new Gang Suppression Enforcement Teams to the one team already in place.

### **Department of Corrections and Rehabilitation**

- Adds \$600 million for the Department of Corrections and Rehabilitation, increasing the administration's total funding proposal to \$8.7 billion (\$7.9 billion General Fund). This reflects a 7.43% increase above the Governor's January 10<sup>th</sup> budget proposal.
- The May Revision reflects an estimated institutional Average Daily Population (ADP) of 175,627 inmates, which is 5,422 more than the projection in the January 10<sup>th</sup> budget proposal. It also reflects a projected parolee population of 117,754, an increase of 1,534 from the January 10<sup>th</sup> budget proposal. The net effect of these population changes is increased costs to the General Fund of \$142 million and an increase of \$852,000 to the Inmate Welfare Fund.
- The May Revision estimates a year-end juvenile institution population of 2,660, a decrease of 20 wards from the January 10<sup>th</sup> budget projection. Despite the reduction in population, the administration adds \$7.3 million in General Funds to open a new housing unit and address salaries.

- Adds \$10 million to reimburse local entities for the cost incurred for the housing of state inmates. This increases the January 10<sup>th</sup> budget proposal for \$11.9 million in 2006-07 to reimburse local entities for the housing and non-routine medical costs.
- Retains \$5.1 million to add 500 Global Positioning System (GPS) devices to track and monitor the parolees convicted of sexual or violent offenses.
- Retains \$77.8 million General Fund in 2006-07 to implement both the Safety and Welfare Remedial Plan and the Medical Care Remedial Plan, which were submitted to the court after the enactment of the 2005 Budget. A decrease of \$4.5 million from the Governor's January 10<sup>th</sup> budget.
- Retains \$69.1 million to cover the ongoing budgetary shortfall in the CDCR's healthcare program to continue compliance with the Plata v. Schwarzenegger court order, which mandates provision of adequate medical care to all inmates.
- Adds \$12.9 million to provide for Health Care Services Litigation Infrastructure Support and Comprehensive Health Care Recruitment Staff to meet the requirements of both Plata v. Schwarzenegger and *Coleman v Schwarzenegger*.
- Adds \$20.2 million for court order compliance relating to the settlement agreement for Coleman v. Schwarzenegger that requires the implementation of new Program Guidelines for the Mental Health Delivery System.
- Adds \$12.7 million in General Funds to provide CDCR psychiatrist, with a 10% salary increase, as well as establishes a recruitment bonus for new employees who come from outside state service.
- Adds \$182.4 million in General Funds to adjust the based funding to pay increased cost relating to medical contracts and medical guarding.

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

- Reduces the overall support for the Judicial Branch by \$12 million. This represents an overall reduction of .65% from the January 10<sup>th</sup> budget proposal.
- Retains \$3,427,506 and 1,889.2 positions Consistent with the State Appropriation Limit growth factor, an increase of \$105.2 million.

- Retains \$5.5 million to support facilities, staff, salaries, and benefits for up to 150 new judgeships phased in over a three year period beginning in April 2007.
- Retains \$18.7 million for court security to add 97 new entrance screening stations and will establish a five-year replacement schedule for entrance screening equipment.
- Resends \$12.3 million to fully fund ongoing operations and maintenance for information technology systems for the trial courts.

**Office of Emergency Services**

- Adds \$55 million to support the Office of Emergency Services, increasing the administrations total funding proposal to \$1.1 billion (\$179 million General Fund). This reflects a 4.34% increase above the Governors January 10<sup>th</sup> budget proposal.
- Retains \$6 million in local assistance grant funding to support the activities of SAFE teams statewide in order to reduce violent sexual assault offenses through proactive surveillance and arrest of habitual sexual offenders.
- Adds \$20 million to the War on Methamphetamine Grants which supports the California Mutli-Jurisdictional Methamphetamine Enforcement Teams. The Governor's January 10<sup>th</sup> budget proposal already included \$9.5 million for this effort, bringing the total request to \$29.5 million.
- Adds \$10.1 million to the Vertical Prosecution Block Grant Program, which provides resources to assist with the prosecution of heinous cases such as child and elder abuse, rape and stalking.

