

THE 2007-2008 STATE BUDGET
Floor Report



**2007-08 STATE BUDGET ACT
FLOOR REPORT – SB 77 & AB 191/SB 78
JULY 19, 2007**

*John Laird, Chair
Assembly Budget Committee*

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Overview

On June 29, 2007, the Budget Conference Committee completed their work crafting the budget for 2007-08, thus culminating a five month process of around 150 subcommittee, full committee, and Conference Committee hearings. During which time countless issues were presented, debated, and acted upon, culminating in a Conference Version of the budget that was fair, responsible, and balanced. The Conference version of the budget is contained in the SB 77 Conference Report.

Since Conference concluded, various other changes to the budget have been incorporated into SB 78 and AB 191 (as of this writing, it has not been determined which of these identical bills will be the vehicle).

Together, the budget now before the Legislature contains \$105.7 billion in available General Fund resources, \$103 billion in General Fund expenditures, and a total available reserve of \$3.4 billion (including \$1.5 billion in the Budget Stabilization Account and \$1.9 billion in the regular reserve).

In total, the budget now before the Legislature contains less spending than the Governor's May Revision, has a \$1,290 million larger reserve than the Governor's May Revision, and shrinks the "structural deficit" by \$857 million below the Governor's May Revision.

In addition, the changes in the budget now before the Legislature brings the 2008-09 budget over \$1.4 billion closer into balance than what would result under the Governor's May Revision.

Some key elements of the Conference version of the budget are as follows:

- ◆ **\$3.4 Billion Reserve Largest in History.** Provides total available reserve of \$3.357 billion, which is \$1.290 billion, or 62 percent, greater than the Governor's proposed May Revision. This is the largest projected reserve at the time of passage or enactment of the state budget.
- ◆ **Tough Solutions.** Includes difficult budget solutions, including cutting the CalWORKS COLA, not "buying-out" the Governor's fee increases, not providing \$402 million in current year Proposition 98 "settle-up" appropriations, delaying the State SSI/SSP COLA for five months, reducing Proposition 36 funding by \$25 million, and shifting \$1.257 billion of gas taxes paid at the pump from public transit to benefit the General Fund.

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- ◆ **Economic Recovery Bonds Repayments.** Includes \$2.5 billion in repayments of the Economic Recovery Bonds. This includes about \$1.5 billion from the dedicated sales tax and \$1 billion that the Governor could have suspended.
- ◆ **Williamson Act.** Rejects the Governor's proposal to eliminate the Williamson Act Subvention for local governments.
- ◆ **CalWORKS for Children.** Rejects the Governor's most draconian cuts to CalWORKS, including \$314 million in cuts that may have taken aid away from as many as 190,000 of California's neediest children.
- ◆ **SSI/SSP COLA.** Rejects the Governor's proposal to cut the January, 2008 COLA for SSI/SSP, instead delays the COLA until June 1 of each year, generating \$123 million in General Fund savings but without any permanent impact to grant levels.
- ◆ **Medi-Cal.** Fully funds caseload and county administration and includes \$214.3 million for managed care rate increases, as proposed in the Governor's May Revision.
- ◆ **Homeless Mentally III.** Rejects the Governor's proposed \$55 million cut to the Homeless Mentally III program.
- ◆ **Clean Air and Protecting the Environment.** Begins implementation of AB 32 and provides significant funding for clean air and environmental protection efforts with critical bond appropriations.
- ◆ **K-12 Education.** Provides full funding of Growth and COLA for education but makes no new investments for education programs that may not be able to be sustained in future budget years. In addition, reduces budget year Proposition 98 levels by \$427 million without impacting education programs by shifting a portion of Home-to-School Transportation to the Public Transportation Account (PTA) and Reversion Account funds and shifting a portion of deferred maintenance to Reversion Account funds.
- ◆ **Access to Higher Education.** Rejects Governor's proposed cut of \$26.3 million for Academic Preparation programs for the UC and CSU.
- ◆ **Gangs.** Provides \$9.5 million in local assistance grants to create meaningful alternatives to gang affiliation by incentivizing regional collaborations between local agencies and community organizations for gang prevention, intervention, re-entry, job training and community services. And provides \$7 million for the CHP to assist local law enforcement address local gang problems.
- ◆ **Juvenile Justice.** Reforms the state's system to provide rehabilitative services to juveniles in closer proximity to their families and enhances the capacity of local

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communities to implement an effective continuum of responses to juvenile crime and delinquency. Provides \$130,000 per ward in block grant assistance to local agencies, as well as \$14.9 million in planning grants.

- ◆ **Public Transportation.** Restores \$200 million of the Governor's \$1.3 billion cut to public transit providing \$200 million for local transit operations.
- ◆ **Proposition 42.** Provides full funding for Proposition 42 of around \$1.6 billion, including \$83 million in repayments.

In summary, the budget now before the Legislature continues funding for critical state programs and needs, makes difficult cuts and other General Fund solutions, repays past debts, and contains an historic prudent \$3.4 billion reserve.

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Summary of Charts

General Fund Summary
(in millions)

	<u>2006-07</u>	<u>2007-08</u>
Prior-year balance	\$10,540	\$4,329
Revenues and Transfers	\$95,541	\$101,323
Total Resources Available	\$106,081	\$105,652
Total Expenditures	\$101,752	\$103,045
Fund Balance	\$4,329	\$2,607
Budget Reserves:		
Reserve for Liquidation of Encumbrances	(\$745)	(\$745)
Special Fund for Economic Uncertainties	\$3,584	\$1,862
Budget Stabilization Account	\$472	\$1,495
Reserve and Budget Stabilization Account	\$4,056	\$3,357

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**Major Changes from Governor's May Revision
(in millions)**

	Impact on Reserve
Governor's May Revision Reserve (updated per DOF)	\$2,067
Conference Changes Updated May Revision Reserve	
Reduces Revenue from Tribal Gaming Compacts	-\$22
Reduces Revenue due to reinstating Yacht Sales Tax Loophole	-\$21
Rejects CalWORKS cut to kids	-\$314
Rejects cut SSI/SSP COLA (instead delays COLA 5 months)	-\$25
Rejects cut to Homeless Mentally Ill Integrated Services	-\$55
Adjusts EPSDT Repayment schedule	\$156
Reduces Governor's cut to Public Transit by \$200 million	-\$200
Approves Additional Public Transit Cuts	\$159
Rejects cut to Williamson Act Subvention	-\$39
Rejects transfer from EDD Contingent Fund	-\$27
Reduces Current Year Proposition 98 Settle-up	\$402
Shifts Budget Year Proposition 98 costs to Reversion Funds	\$328
Funds Juvenile Justice Reform	-\$78
Restores 2006-07 MIOCR Grants, but cut budget year amount	\$15
Rejects Court Security Increase	\$37
Shifts Funding Source for capital projects	\$101
Rejects FI\$CAL new spending proposal, provided some planning funds	\$32
Rejects additional early repayment of ERB	\$595
Increased unallocated reduction	40
TANF Reserve transfer	84
Miscellaneous/Rounding	\$122
Final Conference Reserve	\$3,357
Improvement from Governor's May Revision	\$1,290

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General Fund Summary Comparison
Updated May Revision and Updated Legislature Version
(in millions)

	Updated May Revision	Legislature Version	Change
Prior-year balance	\$3,896	\$4,329	\$433
Revenues and Transfers	\$101,327	\$101,323	\$-4
Total Resources Available	\$105,223	\$105,652	\$429
Total Expenditures	\$103,906	\$103,045	-\$861
Fund Balance	\$1,317	\$2,607	\$1,290
Budget Reserves:			
Reserve for Liquidation of Encumbrances	(\$745)	(\$745)	\$0
Special Fund for Economic Uncertainties	\$572	\$1,862	\$1,290
Budget Stabilization Account	\$1,495	\$1,495	\$0
Reserve and Budget Stabilization Account	\$2,067	\$3,357	\$1,290

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**Historic Reserve Levels
(in millions)**

Budget Year	Projected Reserve at Enactment
1995-96	\$28 million
1996-97	\$287 million
1997-98	\$112 million
1998-99	\$1.255 billion
1999-00	\$1.175 billion
2000-01	\$1.775 billion
2001-02	\$2.596 billion
2002-03	\$1.035 billion
2003-04	\$1.995 billion
2004-05	\$768 million
2005-06	\$1.302 billion
2006-07	\$2.102 billion
2007-08	\$3.357 billion

Section 1: Health and Human Services

Health

Department of Health Care Services—Medi-Cal

MAJOR ACTIONS

- ◆ **Drug Cost Savings.** Includes savings of \$77.4 million (\$38.7 million General Fund), as proposed in the Governor's Budget and May Revision, due to reductions in Medi-Cal payments for drug ingredient costs. The savings results from several changes. First, adoption of trailer bill language, proposed by the administration, to enable DHCS to change the basis on which Medi-Cal pays pharmacies for prescription drugs. Currently the basis of payment is Average Wholesale Price (AWP) minus 17 percent. The proposed language would allow payment to be *based on* Average Manufacturer Price's Price (AMP), which generally is lower than AWP. Federal law will require states to base their drug reimbursements on AMP data. However, this savings estimate also includes the effects of (1) implementing a revised "Federal Upper Payment Limit" (FUL) equal to 250 percent of AMP for generic drugs; and (2) recognizing an upcoming lawsuit settlement that is expected to reduce the existing AWP benchmark for many single-source (brand name drugs) by about five percent. The Conference Committee also approved Trailer Bill language to authorize Medi-Cal to make a one-time adjustment in the dispensing fee paid to pharmacies in order to maintain access to prescription drugs for Medi-Cal beneficiaries. It is anticipated that the changes in drug ingredient cost payments will reduce those payments to more closely approximate the actual cost of drugs to pharmacies and necessitate some increase in the dispensing fee to ensure that dispensing costs are adequately covered so that pharmacies continue to participate in Medi-Cal. The department is expected to complete a study of dispensing costs for Medi-Cal within the next month or two.
- ◆ **Papillomavirus Vaccinations.** Includes \$11.3 million, (\$5.6 million General Fund), as proposed in the Governor's Budget, for Human Papillomavirus Vaccinations, on a voluntary basis for female Medi-Cal enrollees up to who are either under 18 or in non-family categories through age 26.
- ◆ **Nursing Home Rates.** Rejects Governor's proposed reduction in the growth cap for nursing home rates governed by the methodology established in AB 1629 of 2004 (Frommer). Augments by \$32.6 million (\$16.3 million General Fund) to maintain the existing statutory growth cap of 5.5 percent and maintains the future growth cap at 5.5 percent. Also adopts trailer bill language to extend the existing AB 1629 rate

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methodology and the authorization for Quality Assurance fees (used to obtain additional federal matching funds) by one year—through 2008-09 (as proposed by the Governor), but with the growth cap continued at 5.5 percent rather than at medical cost inflation. In addition the Conference Budget provides \$119.9 million (\$60 million General Fund) for rate increases to long-term care facilities not governed by the rate methodology contained in AB 1629--“Level A” Nursing Facilities, Intermediate Care Facilities for the Developmentally Disabled (ICF-DD), Distinct-Part Nursing Facilities, subacute facilities and Rural Swing Beds.

- ◆ **Medi-Cal Managed Care Rates.** Approves Governor's May Revision request for \$214 million (\$107 million General Fund) to increase rates for Medi-Cal managed care plans. Rates will be based on a new rate methodology that takes into account the specific population served and services provided by each plan (versus the former methodology that used extrapolations to other plans from the experience of one plan). The May Revision proposes to "hold harmless" plans that would otherwise receive a rate cut under the new methodology. The Conference Budget also includes Trailer Bill language to codify the department's new rate methodology and to move rate-setting for Medi-Cal County Organized Health Systems to the department from the California Medical Assistance Commission.
- ◆ **Managed Care Performance Measures Development.** The Conference Budget redirects \$775,000 (federal Title V Maternal and Child Health in the Department of Public Health) to fund three positions in the Department of Health Care Services and provide for contract services to proceed with implementation of recommendations regarding performance measures and quality assurance measures for aged, blind and disabled individuals enrolled in Medi-Cal Managed Care plans. Adopted Budget Bill Language to have the department develop an action plan, using their May 7th draft report as a guide.
- ◆ **County Administration Cost Increase.** Approves May Revision proposed increase of \$73.6 million (\$29.8 million General Fund) for increased county Medi-Cal administration costs due to caseload increases and increased cost of doing business.
- ◆ **County Performance Standards.** Rejects the Administration's proposal to increase county eligibility performance standard from 90 percent to 95 percent at this time due to concerns about new citizenship verification requirements and deficiencies in technical support and assistance by the department.
- ◆ **Federal Citizenship Verification Requirements.** Approves May Revision request for \$50.4 million (\$25.2 million General Fund) for one-time and ongoing county costs of complying with new federal citizenship verification requirements.
- ◆ **Minor Consent Services.** Approves May Revision request for \$19 million (General Fund) to backfill lost federal funds to maintain pregnancy-related services under the

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Minor-Consent Program in Medi-Cal. The May Revision indicates that the state will not enforce the federal citizenship verification requirements for minors independently seeking services.

- ◆ **SB 437 Pilot.** Approves Governor's Budget request for \$20.7 million (\$10.3 million General Fund) for additional caseload resulting from the implementation of two county pilot projects to test self-certification of assets and income by Medi-Cal applicants and enrollees in order to simplify the eligibility determination process, as provided by SB 437 (Escutia) of 2006.
- ◆ **Continuation of Family PACT Services.** Approves Governor's Budget request for \$2.5 million (General Fund) to backfill for lost federal funds for certain Family PACT services, including mammography, Hepatitis B vaccines, five medical procedures related to certain types of contraceptive methods and diagnostic testing regarding cancer. The budget continues to assume the continuation of the current Family PACT waiver, under which the cost of most Family PACT family planning and reproductive health services receives a 90 percent federal match. The federal government currently is providing monthly extensions.
- **Medi-Cal Management Information System and Fiscal Intermediary Procurement.** Deletes seven of the 24 positions requested to begin preliminary work on the re-procurement of Medi-Cal MMIS/FI contract for a savings of \$637,000 (\$159,000 General Fund).
- ◆ **Collection of "Aged" Drug Rebates.** Deletes on a workload basis, four of the 11 positions the budget requested to collect drug rebates that have gone unpaid for several years (General Fund savings of \$197,000). Provides the remaining seven positions on a permanent basis to enhance training and maintain staff expertise.
- ◆ **Fresno Field Office.** Adopts budget bill language to prohibit the closure of the Fresno Medi-Cal field office.
- ◆ **Contract Purchasing of Hearing Aids.** Adopts trailer bill language to require contract purchasing of hearing aids by June 30, 2008.
- ◆ **Contracts for Enteral Nutrition and Medical Supplies.** Adopted Trailer Bill language regarding enteral nutrition products and medical supplies to facilitate Medi-Cal contract negotiations and to ensure access to diverse products for enrollees in the Medi-Cal Program. This language assumes \$4 million (\$2 million General Fund) in savings as contained in the Governor's Budget.
- ◆ **Adult Day Health Reforms.** Reduces staffing requested to implement SB 1755 reforms of Adult Day Health Care services by 13 of 46 requested positions for a savings of \$1.37 million (\$685,000 General Fund). Includes budgeted savings of \$5 million (\$2.5 million General Fund) in Medi-Cal payments for Adult Day Health Care

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as a result of tightening medical necessity criteria, as authorized by AB 1755. Also adopts trailer bill language to clarify the moratorium on new facilities.

