



2008-09 STATE BUDGET ACT

FLOOR REPORT

AB 1781 & SB 1072

AUGUST 17, 2008

John Laird, Chair

Assembly Budget Committee

TABLE OF CONTENTS

Overview	2
Health	12
Human Services	22
K-12 Education	29
Higher Education	32
Resources and Environmental Protection.....	35
General Government	43
Public Safety	54
Transportation.....	59



OVERVIEW

Summary

On July 8, 2008, the Conference Committee completed its work on the budget for 2008-09, and this work product is reflected in AB 1781. Since the conclusion of the Conference Committee, additional budget decisions have been made and are reflected in SB 1072. In total, the budget now before the Assembly (Floor Version) contains \$107.9 billion in available General Fund resources, \$105.2 billion in General Fund expenditures, and a reserve of \$1.8 billion.

The Floor Version takes a truly balanced approach to crafting the budget, with tough cuts in every area of the budget, necessary tax increases, and other solutions.

The Floor Version is balanced for 2008-09 and into the future. And the Floor Version includes prudent reforms proposed by the Legislative Analyst to help avoid future budget crisis.

Key Point of the Floor Version:

- ◆ The Governor's May Revision includes \$5 billion in likely unachievable revenue solutions resulting from the lottery securitization likely not being completed in the budget year.
- ◆ The Governor's May Revision also includes unacceptable cuts in education, health and human services, and public transit.
- ◆ So, while the Floor Version includes over \$6 billion in spending cuts to every area of the budget, additional revenues are needed to replace the Governor's \$7 billion in unachievable revenue proposals and the unacceptable cut proposals to education, health and human services, and public transit.
- ◆ Ergo, the Floor Version contains \$6.7 billion in tax increases and additional revenue solutions to replace the Governor's unachievable revenue and the unacceptable cut proposals.

THE 2008-2009 STATE BUDGET
Floor Report

Key Changes to the May Revision:

- ◆ **Puts Education First.** The Floor Version puts education back as a key priority for the state by restoring over half of the Governor's \$4.3 billion cuts to schools, and does not put education at risk of losing another \$5 billion in lottery funds.
- ◆ **Balanced Each on Every Year.** The Floor Version balances the budget each year with a fiscally responsible approach of tough spending cuts and new revenues, while the Governor's proposal relies on unacceptable draconian cuts that only temporarily balance the budget – only to see massive deficits return in just a year or two.
- ◆ **No Draconian Cuts to Health Care.** The Floor Version contains very tough cuts to health services, but rejects the most draconian proposals to remove one million Californians from the health care rolls (which also avoids a hidden tax increase of \$250 per Californian).

Key Highlights of the Floor Version:

Reserve

- ◆ Contains a bona fide reserve of \$1.8 billion in 2008-09, and is balanced into the future.

Revenues

- ◆ Approves \$6.7 billion in additional taxes, as well as \$2.8 billion of other revenue solutions – which includes a portion of the Governor's special fund loans, the Governor's LLC acceleration, closing the yacht loophole, and providing a tax amnesty program. The \$7.7 billion in additional taxes are as follows:
 - \$5.1 billion from reinstating the 10 and 11 percent tax brackets that were last in place under Governor Wilson. The 10 percent bracket will apply to joint filers with taxable incomes over \$321,000 and the 11 percent bracket will apply to joint filers with taxable incomes over \$642,000.
 - \$1.1 billion from suspending the Net Operating Loss (NOL) deduction for three years. The NOL has been suspended in previous difficult budget years and the Legislative Analyst recommended suspending it as part of their alternative budget proposal. The Floor Version also provides the benefit of extending the allowable carry-forward time period from 10 years to 20 years.

THE 2008-2009 STATE BUDGET
Floor Report

- \$470 million to restore the Corporate Tax rate from 8.84 percent to the pre-1997 level of 9.3 percent. This rate would still be lower than the 9.6 percent rate that was in place from 1980 to 1986. At that time it was lowered to the 9.3 percent rate that was in place through 1996.

Reform

- ◆ Includes Budget Reform based on the Legislative Analyst's recommendation put forth in *"The 2008-09 Budget: Perspectives and Issues,"* which does the following to help avoid future budget crisis:
 - Increases the size of the Budget Stabilization Account (BSA)—the Prop. 58 “rainy day” fund—from 5% to 10% of General Fund revenues.
 - Requires transfers from the BSA back to the General Fund be done in a stand-alone bill with no unrelated provisions, thus making it more difficult to access the BSA.
 - Creates a mechanism to transfer funds to the BSA in really good revenue years, when the state experiences an “April Surprise” of revenues when Californians pay their income taxes, as follows:
 - Requires that, in a year in which revenues exceed the amount estimated in the budget bill by more than 5%, after meeting any Proposition 98 obligations, these unanticipated excess revenues would be used to fill up the BSA to the 10% cap.
 - If there are additional unanticipated revenues above the amount needed to get to the 10% cap, those revenues could only be used for one-time purposes: to pay off budgetary borrowing, unfunded liabilities for benefit for state annuitants, additional transfers to the BSA, one-time infrastructure or other capital outlay, bonded indebtedness, and one-time tax cuts.

Education

- ◆ Increases school funding by about \$2.2 billion above the Governor's budget. While this is a major increase from the Governor's proposal, it still results in about \$2.1 billion in cuts below the workload budget level.
- ◆ Funds the UC and CSU at the level proposed in the May Revision, which includes a \$100 million increase for each above the January proposal.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ Restores full funding for Cal Grants, including \$57 million for competitive Cal Grants that the Governor proposed cutting.

Health

- ◆ Restores the most difficult cuts proposed by the Governor, including:
 - Restoring nearly all of the 10 percent Medi-Cal rate cut adopted in the Special Session for most providers (doctors, nurses, dentists, home health providers, etc.), and half of the rate cut for pharmacy, managed care and long-term care facilities that do not pay the quality assurance fee (most nursing homes pay the fee and will receive a cost-based rate increase). These rate restorations will take effect on September 1, 2008 and will result in a total General Fund cost of \$320 million.
 - Restoring the Medi-Cal optional benefits. Of the restoration of \$85.5 million, the adult dental restoration is \$73.8 million.
 - Restoring almost all cuts to Medi-Cal eligibility, by: rejecting the rollbacks in eligibility for poor families that penalize work and marriage; rejecting restrictions on services to legal immigrants and imposing monthly eligibility hurdles to emergency care for the undocumented; and rejecting the imposition of quarterly status reports for children and parents and instead adopting semi-annual status reporting for children, which is the current reporting requirement for parents.
 - Rejecting co-pay increase and reducing premium increases by half or more for children in the Healthy Families Program.

Human Services

- ◆ Makes tough cuts to human service programs, including cuts to SSI/SSP, CalWORKs, and other critical safety net programs.
- ◆ Restores the most draconian cuts proposed by the Governor for the social safety net, including rejecting cuts to: children's services and foster care; CalWORKs kids eligibility; grant reductions; the SSI federal COLA; and IHSS.
- ◆ Restores cuts to county administration of various programs that would have further tied the hands of counties to provide adequate services required by the state.

THE 2008-2009 STATE BUDGET
Floor Report

Transportation

- ◆ Provides full funding of Proposition 42, which provides \$1.4 billion for highway construction, local road maintenance, and public transit.
- ◆ Funds public transit \$317 million above the Governor's May Revision. But still cuts public transit funds by an additional \$758 million above what was projected under current law in January.
- ◆ Provides funding for various Proposition 1B programs, including local transit, State and Local Partnership, and the Trade Corridor Improvement Fund.
- ◆ Includes the Governor's proposed \$11 car registration fee increase to support the California Highway Patrol.

Natural Resources and Environmental Protection

- ◆ Doubles the Governor's proposed Emergency Insurance Surcharge to generate funds for fighting forest fires and dealing with other emergencies. The annual surcharge will average about \$25 for properties in high risk areas and \$13 for properties in low risk areas.
- ◆ Provides funds for AB 32 to continue implementation of strategies to reduce greenhouse gas emissions in California.

Public Safety

- ◆ Achieves \$174 million in savings from Corrections reforms.
- ◆ Funds the COPS/Juvenile Justice program at the previous funding level of \$200 million.
- ◆ Funds Booking Fees and Rural Sheriffs programs at the May Revision level.

Lottery Securitization

- ◆ Provides for the securitization of State Lottery revenues for debt relief purposes beginning in 2009-10. This measure would be on the November 2008 ballot, and reflects the following key points:

THE 2008-2009 STATE BUDGET
Floor Report

- Generates an estimated \$5 billion in 2009-10 and \$5 billion in 2010-11, but are not expected to generate revenues or provide any budget relief in 2008-09.
- Deposits proceeds from the securitization into a new Debt Retirement Fund, and could be used for repaying budgetary borrowing (like transportation, education, and local government debts), bonded indebtedness, and payments to the BSA.
- Provides only modest changes to the lottery, such as increasing prize payouts, but proposes no new games or technology.
- Protects education, unlike the Governor's original proposal, from experiencing any financial loss.