## **GENERAL GOVERNMENT**

### **Military Department**

- Maintains the January proposal to include \$3.5 million (\$3.0 million General Fund and \$500,000 Federal Trust Fund) for maintenance and repairs at armories statewide.
- Maintains the January proposal to establish an Internal Control Office perform internal audits that will improve the integrity, effectiveness, and efficiency of Department fiscal and program operations for \$182,000 General Fund and 1.9 positions.
- Maintains the January proposal to include \$1 million to acquire land for the new Military Department Headquarters.

### **Department of Veterans' Affairs**

- Maintains a January proposal to establish a new Yountville Alzheimer's/Dementia Unit for \$3.8 million (\$3.4 million General Fund and \$474,000 federal funds) and 73.9 positions. This facility will serve 75 patients and was designed to address the unique needs of Alzheimer's and Dementia patients.
- Maintains a January proposal to create a program to treat veterans having combat-related mental and behavioral problems, such as posttraumatic stress disorder, for \$1 million General Fund and 10.4 positions.
- Proposes \$421,000 General Fund to prepare a feasibility report focused on replacing the Veterans Home Information System to better support member care and update technology infrastructure throughout the homes and the Department.

### **Department of Industrial Relations**

- Maintains the January proposal to establish a collections unit within the Division of Labor Standards Enforcement for \$0.6 million and 4.8 positions. This unit will actively pursue the collection of fines and penalties against employers found to be in violation of California's labor laws. These collection efforts are estimated to result in additional revenues to the General Fund and the Unpaid Wage Fund

**Department of Consumer Affairs**

- Retains \$3.9 million for the Medical Board of California to implement SB 231 (Chapter 674, Statutes of 2005), which increased license and renewal fees for physicians and implements a number of recommendations made by the Enforcement Monitor.
- Retains \$3.7 million to establish a new iLicensing System that will make online services available to the consumers of all programs overseen by the Department.
- Retains \$3.8 million for the Bureau of Automotive Repair to implement AB 383 (Chapter 565, Statutes of 2005), which increases the income eligibility criteria for participation in the Smog Check Repair Assistance Program.
- Retains \$1.4 million for the Bureau of Security and Investigative Services (Bureau) to implement SB 194 (Chapter 655, Statutes of 2005), which requires proprietary private security officers to register with BSIS and submit to a background check by the Department of Justice.

**Department of General Services**

- Retains an adjustment of \$14.1 million for Fiscal Year 2005-06 pursuant to AB 351 (Chapter 124 Statutes of 2005), which appropriated these funds from the General Fund for the Department of General Services to pay for the settlement of the Williams lawsuit.

**State Controller**

- Continues to include \$35.1 million (\$17.7 million General Fund) and 77.6 2-year limited-term positions to implement the design, development, and initial rollout phases of the new human resources management system (21st Century Project). This system will replace the current dated and obsolete systems that handle state payroll, employment history, leave accounting, and position control. The current request reflects a Spring Finance Letter revision that reduced 2006-07 vendor contract funding and increased state staff by 31.1 positions for a net savings of \$2.4 million. Funding for this multiyear project first was provided in 2004-05.
- Increases support for the Unclaimed Property Program by \$4.2 million and 35 positions. The augmentation is for ongoing workload, replacement of the Unclaimed Property Information System, auditors, and eliminating the backlog of notices to owners. This amount represents an increase of \$3.6 million and 27.5 positions over the January Budget (Spring Finance Letter request). The auditors will increase ongoing General Fund revenues by \$15 million (\$7.5 million in 2006-07), and eliminating the notice backlog will temporarily reduce General Fund revenues by \$8.2 million in 2006-07 and 2007-08.

- Retains \$766,000 (special funds) for the third year of the Apportionments Payment System Project to replace the existing aging system that distributes apportionments of various revenues to local entities.
- Retains \$710,000 (\$308,000 General Fund) to replace the Controller's existing system for issuing and tracking warrants for the state.

**Department of Fair Employment and Housing**

- Retains \$1.1 million and 13 positions to increase the number of discrimination complaints that DFEH can accept and to complete more investigations within the statutory 1-year time limit.
- Retains \$464,000 and 2 positions for DFEH to automate appointment scheduling and processing of "Right to Sue" applications, in which complainants seek permission to file a discrimination lawsuit in place of a DFEH investigation.