- ◆ **Programs of All-Inclusive Care for the Elderly (PACE).** Adds two positions (\$100,000 General Fund) in the Office of Long-Term Care to assist with development and processing of applications to establish additional PACE programs.
- ◆ **AIDS Pharmacy Pilot Project.** Adds \$1.3 million to continue the AIDS Pharmacy Pilot Project through 2007-08 so that an evaluation of the program's effectiveness can be completed and reviewed.
- ◆ **Non-Emergency Medical Transportation.** Adopts Supplemental Report Language directing the department to report on the adequacy of rates and access.
- ◆ **Public Assistance and Reporting Information System (PARIS).** Adopts Supplemental Report language to develop proposals to use the federal PARIS information system to (1) identify veterans on Medi-Cal in order to use federal veteran's health coverage instead of Medi-Cal or to supplement Medi-Cal services for veterans and (2) to eliminate duplicate benefits for Medi-Cal enrollees and welfare recipients who have moved to another state.
- ◆ **Third-Party Recoveries.** Adopted Trailer Bill language to clarify the Medi-Cal Program's ability to recover medical expenses paid on behalf of persons who have been awarded third-party payment.

Department of Health Care Services—
Children's Medical Services & Primary Care and Rural Health

■ **MAJOR ACTIONS**

- ◆ **California Children Services (CCS) Program.** Provides a total of \$234.7 million (\$96.4 million General Fund) for the CCS Program as requested in the May Revision. The Conference Budget also includes Budget Bill language directing the department to resolve problems of access to home care durable equipment, home health services, and medical supplies needed for children to be discharged from hospital care and return to their homes.
- ◆ **Newborn Hearing Screening Program.** Approves Governor's request for \$1.9 million (\$1.5 million General Fund) to expand the program to all infants by requiring all hospitals with licensed perinatal services to offer hearing screening services and

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by making available hearing screening services to newborns who are not delivered in hospitals.

- ◆ **AB 2911 Drug Discount Program.** Approves \$8.8 million and 16 positions to implement the California Discount Prescription Drug Program established by AB 2911 (Nuñez) of 2006, as requested by the Governor's Budget and May Revision. The program will provide drug discounts to Californians with incomes under 300 percent of poverty who do not qualify for no-cost Medi-Cal.
- ◆ **Genetically Handicapped Persons Program (GHPP).** Provides a total of \$49.5 million, as requested by the Governor.
- ◆ **Child Health and Disability Prevention Program (CHDP).** Approves Governor's request for \$2.8 million (\$2.7 million General Fund) for the CHDP Program to provide vaccinations and health screenings for children not otherwise eligible for the Medi-Cal or Healthy Families programs.
- ◆ **County Medical Services Program (CMSP).** Includes Trailer Bill language to suspend the 2007-08 appropriation of \$20.2 million (General Fund) for the County Medical Services Program (CMSP) for 2007-08, as has been done the past several years since the CMSP has had other available funds.

Department of Public Health

■ MAJOR ACTIONS

- ◆ **Position Redirections.** Restores 10 positions (plus one in Medi-Cal) of the 57 program positions that were proposed for redirection in the Governor's Budget to establish the administrative and management structure of the new Department of Public Health pursuant to SB 162 of 2006, which splits the Department of Health Services into the Department of Health Care Services (primarily Medi-Cal) and the Department of Public Health. The restoration of program positions makes use of available federal funds and special funds and does not require any fee increases.
- ◆ **Budget Accountability.** Adopts trailer bill and supplemental report language to require more transparency and accountability in budgeting for the department. Specifically, amounts budgeted for significant program areas would have to be identified and an annual report on vacancies would be required.
- ◆ **Mitigation of Licensing and Certification Fee Increases.** Reduces the fee increases proposed in the Governor's Budget through the following actions:
 - Applies of \$7 million of current-year savings to offset 2007-08 costs.

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- Reduces 2007-08 budgeted costs by \$400,000 by recognizing a more realistic time frame for filling new nurse evaluator positions.
 - Increases General Fund support by \$2.6 million to replace fee revenue and reduce the 2007-08 fee increases for community clinics and certain other health facilities.
 - Increases General Fund support by \$182,000 to offset half of the planned 2007-08 fees for district hospitals with less than 100 beds, which paid no fees in 2006-07.
 - Adopted Trailer Bill language to require the budgeted General Fund support in 2007-08 and to phase-out partial General Fund support no earlier than 2009-10.
- ◆ **Licensing and Certification Fee Methodology.** Directs the department to unbundle fees for different clinic types in order to provide appropriate fee levels for each type of clinic. Adopted trailer bill language to allow the department to revise fee structures during 2007-08 to address problems identified by provider groups as long as revisions are budget-neutral and do not shift costs to other provider groups. Approves Budget Bill language for an audit of the department's fee-setting methodologies by the Office of State Audits and Evaluations in the Department of Finance.
- ◆ **Long-Term Care Facilities.** Approves \$2.5 million of fee revenue to support 16 positions to implement Senate Bill 1312(Alquist), Statutes of 2006, which requires surveys and inspections for compliance with state standards to the extent that state standards exceed federal law, and provide greater protection to residents of long-term care facilities.
- ◆ **Medical Error Reporting by Hospitals.** Approves \$7.1 million of \$7.2 million requested from the Licensing and Certification Fund to implement the reporting and follow-up of adverse medical events in hospitals (reduced one position). This budget request implements SB 1301 (Alquist) of 2006.
- ◆ **Prostate Cancer Treatment.** Approves Governor's Budget request for \$3.5 million to continue the Prostrate Cancer Treatment Program.
- ◆ **Prenatal Screening.** Approves increase of \$15.8 million in the Prenatal Screening Program to implement an expanded screening panel and an additional \$4.6 million and six positions to implement improved prenatal screening and additional activities regarding the causes of birth defects, as proposed by the Governor's Budget.
- ◆ **Food-Borne Illness Prevention and Response.** Reduces the budget request for

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\$2.1 million by \$1,167,000 (General Fund) by deleting four positions and \$500,000 for research that duplicated other research funded recently provided to the University of California.

- ◆ **HIV Name Reporting.** Approves \$2.0 million General Fund requested for additional local assistance to increase surveillance staff to implement HIV name reporting activities.

- ◆ **Hospital Infectious Disease Control Program.** The Conference Budget provides a total of \$1.8 million and 12 positions (a reduction of \$248,000 and 2 positions from the budget request) to implement SB 739 (Speier) of 2006, which imposes reporting requirements and establishes a program to monitor and prevent hospital-acquired infections.

- ◆ **Office of AIDS.**
 - Approves May Revision proposal to use \$17.1 million of additional drug rebate revenue and a \$10.5 million reduction in the 2007-08 cost estimate for the AIDS Drug Assistance Program (ADAP) as follows:
 - \$9.3 million General Fund savings in ADAP.
 - \$5.6 million redirected to Care Services-Consortia.
 - \$5.3 million redirection to Early Intervention.
 - \$4 million redirection for increased testing under the Therapeutic Monitoring Program.
 - \$3.5 million redirection for home and community-based care case management.
 - \$1.8 million of General Fund support to partially backfill federal funding reductions to Eligible Metropolitan Areas and Transitional Grant Areas under Part A of the Ryan White HIV/AIDS Treatment Modernization Act of 2006.

 - The Conference Budget includes an additional \$5.6 million (General Fund) to maintain the 2006-07 funding level for HIV/AIDS Education and Prevention Programs.

 - Adopts Trailer Bill language to facilitate changes to the ADAP formulary to keep up with changes in drug treatment therapies.

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- ◆ **Environmental Bio-monitoring Program.** Approves \$3.2 million (General Fund) to begin implementation of the environmental contaminant bio-monitoring program authorized by SB 1379 (Perata) of 2006. The Conference funding level represents an increase of \$2 million over the amount proposed by the Governor in order to accelerate implementation by purchasing equipment and adding five additional staff. Additional funds for this program are provided in the budgets of the Department of Toxic Substances Control and the Office of Environmental Health Hazard Assessment.
- ◆ **Proposition 84 Safe-Drinking Water Bond Funds.** Approves the Administration's request for a total of \$47.3 million of Proposition 84 bond funds for Safe Drinking Water programs, including (1) \$9.1 million for emergency grants; (2) \$27.2 million for small community water drinking systems; and (3) \$9.1 million for prevention and mitigation of groundwater contamination.
- ◆ **Federal Bioterrorism Funds Extension.** Adopted trailer bill language to extend the sunset regarding the use of federal bioterrorism funds at the state and local level for three years, and added language for all cost compliance reports and audit exceptions to be provided to the Legislature upon request.

Managed Risk Medical Insurance Board

■ MAJOR ACTIONS

- ◆ **Healthy Families Program.** Approves May Revision estimate of \$1.1 billion (\$400 million General Fund) to provide coverage for 920,000 children—an increase of 7.7 percent over 2006-07. This amount also includes funds to pay for an estimated 3.1 percent increase in health plan rates.
- ◆ **Healthy Families-to-Medi Cal Bridge.** Approves May Revision request for a shift of about \$1.4 million of General Fund costs from Healthy Families to Medi-Cal in order to provide temporary Medi-Cal presumptive eligibility for children discontinued from Healthy Families. This program will replace a former bridge program that provided temporary continuation of Healthy Families enrollment that has ended due to termination of a federal waiver.
- ◆ **Major Risk Medical Insurance Program (MRMIP).** Reduces Proposition 99 Tobacco Tax funding by \$8.3 million due to reduced tobacco tax revenues. This reduction can be absorbed by the program due to enrollment savings in MRMIP. This action substitutes for a May Revision proposal to backfill the Proposition 99 revenue shortfall by replacing \$8.3 million of Proposition 99 funds for the Access for Infants and Mothers (AIM) Program with General Fund money. Total funding for AIM is not affected.

Department of Developmental Services

■ MAJOR ACTIONS

- ◆ **Health Care for Leavers of Agnews Developmental Center.** Adopts trailer bill language to ensure that the outpatient clinic at Agnews remains available for an extended time, provides that two mobile clinics, funded with \$1 million through the department's Wellness Initiative, are acquired and used to serve residents away from Agnews, funds health care coordinators at the three Bay Area Regional Centers (\$126,000 General Fund, \$503,000 total funds), and requires private health plan providers to adopt protocols and practices to adequately serve this population.
- ◆ **Cost Containment.** Continues a variety of cost containment measures for regional centers, for an approximate total General Fund savings of \$172.7 million (\$250 million total funds) in the budget year.
- ◆ **Salary Adjustments.** Approves salary increases in developmental centers for mental health classifications as a result of the *Coleman v. Governor Schwarzenegger* federal court order (approximately \$7.1 million total, \$4.2 million General Fund) and for dental staff pursuant to the *Perez* case (\$1.3 million total, \$747,000 General Fund).
- ◆ **Intermediate Care Facilities for the Developmentally Disabled-Continuous Nursing (ICF/DD-CN).** Adopts Supplemental Report and Budget Bill Language requiring reporting on the bundling of rates for the reimbursement of these facilities, associated cost effects, and quality of seamless service-delivery for consumers.

Department of Mental Health

■ MAJOR ACTIONS

- ◆ **Mental Health Managed Care Rate Restoration.** Provides a 5 percent rate restoration (\$12 million General Fund) for mental health managed care services and adopts corresponding trailer bill language.
- ◆ **Integrated Services for Homeless Mentally Ill Adults Program.** Restores a \$54.9 million (General Fund) cut that would have eliminated this program that provides comprehensive services to individuals who are homeless or at risk of homelessness and have a serious mental illness. The program was established by AB 2034 (Steinberg, Statutes of 2000) and is a competitive grant program that provides support to counties for these services.

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- ◆ **Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program.** Addresses the current and prior year deficiencies in the EPSDT program caused by administrative and accounting errors by approving a total increase of \$59.7 million (General Fund) to fund the 2006-07 deficiency, a total increase of \$107.9 million (General Fund) to fund 2007-08, and establish reimbursement to counties for \$260.2 million (General Fund) over a three-year period with payments of \$86.7 million. Also adopts language for the department to work collaboratively with the Legislature to develop an appropriate administrative structure in 2008-09, including the passage of legislation to address this in law.
- ◆ **Proposition 63.** Approves the continued implementation of the Mental Health Services Act (MHSA), including a modification to provide \$895,000 in MHSA funds for the Oversight and Accountability Commission's budget.
- ◆ **Salary Adjustments.** Approves various salary increases based on the department's staffing plan due to the *Coleman* lawsuit, the *Perez* case, and the Consent Judgment with the federal United States Department of Justice regarding the federal Civil Rights of Institutionalized Persons Act (CRIPA).
- ◆ **Incompetent to Stand Trial (IST).** Approves the May Revision requested pilot project and \$4.3 million (General Fund) to secure private provider contracts for additional IST beds to address demand for higher bed capacity.
- ◆ **Sexually Violent Predators (SVPs).** Approves the modifications in the May Revision as they relate to adjusted caseload and evaluation needs for the SVP population in state hospitals due to recent changes in law.
- ◆ **California Health Interview Survey.** Provides \$1 million (\$700,000 Mental Health Services Act Funds and \$300,000 reimbursements) for the continuation and augmentation of data components for the California Health Interview Survey.
- ◆ **Metropolitan State Hospital Fence.** Rejects the administration's change proposal and instead requires the department to work with the City of Norwalk and other interested parties to develop a proposal to address the scope of the fence project and report back to the Legislature by January 20, 2008.