THE 2008-2009 STATE BUDGET
Floor Report

Summary of Charts

**2008-09 General Fund Summary
May Revision and Floor Version
(in billions)**

	May Revision	Floor Version
Prior-year balance	\$1.7	\$3.7
Revenues and Transfers	\$103.0	\$104.2
Total Resources Available	\$104.7	\$107.9
Total Expenditures	\$101.8	\$105.2
Fund Balance	\$2.9	\$2.7
Budget Reserves:		
(Liquidation of Encumbrances)	(\$.9)	(\$.9)
Final Reserve	\$2.0	\$1.8

**Key Budget Cuts Included in
Floor Version**

K-12 and Community College Prop 98 Cuts	\$2.1 billion
University of California Cuts	\$233 million
California State University Cuts	\$215 million
Suspension of State SSI/SSP COLAs	\$302 million
Suspension of CalWORKS COLA	\$131 million
Medi-Cal Rate Cuts	\$307 million
Medi-Cal Semi-Annual Reporting for Children	\$25 million
Corrections Reforms	\$174 million
COPS/Juvenile Justice Reductions	\$38 million
Public Transit	\$858 million

THE 2008-2009 STATE BUDGET
Floor Report

**Comparison of Solutions for the \$15.2 Billion General Fund Shortfall
May Revision and Floor Version
(in billions)**

	May Revision	Floor Version
Starting Problem	-\$15.2	-\$15.2
Non-Tax Increase Solutions		
<i>Expenditure Solutions</i>		
Non-98 Budget Balancing Reductions & Misc.	\$2.8	\$1.3
Prop 98 Reductions	4.3	2.1
LAO Property Tax estimate (reduces GF for Ed.)	0.0	0.6
Transit Cuts	0.8	0.9
CCPOA Last, best, and final	0.4	0.5
HHS cuts not part of BBR	0.6	0.3
PERS/STRS savings issues	0.1	0.2
Cal Grant Cuts	0.1	0.0
Delay local Mandates	0.1	0.1
Subtotal	\$9.1 53%	\$6.0 35%
<i>Borrowing</i>		
Lottery Securitization Revenues	\$5.1	\$0.0
Special Fund Loans/Transfers	0.7	0.7
Subtotal	\$5.8 34%	\$0.7 4%
<i>Other Revenues</i>		
LLC Acceleration	\$0.4	\$0.4
Amnesty	0.0	1.3
Tax Accrual	1.9	1.9
Misc.	0.1	0.1
Subtotal	\$2.3 13%	\$3.6 21%
Total Non-Tax Increase Solutions	17.2 100%	10.3 61%
<i>Tax Increases</i>	\$0.0	\$6.7
Total Tax Increase Solutions	\$0.0 0%	\$6.7 39%
Grand Total, Solutions	\$17.2 100%	\$17.0 100%
Final Reserve	\$2.0	\$1.8

**THE 2008-2009 STATE BUDGET
Floor Report**

**General Fund Changes to the Conference Version
(in millions)**

	Amount	Reason
Conference Reserve	\$1,518.0	
General Fund Restorations		
Mentoring Partnership	\$0.1	Governor Request
Volunteer Matching Network	0.4	Governor Request
Office of Gang and Youth Violence	0.9	Governor Request
CalMETT	10.0	Important Public Safety Program
Corrections Reforms	271.0	Agreement at Governor's Proposal level
Booking Fees	31.5	Important Public Safety and Local Government Program
Rural Sheriffs	16.7	Important Public Safety Program
DOJ Forensic Lab Costs	32.0	Removal of fee increase
Total General Fund Restorations	\$362.6	
General Fund Spending Reductions		
DOJ Savings	-\$17.0	Identified by DOJ
Corrections Savings	-10.4	Savings identified by DOF
Cut Transit, Shift Home-to-School costs to Public Transportation Account	-100.0	Increase General Fund Reserve
Cut Transit, Shift GO debt costs to Spillover Transit Funds	-\$250.0	Results from updated Spillover revenue estimate
Total General Fund Spending Reductions	-\$377.4	
General Fund Revenue Changes		
Updated Forecasts	\$98.0	Updated per DOF and LAO
Updated estimate for Upper Brackets Increase	-500.0	Per Franchise Tax Board
Updated estimate for Amnesty Proposal	-211.0	Accurate estimate
Remove Proposal for No Indexing	-815.0	Updated plan
Remove Proposal to Close Higher Income Earners Dependant Credit Loophole	-215.0	Updated plan
Include Governor's Accrual Proposal	1,856.0	Works with cash management proposals
DOJ Settlement Transfer	11.0	Identified by DOJ
Total General Fund Revenue Changes	\$224.1	
Final Floor Version Reserve	\$1,757.0	

**THE 2008-2009 STATE BUDGET
Floor Report**

**Key Non- General Fund Changes to the Conference Version
(in millions)**

	Amount	Reason
Special Fund Restorations		
Restore Regional Operational Readiness	\$1.6	Governor Request
Increase Fire Prevention in State Parks	3.0	Governor Request
Restore Funding for Hydrogen Highway	6.0	Governor Request
Restore Lease Revenue funding for San Quentin	136.3	Governor Request
Restore portion of PUC Cut	2.5	Governor Request
Restore FISCAL Funding	37.7	Governor Request
Total General Fund Restorations	\$187.1	

Health

Emergency Medical Services Authority

MAJOR ACTIONS

- ◆ **Poison Control Centers.** Reduces by a total of \$1 million (General Fund) – \$310,000 more than the Governor's 10-percent reduction of \$690,000. The action also includes Budget Bill Language to encourage obtaining funding from other sources, including the California Children and Families Commission (First 5), industry, and health plans.

Department of Health Care Services

MAJOR ACTIONS—MEDI-CAL

- ◆ **Partial Restoration of Provider Rates.** Restores a total of \$304 million of the \$611 million (General Fund) savings that resulted from the 10-percent rate reductions enacted in AB 5 3X, The AB 5 rate reductions took effect July 1, 2008. The restorations will take effect on September 1. Specifically, the Floor Version includes the following rate restorations:
 - **Rates for Most Providers Will Be Almost Fully Restored.** Adds \$127 million (General Fund) to restore almost all of the 10-percent rate cut for most types of providers, including physicians and other medical providers, dentists, hospital outpatient care, home health care, medical transportation, and the Los Angeles County clinics. The Floor Version also maintains \$7.7 million to reject cuts to rates for FamilyPACT family planning services and for the Breast and Cervical Cancer Treatment Program, both of which receive enhanced federal match.
 - **Pharmacy.** Adds \$62.7 million (General Fund) to restore half of the 10-percent payment reductions to pharmacists (including both drug ingredient costs and the dispensing fee). The rate reduction for pharmacy will be 5 percent, rather than 10 percent.
 - **Long-Term Care.** Adds \$19.1 million (General Fund) to restore half of the 10-percent rate cut to long-term care facilities that do not pay a quality assurance fee—primarily hospital-based (distinct part) facilities and adult day health care facilities. These facilities also receive annual rate adjustments in the budget.

THE 2008-2009 STATE BUDGET
Floor Report

Also includes \$1.8 million to maintain pediatric sub-acute rates (which were not reduced by AB 5 X3).