**Department of Housing and Community Development**

- Retains \$3.4 million for the migrant farm worker housing centers. Of this amount, \$2.35 million is to reconstruct two state-built daycare facilities at the San Benito Center in Hollister and at the Buena Vista Center near Watsonville in order to address health and safety standards. The remaining \$1.025 million provides an ongoing increase for operation and maintenance for the migrant centers.
- Continues proposed reduction of \$864,000 (from the \$4 million provided in the current year) for the Emergency Housing Assistance Program, which provides State grants (averaging about 10 percent of costs) for local agency-operated homeless shelters.
- Retains \$501,000 (special fund) and 6 positions to process increased license applications, investigate consumer complaints, and staff the Office of Mobilehome Ombudsman.
- Continues to request trailer bill language to provide permanent fee authority to support the department's administration of Enterprise Zone tax incentives. This fee generates almost \$700,000 annually. Statutory authority for this fee currently expires on December 31, 2006.
- Redirects \$15 million of unused Proposition 46 bond funds that had been designated for student housing to be used instead for the Transit-Oriented Housing Component of the Downtown Rebound Program. Partially offsets this transfer by returning \$7.5 million to the General Fund from a past appropriation for the Downtown Rebound Program (Spring Finance Letter).

**State Board of Equalization**

- Recognizes \$7.8 million General Fund savings in the current year due to a reduced cost estimate for repair of the curtainwall at the BOE Headquarters Building based on the revised cost estimate approved by the Joint Legislative Budget Committee.
- Retains \$1.9 million (\$216,000 General Fund) and 19.5 PYs (2-year limited-term) for the BOE to collect unpaid California taxes from on cigarettes and other tobacco products that were purchased over the internet or through the mail from out-of-state sellers. The BOE estimates the program will generate \$33.8 million in additional revenues in 2006-07. Most of the money will go to the Proposition 10 and Proposition 99 funds; \$3.9 million will go to the General Fund, and the Breast Cancer Fund would receive \$777,000.
- Retains \$1.6 million (\$1.1 million General Fund) and 13.8 PYs (2-year limited term) for a BOE "pilot program" to identify and register businesses that fail to pay sales and use taxes on the goods and services these businesses provide. The board estimates that these enforcement efforts will generate \$12.6 million in additional sales and use tax revenues in 2006-07, (\$7.9 million General Fund).
- Retains \$1.4 million (\$811,000 General Fund) and 15.1 PYs (2-year limited term) for the BOE to identify property brought into the state without the payment of applicable sales and use taxes. The BOE estimates the program will generate \$7.4 million in additional sales and use taxes in 2006-07, of which \$4.2 million will go to the General Fund.
- Retains \$1.1 million in federal funds and 11.5 PYs for the second year of a program under which BOE temporarily maintains International Fuel Tax Agreement (IFTA) accounts for Mexican motor carriers who will begin operating in the state pursuant to the North American Free Trade Agreement (NAFTA).
- Retains \$263,000 (General Fund) and 1.9 positions for the BOE to develop more accurate property tax valuation factors for biopharmaceutical and non-production computer equipment.
- Continues to propose a funding shift \$2.4 million of the \$9.4 million cost of the Cigarette and Tobacco Products Licensing Program from one-time licensing fees to the various funds that receive cigarette and tobacco tax revenues (primarily Propositions 10 and 99 funds).

**Franchise Tax Board**

- Retains \$694,000 and 1.4 PYs for the FTB to contract with outside counsel to represent the Board in out-of-state bankruptcy cases.
- Retains \$3.8 million (special fund) and 29.6 PYs to expand the Court Ordered Debt Collection Program to serve all 58 counties, consistent with the direction in SB 246 (Escutia) of 2004.
- Adds \$24 million (\$21.6 million General Fund) for increased rental and maintenance costs at Phase III of the board's Butterfield Office Complex (Spring Finance Letter).
- Adds \$659,000 for full-year funding of tax gap audit and discovery staff added in the current year.
- Shifts \$16.1 million (\$5.5 million General Fund) of spending from the current year to 2006-07 for the development and implementation of the California Child Support Automation System (Spring Finance Letter). The May Revision also shifts \$8.6 million (\$3.1 million General Fund) from 2004-05 into the current year.