Human Services

Department of Developmental Services

MAJOR ACTIONS

- ◆ **Health Care for Leavers of Agnews Developmental Center.** Adopts trailer bill language to ensure that the outpatient clinic at Agnews remains available for an extended time, provides that two mobile clinics, funded with \$1 million through the department's Wellness Initiative, are acquired and used to serve residents away from Agnews, funds health care coordinators at the three Bay Area Regional Centers (\$126,000 General Fund, \$503,000 total funds), and requires private health plan providers to adopt protocols and practices to adequately serve this population.
- ◆ **Cost Containment.** Continues a variety of cost containment measures for regional centers, for an approximate total General Fund savings of \$172.7 million (\$250 million total funds) in the budget year. Requires the Department of Developmental Services to develop a plan of options for consideration by the Administration and the Legislature to better control regional center costs of operating and providing state-supported services, to be submitted by October 1, 2007.
- ◆ **Salary Adjustments.** Approves salary increases in developmental centers for mental health classifications as a result of the *Coleman v. Governor Schwarzenegger* federal court order (approximately \$7.1 million total, \$4.2 million General Fund) and for dental staff pursuant to the *Perez* case (\$1.3 million total, \$747,000 General Fund).
- ◆ **Intermediate Care Facilities for the Developmentally Disabled-Continuous Nursing (ICF/DD-CN).** Adopts Supplemental Report and Budget Bill Language requiring reporting on the bundling of rates for the reimbursement of these facilities, associated cost effects, and quality of seamless service-delivery for consumers.

Department of Mental Health

■ MAJOR ACTIONS

- ◆ **Integrated Services for Homeless Mentally Ill Adults Program.** Restores a \$54.9 million (General Fund) cut that would have eliminated this program that provides comprehensive services to individuals who are homeless or at risk of homelessness and have a serious mental illness. The program was established by AB 2034 (Steinberg, Statutes of 2000) and is a competitive grant program that provides support to counties for these services.
- ◆ **Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program.** Addresses the current and prior year deficiencies in the EPSDT program caused by administrative and accounting errors by approving a total increase of \$59.7 million (General Fund) to fund the 2006-07 deficiency, a total increase of \$107.9 million (General Fund) to fund 2007-08, and establish reimbursement to counties for \$260.2 million (General Fund) over a three-year period with payments of \$86.7 million. Also adopts language for the department to work collaboratively with the Legislature to develop an appropriate administrative structure in 2008-09, including the passage of legislation to address this in law.
- ◆ **Proposition 63.** Approves the continued implementation of the Mental Health Services Act (MHSA), including a modification to provide \$895,000 in MHSA funds for the Oversight and Accountability Commission's budget.
- ◆ **Salary Adjustments.** Approves various salary increases based on the department's staffing plan due to the *Coleman* lawsuit, the *Perez* case, and the Consent Judgment with the federal United States Department of Justice regarding the federal Civil Rights of Institutionalized Persons Act (CRIPA).
- ◆ **Incompetent to Stand Trial (IST).** Approves the May Revision requested pilot project and \$4.3 million (General Fund) to secure private provider contracts for additional IST beds to address demand for higher bed capacity.
- ◆ **Sexually Violent Predators (SVPs).** Approves the modifications in the May Revision as they relate to adjusted caseload and evaluation needs for the SVP population in state hospitals due to recent changes in law.
- ◆ **California Health Interview Survey.** Provides \$1 million (\$700,000 Mental Health Services Act Funds and \$300,000 reimbursements) for the continuation and augmentation of data components for the California Health Interview Survey.
- ◆ **Metropolitan State Hospital Fence.** Rejects the administration's change proposal

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and instead requires the department to work with the City of Norwalk and other interested parties to develop a proposal to address the scope of the fence project and report back to the Legislature by January 20, 2008.

Department of Social Services

■ MAJOR ACTIONS

- ◆ **Adult Protective Services.** Provides a \$12 million (General Fund) augmentation to the Adult Protective Services Program to allow for staffing and other improvements to assist the caseload in the program.
- ◆ **Food Bank Support.** Approves the \$4.5 million (General Fund) appropriation to fund local food banks and Foodlink for storage and distribution needs. Adopts trailer bill language to allow any of the unused funds to be used for other emergency food needs in the state.
- ◆ **LEADER Replacement.** Approves the \$2 million of additional funds to be used for planning activities for replacing the LEADER system, used by Los Angeles County for human services programs.
- ◆ **County Equipment Replacement.** Provides approximately \$10 million (General Fund), augmented further by other funds, for computer hardware replacements for the CWS/CMS, CalWIN, and LEADER statewide automation projects. Additionally, these funds will provide help desk staff to support CalWIN county eligibility.

Child Welfare and Foster Care

■ MAJOR ACTIONS

- ◆ **Foster Care Payments.** Provides \$9.7 million (General Fund) for a rate increase of 5 percent, commencing January 1, 2008, for (1) foster family home base rates, specialized care increments, and group home rates; (2) Adoption Assistance Program cases prospectively; and (3) all Kin-GAP and Emergency Assistance cases. This rate increase assists in addressing concerns about quality of care, staff retention, and availability of services for children in foster care.
- ◆ **Support for Adoptions.** Provides a \$2 million (General Fund) augmentation for an increase in the rate for the Private Adoption Agency Reimbursement Payments Program, commencing February 1, 2008. The intent of the rate increase is to cover more of the expenses in adoptions cases, and thus encourage more providers to participate in the program.
- ◆ **Transitional Housing for Emancipated Foster Youth.** Provides a total

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augmentation of \$20.2 million (General Fund) for the Transitional Housing Program Plus, which provides affordable housing and comprehensive support services to former foster youth, age 18 to 24, over a 24-month period. Up to \$10.5 million of these additional funds may be used for eligible costs incurred in the 2006-07 fiscal year.

- ◆ **KIN-GAP Clothing Allowance.** Provides \$1 million General Fund and trailer bill language to fund the state clothing allowance at 100 percent and to permit three smaller counties to receive the clothing allowance.
- ◆ **Title IV-E Evaluation.** Approves budget bill language to require the department to collaborate with stakeholders on the Title IV-E waiver evaluation timeline, components, and execution upon enactment of the Budget.

CalWORKs

■ **MAJOR ACTIONS**

- ◆ **Governor's CalWORKs Reduction Proposal.** Rejects the administration's three sanction and safety net proposals, including the associated trailer bill language. Instead, adopted trailer bill language requiring the department to review the county plans for promising practices in engaging and re-engaging sanctioned families, among other directives, and requiring the information to be submitted to the Legislature and counties.
- ◆ **CalWORKs COLA.** Retains the Governor's proposal to suspend the CalWORKs COLA.
- ◆ **Temporary Assistance Program.** Modifies the administration's trailer bill to specify that the implementation date of the TAP program is moved from October 1, 2007 to April 1, 2009.

In Home Supportive Services

■ MAJOR ACTIONS

- ◆ **State Participation in Wages.** Rejects the Governor's proposal to freeze In-Home Supportive Services (IHSS) state participation in wages to January 10, 2007 levels, thus retaining the state's role in wages for these providers pursuant to current law. The cost of this continuation is \$14.1 million (General Fund) in the budget year.
- ◆ **Quality Assurance.** Approves the administration's request for increased funds to reflect a lower level of Quality Assurance (QA) savings due to the revised methodology based on actual implementation data. Adopts Supplemental Report Language to require the department to report quarterly on IHSS utilization. Adopts budget bill language to require the department to report at budget hearings on the impact of the QA regulations.
- ◆ **Direct Deposit.** Adopts trailer bill language to require the department and the Office of the State Controller (SCO) to establish a program of direct deposit to IHSS providers by June 30, 2008 and for the department to complete certain specified tasks by March 31, 2008. Adopts Supplemental Reporting Language requiring the department and the SCO to provide information on implementation to stakeholders on a quarterly basis.

SSI/SSP

■ MAJOR ACTIONS

- ◆ **Federal COLA Pass Through.** Rejects the Governor's proposal to cut the January, 2008 COLA for SSI/SSP, instead delays the COLA until June 1 of each year, generating \$123 million in General Fund savings but without any permanent impact to grant levels. The SSI/SSP provides cash assistance to 1.2 million eligible aged, blind, and disabled persons.
- ◆ **Cash Assistance Program for Immigrants (CAPI).** Adopts trailer bill language to permit CAPI recipients who naturalize to continue to receive benefits as they participate in the application and administrative appeal process of the Social Security Administration.

Community Care Licensing

■ MAJOR ACTIONS

- ◆ **Information on Provider Licensing.** Authorizes the department to spend up to \$1,675,000 in its licensing appropriation to implement its Licensing Reform Automation proposal, subject to the condition that its websites display licensing information with notification to the Legislature on how this would occur.

Child Care and Development

■ MAJOR ACTIONS

- ◆ **Income Eligibility.** Rejects the administration's proposal to freeze the State Median Income (SMI), the eligibility standard for state child care programs, at the current level, providing \$6.8 million in Proposition 98 funds to adjust the SMI for 2007-08.
- ◆ **Child Care Shift.** Maintains the shift as proposed in the Governor's Jan. 10 budget in Proposition 98 funds to support state-supported child care for Stages 2 and 3.
- ◆ **Child Care Quality Plan.** Adopts changes in budget bill language calling for increased stakeholder input for the Child Care Development Fund Plan formulated through the State Department of Education.
- ◆ **Facilities Fund Use.** Approves the Governor's proposal to transfer \$5 million from the Child Care Facilities Revolving Fund program to the Facilities Renovation and Repair program to ensure more timely use of state resources in the strengthening of child care infrastructure.

PreSchool

- ◆ **Wrap Around Care.** Allows for \$5 million of the \$50 million appropriation made by the administration for the Pre-Kindergarten Family Literacy preschool programs to be available for wrap around care in order to provide direct child care for children for the portion of the each day not otherwise covered by services provided as part of the state preschool program.

Afterschool

■ MAJOR ACTIONS

- ◆ **Afterschool Administration.** Approves a transfer of \$341,000 to fund program-related activities for the 12 positions approved in 2006 to support the After School Education and Safety program.
- ◆ **21st Century Community Learning Centers Program.** Approves an increase of \$57.2 million for this program, available from one-time carryover funds from unspent prior year funds.
- ◆ **Technical Support for Afterschool Care.** Approves \$1.5 million (General Fund) be reappropriated from unexpended funds to be utilized in combination with federal funds to provide technical assistance activities for the After School Education and Safety program and the 21st Century Community Learning Center program.

Department of Child Support Services

■ MAJOR ACTIONS

- ◆ **Child Support County Funding.** Approves \$68 million (\$23 million General Fund) for Local Child Support Agencies (LCSAs) to backfill for lost Federal Financial Participation due to changes in the Deficit Reduction Act of 2005.
- ◆ **Automation Certification.** Provides funding for the California Child Support Automation System and the Statewide Disbursement Unit that is projected to allow for federal certification in the budget year.
- ◆ **Performance Accountability.** Requires the department to report to the Legislature actual performance data on child support data and all comparative data for managing program performance provided to local child support agencies on a quarterly basis.

Department of Aging

■ MAJOR ACTIONS

- ◆ **Senior Legal Hotline.** Provides \$250,000 (General Fund) through the department for support of the Senior Legal Hotline operated by Legal Services of Northern California.

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- ◆ **Mental Health Services.** Approves \$93,000 in Mental Health Services Act (MHSA) funds and one permanent position for the department to coordinate and monitor efforts to improve access to mental health services for older persons and adults with disabilities.
- ◆ **ADHC Program Reform.** Approves \$194,000 (\$94,000 General Fund) and one position to provide legal analysis and consultation on complex issues arising from implementation of Adult Day Health Care (ADHC) Program reforms.

Dept. of Community Services & Development

■ **MAJOR ACTIONS**

- ◆ **Naturalization Services Program.** Provides an additional \$2 million (General Fund) to this program to conduct citizenship training through community-based nonprofits. The current level of funding allows for a partial year of service for clients in a high-demand program.

Department of Alcohol and Drug Programs

■ **MAJOR ACTIONS**

- ◆ **Proposition 36.** Provides an additional \$40 million (General Fund), for a total of \$100 million, to support the Substance Abuse and Crime Prevention Act (Proposition 36) and reduces funding in the Offender Treatment Program (OTP) from \$60 million to \$20 million. This shift of resources, while maintaining an overall funding level that is consistent with the Governor's proposal, allows for continued investment in the successful Prop. 36 programs, while maintaining the intensified services offered in the OTP.
- ◆ **Methamphetamine Prevention.** Approves redirection of \$197,000 (General Fund) from existing funding (\$10 million) provided for the California Methamphetamine Initiative (CMI) to provide two limited-term positions to the department to provide support to the CMI.
- ◆ **Licensing Reform Phase II.** Approves \$1.2 million (General Fund) and 12.5 positions (4.5 limited term) to conduct biennial compliance visits of licensed and/or certified programs, and federally required monitoring reviews and complaint investigations of Drug Medi-Cal providers, with the establishment of fees.

Section 2: Education

K-12 Education



Department of Education



MAJOR ACTIONS

Ongoing funds

- ◆ **COLA Increase.** Provides full funding for a 4.53% cost-of-living adjustment for discretionary funds (revenue limits) and categorical programs, at a total cost of \$2.1 billion. This was proposed by the Governor in his May Revise proposal.
- ◆ **Use of Public Transportation Funds for the Home-to-School Transportation Program.** Uses \$99 million in Public Transportation Account (PTA) Funds to pay for 17% of the costs of the state Home-to-School Transportation Program, which supports the transportation costs of K-12 school districts. The remaining 83% of the cost of the home-to-school transportation program is funded out of ongoing Proposition 98 funds and Proposition 98 reversion account funds, for total statewide funding of \$577 million – a level that provides full growth and COLA for the program. Rejects the administration's January 10 proposed use of PTA funds for the Home-to-School Transportation program, in which the Proposition 98 minimum funding guarantee was adjusted downward to account for the use of these funds. Also rejects the April and May proposals to use PTA funds to offset the General Fund costs of meeting the Proposition 98 minimum funding guarantee for schools. The budget's use of PTA funds for the home-to-school transportation program takes place outside of the Proposition 98 minimum funding guarantee, and therefore there is no interaction between the PTA funds and Proposition 98 funds for K-14 education.
- ◆ **Recognizes and addresses the May Revise shortfall in ongoing funds.** At a May 17, 2007 subcommittee hearing, the administration acknowledged that the Governor's May Revise proposal contained a technical error. Specifically, the May Revise inadvertently failed to include approximately \$366 million in ongoing costs from a revenue limit equalization expansion that was initiated last year. Revenue limit costs are continuously appropriated, and so the \$366 million will be appropriated regardless of the May Revision's inclusion of them or not. However, this technical error had the effect of underestimating required K-12 expenditures, and *over-estimated the amount of Proposition 98 funds that are available for augmentations above base-level funding.* That is, the technical error led to a

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misperception in the May Revise that there was \$366 million in Proposition 98 funds available for new programs or expansions of existing programs, when in reality these funds were needed to pay for base funding (revenue limit apportionments). Indeed, the Governor's May Revise included approximately \$230 million in new programs or program expansions. When the administration acknowledged the technical error in the May Subcommittee hearing, it also acknowledged that it could no longer fund the various new programs and expansions proposed in his May Revise at the level it had proposed. This budget therefore considers the Governor's May Revise proposals for new programs and program expansions withdrawn and instead uses any uncommitted funding within the Proposition 98 minimum funding level to pay for growth and COLA on base programs.