- **Managed Care Plans.** Adds \$94.7 million (General Fund) to restore managed care rates equivalent to the fee-for-service rate restorations above. The Floor Version also includes the \$169.8 million rate increase funding for Medi-Cal managed care plans proposed in the May Revision.
- **Family Health.** Adds \$7.5 million (General Fund) to restore California Children's Services (CCS), Genetically Handicapped Persons' Program (GHPP) and Child Health and Disability Prevention (CHDP) rates consistent with the Medi-Cal rate restorations.
- ◆ **Non-Contract Fee-for-Service Hospital Rates.** Retains savings of \$74.7 million (General Fund) resulting from reductions made by AB 5 X3 in payments to hospitals that do not contract with Medi-Cal through the California Medical Assistance Commission (CMAC). AB 5 X3 included a 10-percent reduction to the amounts paid by Medi-Cal for inpatient services provided by non-contract hospitals. This amount consists of \$27.1 million for fee-for-service care and \$47.6 million offset against managed care rates. The Floor Version also includes Budget Trailer Bill language and additional savings of \$11.5 million, as proposed in the May Revision, to limit payments to non-contract hospitals to the lower of either 90-percent of the hospital cost-based rate (as provided in AB 5 X3) or five percent less than the regional average of the CMAC hospital contract rates (or tertiary hospital rate if appropriate). This payment limit is effective October 1, 2008 until January 2013. The Floor Version includes exemptions for rural hospitals and for hospitals in areas historically excluded from contracting and with fewer than three general acute care hospitals. This revision is intended to provide more incentive for hospitals to negotiate contracts with CMAC.
- ◆ **Non-Contract Managed Care Hospital Emergency Rates.** Adopts in part a May Revision proposal for Trailer Bill Language to limit the rates that Medi-Cal managed care plans must pay to hospitals that do not contract with them (regardless of whether the hospital contracts for fee-for-service care through CMAC). This language imposes the same regional average CMAC rate limit on payments for emergency care as apply to fee-for-service payments to non-contract hospitals, but without the additional five-percent reduction. The managed care language is intended to comply with federal law limits on emergency care charges to Medicaid managed care plans is effective retroactively to January 1, 2007. No savings are assumed in 2008-09 from this action. The May Revision proposal also would have applied the rate restriction to post-stabilization care. The Floor Version does not include that provision, but was taken without prejudice to the department's authority to impose payment limits on post-stabilization and other nonemergency care under federal law and regulation.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Public Hospitals.** Rejects cut of \$34.4 million to Federal Safety-Net Care Pool funds provided to the Designated Public Hospitals and Los Angeles County in 2008-09. In 2009-10, the fully annualized amount of the shift would grow to \$54.2 million.
- ◆ **Private Safety-Net Hospitals.** Rejects the Governor's ongoing 10-percent reduction to DSH (disproportionate share hospital) payments to non-designated public hospitals (generally district hospitals) and DSH "replacement" payments to private hospitals. Achieves the same savings of \$22.6 million on a one-time basis in 2008-09 by using distressed hospital funding to pay a \$9.15 million federal penalty for a disallowed Fresno County Intergovernmental Transfer on behalf of Fresno Community Hospital and by reducing the General Fund transfer to the Private Hospital Supplemental Fund by \$13.6 million (most or all of which can be offset by using a carryover balance in the fund).
- ◆ **AB 1629 Nursing Home Rate Methodology.** Extends the current cost-based rate methodology, and the requirement to pay quality assurance fees, for stand-alone nursing facilities for two years (through 2010-11) and a 5-percent cap on rate increases, as requested by the Governor. The Floor Version also provides for a comprehensive stakeholder process to develop comprehensive quality-of-care measures and recommend any changes to future rate methodologies needed to encourage and assure quality of care.
- ◆ **Managed Care Preliminary Rates.** Adopts Budget Trailer Bill language to require the department to release tentative managed care rates for County Organized Health Systems by June 30 each year or five days after budget enactment.
- ◆ **Optional Benefits.** Adds \$85.5 million to maintain the 10 Medi-Cal optional benefits that the Governor proposed eliminating for adults who are not in long-term care: chiropractors, incontinence creams and washes, acupuncture, adult dental, audiology, optometrists, opticians/optical labs, podiatry, psychology, speech therapy. The bulk of the restoration (\$73.8million) is for adult dental benefits.
- ◆ **Medicare Part B Premiums.** Eliminates payment of Medicare Part B premiums (almost \$100 per month) on behalf of Medi-Cal enrollees with an unmet share of cost greater than \$500 per month for General Fund savings of \$48.4 million. The Governor had proposed complete elimination, but the Floor Version restores \$5.4 million to maintain payments for the lowest-income group.
- ◆ **Semi-annual Reporting for Children.** Adopts a requirement for semi-annual status reporting to maintain children's Medi-Cal enrollment, effective September 1, 2008. This will result in a caseload reduction with an estimated General Fund savings of \$13.9 million in 2008-09. Currently, children are enrolled on an annual basis. The semi-annual reporting for child eligibility conforms to the existing enrollment requirement for parents on Medi-Cal. The new requirement will sunset on December 31, 2011, and will not apply to disabled children, pregnant young women, and certain other special eligibility groups. In addition, the Floor Version requires a

THE 2008-2009 STATE BUDGET
Floor Report

detailed report from the department on the impact of the semi-annual reporting requirement by December 15, 2010. The Floor Version's action replaces of the Governor's proposal to reinstate *quarterly* status reports for both children and parents to maintain their Medi-Cal eligibility (which had a savings estimate of \$43 million General Fund on a full-year basis). The savings assumed in the budget resulted from disenrolling children and parents who are found no longer eligible or who do not return their completed reports. However, based on past experience, the anticipated caseload savings would be offset by higher Medi-Cal fee-for-service costs as parents and children who are disenrolled from managed care obtain more costly services in emergency rooms and other settings when they become sick or injured.

- ◆ **Roll-Back of Family Eligibility.** Restores \$31.2 million General Fund to reject a proposal to roll back the income eligibility for "1931(b)" Medi-Cal—the eligibility category for low-income families. The income ceiling for applicants would be reduced from the current level of 100 percent of the federal poverty level to 68 percent of the federal poverty level and the "100-hour rule" would be reinstated. The applicant limit would significantly reduce eligibility for working parents, particularly married parents, and would be a disincentive to leave welfare.
- ◆ **Restricted Benefits for Legal Immigrants.** Adds \$86.7 million to reject a proposal to restrict Medi-Cal for legal immigrants who have been in the country less than five years to only those services also available to undocumented immigrants--emergency, long-term care, family planning, pregnancy, and breast and cervical cancer treatment. Currently Medi-Cal provides full-scope coverage for these immigrants (if they meet all other eligibility requirements).
- ◆ **Monthly Eligibility Determination.** Restores \$42 million General Fund to reject imposition of a requirement for monthly eligibility renewal for undocumented immigrants.
- ◆ **County Administration Funding.** Eliminates the 2008-09 COLA for county Medi-Cal administrative costs for a GF savings of \$32.3 million. Restores the caseload growth adjustment to county administrative costs in 2008-09 (General Fund cost of \$20.6 million) and restores \$23.4 million to maintain base funding for county administration. The budget requested all three reductions. The Floor Version also includes Budget Trailer Bill language to suspend financial penalties on counties who do not meet performance standards.
- ◆ **Public Assistance Reporting Information System (PARIS) Pilot Project.** Approves May Revision proposal to implement the pilot project. The purpose of the project is to improve the identification of the subset of Medi-Cal beneficiaries who are also veterans and who may be eligible for duplicative services. The DHCS will implement this project with existing resources beginning in 2008.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Eligibility Streamlining.** Delays for an additional year the implementation of SB 437 eligibility streamlining for a savings of \$13.7 million General Fund as requested in the May Revision.
- ◆ **AB 2911 Drug Discount Program.** Approves \$5.9 million to implement the California Discount Prescription Drug Program established by AB 2911 (Núñez) 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. The Floor Version also includes Budget Trailer Bill Language providing for the program to use a portion of drug rebate funds to repay the General Fund and place the program on a self-financing basis over a five-year period.
- ◆ **Adult Day Health Reforms Staffing.** Eliminates 19 of 20 additional staff requested to expand implementation of SB 1755 reforms of Adult Day Health Care services for a savings of \$979,000 General Fund. The reduction recognizes that other department staff will be freed-up by making the annual Medi-Cal Error Rate Study biennial. Includes budgeted savings of \$13.9 million in Medi-Cal payments for Adult Day Health Care as a result of tightening medical necessity criteria and billing procedures, as authorized by AB 1755.
- ◆ **AIDS Pharmacy Pilot Project.** Approves \$1.6 million cut proposed in the May Revision from restricting the drugs that qualify for enhanced dispensing fees in the AIDS Pharmacy Pilot Project.
- ◆ **State Operations Budget Balancing Reductions.** Includes a total of \$7.6 million General Fund of budget-balancing reductions to a wide variety of departmental offices and functions, as proposed by the Governor.
- ◆ **Fiscal Intermediary Reductions.** Includes a total of \$3.6 million General Fund of reductions to the Medi-Cal Fiscal Intermediary contract for systems upkeep and modifications, modification of the Medi-Cal Management Information / Decision Support System and by relying on Internet-based distribution of provider manuals and other documents. These were included in the Governor's balanced-budget reductions.
- ◆ **Screening and Brief Intervention.** Saves \$800,000 (General Fund) by not adopting a May Revision proposal to add a new benefit for screening and brief intervention for patients for non-dependent substance abuse.

■ **MAJOR ACTIONS—FAMILY HEALTH**

- ◆ **Partial Restoration of Provider Rates.** Adds \$7.5 million (General Fund) to restore California Children's Services (CCS), Genetically Handicapped Persons' Program (GHPP) and Child Health and Disability Prevention (CHDP) rates consistent with the Medi-Cal provider rate restorations.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **CCS Medical Therapy Unit Services.** Restores \$1.6 million of the Governor's \$3.1 million 10-percent cut to these therapy services for CCS-qualified schoolchildren. The Floor Version moves \$2.4 million of federal Title V funds to the CCS program in order to fund this partial restoration and generate a net General Fund savings of \$780,000.
- ◆ **CCS Case Management.** Provides \$2.7 million General Fund to restore the Governor's 10-percent reduction to county CCS case management services (for both Medi-Cal and Family Health CCS children).

■ **MAJOR ACTIONS—RURAL HEALTH/PRIMARY CARE**

- ◆ **Rural Health Clinics.** Restores \$3.5 million General Fund to eliminate the Governor's 10-percent reduction to clinic grants provided under the Expanded Access to Primary Care (EAPC) Program and several other clinic programs.

Department of Public Health

■ **MAJOR ACTIONS**

- ◆ **Public Health Services Restorations.** Restores \$5.3 million to eliminate proposed reductions to a variety of programs that provide direct services or play a vital role, including, Prostate Cancer Treatment, Domestic Violence shelter grants, Black Infant Health, programs that reduce teen pregnancy, and Tuberculosis Control Housing grants.
- ◆ **Other Budget-Balancing Reductions.** Approves reductions totaling \$5.9 million for 26 10-percent Budget-Balancing Reductions proposed by the Governor in to a wide variety of programs, including Alzheimer's Disease Research Centers, dental disease prevention in schools, and for a variety of staff and support functions.
- ◆ **Local Infrastructure for Immunization Assistance.** Reduces by \$1.2 million due to availability of federal funds and other immunization programs.
- ◆ **Adult Health Screens.** Reduces by \$1.3 million to eliminate county funding for non-means-tested health screening and referral services to adults. The Governor had proposed a 10-percent cut of \$125,000.
- ◆ **SB 739 Implementation.** Reduced by \$1.3 million to eliminate 8.5 proposed new staff to implement provisions of SB 739 regarding the relationship between

THE 2008-2009 STATE BUDGET
Floor Report

community-based infections and hospital infections. The Governor had vetoed these funds in the 2007 Budget.