**Public Utilities Commission**

- Adds \$2.8 million of telecommunication ratepayer funds to the January budget proposal for \$9.9 million and 29.5 new positions to enhance consumer protection under the "Telecommunications Bill of Rights (BOR)" decision. The increase includes \$1.7 million for a database system to improve the commission's consumer complaint resolution process.
- Retains \$1.4 million (special funds) and 14.2 positions to enhance rail safety through additional accident investigations, evaluations of quiet zone notices, railroad inspections, and oversight of rail transit agencies' homeland security programs
- Retains proposal to redirect 12 positions to implement the Governor's Climate Action Strategies. The areas in which these staff would work include the Governor's goal of increasing the Renewable Portfolio Standard (RPS) to 33 percent (versus the existing statutory goal of 20 percent); evaluation and expansion of utility energy efficiency programs; implementation of the California Solar Initiative; electric sector carbon policy; and the Green Buildings Initiative. The May Revision also maintains 12 other staff redirections within the regular PUC divisions and one new chief counsel position and 6 redirections with the Division of Ratepayer Advocates.

- Augments by \$14.3 million of telecommunications ratepayer funds to reflect the final level adopted by the commission for the "High-Cost A" Program, which subsidizes basic service to areas with high cost for smaller phone companies.

### **Energy Commission**

- Adds \$874,000 and 2 positions to develop a dynamic simulation model for transportation fuels planning.
- Maintains augmentation of \$612,000 to fund four positions and \$200,000 of ongoing contract funds to help implement the Governor's June 2005 Executive Order setting out his greenhouse gas emission reduction goals for California. The CEC's tasks would be to reduce emissions from electricity generation, accelerate the RPS, update the greenhouse gas emissions inventory, and implement energy efficiency programs.
- Maintains \$500,000 of one-time contract funds to complete the alternative fuels plan required by AB 1007 (Pavley). The plan will evaluate fuels on a full fuel-cycle basis, set goals for the use of alternatives by 2012, 2017, and 2022, and recommend policies to ensure that alternative fuel goals are attained.
- Maintains \$504,000 from the Gas Consumption Surcharge Fund to add five additional positions to oversee this research program and to expand it to include transportation-related research that will benefit natural gas ratepayers. The budget indicates that the CEC will spend \$16.8 million on natural gas research in 2006-07.

### **Commission on State Mandates**

- Includes \$90.3 million for payment of estimated claims for non-education local governments through 2005-06 and \$5.7 million for newly-determined mandates.
- Reduces by \$15 million (to 83 million) the first year of a 15-year payment plan to reimburse non-education local governments for mandated costs for which funding was deferred in years prior to 2004-05. The reduction reflects an updated estimate.
- Adds \$86.9 million to pre-pay the 2007-08 installment of the 15-year payment plan.
- Shifts \$50 million (budgeted as a mandate set-aside in January) to the Department of Mental Health to provide mental health services to special

education pupils in 2006-07 as part of a \$69-million non-Proposition 98 General Fund allocation to counties as part of the restructuring of the AB 3632 mental health services mandate.

### **Local Government Financing**

- Adds \$42.6 million of additional funding for Juvenile Justice Crime Prevention Act (JJCPA) and Citizens' Option for Public Safety (COPS) programs. The augmentation would be split equally among the two programs, The Governor's budget proposed \$100 million for each of the programs—the May Revision would increase the total amount to \$242.6 million.
- Maintains \$18.5 million for Rural and Small County Law Enforcement Grants.
- Revises the \$40 million January budget proposal for booking fee subventions, Instead, the May Revision proposes that this money be provided annually for local detention facility trust funds. The May Revision also proposes legislation to replace booking fees with a more limited system of jail access fees.
- Maintains \$1.6 million to replace property tax revenue losses to local communities affected by disasters in 2005 pursuant to existing law.