- ◆ **Provides base funding.** Acknowledges and addresses, as noted above in the final budget, the May Revise technical error, and makes funding base programs a priority. It correspondingly fully funds COLA on revenue limits and categorical programs. It also uses approximately \$137 million in one-time Proposition 98 to pay for base programs, specifically to a) \$115 million to pay for 42% of the ongoing costs of the deferred maintenance programs, and b) \$102 million to pay for the ongoing costs of the High Priority Schools Grant program.
- ◆ **Total Proposition 98 funding.** Provides a total funding level of \$57.2 billion in *ongoing* Proposition 98 funding for K-12 education and community colleges. While this ongoing funding level is approximately \$427 million less than the total Proposition 98 funding level proposed by the Governor in his May Revise, and \$314 million less than total Proposition 98 funding proposed by the Governor in his January 10 budget, these Proposition 98 funds are supplemented with Public Transportation Account funds and one-time Proposition 98 reversion account funds to ensure a fully-funded COLA and base funding for K-12 apportionments and categorical programs, thereby protecting school districts from any reductions. The total Proposition 98 funding level reflects updated General Fund revenue estimates and the effect this has on the minimum Proposition 98 funding guarantee.
- ◆ **School meals.** Provides an increase of \$24.9 million to increase the school breakfast and lunch state reimbursement rate by 4.7 cents from \$0.1634 to \$0.21 per meal, as proposed by the Governor's May Revise. (This state amount is on top of a per-meal rate paid for with federal funds.) Also includes budget control language proposed by the Governor's May Revise that a) links the increase to legislation that requires school districts to improve the quality of the meals served, b) ensures that Child Nutrition Program expenditures do not exceed amounts appropriated in the budget, and c) requires CDE to notify the Department of Finance in writing 30 days prior to paying prior-year reimbursement claims for nutrition programs.
- ◆ **Community Based English Tutoring.** Provides \$50 million to continue the Community Based English Tutoring program at last year's funding level, as

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proposed by the Governor in his January 10 budget and the May Revise. This program provides funds to school districts to offer English-as-a-Second-Language programs to non-English-speaking adults, including parents of K-12 students. The program was created 10 years ago by a related initiative, Proposition 227. The initiative appropriated \$50 million a year for this program over ten years. (The 2006-07 fiscal year was the 10th and final year that the initiative appropriated funding for the program.) Last year the Legislature approved legislation (SB 368 (Escutia), Chapter 632, Statutes of 2006) authorizing the state to continue funding for the program through the annual budget process, in the same way the state funds other categorical programs. That legislation also made minor changes and improvements to the program. The Governor's January 10 budget and May Revise proposals proposed to continue funding the program at the previous level, at \$50 million. The final budget includes this funding level.

- ◆ **Arts and Music control language.** Makes changes to the control language regarding the \$110 million included in the budget for the Arts and Music Block Grant. Specifically, the changes require that each receiving school district distribute funds to all schoolsites on the basis of an equal amount per students, *unless* the district adopts a resolution in a public meeting to allocate the funds in a different manner. The language changes also require each receiving school district to provide a summary report of how they spent the funds to CDE, which must in turn submit an expenditure report to the administration and the Legislature.
- ◆ **Childcare funding.** Adopts Governor's January 10 proposal to increase the share of childcare that is paid for with Proposition 98 funds by \$269 million.
- ◆ **Statewide testing of 2nd graders.** Provides \$2.1 million in Proposition 98 funds to continue funding for testing 2nd graders as part of the statewide testing system. This is accompanied by trailer bill language that continues authorization for 2nd grade testing through July 1, 2011. (Under current law, the authorization for testing 2nd graders under the state testing system ends July 1, 2007.)
- ◆ **Legislative intent for future equalization.** Specifies legislative intent to give priority to funding revenue limit equalization during the 2008-09 fiscal year, if there are any additional funds after funding COLA and enrollment growth adjustments for K-12 education programs.

One-time funds. Includes a total expenditure level of \$626 million in one-time Proposition 98 funds for K-12 expenditures. This includes a) \$102 million in prior-year savings from the High Priority Grant program to fund the 2007-08 costs of the same program, b) \$25.7 million in prior-year childcare savings to fund the 2007-08 costs of childcare programs, and c) \$498.7 million in one-time Proposition 98 expenditures from the Proposition 98 reversion account, which captures unused funding from prior-year Proposition 98 appropriations, for various K-12 appropriations. The budget does not include any Proposition 98 "settle-up" funds needed to meet a revised 2006-07

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Proposition 98 minimum funding level, which were proposed in the Governor's May Revision. This is due to revised General Fund revenue estimates, which led to a lower estimate of the 2006-07 Proposition 98 funding guarantee, and thus eliminated the need to provide settle-up funds at this juncture, until there is more certainty surrounding the 2006-07 final Proposition 98 funding guarantee. The total \$498.7 million in one-time K-12 appropriations from the Proposition 98 reversion account includes the following:

- ◆ **Williams Settlement Emergency Facilities Repair Program.** Includes a total increase of \$100 million to the School Facilities Emergency Repair Account, pursuant to the terms of the Elizer Williams v. State of California lawsuit settlement of 2004. That settlement was intended to ensure that the lowest-performing 30% of schools have access to funds to take care of emergency repairs. According to the LAO, there is at least \$300 million already available from previous appropriations in the School Facilities Emergency Repair Account, which funds this program, before the additional \$100 million provided by this budget. Due to the anticipated surplus in funds in this account over the expected expenditures in the 2007-08 fiscal year, the budget redirects \$250 million in funds from this account back to the Proposition 98 reversion account for various K-12 base program expenditures (bullets below). However, in the event that approved claims for the emergency facilities repair program exceed the amount available in the account, the budget contains a control section providing the Director of Finance the authority to move funds between home-to-school transportation, Public Transportation Account Funds and the General Fund, to ensure that there is sufficient funding in the account to fund approved claims. The control section also requires that total funding for the home-to-school transportation program remain unchanged from the total funding level provided in this budget.¹
- ◆ **Home-to-School Transportation program.** Provides \$250 million to fully fund this program. The budget also contains \$99 million in Public Transportation Account funds for this program, as well as \$228 million in Proposition 98 ongoing funds (that count toward the 2007-08 minimum funding guarantee), for a total funding level of \$577 million. This total funding level provides base funding for the program, adjusted for COLA.
- ◆ **Deferred maintenance.** Provides \$115.5 million to supplement the \$162 million in ongoing Proposition 98 funds to ensure that this program receives base funding, adjusted for COLA.
- ◆ **Charter School Facilities Grant Program.** Provides \$18 million in one-time funds for this program, which provides funding to charter schools in low-income areas, to

¹ That is, the control section provides the Director of Finance the authority to move funds between the various budget items, and potentially change the *mix* of funds that go toward the home-to-school transportation program, but to leave the total funding level for the home-to-school transportation program unchanged.

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pay for leasing costs when these charters are unable to secure non-leased buildings. This funding is estimated to cover one year's worth of costs under the program. The funding is not appropriated in the main budget bill, but instead of appropriated in the trailer bill regarding statewide benefit charter schools (see bullet below).

- ◆ **Trailer bill regarding statewide benefit charter schools.** Includes trailer bill language that makes various changes regarding the state's regulation of statewide-benefit charters (which are approved by the State Board of Education).
- ◆ **High Speed Network maintenance.** Adopts a May Revise proposal to provide a \$1.9 million one-time increase to the High Speed Network for system maintenance and service enhancements. This is on top of the January 10 proposed funding level of \$10.4 million in Proposition 98 funds for the system (a \$6 million increase in Proposition 98 funds for the program over last year's funding level). The budget also includes budget control language for the entire California Education Network, which covers the K-12 High Speed Network as well as the network for the higher education segments. The control language is intended to address audit findings about the system that raised concerns about the need to protect state assets.
- ◆ **FCMAT reports for emergency loan districts.** Added the following amounts of one-time Proposition 98 funds to pay for reports prepared by the Fiscal Crisis and Management Assistance Team. These reports are required by statute and provide information to the state on the progress that these districts make toward improved management goals: \$150,000 for Oakland Unified School District, \$125,000 for Vallejo Unified and \$110,000 for West Fresno Unified.
- ◆ **Teacher credentials block grant.** Includes \$8.8 million for the Teacher Credentials Block Grant, to ensure that the program is fully funded in 2007-08. This was a January 10 proposal.
- ◆ **Community Day School deficiencies.** Includes \$4.1 million to pay for prior-year shortfalls in funding for this program, which provides supplemental funding to school districts and county offices that set up special schools to address high-risk students or students who have been expelled from regular schools.

Other proposals funded with federal funds. The subcommittee's budget also includes the following proposals, paid for with federal funds:

- ◆ **Individual student growth score pilot.** Adds \$150,000 in federal Title VI testing funds for a pilot project to evaluate different ways of providing data on students' individual year-to-year growth on statewide tests.

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- ◆ **Set-aside of Title I funds for the future needs of Program Improvement schools and districts.** Sets aside \$23.9 million in Title I "set-aside" funds² in anticipation of an increase in the number of Program Improvement schools and districts³ in 2008-09. Includes accompanying budget bill language specifying that the funds may be programmed pursuant to legislation adopted during the 2007-08 regular legislative session.
- ◆ **Evaluations related to English learners.** Adds a total of \$1.3 million in federal Title III one-time carryover funds for two evaluations related to English learners: a) \$1 million for the evaluation of a project funded in last year's budget to identify best practices for teaching English learners, and b) \$300,000 for an evaluation of a future pilot project that will develop alternative instructional materials to help English learners master English (this is pursuant to legislation separate from the budget).
- ◆ **Promoting the use of interpreters by school districts.** Adds \$50,000 in federal Title III one-time carryover funds for CDE to evaluate districts' use of interpreters when they communicate with non-English-speaking parents. Also requires CDE to a) report back on the different ways that districts communicate orally with non-English-speaking parents, and b) identify the best ways for districts to communicate with non-English-speaking parents of K-12 public school students.
- ◆ **Reading First.** Appropriates \$34 million in one-time federal Reading First carryover funds for a three-year pilot project to encourage the development of professional development in reading for special education teachers. Accompanying budget control language specifies that the \$34 million is to be available over three years. The proposal also includes \$500,000 for CDE to contract with an external entity to evaluate the pilot project.
- ◆ **California Longitudinal Pupil Achievement Data System (CALPADS).** Adds \$1.2 million in federal Statewide Longitudinal Data System Grant funds for the costs of the information technology component of this longitudinal student data system, for a total of \$1.98 million in federal funds for this purpose.
- ◆ **Poverty study.** Adds \$130,000 in federal Title I funds on a one-time basis for CDE to do a study to identify options for the state in improving measures of student socioeconomic status. The objective of the study is to identify options for identifying needy students for the purposes of targeted school funding.
- ◆ **Special education proposals.** Adds the following amounts using one-time federal special education carryover funds:

² Title I funds that the federal government allows states to set aside to help address the improvement needs of schools and school districts that are not meeting annual statewide performance benchmarks.

³ Program Improvement schools and districts are schools and districts that have not meet statewide performance benchmarks for at least two years in a row.

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- \$450,000 to pay for increased costs of CDE's interagency agreement with the Office of Administrative Hearings for dispute resolution related to special education students.
- \$150,000 for an evaluation of the dispute resolution program run by the Office of Administrative Hearings.
- \$400,000 for CDE to identify best practices and develop corresponding materials that help students with specific learning disabilities receive appropriate instruction to achieve academically. The corresponding language requires CDE to convene an advisory committee to a) identify research-based information for the identification, evaluation and instruction of students with specific learning disabilities, b) identify professional development materials needed for training and technical assistance and c) identify research-based information on effective practices to prevent disproportionality consistent with federal law. CDE can also use the funds for the development and dissemination of materials related to the recommendations of the advisory committee.
- \$450,000 to CDE to pay for base state operations program to monitor local compliance with federal and state law regarding special education students.

Other state operations proposals

- ◆ **State Board of Education.** Restores funding for the State Board of Education. This funding was not included in last year's budget.
- ◆ **Funding for the monitoring of English learners and special education students in alternative schools.** Provides a total of \$2.7 million in federal Title III and federal special education funding⁴, on a one-time basis to be available over three years, to pay for seven additional limited-term positions to monitor the compliance of alternative schools, court schools and Division of Juvenile Justice schools with federal and state law requirements regarding special education and English learner students.
- ◆ **CDE staff to support NCLB corrective actions in program improvement LEA's** – Adds \$350,000 in federal funds and 4 positions for workload related to federal No Child Left Behind Act requirements that the state intervene in local educational agencies (school districts and county offices of education) that do not progress out of "program improvement" status.

⁴ \$1.05 million (3 limited-term positions) in federal special education funds and \$1.6 million (4 limited-term positions) in federal Title III carryover funds.

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- ◆ **Incarcerated youth coordinator.** Adds \$150,000 General Fund for a new position within CDE to coordinate educational services for incarcerated youth.
- ◆ **Review of Native American Instructional Materials.** Reappropriates \$50,000 for CDE's costs of reviewing instructional materials regarding California Native American history, culture and tribal sovereignty.
- ◆ **CDE's reporting on handling of civil rights review.** Requires CDE to report next year on its handling of student civil rights complains through the uniform complaint procedures.