- ◆ **Office of AIDS Programs.** Restores the \$7.3 million cut to the AIDS Drug Assistance Program (ADAP) that the budget sought to accomplish by eliminating drugs from the program's formulary and also restores a \$4.3 million cut to grants to local health jurisdictions for Therapeutic Monitoring to ensure effective drug treatment of HIV/AIDS. These two restorations were funded by drawing down additional available ADAP drug rebate funds. Also, this partially restores funding for AIDS Education and Prevention by restoring \$5.2 million of a \$7.2 million General Fund budget reduction (the \$5.2 million also is partially offset by savings of \$1.35 million from elimination of the AIDS Counseling Program in the Department of Mental Health). Also includes Budget Trailer Bill Language to require annual budget estimates by the Office of AIDS.
- ◆ **Viral and Rickettsial Disease Laboratory.** Defers construction of modification to the laboratory for a savings of \$2.5 million in 2008-09.
- ◆ **Emergency Preparedness Planning Grants.** Rejects \$6.9 million General Fund increase proposed for local pandemic flu and bioterrorism planning local grants.
- ◆ **Health Facility Licensing and Certification Fees.** Eliminates the \$2.3 million General Fund subsidy to this program while at the same time greatly reducing fee increases that the budget proposed, and, in some cases, reducing fees from their current levels. This is accomplished by recognizing additional revenues and savings in the fee account and by more productive budgeting of licensing and certification staff.
- ◆ **Biomonitoring Funding Shift.** Shifts \$1,025,000 from the General Fund to the Toxic Substances Control Account for support of the Biomonitoring Program.
- ◆ **Every Woman Counts Program.** Restores \$2 million from special fund reserves to partially maintain funding for this breast cancer screening program.
- ◆ **BabyBIG.** Augments by \$2 million (special fund) to finance higher costs for the production of Infant Botulism vaccine.
- ◆ **Loans.** Includes loans to the General Fund of \$1.1 million from the Occupational Lead Poisoning Prevention Account and \$1.6 million from the Drinking Water Operator Certification Special Account.

Managed Risk Medical Insurance Board

MAJOR ACTIONS

- ◆ **Healthy Families Program.** Includes the following actions regarding the Governor's proposed Budget-Balancing Reductions (most Healthy Families expenditures receive a two-to-one federal match):
 - **Plan Rates.** Adopts 5-percent reduction in plan rates proposed by the Governor (\$14.4 million General Fund savings).
 - **Family Premiums.** Restores \$3.9 million General Fund to reduce proposed premium increases. The Governor's Budget proposed increasing the premium for many families—from \$9 per child per month to \$16 per child per month. Most of the savings resulted from estimated enrollment declines due to the higher premiums rather than from the premium revenue itself. The Floor Version results in monthly premium increases of \$3 and \$2 per child for families between 150% and 200% of poverty and between 200% and 250% of poverty, respectively. Premiums for the higher income group have been increased previously, while other premiums have not.
 - **Co-Pays.** Restores \$1.9 million General Fund to reject the Governor's proposed increase in the co-pay requirement.
 - **Dental Limit.** Adds \$1.7 million General Fund to provide a dental coverage limit of \$1,500 rather than \$1,000 as proposed by the Governor.
 - **Rural Health Project.** Restores \$960,000 (Proposition 99 Cigarette and Tobacco Tax funds) in funding for the Rural Health Project, which supports efforts to make health care more accessible to children in rural areas. This action restores most of a \$1.1 million reduction in Proposition 99 funding proposed in the budget and is accomplished by a reallocation of Proposition 99 funding within the Department of Public Health.

Department of Mental Health

MAJOR ACTIONS

- ◆ **Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT).** Makes adjustments to the EPSDT by rejecting the Governor's proposal to change the State Maximum Allowable (SMA) rate and adopting an alternative EPSDT Performance Improvement Project in lieu of the Governor's 6-Month Day Treatment

THE 2008-2009 STATE BUDGET
Floor Report

proposal. This is in addition to actions taken during the Special Session for the COLA suspension of the SMA rate and the creation of a Short-Doyle Medi-Cal Unit.

- ◆ **Community Treatment Facilities.** Provides a total appropriation of \$750,000 General Fund and adopt Budget Bill Language for Community Treatment Facilities in lieu of accepting the Administration's reduction proposal.
- ◆ **Early Mental Health Initiative.** Rejects the proposed 10 percent reduction for the Early Mental Health Initiative.
- ◆ **Medi-Cal Mental Health Managed Care.** Rejects the Governor's 10 percent unallocated reduction of \$23.8 million (General Fund) for Medi-Cal Mental Health Managed Care, adopts the technical baseline adjustment increase of \$22,000 (General Fund), and reduces by \$5.350 million (General Fund) to delete state support for the federal regulations.
- ◆ **Healthy Families Program.** Rejects the Governor's 10 percent reduction as modified by the May Revision for the Healthy Families Program for Supplemental Mental Health.
- ◆ **County Purchase of State Hospital Beds.** Eliminates the \$9.8 million General Fund subsidy for the purchase of State Hospital beds and increases reimbursements by \$9.8 million so that counties that opt to can purchase state hospital beds at the state's rate.
- ◆ **AIDS Counseling Program.** Eliminates the remaining \$1.350 million (General Fund) for the AIDS Counseling Program from the DMH after the Governor's budget balancing reduction of \$150,000, shifting the \$1.350 million in funds from the Office of AIDS to the Education and Prevention Program in the Department of Public Health.
- ◆ **Mental Health Services Act Expenditure Authority.** Increases by \$25 million for the Statewide Initiatives in Proposition 63's Mental Health Services Act and adopts trailer bill language to ensure access to data regarding the Initiatives.

Department of Developmental Services

■ **MAJOR ACTIONS**

- ◆ **Regional Resource Development Projects.** Accepts the Governor's budget proposal for a 10 percent reduction to the Regional Resource Development Projects.

**THE 2008-2009 STATE BUDGET
Floor Report**

- ◆ **Porterville Expansion Deferral.** Approves the Governor's proposal to defer Porterville expansion and denies the \$600,000 General Fund request.
- ◆ **Clients' Rights Advocacy.** Accepts the Governor's proposed 10 percent reduction to Clients' Rights Advocacy.
- ◆ **Porterville Capital Outlay.** Rejects the augmentation for the Porterville Capital Outlay Project for 24 Satellite Kitchens/Dining Rooms and defers the \$18 million General Fund construction project until 2009-2010. Approves the \$5.409 million (Lease Revenue Bonds) and the Budget Bill Language for limited construction costs.
- ◆ **Best Buddies.** Approves the elimination of this \$1.5 million General Fund grant appropriation for the Best Buddies Program.
- ◆ **Cost Containment Impact.** Adopts uncodified, placeholder trailer bill language regarding departmental and Legislative review of client impact on an annual basis of the cost containment proposals made permanent in the Special Session.
- ◆ **Agnews Closure.** Approves reappropriation language regarding the Administration's closure of Agnews Developmental Center, allowing flexibility for the Department to meet the needs of clients both in the facility and moving into the community during the extended closure and warm shut-down timeframe.

Human Services

Department of Social Services

MAJOR ACTIONS

- ◆ **Adult Protective Services (APS).** Rejects the 10 percent General Fund proposed reduction to the APS program given the already-strained resources in this program to protect seniors and the disabled.
- ◆ **Deaf Access Program.** Rejects the proposed 10 percent reduction in General Fund for the Deaf Access Program.
- ◆ **State Hearings.** Rejects the 10 percent reduction in General Fund for State Hearings Workforce.
- ◆ **ISAWS Migration Cancellation.** Rejects the proposal to cancel the ISAWS Migration project and approves the alternative proposal to maintain the project. Adopts placeholder trailer bill language to continue the ISAWS Migration project.

Food Stamps Program

- ◆ **Work Incentive Nutritional Supplement (WINS).** Adopts WINS and directs the departments, consortia, and counties to begin the automation change necessary to provide a food supplement benefit of \$40 per month for families meeting certain work participation requirements. The proposal additionally calls for a working group to consider a pre-assistance employment readiness program that may provide offsetting benefits to the caseload reduction credit in the CalWORKs program.
- ◆ **Food Stamp Program (FSP) Administration.** Rejects the FSP county administrative reduction proposed by the Governor.
- ◆ **Waiver of Face-to-Face Interview.** Accepts the Administration's proposal to waive the Face-to-Face Interview Requirement for Food Stamp Program.

Child Welfare and Foster Care

MAJOR ACTIONS

- ◆ **Child Welfare Services.** Rejects the proposed 10 percent reduction for the Child Welfare Services allocation.
- ◆ **Foster Care Rates.** Rejects the proposed 10 percent reduction to basic care, specialized care, and clothing allowance rates for the Foster Care, Kin-GAP, and Adoption Assistance Programs.
- ◆ **Independent Adoptions Program.** Rejects the Administration's proposal to privatize the Independent Adoptions Program and increases the fees to allow for the partial continued support of the program.