### **Revenue Proposals**

- Continues to propose suspension of this personal income tax credit for one additional year (tax year 2006), resulting in an estimated General Fund revenue gain of \$210 million. ...
- Continues to propose extension of the "Yacht Tax" Loophole Closure. This proposal would extend the "yacht tax" provision by one year for an estimated General Fund revenue gain of \$35 million (plus about \$18 million for local governments).

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

- Adds \$6.6 million in the current year and \$7.7 million in 2006-07 for Senior Citizens' Renters Tax Relief and Property Tax Deferral Programs, based on revised participation estimates.

**Business Transportation and Housing Agency**

- Adds \$2.5 million (General Fund) and 2.0 limited term positions to operate a grant program to implement the San Joaquin Valley Strategic Action Proposal.

**Secretary of State**

- Continues full funding from the January 10 Governor's Budget to the Secretary of State for \$9 million and counties for \$45 million to cover the cost of the special election.
- Retains from the January 10 Governor's Budget \$3.1 million from the Business Fees Fund and 28.5 positions to address increasing workload in the Notary Public Section of the Business Programs Division.

**California Arts Council**

- Retains from the January 10 Governor's Budget Increased funding for local assistance from the Arts Council by \$1.8 million from the Graphic Design License Plate Account.

**Employee Compensation**

- Adds \$88.87 million (\$80.86 million General Fund) for Employee Compensation in 2006-2007. This amount includes an increase of \$25,164,000 for costs related to the Plata v. Schwarzenegger lawsuit; an increase of \$2,385,000 for Unit 7 (California Union of Safety Employees) and \$5,776,000 for Unit 18 (California Association of Psychiatric Technicians) for health care costs not included in the Governor's Budget; and an increase of \$47,536,000 for Unit 6 (California Correctional Peace Officers Association). Since the Unit 6 salaries are linked to the compensation received by Unit 5, the revised estimate from Unit 5 salary survey increases the costs for Unit 6. Also adds \$7.76 million from special funds for Bargaining Unit 5, reflecting the salary survey for police and sheriff in statutorily specified jurisdictions compared to California Highway Patrol. These costs were previously underestimated by DPA.
- Adds \$11 million General Fund in current year costs for compliance with the Plata V. Schwarzenegger court order. The Department of Personnel Administration (DPA) identified additional positions to which the order applies, increase the projected current year cost by this amount.
- Retains, from the January 10 Governor's Budget, increased funding by \$1 million General Fund for reforming the state's 4,000+ classifications and determining appropriate testing instruments for the revised state classification

structure. (State Personnel Board and Department of Personnel Administration)

- Retains, from the January 10 Governor's Budget, 6 additional positions and \$852,000 reimbursement authority to meet the current workload demands of the Department of Personnel Administration's legal office due to increased litigation relating to collective bargaining issues and legal actions regarding state employees.
- Maintains increased funding, from the January 10 Governor's Budget, to the Department of Personnel Administration by \$82,000 reimbursement authority and 1.0 positions to create an enrollee-funded vision care program for state retirees. The retiree vision plan will be a stand-alone pool.
- Continues, from the January 10 Governor's Budget, exclusion of funding for all employee bargaining units without completed MOU's. Some units are waiting for completion of a compensation survey at which time MOU's will be completed. These amounts will have to be added after negotiations are complete.

### **California State Teachers' Retirement System (CalSTRS)**

- Reduces the state's contribution to CalSTRS' retirement benefits by \$121.5 million due to an error recently discovered in the CalSTRS' accounting system. The error resulted in the state contributing more than is required by law in fiscal years 2002-03, 2004-05 and 2005-06. Since the General Fund transfers have already been completed for these fiscal years, the \$121.5 million correction is included as an adjustment to the state's 2006-07 transfer from the General Fund. The error also affected the state's Benefit Funding and Supplemental Benefit Maintenance Account in fiscal years 2003-04 through 2005-06. This proposal includes budget language to reflect and enact the compensation for previous over/under payment.

### **California Public Employee Retirement System (CalPERS)**

- Makes informational changes to reflect the request by CalPERS to incorporate its approved budget into the Budget Act. In years past, the amount displayed in the Budget Act never matched the actual CalPERS budget because the Board approved its budget in May. This year CalPERS approved their budget in April allowing the correct amounts to be shown in the Budget Act.