Higher Education

California State Library

■ MAJOR ACTIONS

- ◆ **Public Library Foundation (PLF).** Approves a \$1 million augmentation to the PLF's budget. Total funding for the PLF in 2007-08 would be \$22.3 million.

University of California (UC)

■ MAJOR ACTIONS

- ◆ **Enrollment Growth Funding.** Provides \$52.9 million General Fund, or 2.5 percent, for enrollment growth based on Legislature's previously approved marginal cost methodology, to fund an additional 5,340 full-time equivalent students (FTES).
- ◆ **Base Budget Increase.** Provides a \$116.7 million increase General Fund, or four percent, to the basic support budget.
- ◆ **Student Fees.** Assumes an increase of \$104.7 million associated with the UC Board of Regents approves seven percent student fee increase for all students and 10 percent increases for law students at UCLA, UC Berkeley and UC Davis and business students at UCLA and UC Berkeley.
- ◆ **Institutional Financial Aid.** Approves the student fee revenue 33 percent set-aside for financial aid for undergraduate and professional students and 45 percent set-aside for graduate students.
- ◆ **UC Merced.** Approves \$14 million General Fund in one-time funds for the costs associated with the UC Merced campus including support for faculty salaries and recruitment, instructional technology, library materials, student services and operational support.
- ◆ **Entry-Level Master's Nursing Program.** Approves \$1.7 million General Fund to continue funding the expansion of entry-level master's nursing programs.

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- ◆ **Program in Medical Education for the Latino Community (PRIME-LC).** Approves an additional \$570,000 for the next cohort of 38 students. Total funding for 2007-08 is approved at \$1 million.
- ◆ **Math and Science Initiative.** Approves \$1.1 million to continue to support the math and science resource centers to increase the number of math and science teachers.
- ◆ **California State Summer School for Math and Science (COSMOS).** Approved an increase of \$500,000 to support the program. Total funding for this program would total \$2.1 million in 2007-08.
- ◆ **Student Academic Preparation and Educational Programs (SAPEP).** Restores \$19.7 million General Fund for student academic preparation and educational programs. Total funding for these programs in 2007-08 will be \$31.3 million. Of this amount, \$19.3 million are General Fund and \$12 million are UC funds.
- ◆ **Miguel Contreras Labor Program.** Restores \$6 million General Fund for the Miguel Contreras labor program, which funds the Centers for Labor Research and Education at UC Berkeley's and UCLA's Institutes for Industrial Relations.
- ◆ **California Institutes of Science and Innovation.** Rejects the \$15 million General Fund augmentation to support the operating costs of the four Institutes. These institutes are currently funded at \$4.8 million.
- ◆ **Petascale Supercomputer.** Rejects the \$5 million General Fund augmentation to the UC's support budget, which would have been provided as state-matching funds to enhance the UC's bid to build a \$200 million petascale computer.
- ◆ **Helios Energy Research Facility.** Approves \$70 million in lease-revenue bonds for this capital outlay project. The research at this facility will focus on alternative fuels, new energy sources and reduction of green house emissions.
- ◆ **Tobacco-Related Research.** Approves \$2 million in one-time additional funding from Proposition 99 for tobacco-research related programs.
- ◆ **PRIME-Telemedicine Facilities.** Approves \$140.6 in bond funds (out of \$199 million) to support the design, construction, and equipment of facilities that expand and enhance medical education programs with an emphasis on telemedicine.
- ◆ **Charles R. Drew University of Medicine and Science.** Approves \$10 million in Proposition 1D bond funds to fund part of the construction costs for a new Life Science Research Building and a Nursing Education Building. Drew University is providing \$10 million in matching funds for the capital outlay projects.

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- ◆ **Agricultural Research.** Approved an increase of \$1.5 million to support statewide agricultural research. Total funding for this research would be \$77.5 million in 2007-08.
- ◆ **Scripps Institution of Oceanography.** Approved an increase of \$1.5 million to support research at Scripps Institution of Oceanography at UC San Diego. Total funding for the Institute would be \$10 million in 2007-08.

California State University (CSU)

■ **MAJOR ACTIONS**

- ◆ **Enrollment Growth Funding.** Provides a \$64.4 million increase, or 2.5 percent, for enrollment growth based on Legislature's previously approved marginal cost methodology, to fund an additional 8,355 FTES.
- ◆ **Base Budget Increase.** Provides a \$108.9 million increase General Fund, or four percent, to the basic support budget.
- ◆ **Student Fees.** Assumes an increase of \$97.8 million associated with the CSU Board of Trustees approved 10 percent student fee increase for all students.
- ◆ **Institutional Financial Aid.** Approves the student fee revenue 33 percent set-aside for financial aid.
- ◆ **Nursing Program Enrollment Expansion.** Approves \$6.2 million to continue funding the enrollment expansion of undergraduate and Entry-Level Master's (ELM) nursing programs.
- ◆ **Math and Science Initiative.** Approves \$2.7 million to support the establishment of three regional math and science teacher recruitment centers and continue to expand the campuses' programs to increase the number of math and science teachers.
- ◆ **Academic Preparation Programs and Student Support Services Programs.** Restores \$7 million in General Fund for academic preparation programs and student support services programs. Total funding for these programs in 2007-08 will be \$52 million. Of this amount, \$7 million are General Fund and \$45 million are CSU funds.

California Community Colleges (CCC)

■ MAJOR ACTIONS

BUDGET-YEAR

- ◆ **Enrollment Growth Funding.** Approves a \$109.9 million increase in ongoing funds to fund a two percent enrollment growth to fund an additional 23,000 FTES.
- ◆ **Student Fee Reduction Backfill.** Approves an increase of \$30.4 million in ongoing funds to backfill the remaining student fee revenue included in the *2006-07 Budget Act*. Last year, the Legislature reduced student fees from \$26 to \$20 per unit and backfilled the \$40 million in loss student fee revenue for the 2007 spring term.
- ◆ **General Purpose Cost-of-Living-Adjustment (COLA).** Approves \$248.5 million for a 4.53 percent COLA for general purpose apportionments.
- ◆ **Growth and COLA for Categorical Programs.** Approves \$21.2 million for a 4.53 percent COLA for categorical programs.
- ◆ **Basic Skills Overcap Enrollment Funding.** Rejects the \$33.1 million redirection in ongoing funds to support matriculation and other student services and shifts funds back to the basic skills schedule.
- ◆ **Matriculation Services.** Rejects the \$10 million augmentation for matriculation services.
- ◆ **Career Development and College Preparation Programs.** Approves an augmentation of \$13.8 million in ongoing funds to increase the per-student rate for career development and college preparation programs. These are selected noncredit programs.
- ◆ **Current and Prior Year Unused Enrollment Growth Funding.** Approves the proposed \$80 million reduction to the base due to unused enrollment growth funding.
- ◆ **Part-Time Faculty Health Insurance.** Provides a \$4 million augmentation in one-time funds for part-time faculty health insurance reimbursements. Total funding available in 2007-08 would be \$5 million. Of this amount, \$1 million are ongoing funds.
- ◆ **Career Technical Education.** Approves \$20 million in ongoing funds and \$32 million in one-time funds for a total of \$52 million for career technical education programs.

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- ◆ **Nursing Program Enrollment Expansion.** Approves \$4 million in one-time funds to support start-up costs for four new nursing programs awarded through a competitive grant process, and approves \$22.1 million in ongoing funds for nursing program support and enrollment expansion.
- ◆ **Nursing/Allied Health Equipment.** Approves \$8 million in one-time funds for the purchase of equipment or other one-time investment in nursing and allied health programs.
- ◆ **Deferred Maintenance.** Approves \$8 million in one-time funds and \$27.3 million in ongoing funds for deferred maintenance, instructional equipment and hazardous substances abatement projects.
- ◆ **Textbook Assistance Program.** Approves \$1.9 million in ongoing funds to provide grants to qualifying Extended Opportunity Program (EOP) students to help defray the cost of textbooks.

California Student Aid Commission

■ MAJOR ACTIONS

BUDGET-YEAR

- ◆ **Cal Grant Baseline Adjustments.** Reduces the baseline by \$42 million reflecting the revised caseload for the budget year.
- ◆ **Assumption Program of Loans for Education (APLE) Math and Science Set-Aside.** Rejects the proposed 600 APLE awards set-aside for participants in the Governor's Math and Science Initiative.
- ◆ **State Nursing APLE (SNAPLE) and Nurses in State Facilities APLE Warrants (SNAPLE-SF) Warrants.** Rejects proposal to carry over the unused warrants for both programs instead of allowing them to be issued and adopts revised language authorizing 100 new warrants for each program in the budget year.
- ◆ **Shift State Operations from Student Loan Operating Fund (SLOF) to General Fund.** Approves \$15.3 million shift from SLOF to the General Fund to support the administrative costs of the Cal Grant program and other financial aid awareness programs.
- ◆ **Shift California Student Opportunity and Access Program from Student Loan**

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Operating Fund to General Fund. Approves \$5 million shift from SLOF to the General Fund and augments it by \$3.5 million for total funding of the program of \$8.5 million.

- ◆ **Public Interest Attorney Loan Repayment Program.** Approves authority for 100 new loan assumption warrants and a \$100,000 augmentation to support 1.0 positions to administer the program, which was established in statute in 2001.

Section 3:

Natural Resources and Environmental Protection

Natural Resources and Environmental Protection

Resources Agency

MAJOR ACTIONS

- ◆ **San Joaquin River Restoration.** Approves \$13.9 million (Proposition 84) to support implementation of a settlement agreement between the federal government, local water users, and environmental advocates to restore portions of the San Joaquin River, including channel modifications and ecosystem restoration projects that will be implemented by the Department of Water Resources and the Department of Fish and Game.
- ◆ **CALFED Supplemental Analysis.** Rejects \$5.4 million (proposition 50) to conduct a supplemental analysis of the CALFED program.

Tahoe Conservancy

MAJOR ACTIONS

- ◆ **Environmental Impact Program.** Approves \$23.5 million (various funds) for support and local assistance to continue the state's efforts to support the Environmental Impact Program for the Lake Tahoe Basin.
- ◆ **Lake Tahoe Fuels Reduction and Biomass.** Approves \$1 million (Proposition 84) for the Department of Forestry in conjunction with the Tahoe Conservancy for forest fuel reduction efforts. Rejects \$4.1 million (Proposition 84) requested to provide grants for the construction of biomass energy generating facilities. This action is consistent with other actions to reject funding from the Sustainable Communities section of Proposition 84 and to move discussion to policy committee.

Sierra Nevada Conservancy

■ MAJOR ACTIONS

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

Department of Conservation

■ MAJOR ACTIONS

- ◆ **"Green" Plastic Containers.** Approves \$2.4 million (Beverage Container Recycling Fund) for the department of conservation to work with the Department of Toxic Substances to reduce plastic bottle waste, provide lifecycle assessment, and work with industry to introduce green chemistry practices.
- ◆ **Conservation Easement Planning.** Approves \$12.3 million (Proposition 84) and four positions to assist communities to build sustainable, clean communities, and facilitate planning efforts to develop conservation easements.
- ◆ **AB 3056 Implementation.** Approves \$2 million (Beverage Container Recycling Fund) and 23 positions to carry out the provisions of Chapter 907, Statutes of 2006 (AB 3056).
- ◆ **Sustainable Communities.** Rejects \$10.4 million (Proposition 84) for the department to develop and implement programs to use grants to encourage green principles into the local planning process. This action is consistent with other actions to reject funding from the Sustainable Communities section of Proposition 84 and to move discussion to policy committee.

Department of Forestry and Fire Protection

■ MAJOR ACTIONS

- ◆ **Lake Tahoe Fuels Reduction and Biomass.** Approves \$1 million (Proposition 84) for the Department of Forestry in conjunction with the Tahoe Conservancy for forest fuel reduction efforts. Rejects \$4.1 million (Proposition 84) requested to provide

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grants for the construction of biomass energy generating facilities. This action is consistent with other actions to reject funding from the Sustainable Communities section of Proposition 84 and to move discussion to policy committee.

- ◆ **Computer Aided Dispatch System.** Approves \$6.7 million (General Fund) to complete the department's computer aided dispatch system.
- ◆ **Southern California Fuels Management.** Approves \$3.5 million (General Fund) to the Southern California Fuels Management.
- ◆ **Urban Forestry.** Approves \$4.49 million (Proposition 84) for urban forestry programs that provide grant funding for projects such as tree planting and vegetation maintenance programs.

Department of Fish and Game

■ MAJOR ACTIONS

- ◆ **Fish and Game Wardens.** Approves \$3 million (General Fund) to be used for overtime pay, increased academy capacity and other recruitment and retention purposes.
- ◆ **Salton Sea.** Augments \$13.3 million (Proposition 84) for Salton Sea restoration.
- ◆ **Quagga Mussels.** Approves \$5.7 million (General Fund) for the exclusion and eradication of the quagga mussel.
- ◆ **CALFED Ecosystem Restoration.** Approves \$47 million (Proposition 84) for CALFED Bay Delta Ecosystem Restoration Programs.
- ◆ **Yuba River Flood Control.** Approves \$7.4 million (Yuba Feather Flood Protection Subaccount) to continue environmental mitigation, restoration, and enhancement measures for the Yuba Feather River Flood Control Project, which adds flood protection for over 25,000 residences.
- ◆ **Lower Colorado River Multi Species Habitat Conservation Plan.** Approves \$6.8 million (Proposition 84) for the acquisition of lands for natural resource protection and public access to natural resources, consistent with the purpose of the Lower Colorado River Multi-Species Habitat Conservation Plan.
- ◆ **CEQA Staff Increase.** Approves \$4.5 million (Fish and Game Preservation Fund) and 34 positions for the California Environmental Quality Act (CEQA) Review

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Program. Chapter 667, Statutes of 2006, increased the fees collected by Fish and Game for CEQA reviews by an estimated \$4.5 million.

Wildlife Conservation Board

■ MAJOR ACTIONS

- ◆ **Wildlife Corridors.** Approves budget bill language that directs the Board to conduct Vegetation and Wildlife Corridor mapping in priority areas in the state as determined by the board.
- ◆ **Proposition 84.** Approves \$58.6 million (Proposition 84) for the first year of funding of the various programs allocated funding to in Proposition 84.