CalWORKs

MAJOR ACTIONS

- ◆ **Governor's CalWORKs Reduction Proposal.** Rejects the three main January proposals from the Administration on full family sanctions and elimination of the safety net for child-only cases and all similar cases in the program.
- ◆ **Pay for Performance.** Partially accepts the Administration's reduction to Pay for Performance, leaving \$10 million in these payments to counties.
- ◆ **Pre-Assistance Employment Readiness System (PAERS).** As discussed under the Food Stamps section, adopts a Work Incentive Nutritional Supplement (WINS) and directs the automation change necessary to provide a food supplement benefit of \$40 per month for families meeting certain work participation requirements. The proposal also calls for a working group to consider a pre-assistance employment readiness program that may provide offsetting benefits to the caseload reduction credit in the CalWORKs program, with a proposal due to the Legislature by March 31, 2009.
- ◆ **Self-Sufficiency Reviews.** Rejects the Administration's proposal and associated trailer bill language on required Self-Sufficiency Reviews.
- ◆ **Grant Levels.** Rejects the Administration's proposal and associated trailer bill language to reduce CalWORKs grant levels by five percent.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Suspend the 2008 COLA.** Accepts the Administration's proposal and associated trailer bill language to suspend the 2008 COLA.
- ◆ **Single Allocation Reduction.** Accepts the Administration's proposal and associated trailer bill language on the single allocation reduction.
- ◆ **Eliminate the TANF Reserve.** Adopts the Administration's proposal to eliminate the TANF Reserve.
- ◆ **California Alliance of Boys and Girls Club.** Rejects the Administration's proposal and allocate the TANF funds associated for the CalWORKs program.
- ◆ **TANF Transfers.** Rejects the TANF Transfer proposals as included in the May Revision, which proposed to apply these funds to other purposes in government, including juvenile probation and Cal Grants.
- ◆ **Temporary Assistance Program (TAP).** Rejects the Administration's trailer bill to eliminate the TAP and instead extends the implementation date of the TAP program to from April 1, 2009 to April 1, 2010.

In Home Supportive Services

■ **MAJOR ACTIONS**

- ◆ **IHSS Reduction of Hours.** Approves the May Revision proposal to rescind the IHSS reduction of hours as was included in the Governor's January budget proposal.
- ◆ **IHSS Quality Assurance.** Approves the May Revision proposal to rescind the trailer bill language eliminating the IHSS QA program; approve the request for \$1.7 million (\$836,000 General Fund) and 16 positions to continue administration of the IHSS QA program and approves \$439,000 (\$222,000 General Fund) and five positions for implementing the IHSS Plus Waiver.
- ◆ **10 Percent Reduction to IHSS Administration.** Rejects the 10 Percent proposed reduction in county administration for the IHSS program.
- ◆ **Reduce State Participation in IHSS Wages.** Rejects the May Revision proposal to reduce the state's participation in IHSS provider wages and benefits from a maximum amount of \$12.10 per hour to the state minimum wage of \$8.00 per hour plus an additional 60 cents per hour for benefits.

**THE 2008-2009 STATE BUDGET
Floor Report**

- ◆ **IHSS Functional Index Change.** Rejects the May Revision proposal to change the criteria to qualify for domestic and related services, focusing only on individuals with a functional index score of four or higher.
- ◆ **Limiting IHSS Share of Cost.** Rejects the May Revision proposal for the state to no longer pay the difference in the share of cost for those IHSS recipients with average functional index scores below four.

SSI/SSP

■ **MAJOR ACTIONS**

- ◆ **Federal COLA Pass Through.** Rejects the Administration's proposal to take \$108.8 million from not passing through to SSI/SSP recipients the January 2009 federal Cost of Living Adjustment (COLA).
- ◆ **SSI/SSP State COLA.** Accepts the Administration's proposal to suspend the October 2008 and June 2009 state funded COLAs.
- ◆ **Cash Assistance Program for Immigrants (CAPI).** Rejects the Administration's proposal to eliminate the Cash Assistance Program for Immigrants (CAPI), which provides cash benefits to aged, blind, and disabled legal non-citizens who do not qualify for SSI/SSP as a result of their immigration status. Adopts trailer bill language to extend the CAPI Advocacy Program sunset date until July 1, 2011.

Community Care Licensing

■ **MAJOR ACTIONS**

- ◆ **Random Inspection Frequency.** Rejects the proposed reduction to Community Care Licensing (CCL) which would have decreased the current 30 percent random inspection protocol to 14 percent and would have created additional backlog.
- ◆ **Backlog Reduction.** Accepts the Administration's request for additional positions to complete its current backlog on inspections.

Child Care and Development

■ MAJOR ACTIONS

- ◆ **Child Development.** Rejects the Governor's proposal for a 6.4 percent cut across Child Development programs.
- ◆ **Before and After School.** Rejects the Governor's reduction proposal for Before and After School Programs.
- ◆ **Pre-Kindergarten Family Literacy (PKFL).** Accepts the Governor's language proposal to allow for priority for PKFL in the use of wrap around funds.
- ◆ **Baseline Proposals.** Adopts the Governor's budget for the state median income, COLA, and Standard Reimbursement Rate.
- ◆ **Stage 3 Child Care.** Adopts intent language related to funding CalWORKs Stage 3 Child Care services fully.
- ◆ **Contracting Efficiencies.** Adopts placeholder trailer bill language to address contracting issues and ease administrative barriers.
- ◆ **Stage 2 Sufficiency.** Approves an additional \$16.4 million for CalWORKs Stage 2 Child Care to bring the appropriation to the current year final estimate level.
- ◆ **Regional Market Rate (RMR).** Rejects the Administration's proposal to reduce the RMR ceiling and maintain its current level at the 85th percentile, delay the implementation date from January 1, 2009 to March 1, 2009, and accept the change to a biennial change, as reflected in the modified BBL and in modified trailer bill.
- ◆ **Family Fee Schedule.** Rejects the Administration's proposal to adjust the family fee schedule for families that are newly eligible to receive or will continue to receive services under the new income eligibility limits, but accept a modification of the BBL and placeholder trailer bill.

Department of Child Support Services

■ MAJOR ACTIONS

- ◆ **Locate and Intercept Contracts.** Approves the proposed reductions to the Locate and Intercept contracts and to customer operations.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Compromise of Arrears.** Approves the \$700,000 (\$230,000 General Fund) and 7.5 permanent positions on a permanent basis for the Compromise of Arrears Program (COAP) and approves revised trailer bill language.
- ◆ **Federal Child Support Pass-Through.** Accepts the Governor's increased child support pass-through proposal.
- ◆ **Child Support State Hearings.** Rejects the proposed reductions to child support state hearings and as an alternative, adopts the \$183,000 General Fund in estimated savings, but provides \$183,000 General Fund in reappropriation funding for one year to continue the current state hearing process. In addition, adopts trailer bill language that would require DCSS to provide by January 10, 2009 the following: 1) more comprehensive data from the state hearing pilot project that demonstrates that the pilot has reduced state hearings; 2) a breakdown of how the pilot's revised hearing process results in the estimated savings to state hearing costs; and 3) trailer bill language that puts the specific new hearing process in statute.
- ◆ **Arrearages Savings.** Reverts \$14.817 million General Fund from 2006-07 in Child Support Transitional Arrearages savings. This amount is the difference between the \$15 million that was not needed in 2006-07 to pay arrearages on behalf of NCPs and the \$183,000 General Fund that is reappropriated to continue the funding of state hearings.

Department of Aging

■ **MAJOR ACTIONS**

- ◆ **Restorations.** Fully rejects the Governor's proposed reductions for the Multipurpose Senior Services Program, Home Delivered Meals, Congregate Nutrition, Brown Bag Program, Adult Day Health Care, and Alzheimer's Day Care Resource Center.
- ◆ **Partial Restorations.** Accepts an approximate 5 percent cut to the Linkages Program and a 5 percent cut to the Long-Term Care Ombudsman Program. Ten percent reductions were proposed by the Administration for these programs.
- ◆ **Program Reductions.** Accepts the 10 percent reductions for Respite Purchase of Service, Senior Companion Program, and Area Agencies on Aging (AAA) Administration. Accepts a 20 percent reduction for the Senior Legal Hotline.

Dept. of Community Services & Development

■ MAJOR ACTIONS

- ◆ **Naturalization Services Program.** Approves the proposed \$300,000 reduction proposed by the administration.

Dept. of Alcohol and Drug Programs

■ MAJOR ACTIONS

- ◆ **Drug and Non-Drug Medi-Cal.** Rejects the proposed reductions in Drug Medi-Cal Medi-Cal, Non-Drug Medi-Cal Regular, and Non-Drug Medi-Cal Prenatal, as well as the accompanying trailer bill language.
- ◆ **Drug Court Programs.** Rejects all proposed reductions to Drug Court programs.
- ◆ **Prop. 36 and OTP.** Rejects proposed reductions to the Prop. 36 and Offender Treatment Program (OTP).
- ◆ **California Methamphetamine Initiative.** Adopts the proposed 20 percent reduction for the California Methamphetamine Initiative.