Coastal Conservancy

■ MAJOR ACTIONS

- ◆ **Ocean Protection Council.** Approves \$28 million (Proposition 84) for the Ocean Protection Council to expend on implementation of the Marine Life Protection Act.
- ◆ **Proposition 84.** Approves \$84.4 million (Proposition 84) for the Conservancy's five ongoing programs.

Department of Parks and Recreation

■ MAJOR ACTIONS

- ◆ **Empire Mine Remediation.** Approves \$4.1 million (General Fund) and six positions for the continued implementation of remediation and treatment measures.
- ◆ **Proposition 84 Administration.** Approves \$1.1 million (Proposition 84) funds and 76.8 positions for planning and administration for the state park system, program delivery for local grant programs, and statewide bond administration.
- ◆ **Deferred Maintenance.** \$86 million (General Fund) reversion from funding allocated to the Department of Parks and Recreation for deferred maintenance in the 2006-07 Budget.

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- ◆ **Opportunity Land Grants.** Approves \$25 million (Proposition 84) for opportunity land purchases.

Department of Water Resources

■ **MAJOR ACTIONS**

- ◆ **General Fund Reversion.** Funds various flood control programs directly out of Propositions 1E and 84 that were previously funded out of the General Fund. This plan will generate a \$184 million in General Fund savings.
- ◆ **Flood Control Subventions.** Reverts \$16 million (General Fund) from the local flood subvention program. This reversion will have no effect on flood control projects that are currently underway.
- ◆ **Water Conservation in Landscaping Act.** Approves \$400,000 (General Fund) to implement the Water Conservation in Landscaping Act.
- ◆ **Climate Change.** Rejects \$2.0 million (Proposition 84) and 10 PYs to evaluate how the department can reduce greenhouse gas emissions through management of water resources and how the state can mitigate the effects of climate change through new water management strategies. This proposal will be reconsidered through a policy bill.
- ◆ **Pelagic Fish Decline.** Approves three new positions (State Water Project Funds) to implement the Pelagic Fish Action Plan.
- ◆ **Flood Protection.** Approves \$8.4 million (General Fund) and 35 positions for levee maintenance activities, including San Francisco Bay-Sacramento-San Joaquin River Delta levees, improved emergency response capabilities, and floodplain mapping.
- ◆ **Flood Protection.** Approves the first year of funding for total amount of \$474.6 million from Propositions 1E and 84 and 52 positions for investments to improve the state's flood control systems. This funding includes \$401 million for local assistance including flood control subventions, grants for projects to improve flood protection in urban Central Valley areas, support for local maintenance and improvements of delta levees, grants for new flood control feasibility studies and levee evaluations, and programs to improve floodway corridors. Additionally, \$61.6 million is provided for state operations, including development of a California Flood Plan, support for floodplain evaluations and delineation, sediment removal to improve channel flows, and administrative and technical assistance for grant programs.

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- ◆ **Surface Storage Feasibility Studies.** Rejects \$15.8 million (\$3.7 million Proposition 50; \$12 million Proposition 84) to complete feasibility studies for three proposed reservoirs.
- ◆ **All American Canal.** Approves \$47.3 million (General Fund) and \$34.7 million (Proposition 84) for the lining of the All American and Coachella canals, and other projects considered essential to reduce the state's use of Colorado River water.
- ◆ **Integrated Regional Water Management.** Approves \$170 million (Proposition 50) in Integrated Regional Water Management (IRWM) grants and program costs. Rejects the first year of funding of \$270 million (Propositions 1E and 84) for projects to protect communities from drought, protect and improve water quality, and reduce dependence on imported water.
- ◆ **Delta Water Quality.** Rejects \$25 million (Proposition 84) programs, including \$25.1 million for the Delta Water Quality Program, \$15.1 million for Statewide Water Planning, and \$9.3 million for the Urban Streams Grant Program. This funding will be discussed in a subsequent policy bill.
- ◆ **Flood Protection Corridors.** Approves \$32 million (Proposition 1E) and \$25 million (Proposition 84) for the Department's Floodway Corridor program.

Secretary for Environmental Protection

■ **MAJOR ACTIONS**

- ◆ **AB 32 (Núñez) Implementation.** Approves \$545,000 (APCF) and three technical staff for the Secretary to implement AB 32 (Núñez). Rejects \$500,000 in contracts for scientific and economic analysis.

Air Resources Board

■ **MAJOR ACTIONS**

- ◆ **Trade Corridors.** Approves, upon passage of subsequent legislation, \$250 million (Proposition 1B) to implement the Trade Corridor Incentives Program that will grant funding to: upgrade old, high emitting trucks that service ports, rail yards and intrastate commerce; electrification of piers; clean locomotive technology; and replacement of harbor craft diesel engines.

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- ◆ **Carol Moyer Oversight.** Approves 6.0 positions from existing funds for increased oversight and accountability for the Carl Moyer Air Quality Incentives Program. This funding will be used for both oversight and assistance for those communities that have underperforming programs.
- ◆ **AB 32 (Núñez) Implementation.** Approves \$22 million (Special Funds) and 121 positions to implement greenhouse gas reduction goals outlined in AB 32 (Núñez). The expenditure of funds and positions provided in the budget will follow timelines outlined by AB 32 (Núñez) and will encompass the assessment of direct and market based measures for the purposes of the development of a comprehensive scoping plan.
- ◆ **High Emitting School Buses.** Approves \$193 million (Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund) with a two year expenditure period and 2.9 positions to replace pre-1987 school buses and retrofit old diesel school buses.
- ◆ **Trade Corridor Air Pollution.** Approves \$250 million (Proposition 1C) to implement air quality programs in the state's major trade corridors.
- ◆ **Hydrogen Highway.** Approves \$6.0 million (Motor Vehicle Account) and 7.7 positions for the Air Resources Board for matching funds for up to eight publicly accessible hydrogen fueling stations.
- ◆ **Heavy Duty Diesel.** Augments \$658,000 (Motor Vehicle Account) and 7.0 PYs for increased enforcement of Heavy Duty Diesel power vehicles.

The Integrated Waste Board

■ MAJOR ACTIONS

- ◆ **Fraud Prevention.** Approves \$518,000 various special funds and 4.8 positions to conduct financial, performance, and service audits to enhance the Board's ability to ensure that its waste diversion, used oil and tire recycling and electronic waste programs are properly administered.
- ◆ **Household Hazardous Waste.** Approves \$716,000 (Integrated Waste Management Account) and 1.9 positions for the Household Hazardous Waste grant program to develop and promote alternatives to the illegal disposal of household hazardous waste items.

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- ◆ **Electronic Waste.** Approves \$435,000 (Electronic Waste Recovery and Recycling Account) and 4.8 positions to improve the Board's ability to promptly process payments to recyclers, and enforce the state's electronic waste program requirements.

State Water Resources Control Board

■ **MAJOR ACTIONS**

- ◆ **Total Maximum Daily Load.** Approves \$242,000 (General Fund) and 2PYs to accelerate North Coast Water Board water quality assessment workload.
- ◆ **Proposition 84.** Approves \$75.7 million (Proposition 84) and eight positions for the State Water Pollution Control Revolving Fund Program that adds low interest loans or grants to construct municipal wastewater treatment facilities, storm water pollution control projects, non-point source pollution projects, and estuary enhancement projects. This funding includes the state share of federal matching funds.
- ◆ **Agricultural Water Quality Grant Program.** Approves \$6.2 million (Proposition 84) and 1.5 positions for the Agricultural Water Quality Grant Program. This program adds grants for public agencies or nonprofit organizations to improve agricultural water quality, including projects related to research and construction of agricultural drainage water improvements.
- ◆ **Urban Stormwater Grant Program.** Approves \$14.6 million (Proposition 84) and three positions for the Urban Storm Water Grant Program. This program adds grants to local public agencies for projects that contain storm water runoff, such as diverting the runoff to treatment facilities.
- ◆ **Clean Beaches.** Approves \$8.8 million (Proposition 84) and 5.7 positions for the Clean Beaches Grant Program. This program adds grants to public agencies for water quality projects in coastal waters, estuaries, and bays. Projects include upgrading septic systems, storm water pollution reduction programs, and clean beach projects in Santa Monica. Proposition 84 specifies that 20 percent of the funds for clean beaches be allocated to the Santa Monica Bay Restoration Commission.
- ◆ **Water Basin Plans.** Rejects \$6.1 million (Proposition 84) and 11.9 positions for basin and land use planning activities. This program will provide grants to local agencies to incorporate watershed protection efforts into land use policy, including projects such as restoring creeks and wetlands, directing runoff to permeable

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surfaces, and increasing water reuse. This proposal was rejected as it was funded from a section in Proposition 84 that was moved to policy committee.

- ◆ **Brownfield Remediation.** Retains \$3.1 million (Cleanup and Abatement Account) and 25.1 positions for the Water Board to accelerate the cleanup of approximately 750 additional brownfield sites.

Department of Food and Agriculture

■ **MAJOR ACTIONS**

- ◆ **High Risk Pest Exclusion.** Augments by \$2.2 million (General Fund) for high-risk pest exclusion activities performed by local Agriculture Commissioners and Statewide Boarder Stations.
- ◆ **Pest Prevention and Eradication.** Approves a total of \$9.5 million (General Fund) for the following pest prevention and eradication programs: \$2.0 million (General Fund) to eradicate the Light Brown Apple Moth; \$4.2 million (General Fund) and 45.6 limited term positions to fund a two year project to eradicate the Diaprepes Rood Weevil in Southern California; \$2.4 million (General Fund) and 33.2 positions for eradication and exclusion of the Quagga Mussel; and \$977,000 (General Fund) for the eradication of the Japanese Dodder.

**Energy Resources Conservation and
Development Commission**

■ **MAJOR ACTIONS**

- ◆ **AB 32 Implementation.** Approves \$1.1 million and 4.8 positions to reduce greenhouse gas emissions. Emission reduction strategies include expanding energy efficiency, increasing the use of alternative fuels and biofuels, promoting renewable electricity generation, and implementing electricity demand strategies.
- ◆ **Building Standards Enforcement.** Augments building standards compliance and enforcement by 3 PYs and \$359,000.
- ◆ **Solar homes.** Retains \$994,000 and 4.8 positions to implement SB 1 and the New Solar Homes Partnership.

**Section 4:
General Government and
Public Safety**



General Government

Commission on State Mandates

MAJOR ACTIONS

- ◆ **Reappropriation to Pay Claims for Prior Years.** Approves May Revision request to reappropriate \$41 million (General Fund) to pay remaining local government claims for reimbursement of mandates subject to Proposition 1A. As proposed by the Governor's Budget, there is no new General Fund funding for local government mandate costs incurred in 2007-08.
- ◆ **Mandate Claiming Process Changes.** Adopts Trailer Bill language to make various technical changes to mandate law to conform better with current budget and claiming practices post-Proposition 1A. These changes include moving the due date for local governments to file annual claims from January 15th to February 15th and moving the date that payment is due to local governments, and from which interest accrues, from March 15th to August 15th.

State Board of Equalization

MAJOR ACTIONS

- ◆ **U.S. Customs Program.** Approves budget request for \$1.1 million (\$696,000 General Fund) to expand the U.S. Customs Program from five positions to 16.5 positions. This program collects California import data from the Department of U.S. Customs and Border Protection to ensure payment of use tax by California-based purchasers. The budget estimates the proposed positions will generate \$15.2 million in revenues in 2007-08, of which \$9.4 million will accrue to the General Fund and \$5.8 million to local governments.
- ◆ **New Efforts by Local Assessors.** The Conference Committee approved Trailer Bill language authorizing a streamlined methodology for assessment of "fractionally-owned" aircraft fleets based on each county's share of worldwide takeoffs and landings, similar to the methodology employed for assessment of commercial scheduled airlines. Fractionally-owned aircraft fleets are relatively new and operate on a basis similar to timeshares. Although they are subject to property tax,

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assessments generally have been deferred for several years in anticipation of legislation to allow a simplified approach. The Trailer Bill language will facilitate collection of an estimated total of \$42 million of property tax revenue in 2007-08, including back assessments. Of this amount, \$14 million will go to K-14 education entities and result in a General Fund savings by reducing the state's Proposition 98 funding obligation. Cities and counties will receive the remaining revenue. Ongoing annual state savings after 2007-08 (assuming either Proposition 98 Test 2 or 3 remain in effect) will be approximately \$3.5 million. The Conference Budget appropriates \$3.9 million (leaving a net state benefit of \$10.1 million) for the following purposes:

- \$400,000 to the State Board of Equalization for a pilot program with up to three county assessor offices to provide additional information about the obligation to pay use tax to businesses that receive annual business property statements, and to share information provided on the statements about recent equipment purchases with the board to evaluate potential opportunities for better enforcement of use tax payment by businesses.
- \$3.5 million (in Item 9210, Local Government Financing) for general one-time grants to all county assessors, provided that at least \$30 million of assessments for fractionally-owned aircraft fleets have occurred. Grants will be allocated in proportion to each county's share of total statewide property tax revenue received by K-14 education.

Franchise Tax Board

■ MAJOR ACTIONS

- ◆ **Tax Gap Efforts.** Approves, with some redirection, \$19.6 million (General Fund) and 230 positions for various efforts to close the state's estimated \$6.5 billion tax gap--the difference between the amount of tax owed and the amount paid. Of the proposed resources, \$13.6 million and 180.5 positions continue six existing pilot programs proposed for permanent establishment. The existing programs concentrate on detecting non-filers and filers of fraudulent returns and on audit and collections activities. The FTB estimates these programs will generate \$64.7 million in revenues in 2007-08, and \$68.5 million in revenues in 2008-09. The remaining \$6 million and 49.5 positions are for new initiatives to educate independent contractors about filing requirements, expand the corporate non-filer program, address out-of-state tax avoidance, and increase investigations of persons who fail to file a return, or who file fraudulent returns. The budget estimates these initiatives will generate \$12.8 million in revenues in 2007-08, and \$29.8 million in revenues in 2008-09. A redirection of some resources within the proposal increases the revenue estimate by \$2 million in 2007-08.