K-12 Education

Department of Education

MAJOR ACTIONS

Ongoing funds

- ◆ **Total Proposition 98 for K-14 Education.** Provides \$2.2 billion more in ongoing Proposition 98 funding than proposed by the Governor in his May Revise for a total of \$58.9 billion. This funding level meets the minimum funding guarantee under Proposition 98 but falls short of the Governor's Workload Budget by \$2 billion.
- ◆ **Provides A Partial COLA.** Provides a \$1.18 billion or 2.1 percent COLA for K-14 programs, district and county office revenue limits and community college apportionments and creates a deficit factor for the forgone COLA. The Governor's January budget and May Revise did not provide a COLA. The current COLA rate is 5.66 percent and the cost of providing a full COLA at this rate is roughly \$3.1 billion.
- ◆ **Rejects Across-the-board Cuts.** Rejects the Governor's proposed Budget Balancing Reductions (BBRs) which applied a 10.9% across-the-board cut to all K-12 categorical programs and school district revenue limits based on the Governor's workload budget. The Floor Version instead provides programs with funding slightly above the amount received in 2007-08.
- ◆ **Charter School Facilities Grant Program.** Provides \$18 million in ongoing funds for this program. Last year's budget provided one-time funds for this program. This program provides funding to charter schools in low-income areas to pay for leasing costs when these charters are unable to secure non-leased buildings.

One-time Funds. The Floor Version includes the following expenditures of one-time funding: \$354.7 million for child care and \$101 million for the Emergency Facilities Repair program pursuant to the Williams Settlement. The Floor Version also provides \$150 million for settle-up in the budget year for mandates and \$450 million to fund the Quality Education Investment Act (QEIA).

Federal Funds. The Floor Version includes the following proposals paid for with federal funds:

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **School Improvement.** Provides a total of approximately \$182.5 million in federal funds to assist Local Education Agencies in meeting adequate yearly progress (AYP) and program improvement (PI) requirements under the federal No Child Left Behind (NCLB) act. The funds include \$102.2 million in Title I set-aside funds (\$47 million one-time funds and \$55.2 million ongoing); \$78.1 million from the School Improvement Grant (SIG); \$378,000 and 4.0 positions to support the administration of the SIG funds; and \$1.8 million in Title III funds. All funds were allocated pursuant to legislation so that a comprehensive school improvement package could be developed.

- ◆ **Federal Title II Funds.** Funds the UC Subject Matter Projects with \$5 million in one-time federal Title II carryover funds and the Administrator Training program with \$100,000 in one-time Title II carryover funds. Also provides \$109,000 in ongoing federal Title II funds for 1.0 position for CDE to administer the English learner component of the Math and Reading Professional Development program.

- ◆ **Federal Title III Funds:**
 - Augments by \$500,000, the evaluation of a multi-year research project to identify best practices for improving the academic achievement and English language development of English learners (created by AB 2117 (Coto), Chapter 561, Statutes of 2006). The Floor Version also includes Budget Bill Language that requires CDE to consult with the Department of Finance, the Legislative Analyst's Office and the Legislature to discuss the scope of the evaluation prior to release of the request for application.

 - Provides \$1.6 million to CDE for technical assistance for English learners in county court schools and Department of Juvenile Justice (DJJ) schools. The Conference Committee also adopted supplemental report language requiring CDE to report on the number of court schools and DJJ schools statewide and the status of monitoring activities to ensure compliance with state and federal laws.

 - Provides \$109,000 and 1.0 position for the English learner component of the Math and Reading Professional Development program.

 - Sets aside remaining carryover funds for state level activities to be determined in the 2009-10 fiscal year.

**THE 2008-2009 STATE BUDGET
Floor Report**

◆ **Federal Special Education Funds:**

- Provides \$1.25 million to CDE to develop and implement a standardized evidence-based assessment for eligible pupils with disabilities, allowing pupils with disabilities to demonstrate competence equivalent to the high school exit exam (CAHSEE).
- Provides \$1.25 million to CDE to provide technical assistance for special education students in county court schools and Department of Juvenile Justice (DJJ) schools.

Other State Operations Proposals

- ◆ **Office of the Secretary for Education (OSE).** Approves the Governor's proposal to apply a 10% unallocated reduction to OSE's state operations.
- ◆ **Department of Education General Fund Positions.** Approves the Governor's proposal to provide \$40,000 and 0.3 positions for anti-discrimination and harassment monitoring pursuant to the requirements of AB 394 (Levine), Chapter 566, Statutes of 2007. Rejected additional general fund positions for CDE totaling \$442,000. These positions were related to implementation of districts of choice legislation [SB 80 (Chapter 174, statutes of 2007)]; CTE website development [AB 597 (Committee on Education), Chapter 529, Statutes of 2007)]; and a position for the English learner component of the Math and Reading Professional Development Program (MRPD). The MRPD position was funded with federal funds instead of general fund.
- ◆ **CDE Unallocated Reduction.** Approves an unallocated reduction of \$5.25 million to CDE's state operations. The Floor Version also included language requiring CDE to report to the Legislature 30 days after the enactment of the budget act as to how those reductions would be taken. The language also requires CDE to fill new positions for the purposes provided in the budget act.



HIGHER EDUCATION

California State Library

MAJOR ACTIONS

- ◆ **State Operations – Support.** Approves the Governor's budget balancing reduction of 10 percent, funding State Operations at \$13,642,000.
- ◆ **Public Library Foundation (PLF) and Other Local Assistance Programs.** Approves a 5 percent reduction to all the Library programs.

California Postsecondary Education Commission

MAJOR ACTIONS

- ◆ **State Operations.** Approves the Governor's proposal to reduce state operations by \$223,000.

University of California (UC)

MAJOR ACTIONS

- ◆ **General Fund Support.** Approves \$3 billion in General Fund support.
- ◆ **Student Fees.** Assumes an increase of \$125 million associated with the UC Board of Regents approved 7.4 percent student fee increase for all undergraduate students.
- ◆ **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 \$10 million General Fund in one-time funds for the costs associated with sustaining UC Merced operations for a total funding level of \$20

THE 2008-2009 STATE BUDGET
Floor Report

million (reduced from the \$24 million in 2007-08 due to an agreement to phase down one-time funds as enrollments at Merced increase).

- ◆ **Key Reductions.** Includes the following reductions:
 - Approves \$32.3 million in reductions to institutional support.
 - Approves \$201.1 million in unallocated base reductions.
 - Rejects the Governor's proposal to augment PTA funding for ITS by \$5 million. Restores funding to their current year level of \$980,000.

California State University (CSU)

■ **MAJOR ACTIONS**

- ◆ **General Fund Support.** Approves \$2.9 billion in General Fund support.
- ◆ **Student Fees.** Approves an increase of \$108.8 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.
- ◆ **Key Reductions.** Includes the following reductions.
 - Approves \$43.2 million in reductions to institutional support.
 - Approves \$172.1 million in unallocated base reductions.
 - Restores \$200,000 for the Executive, Legislative and Judicial Fellowship program to fund at the current year level.

California Community Colleges (CCC)

■ **MAJOR ACTIONS**

BUDGET-YEAR

- ◆ **Enrollment Growth Funding.** Approves a \$113.5 million to fund a two percent enrollment growth to fund an additional 23,000 FTES.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Apportionments.** Approves \$3.3 billion in funding for apportionments.
 - ◆ **Categoricals.** Rejects the Governor's proposed 10 percent cut to community college categorical programs.
 - ◆ **State Operations.** Approves \$200,000 in unallocated reductions to the Chancellor's Office state operations, instead of the Governor's proposed \$1 million reduction.
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California Student Aid Commission

■ **MAJOR ACTIONS**

- ◆ **Cal Grant Competitive Program.** Restores the Competitive Program, which had been proposed by the Governor to be phased out.
- ◆ **Assumption Program of Loans for Education (APLE).** Rejects the proposed 800 APLE awards reduction and restores authorization for a total of 8,000 new warrants, 100 new warrants for the State Nursing APLE program and 100 new warrants for the Nurses in State Facilities APLE program.
- ◆ **Shift California Student Opportunity and Access Program from General Fund to College Access Challenge Grant Program.** Approves \$7.3 million shift from General Fund to federal grant for the 2008-09 and 2009-10 fiscal years to fund Cal-SOAP at \$5.8 million and Cash for College at \$330,000.
- ◆ **Delay in EdFund Sale.** Approves the statutory authority permitting the sale of EdFund for a two-year extension, until January 10, 2011, and requests that the Director of Finance report to the Joint Legislative Budget Committee on the status of the sale.
- ◆ **State Operations.** Approves \$789,000 in unallocated reductions to the Chancellor's Office state operations, instead of the Governor's \$1.6 million reduction.



NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Resources Agency

MAJOR ACTIONS

- ◆ **Budget Balancing Reductions.** Approves \$625,000 (General Fund) reduction to Agency's CALFED and SB 97 Implementation budget.
- ◆ **California River Parkways.** Approves augmentation of \$28.3 million in Proposition 84 funds for local assistance grants and \$210,000 for programmatic support for the California River Parkways Program.
- ◆ **San Joaquin River Restoration.** Provides \$15.9 million in Proposition 84 funds to continue San Joaquin River restoration programs, in cooperation with the Departments of Fish and Game and Water Resources.
- ◆ **CALFED Science.** Approves \$30 million (Propositions 84 and 50, reimbursements, and reversions) to support the CALFED Science Program.
- ◆ **Coastal Impact Assistance Program.** Approves \$9.6 million (Coastal Impact Assistance Fund) to fund various coastal benefiting programs at the Resources Agency, Fish and Game, SBDC, Boating and Waterways, Coastal Commission, Coastal Conservancy, State Lands Commission, and the Parks.

Conservation Corps

MAJOR ACTIONS

- ◆ **Budget Balancing Reductions.** Rejects \$3 million in General Fund reduction to Corps programs. Total reductions proposed by the Administration were \$3.75 million in General Fund.
- ◆ **Proposition 84** – Provides \$23.3 million (Proposition 84) for the California local conservation corps for restoration projects and facilities acquisition, development, restoration and rehabilitation.

Department of Parks and Recreation

■ MAJOR ACTIONS

- ◆ **State Parks Access Pass.** Removes from the budget, but approves as a stand-alone policy bill to provide free access to state parks and beaches as well as long-term new investments in our park with the establishment of a \$10 annual "State Parks Access Pass" vehicle registration surcharge. If approved, this proposal will raise \$282 million for state parks operations and deferred maintenance.
- ◆ **Deferred Maintenance.** Provides \$12.2 million (Proposition 84) to fund deferred maintenance projects. State Parks has an approximate deferred maintenance need of \$1.2 billion, this augmentation will backfill prior year reductions in general fund and will be allocated over six years.
- ◆ **Historical Resources.** Approves \$6.7 million (Proposition 84) over five years to preserve and restore historical resources in the existing state park system.
- ◆ **Visitor Resources.** Approves \$8.7 million (Proposition 84) over five years for the development, restoration, rehabilitation, and interpretation of state park visitor resources.

Department of Conservation

■ MAJOR ACTIONS

- ◆ **Proposition 84 Programs.** Provides \$5.2 million (Proposition 84) for the Farmland Conservancy program to preserve agricultural lands and \$2.1 million (Proposition 84) for the Watershed Coordinator program.

Sierra Nevada Conservancy

■ MAJOR ACTIONS

- ◆ **Conservancy Funding.** Approves \$17 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.

Department of Forestry and Fire Protection

MAJOR ACTIONS

- ◆ **Budget Balancing Reductions.** Rejects \$4.3 million in General Fund cuts to the State Fire Marshal, Resource Management, Administration, and Hazardous Materials clean-up.
- ◆ **Emergency Protection Surcharge.** Doubles the Governor's proposed Emergency Insurance Surcharge to generate funds for fighting forest fires and dealing with other emergencies. The annual surcharge will average about \$25 for properties in high risk areas and \$13 for properties in low risk areas.
- ◆ **Urban Forestry.** Approves \$5.4 million (Proposition 84) for the Department to continue implementation of their Urban Forestry program.

Department of Fish and Game

MAJOR ACTIONS

- ◆ **Budget Balancing Reductions.** Rejects \$4.6 million (General Fund) in proposed cuts to the Department's Biodiversity, Hunting and Fishing, and Public use programs.
- ◆ **Special Fund Loans to General Fund.** Rejects both a \$13.0 million loan from the Oil Spill Prevention Administration Fund to the General fund and a \$2.5 million loan from the California Waterfowl Habitat Preservation Account. The Department of Finance withdrew proposal to loan \$4.0 million from the Hatchery and Inland Fisheries Fund.
- ◆ **Oil Spill Prevention.** Approves \$1.13 million (Oil Spill Response Fund) in new funding for the Oils Spill Prevention Response Program to fund improvements to monitoring systems and to fund local grants for oil response equipment.
- ◆ **CALFED Ecosystem Restoration.** Approves \$3 million (Proposition 84) for the CALFED Ecosystem Restoration Program.
- ◆ **Salton Sea Restoration.** Provides \$10.8 million (Proposition 84) for continued Salton Sea Restoration activities.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Proposition 84 Anadromous Fish Grants.** Approves proposal to augment by \$10.9 million (Proposition 84) for anadromous fish management and habitat restoration programs.
- ◆ **San Joaquin River Restoration.** Provides \$6 million (Proposition 84) for continued restoration of the San Joaquin River. This proposal is in coordination with the Resources Agency and the Department of Water Resources.
- ◆ **Suction Dredge Mining.** Approves \$1 million (General Fund) to conduct an environmental impact review (EIR) of the Suction Dredge Program, consistent with recent rulings by the courts.

Wildlife Conservation Board

■ **MAJOR ACTIONS**

- ◆ **Habitat Conservation Fund.** Approves proposal to use Proposition 1E funding designated for flood protection corridors instead of General funds for the state's required contribution of \$20.4 million to the Habitat Conservation Fund.

Coastal Commission

■ **MAJOR ACTIONS**

- ◆ **Budget Balancing Reduction.** Rejects \$1.18 million in General Fund cuts to the Commission's ongoing programs.
- ◆ **Proposition 84.** Approves \$84.4 million (Proposition 84) for the Conservancies five ongoing projects.
- ◆ **Commission Programs.** Provides \$300,000 (reimbursements) to provide authority to accept funds from non-state entities and provide funding for additional temporary help positions. Additionally, the Floor Version approves \$1.2 million (General Fund) for the Commission, affecting Commission staff review and response for energy, industrial and other projects within the coastal zone.

Coastal Conservancy

MAJOR ACTIONS

- ◆ **Ocean Protection Council.** Approves \$26.42 million (Proposition 84) for the Ocean Protection Council to expend on implementation of the Marine Life Protection Act.
- ◆ **Proposition 84.** Approves \$89.0 million (Proposition 84) for the Conservancies five ongoing programs.
- ◆ **San Diego Conservancy.** Approves \$3 million (Proposition 84) for projects within the San Diego River Conservancy.

Department of Water Resources

MAJOR ACTIONS

- ◆ **FloodSAFE.** Approves \$461 million and 14 new positions as budgeted from Propositions 1E and 84 for a variety of ongoing and new flood protection programs, and augments flood protection spending by \$100 million to fund general levee projects throughout the delta.
- ◆ **All American Canal.** Approves proposal to shift funding for the final year of All American Canal lining from General fund to Proposition 84 funds for a total savings of \$13.5 million (General Fund).
- ◆ **Budget Balancing Reductions.** Approves \$7.1 million (General Fund) reduction from various programs and will have impacts on flood protection, water management, and may increase fees for watermaster services.
- ◆ **Alternative Conveyance.** Approves \$1.4 million (State Water Project Funds) and eight limited term positions to conduct studies on options for conservation and restoration of the Sacramento San Joaquin River Delta, including conveyance.
- ◆ **Salton Sea.** Provides \$3 million (reimbursement authority) to implement the Salton Sea Restoration and Management Program.
- ◆ **San Joaquin River Restoration.** Approves \$9.6 million (reimbursements) to continue restoration activities on the San Joaquin River.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Prop 1E Levee Evaluations.** Approves \$126.5 million (Proposition 1E) to continue statewide evaluation and repair of system levees.

Air Resources Board

■ **MAJOR ACTIONS**

- ◆ **Trucker Assistance Program (AB 118).** Approves \$48.7 million (Air Quality Improvement Fund) to fund grants and loan programs to assist truckers with early compliance with recent air quality emissions rulings by the Air Board.
- ◆ **Budget Balancing Reductions.** Approves reductions of \$100,000 in 2007-08 and \$243,000 in 2008-09 from the Boards air pollution research contracting budget.
- ◆ **Air Quality Enforcement.** Approves \$6.8 million (Motor Vehicle Account) and 37 positions to implement and enforce efforts to control toxic diesel particulate pollution.
- ◆ **AB 32 (Núñez) Implementation.** Approves \$32 million loan from the Beverage Recycling Fund for ongoing funding for AB 32 (Núñez) implementation. Augments \$5.6 million (Air Pollution Control Fund) and 25.8 positions for additional staff and resources to continue implementation of strategies to reduce greenhouse gas emissions in California.
- ◆ **Hydrogen Highway.** Approves \$6 million (Motor Vehicle Account) on a one time basis for the state's Zero Emission Vehicle program. These funds will be used for further development of the state's Hydrogen Highways plan.
- ◆ **Air Quality Improvement Program.** Provides \$1.6 million (Air Quality Improvement Fund) and 9.6 positions to develop and implement the Air Quality Improvement Program and Enhanced Fleet Modernization program.

The Integrated Waste Board

■ **MAJOR ACTIONS**

- ◆ **Environmental Education.** Approves \$1.2 million (California Beverage Container Recycling Fund) to fund implementation of the California Education and the Environment Initiative.