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- ◆ **Call-Center Staffing.** Deletes Governor's Budget request for \$1.3 million and 27 positions to increase staffing and reduce wait times at the FTB's taxpayer call center.
- ◆ **Tax Agency Information Sharing.** Provides \$250,000 (General Fund, redirected from savings in the Tax Gap proposal) for a technology consultant and adopts Budget Bill language to identify technology solutions to enhanced data sharing among the state's three major tax agencies—the Franchise Tax Board, State Board of Equalization and the Employment Development Department. The funding responds to a need identified in the plan presented by the tax agencies as part of their Federal-State Partnership and also responds to a report and recommendations by the Legislative Analyst.
- ◆ **Repeal of the Teacher Retention Tax Credit.** Repeals the Teacher Retention Tax Credit, as proposed in the Governor's Budget, resulting in an annual estimated General Fund revenue gain of \$165 million. The credit was suspended in 2002 and also for the 2004 through 2006 tax years. This Personal Income Tax benefit provides for credits ranging up to \$1,500 to teachers, depending on their years of service, with the highest benefit going to the most senior teachers.

Tax Relief Programs

■ MAJOR ACTIONS

- ◆ **Senior Citizen Programs.** Includes a total of \$203.5 million to fund Senior Citizens' Property Tax Assistance and Deferral Programs and Senior Citizens' Renters' Assistance in 2007-08, as requested by the Governor.
- ◆ **Homeowner's Exemption.** Includes \$447 million to backfill local government revenues losses due to the Homeowner's Property Tax Exemption, as requested by the Governor.
- ◆ **Williamson Act.** Rejects May Revision proposal to save \$39.1 million by eliminating Open-Space (Williamson Act) Subventions to local governments (primarily counties). These subventions partially backfill property tax revenue losses due to the lower assessed value granted to agricultural and other qualifying lands that are under open space contracts.

Economic Recovery Bonds Debt Service

■ MAJOR ACTIONS

- ◆ **Required Payments.** Includes, as budgeted, \$2.6 billion to repay the Economic Recovery Bonds (ERBs). This amount includes \$1.5 billion from the dedicated quarter-cent sales tax and an additional \$1 billion (50 percent of the amount transferred from the General Fund to the Budget Stabilization Account), consistent with Proposition 58. Under Proposition 58, the Governor could have waived the additional \$1 billion payment from the Budget Stabilization Account by acting prior to June 1, but chose not to do so. The payments also include \$53 million of General Fund proceeds from the sale of surplus property that must be used to repay the ERBs under Proposition 60A.

- ◆ **Additional Accelerated Repayment.** Rejects the Governor's Budget proposal to appropriate \$595 million from the General Fund to further accelerate repayment of the Economic Recovery Bonds (ERBs) beyond any requirement in existing law or the constitution. Although the additional repayment could have resulted in some interest savings on the ERBs, that savings would have been offset by additional interest costs for cash-flow borrowing or by the loss of interest earnings on cash reserves.

Unallocated Reductions

■ MAJOR ACTIONS

- ◆ **Control Sections 4.04 and 4.05.** Increases General Fund savings from these Control Sections by \$40 million—to a total of \$186.3 million---compared with the Governor's May Revision proposal. The savings consist of (1) \$86 million in Control Section 4.04 from eliminating the "price increase adjustment" budgeted for operating expenses and equipment in state agencies except for constitutional officers, the Legislature and the Judiciary (agencies will have to find other savings to compensate for actual price increases in the costs of goods and services that they purchase) and (2) an additional \$100.3 million of General Fund savings that will be identified by the administration during 2007-08 and reported to the Legislature pursuant to Control Section 4.05. The administration proposed eliminating half (rather than all) of the price increase adjustments for most departments, which would have resulted in a savings of \$46 million in Control Section 4.04 plus an additional \$6.4 million of savings from elimination of the remaining half of the price-increase funding for Health and Human Services departments (those savings are separately budgeted in the individual department items since they were proposed to offset various Spring Finance Letter funding requests for those departments). The 2007-08 Budget Bill eliminates the remainder of the price increase funding to increase General Fund savings by \$40 million.

Elimination of Boards and Commissions

■ MAJOR ACTIONS

- ◆ **Budget Action.** Rejects the Governor's Budget proposal for the elimination of the following boards and commissions (no General Fund savings was proposed) as part of the budget (consideration should be through the policy process instead):
 - Electricity Oversight Board
 - California Consumer Power and Conservation Financing Agency
 - Heritage Preservation Commission
 - California Quality Education Commission

Secretary for Business, Transportation & Housing

■ MAJOR ACTIONS

- ◆ **Tourism Commission.** Approves \$6.3 million (General Fund) reduction in the ongoing state contribution to tourism marketing pursuant to Chapter 790, Statutes of 2006 (AB 2592), which authorizes a new assessment of the rental car industry to support the marketing efforts of the California Travel and Tourism Commission.
- ◆ **International Trade Study.** Rejects \$300,000 (General Fund) and 3.0 positions to carry out Chapter 663, Statutes of 2006 (SB 1513), which requires the Business, Transportation and Housing Agency to produce a comprehensive study of the need for state programs to facilitate foreign trade, develop an international trade and investment strategy, and convene a statewide partnership for international trade and investment.
- ◆ **Small Business Loan Guarantee Program.** Approves a one-time General Fund appropriation of \$832,000 to match \$4.3 million in federal funds to provide additional loan guarantees to small businesses, particularly in areas that have suffered sudden job loss due to natural disasters or manufacturing plant closures.

Department of Corporations

■ MAJOR ACTIONS

- ◆ **BSA Audit Response.** Approves \$2.1 million (Corporations Fund) and 17 positions to address staffing deficiencies in the lender fiduciary program that were raised by the Bureau of State Audits.
- ◆ **Increased Enforcement.** Adds \$973,000 (Corporations Fund) for six additional PYs to increase enforcement.

Department of Insurance

■ MAJOR ACTIONS

- ◆ **Workers Compensation Enforcement.** Adds \$1.3 million (Insurance Fund) for workers compensation enforcement.
- ◆ **Insurance Fraud Prevention.** Adds \$3.2 million (Insurance Fund) to provide grants to local district attorneys for workers compensation and healthcare insurance fraud cases.

Department of Housing and Community Development

■ MAJOR ACTIONS

- ◆ **Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) Positions.** Approves 45.0 positions to support the programs funded by the passage of Proposition 1C.
- ◆ **Building Equity in Neighborhoods Programs (BEGIN).** Approves a \$40 million allocation in Proposition 1C funds in the budget year for BEGIN. The program provides grants to cities and counties to make deferred payment second mortgage loans to qualified buyers of newly constructed homes.
- ◆ **Transit-Related Development (TOD).** Approves a \$95 million allocation in Proposition 1C funds in the budget year. Appropriation for this new program is

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subject to legislation. This new transit-oriented development program provides funds to be used for developing or facilitating the development of higher density uses (infill development) within close proximity to transit stations that will increase public transit ridership.

- ◆ **Regional Planning, Housing, and Infill Incentive Account.** Approves a \$300 million allocation in Proposition 1C funds in the budget year. The \$850 million approved in the bond would provide incentive grants for capital outlay related to infill housing development.
- ◆ **Multi-Family Housing for Homeless Youth.** Approves a \$15 million allocation in Proposition 1C funds in the budget year. Youth between the ages of 18 and 24 years of age and who meet specified requirements are eligible transitional, emergency or permanent housing, which is tied to supportive services.
- ◆ **Joe Serna Jr. Farmworker Housing Grant Fund.** Approves a \$40 million allocation in Proposition 1C funds in the budget year. This program provides grants to local government agencies, nonprofit corporations, and federally recognized Indian tribes to assist in the construction or rehabilitation of housing projects for agricultural worker households.
- ◆ **Emergency Housing and Assistance Fund (EHAP).** Approves a \$10 million allocation in Proposition 1C funds in the budget year. The program provides operating facility grants for emergency shelters, transitional housing projects, and supportive services for homeless individuals and families.

California Science Center

■ **MAJOR ACTIONS**

- ◆ **California African American Museum (CAAM).** Approves \$2.3 million in General Fund to renovate and expand the CAAM. The total General Fund cost is estimated at \$43.6 million out of the total project cost of \$65.4 million. The renovation and expansion of the 24 year-old building would allow for education programming space, larger library space, a new 300 seat theatre, and new revenue-generating space including a café, a retail store, and meeting space.
- ◆ **Science Center Phase II Facility.** Approves \$1.9 million in General Fund and 4.5 positions for staffing and operations of the expanded facility. The state has funded \$31.3 million for design and construction of this project.

Department of Consumer Affairs

■ MAJOR ACTIONS

- ◆ **Board of Barbering and Cosmetology.** Approves an \$188,000 augmentation (Special Fund) and 1.5 permanent positions to implement new workload requirements generated by AB 861, Chapter 411, Statutes of 2006. The bill authorized probationary licenses and requires a report.
- ◆ **Bureau of Automotive Repair (BAR).** Approves an augmentation of \$12.3 million (Vehicle Inspection and Repair Fund) and 9.1 positions to incorporate the visible smoke test into the Smog Check Program pursuant to AB 1870, Chapter 761, Statutes of 2006.
- ◆ **Bureau of Private Postsecondary and Vocational Education.** Approves \$3.1 million reduction as proposed by the administration to support the Bureau. The Bureau is scheduled to sunset on July 1, 2007. There are two policy bills moving through the process that would address the continuation of the Bureau and the reforms that would follow. The Governor's January 10th budget included an augmentation request of \$3.4 million. The augmentation request has been withdrawn pending resolution of the status of the Bureau.
- ◆ **Professional Fiduciaries Bureau.** Approves \$1.1 million (Special Fund) and 5.0 positions the newly created Bureau established by SB 1550, Chapter 491, Statutes of 2006. The bill establishes the Bureau as the state's licensing and regulation of persons acting as professional fiduciaries.

Department of General Services

■ MAJOR ACTIONS

- ◆ **Green Building Initiative Implementation.** Approves 5.0 additional positions to support the Sustainability Program and approves \$3 million (Service Revolving Fund) to hire private consultants to perform Leadership in Energy and Environment Design (LEED) certification of state buildings as required by the California Global Warming Solutions Act of 2006.
- ◆ **Fleet Analysis and Reporting System.** Approves \$614,000 (Service Revolving Fund) and 2.0 positions to continue the development of a Fleet Analysis and Reporting System (FARS) to improve tracking and accountability for state vehicles.
- ◆ **State Capitol and Grounds Maintenance and Repairs.** Approves a \$2.1 million augmentation in General Fund and 4.5 positions to fund maintenance, special

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repairs, and utilities for the State Capitol.

Employment Development Department

■ MAJOR ACTIONS

- ◆ **Job Services Program.** Restores \$27.1 million in General fund and 271 positions to the Job Services Program. The programs provides a variety of job services including services to the disabled, long-term unemployed, welfare recipients, parolees, veterans and youth.
- ◆ **Disability Insurance Branch Automation Project-Phase 3.** Approves \$1.6 million and 6.6 positions to fund the second year of a four-year project of an IT system that would provide greater access to services for claimants, medical providers, and employers. Total cost of the project will amount to \$28.9 million.

Department of Industrial Relations

■ MAJOR ACTIONS

- ◆ **Workers' Compensation.** Approves 31.0 limited-term positions into permanent positions to support the Workers' Compensation increase in workload.
- ◆ **Industrial Welfare Commission.** Rejects \$449,000 in General Fund to restore funding and 3.0 positions for the Commission.
- ◆ **Employer/Employee Labor Law Education.** Approves a permanent augmentation of \$211,000 to accelerate the implementation of the new labor-law education plan by one year-from 2008-09 to 2007-08. The funding would be used to establish a toll free 800 number that workers could call to get information about worker rights and labor laws, to support 1.0 position to respond to the hotline and to develop a bus advertising campaign to inform the public about the hotline number.
- ◆ **Special Fund Loan to the Targeted Inspection and Consultation Fund (TICF).** Approves authority for a loan not to exceed \$13.0 million from the Workers' Compensation Administration Revolving Fund to the TICF, which primarily supports the California Occupational Health and Safety Administration (Cal-OSHA) and amends the proposed language requiring a long-term plan to address the TICF's fund imbalance and a detailed loan repayment schedule.

Board of Chiropractic Examiners

■ MAJOR ACTIONS

- ◆ **Funding for the Chiropractic Examiners Board.** Approves \$1.5 million (Special Fund) to support the Board for six months in 2007-08 with the expectation that the rest of the funding would be appropriated through pending legislation. The Board licenses and regulates the chiropractic industry. It also sets educational standards for recognized chiropractic colleges, reviews complaints, and investigates possible violations of the Chiropractic Act and regulations.

Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun

■ MAJOR ACTIONS

- ◆ **Augmentation in Funding for Training.** Approves an augmentation of \$438,000 for three years and \$160,000 ongoing (Special Fund) for a total funding of \$2 million in 2007-08 to increase the Board's training capacity from 9 to 13 pilots to address the anticipated increase in pilot retirements. The Board licenses and regulates maritime pilots who guide vessels entering or leaving the Bays of San Francisco, San Pablo and Suisun.

Department of Fair Employment and Housing

■ MAJOR ACTIONS

- ◆ **Housing Expansion.** Approves \$873,000 from the General Fund and seven positions to improve case processing and service to individuals that file a housing discrimination complaint.
- ◆ **Legal Support.** Approves \$1.5 million from the General Fund and 10 PYs to increase legal and administrative staff.
- ◆ **District Decentralization.** Approves \$400,000 from the General Fund in one time funds to decentralize and relocate Los Angeles offices.

Gambling Control Commission

■ MAJOR ACTIONS

- ◆ **MICS audit and compliance.** Provides \$900,000 and seven positions to establish an audit and compliance unit to review and enforce the minimum internal control standards (MICS) adopted by gaming tribes pursuant to the terms of their respective gaming compacts.

Military Department

■ MAJOR ACTIONS

- ◆ **Honor Funerals.** Provides \$1.8 million and 22.1 positions to meet the demand for increased military funeral honor ceremonies in California.
- ◆ **Armory Maintenance and Modernization.** Provides \$3.5 million to provide for the ongoing facilities needs of state armories.
- ◆ **Mental Health Services.** Provides \$165,000 and one position to provide emergency crisis counseling, combat stress evaluations and mental health services to the state military services.

Department of Veteran's Affairs

■ MAJOR ACTIONS

- ◆ **GLAVC Veteran Home.** Provides \$621,000 to support start-up cost associated with the opening of the Greater Los Angeles/Venture Counties Veterans home.
- ◆ **Skilled Nursing Facility.** Provides \$2.3 million and 18.9 positions to re-open the 40 bed skilled nursing facility at the Barstow veterans' homes.

Public Safety

Office of the Inspector General

MAJOR ACTIONS

- ◆ **Rehabilitation Oversight.** Provides \$517,000 to support the establishment of the California Rehabilitation Oversight Board as mandated by Assembly Bill 900.
- ◆ **Audit and Investigations.** Provides \$1.8 million and ten positions to increase the number of audits and investigations of the Department of Corrections and Rehabilitation in order ensure statutory compliance.
- ◆ **Juvenile Superintendents.** Provides \$989,000 to review the Governor's candidates for superintendent of juvenile correctional facilities, in a manner similar to the review of wardens of adult institutions.

Local Government Financing Public Safety Subventions

MAJOR ACTIONS

- ◆ **COPS/Juvenile Justice Grants.** Approves the Governor's request for a total of \$238 million (General Fund)--the same amount as provided in 2006-07. The Citizens' Option for Public Safety (COPS) program provides per-capita grants that are allocated at a local level to police departments, sheriffs, and district attorneys. The Juvenile Justice Crime Prevention Act provides per-capita grants to counties to finance juvenile justice strategies to reduce recidivism under local plans developed using multi-agency coordination. Each program receives an equal share of the funding.
- ◆ **Local Detention Facility Subventions.** Provides \$35 million for subventions to counties for local detention facility operations, renovation, remodeling, construction, or equipment. These subventions replace revenue from former booking fees. Pursuant to 2006-07 Budget trailer legislation, beginning in 2007-08, previous booking fees charged to cities and other entities for jail bookings are eliminated, provided that the state provides at least \$35 million for local detention facility subventions. Instead, counties and cities with jails are restricted to charging arresting agencies a new jail access fee that applies only to bookings for municipal

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code and misdemeanor violations that exceed the most recent three-year average of each local arresting agency. Misdemeanors for driving under the influence or related to domestic violence are excluded from the jail access fee calculation.

- ◆ **Rural and Small County Law Enforcement Grants.** Includes, as provided in the Governor's budget, \$18.5 million to fully fund this program, which provides grants of \$500,000 to 37 counties.

Office of Emergency Services & Office of Homeland Security

■ MAJOR ACTIONS

- ◆ **Statewide Anti-Gang Coordinator.** Provides \$446,000 (General Fund) to establish a statewide anti-gang coordinator, as well as adopts budget bill language specifying the duties of the coordinator are subject to legislation.
- ◆ **Gang Prevention.** Provides \$9.5 million (Restitution Fund) in local assistance grants to cities and community based organization to provide meaningful alternatives to gang affiliation, as well as requires grantees to provide a dollar for dollar match.
- ◆ **Gang Suppression.** Provides \$4.8 million (Federal Funds) to provide local assistance grants to augment the effort of suppressing gang-related violence.
- ◆ **Domestic Violence.** Provides \$300,000 (Special Fund) to increase domestic violence counseling and education to underrepresented communities.
- ◆ **Local Law Enforcement.** Provides \$1 million (Restitution Fund) to support four existing Internet Crimes Against Children (ICAC) taskforces in San Diego, Sacramento, San Jose and Los Angeles. ICACs investigate information technology crimes by offenders using the Internet, online communication systems and other technologies.
- ◆ **Port Security.** Provides \$40 million (Proposition 1B) to establish the California Port Security Grant Program. The grant program will provide assistance to ports in preparing for, responding to, and protecting against acts of terrorism.
- ◆ **Transit Security.** Provides \$100 million (Proposition 1B) to establish the Transit Security Grant Program to assist local transit authorities in high-risk urban areas in preparing for, responding to, and mitigating against acts of terrorism.

Department of Justice

■ MAJOR ACTIONS

- ◆ **Witness Protection.** Provides \$3.7 million to increase state support for local district attorney offices. The Department of Justice provides reimbursements to local district attorneys to costs incurred in providing witness protection in sensitive cases.
- ◆ **Megan's Law.** Provides \$611,000 to support enhancements to the Megan's Law website and database.
- ◆ **Climate Change Litigation.** Provides \$1 million to pursue climate change litigation on behalf of the state. Also, adopted budget bill language restricting the usage of these funds to litigate local government entities.
- ◆ **Proposition 69.** Provides \$11.2 million (General Fund) to back-fill the DNA Fingerprint, Unsolved Crime, and Innocence Protection Act. Recently, the Bureau of State Audits has been authorized to conduct an audit of the collections and remittances by local agencies to the DNA ID fund.

Department of Corrections and Rehabilitation

■ MAJOR ACTIONS

- ◆ **Population Adjustment.** Provides \$10 million (General Fund) to support projected changes in the department's adult and juvenile populations. The spring population projection predictions an end-year adult institution population of 178,236 and a parole population of 126,068. The end-year population project of juvenile institutions is 2,340 and a juvenile parole population of 2,385.
- ◆ **Juvenile Population Shift.** Provides \$130,000 per ward in block grant assistance and \$14.9 million in planning grants to reform the state's juvenile justice system, by providing rehabilitative services in closer proximity to the families of offender and enhance the capacity of local communities to implement an effective continuum of responses to juvenile crime and delinquency.
- ◆ **Recidivism Reduction Strategies.** Provides \$90.1 million to implement various rehabilitation programs in order to reduce the recidivism rate of state offenders.
- ◆ **Gang Member Intervention.** Provides \$805,000 to expand Project IMPACT, which provides workshops, seminars and counseling to decrease gang affiliation among

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juveniles within state institutions, as well as provides aftercare housing for wards that denounce gang membership.

- ◆ **Medical Care Lawsuit Compliance (Plata Lawsuit).** Provides \$253 million to support the department's compliance with the federal receiver's budget year funding request to support improvement's the department medical care delivery system.
- ◆ **Jessica's Law.** Provides \$62.4 million to meet statutory requirement requiring the oversight of high risk sex offenders.
- ◆ **Probation Services.** Provides \$10 million and trailer bill language to support two pilot probation programs within local agencies.
- ◆ **Mentally Ill Offenders.** Provides \$29.7 million in local assistance to county sheriffs to fully fund the 2006-07 funding cycle for the Mentally Ill Offender Crime Reduction grant program.

Judicial Branch

■ MAJOR ACTIONS

- ◆ **New Trial Court Judgeships.** Provides \$27.7 million to support the facility modifications and staffing for up to 50 new judgeships in the budget year.
- ◆ **Access to Justice.** Provides \$7.8 million to support the expansion of Self-Help programs and trial court interpreter services.
- ◆ **New Court Construction.** Provides \$25.4 million to begin construction of eight new court facilities in the counties of Madera, Riverside, San Bernardino, San Joaquin, Tulare, San Benito, Calaveras and Lassen.
- ◆ **Conservatorship.** Provides \$17.4 million to implement the Conservatorship and Guardianship Reform Act of 2006, which increases oversight over the conservatorship and guardianship system for elderly and dependent adults.

Office of the Inspector General

■ MAJOR ACTIONS

- ◆ **Rehabilitation Oversight.** Provides \$517,000 to support the establishment of the California Rehabilitation Oversight Board as mandated by Assembly Bill 900.
- ◆ **Audit and Investigations.** Provides \$1.8 million and ten positions to increase the number of audits and investigations of the Department of Corrections and Rehabilitation in order ensure statutory compliance.
- ◆ **Juvenile Superintendents.** Provides \$989,000 to review the Governor's candidates for superintendent of juvenile correctional facilities, in a manner similar to the review of wardens of adult institutions.

Section 5: Transportation and Information Technology



Transportation & Information Technology

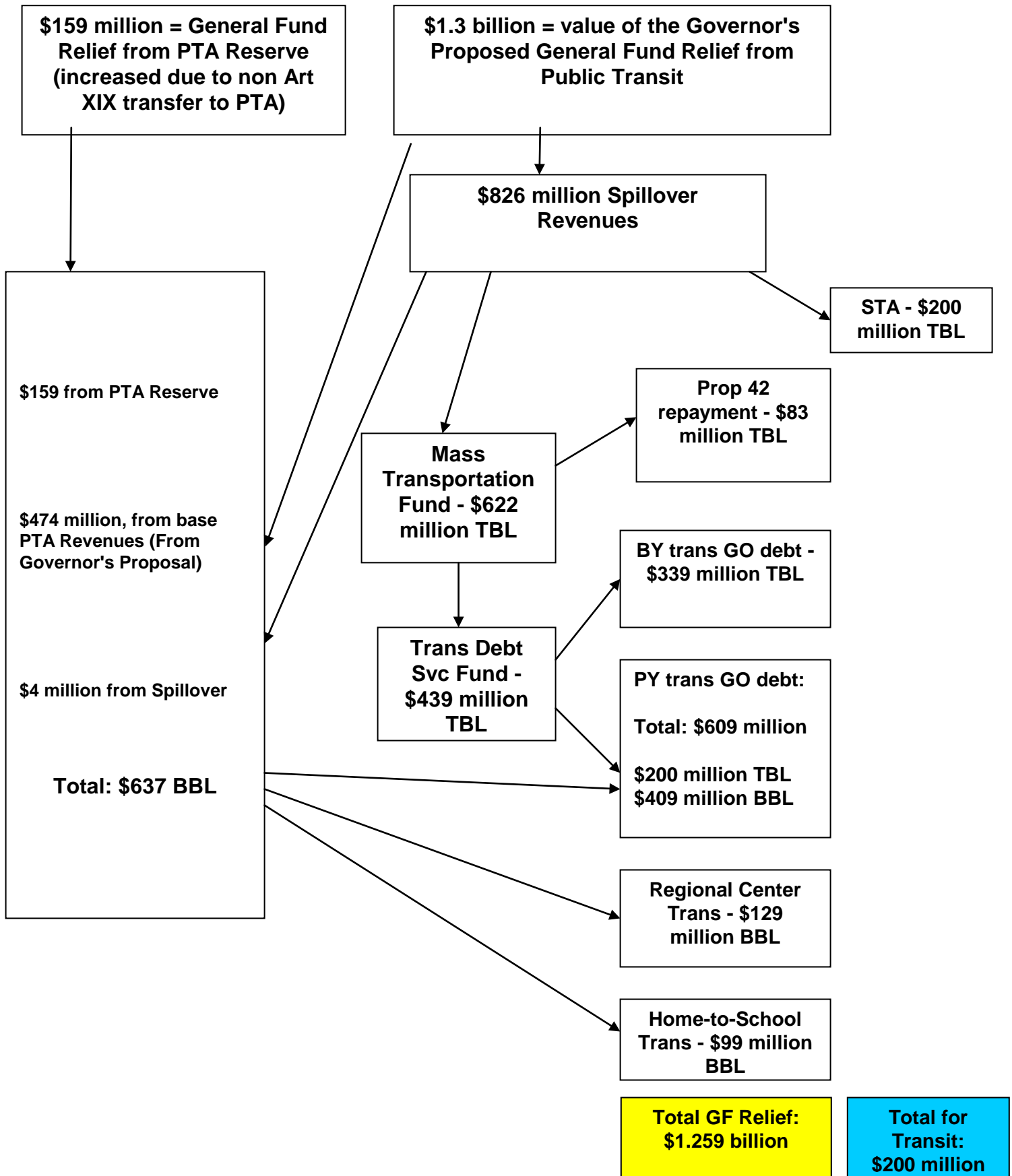
Department of Transportation (Caltrans)



MAJOR ACTIONS

- ◆ **Proposition 42.** Provides \$1.6 billion for full funding for Proposition 42. This includes repayment of \$83 million for past suspension of Proposition 42, in accordance with Proposition 1A, as passed in November of 2006.
- ◆ **Public Transportation Account (PTA) General Fund Solutions.** Provides \$1.259 billion million in General Fund relief from the PTA and restores \$200 million of the Governor's proposal to cut \$1.3 billion from public transits in accordance with the following:
 - ◆ Provides total General Fund relief of \$1.259 billion by using PTA and Spillover revenues for Home-to-School Transportation (\$99 million), prior year and budget year General Obligation debt payments (\$609 million), Proposition 42 loan repayment (\$83 million), and Regional Center Transportation (\$129 million).
 - ◆ Restores \$200 million of the Governor's \$1.3 billion proposed cut to public transit. This provides an addition \$200 million for local transit operations.
 - ◆ Rejects the Governor's proposal to permanently use \$830 million of Spillover revenues for General Fund purposes and instead limits such use to 50 percent of the Spillover. The remaining Spillover will be divided 67 percent for local operations and 33 percent for state PTA. In 2008-09, this will provide a total of \$467 million for transit, including \$313 million for local operations, from the projected Spillover revenues.
 - ◆ The following chart summarizes the final dispensation of the proposed \$1.3 billion cut to public transit:

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- ◆ **Proposition 1B.** Approves about \$4 billion in Proposition 1B funds, but rejects the Governor's request for authority to move appropriation authority from category to category and rejects the Governor's request for a three year appropriation. Instead, approves reasonable flexibility language to ensure there is adequate funding to make use of all peak construction months.
- ◆ **Capital Outlay Support.** Rejects the Governor's proposal to fill the entire increase for capital outlay support with contacting out positions and instead divides the increase between state staff and contract staff along the existing 90 percent to 10 percent ratio. As a result, this saves approximately \$45 million that can be used for other transportation priorities.
- ◆ **Environmental Enhancement and Mitigation Program (EEMP).** Augments the budget by \$10 million for EEMP to award grants to local agencies to undertake mitigation projects that are directly related to the environmental impacts of modifying existing transportation facilities or constructing new facilities.

Special Transportation Programs

■ **MAJOR ACTIONS**

- ◆ **State Transit Assistance (STA).** Provides \$406 million for STA, an increase of \$200 million above the Governor's May Revision. The increase is due to the partial rejection of the Governor's \$1.3 billion cut to public transit.

High Speed Rail Authority

■ **MAJOR ACTIONS**

- ◆ **Budget Increase.** Provides an increase of \$15.5 million to keep the contract, environmental, and other critical work going during the budget year. This funding comes from Proposition 116 bond funds (\$15.5 million).

California Highway Patrol

■ MAJOR ACTIONS

- ◆ **Additional CHP officers.** Approves \$17.5 million for 50 additional uniformed CHP officers and 40 support positions. This increase is in addition to the 240 uniformed officers and 70 support positions approved in the current year and are being phased in over the current and budget years. The significant proposed growth in CHP personnel is the result of the state's rapid growth in population, in the licensed drivers, and in the development of new communities.
- ◆ **Local Law Enforcement Gang Assistance.** Provides \$7 million for the CHP to assist local law enforcement agencies address gang problems.