State Water Resources Control Board

MAJOR ACTIONS

- ◆ **Budget Balancing Reduction.** Approves \$4.1 million in budget balancing reductions for water quality and water rights program.
- ◆ **Delta Water Quality.** Approves \$4.3 million (General Fund) from various programs in the board including TMDL assessment, non-point source program, NPDES Program, Delta water quality and general Water board's administration costs.
- ◆ **Waste Discharge Permits.** Approves \$790,000 (Waste Discharge Permit Fund) and \$524,000 (Water Rights Fund) to fund investigators and enforcement personnel for the State Water Resources Control Board.
- ◆ **Ocean Debris.** Approves \$1 million and 8.5 positions to implement plastic debris reduction programs.
- ◆ **Climate Change.** Rejects proposal for \$428,000 (Waste Discharge Permit Fund) for 3.8 positions to provide staff for the Climate Action Team. Funding will be considered for this activity as part of a separate water policy bill.
- ◆ **Urban Stormwater Grants.** Approves \$44 million (Proposition 84) for urban stormwater grants.

Department of Toxic Substances

MAJOR ACTIONS

- ◆ **Budget Balancing Reductions.** Approves reduction of \$3.8 million (General Fund) from the Department's various programs. This reduction will impact the Department's response to illegal drug lab removal, emergency removal of off highway spills, implement the biomonitoring program and reduce travel and facility costs.
- ◆ **Green Chemistry.** Retains proposal to augment \$772,000 and 5.7 positions to expand the existing Pollution Prevention program in the area of green chemistry. These resources will focus on product design and industrial innovation that reduces the use of harmful chemicals in products and generates fewer emissions and less waste, thereby moving California towards safe and sustainable industrial chemistry.

Office of Environmental Health Hazard Assessment

■ MAJOR ACTIONS

- ◆ **Budget Balancing Reductions.** Approves reduction of \$1 million (General Fund) from the Department's various programs.
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Department of Food and Agriculture

■ MAJOR ACTIONS

- ◆ **Budget Balancing Reduction.** Rejects \$1.3 million in General Fund cuts to the Department's Animal Health and Food Safety Services programs. Approves \$2.5 million reduction (General Fund) from the Department's Agricultural Plant Health and Pest Prevention Services. This constitutes a half of the Administration's proposed BBR for the pest prevention programs.
 - ◆ **Agricultural Inspection Stations.** Provides \$7.5 million (Motor Vehicle Account/General Fund) and 117.5 positions to operate all statewide border inspection stations full time to inspect all commercial and private vehicles.
-

Energy Resources Conservation and Development Commission

■ MAJOR ACTIONS

- ◆ **Loans to the General Fund.** Approves \$10.9 million loan from the Renewable Resources Trust Fund to the General Fund.
- ◆ **Alternative and Renewable Fuel and Vehicle Technology Program.** Approves \$75 million from the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVTF) to begin implementation of the Alternative and Renewable Fuel and Vehicle Technology program.
- ◆ **Energy Efficiency.** Provides \$1.8 million (ERPA funds) and 17.5 positions to accelerate the development of energy efficiency buildings standards.



GENERAL GOVERNMENT

Secretary for Business Transportation and Housing

MAJOR ACTIONS

- ◆ **Small Business Loan Guarantee Program.** Reduces funding for the Small Business Loan Guarantee program by \$1 million (General Fund).
- ◆ **Office of Military and Aerospace Support.** Eliminates funding for the Office of Military and Aerospace Support for a savings of \$502,000 (General Fund).
- ◆ **San Joaquin Valley Partnership.** Rejects \$2 million (General Fund) augmentation for the San Joaquin Valley Partnership.

Department of Alcohol Beverage Control

MAJOR ACTIONS

- ◆ **Annual License Renewal Fees.** Increases annual renewal fees by the full consumer price index of 11.78 percent in order to maintain current levels of program delivery for enforcement of statewide alcohol beverage control laws.

State Board of Equalization

MAJOR ACTIONS

- ◆ **Sales Tax Compliance and Outreach.** Approves budget request for \$7.5 million General Fund to add 112 positions to improve compliance and outreach with the Sales and Use Tax. The budget estimates additional General Fund revenues of \$38 million in 2008-09 and \$51 million in 2009-10 resulting from this additional effort to ensure that business that engage in retail sales register with the board and collect and transmit sales tax.
- ◆ **Tax Gap Reduction.** Approves \$13.7 million of a budget request for \$13.9 million (\$9 million General Fund) and 127 of 129 requested positions to enhance

THE 2008-2009 STATE BUDGET
Floor Report

compliance with the Sales and Use Tax and reduce the Tax Gap—the difference between taxes legally owed and the amount actually collected by the state. The board estimates additional General Fund revenues of \$27.2 million in 2008-09 and larger amounts annually thereafter from these efforts, which include 51.5 positions to improve compliance with use tax payment by in-state service businesses when they purchase equipment or supplies from out-of-state vendors. Other staff increases will improve and expand audit and collection efforts. This revenue estimate is \$7.2 million General Fund greater than assumed in the May Revision as a result of an estimate revision by the board using more recent data.

- ◆ **Agricultural Inspection Program.** Approves budget request for \$1.4 million (\$800,000 General Fund) to continue 16 positions at the border stations to detect and identify shipments of taxable goods brought into the state without payment of the tax. The board estimates that this continuation will result in \$5.3 million of General Fund revenue in 2008-09—an increase of \$1.7 million over the May Revision due to more recent data.
- ◆ **Cigarette and Tobacco Tax Program.** Approves budget request for \$3 million (\$238,000 General Fund) for 13 new positions and continuation of 20 limited-term positions to enhance enforcement and compliance efforts for cigarette and tobacco taxes. These efforts primarily are funded by and benefit the cigarette and tobacco tax funds established by Proposition 10 and Proposition 99. The budget estimates \$30.1 million of total revenue from this expenditure in 2008-09.
- ◆ **Staff Vacancy Savings.** Reduces by \$660,000 General Fund to reflect a more realistic projection of salary savings from normal staff vacancies and hiring timelines. The board, as a revenue producing entity was not subject to a 10-percent reduction.

Franchise Tax Board

■ **MAJOR ACTIONS**

- ◆ **Tax Gap Reduction Efforts.** Approves budget requests for a total of \$17.6 million and 224 positions for a variety of activities intended to improve compliance and collection of the Personal Income Tax and the Corporation Tax. The budget estimates that these efforts will generate \$104 million in additional revenue in 2008-09 and larger amounts thereafter.
- ◆ **Acceleration of LLC Fee Payments.** Includes Trailer Bill language requested in the May Revision to accelerate the due date for payment of LLC fees for a revenue gain of \$360 million in 2008-09 and \$35 million annually thereafter.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Staff Vacancy Savings.** Reduces by \$900,000 General Fund to reflect a more realistic projection of salary savings from normal staff vacancies and hiring timelines. The board, as a revenue producing entity was not subject to a 10-percent reduction.

Tax Relief Programs

■ **MAJOR ACTIONS**

- ◆ **Senior Citizen Programs.** Restores \$21.7 million (General Fund) to eliminate the Governor's proposed 10-percent reduction for Senior Citizens' property tax and renters' assistance and for the property tax deferral program.
- ◆ **Williamson Act.** Approves Governor's proposal to reduce subventions by 10 percent for a savings of \$3.9 million in 2008-09.

Local Government Financing

■ **MAJOR ACTIONS**

- ◆ **COPS/JJCPA.** Provides a total of \$200 million (\$100 million for each program) for the Citizen's Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) programs. The COPS program distributes funds to locals, on a population basis, to augment local funding for district attorneys, county jail construction and operation, and front-line law enforcement. The JJCPA program provides funding to locals for services that target at-risk juveniles, juvenile offenders, and their families.
- ◆ **Compliance with Redevelopment Pass-Through Requirement.** Recognizes \$98 million of General Fund K-14 education savings from the adoption of Trailer Bill language, as proposed by the LAO, to improve the compliance of redevelopment agencies with existing law that requires them to pass through to K-14 education entities a portion of their tax increment revenues from post-1993 projects and requires K-14 to report a percentage of the pass-through as property tax revenues for apportionment and Proposition 98 purposes. The estimated \$98 million savings results from the recapture of pass-through payments that redevelopment agencies should have made but didn't, improvements in the efficiency and accountability of the pass-through mechanism, and reporting by K-14 entities of the appropriate shares of pass-through that they received in the past but did not report as property tax revenue (\$20 million in 2008-09).

**THE 2008-2009 STATE BUDGET
Floor Report**

- ◆ **Trailer Vehicle License Fee.** Rejects Governor's 10-percent reduction of \$1.2 million to the General Fund subvention that replaces VLF revenue dedicated to fund Realignment that was lost when the state revised the registration system for commercial trailers. Because Realignment funds health and social services costs shifted to the counties, a reduction in these funds could expose the state to mandate claims.

Commission on State Mandates

■ **MAJOR ACTIONS**

- ◆ **Repayment of Deferred Mandate Debt.** Deletes \$75 million, as proposed by the May Revision, for the 2008-09 installment of past deferred mandate claims that must be repaid to local governments by 2020-21.
- ◆ **Claims Savings.** Reduces by \$53 million the amount appropriated to pay remaining 2005-06 and 2006-07 mandate claims. The actual amounts of claims timely filed for payment is less than was budgeted.
- ◆ **Jessica's Law.** Directs the Commission to review and reconsider its previous decision that state law establishing the Sexually Violent Predator Program is a reimbursable mandate in light of the voter's passage of Jessica's Law in 2006.

Secretary for Labor and Workforce Development

■ **MAJOR ACTIONS**

- ◆ **Agency Information Officer.** Creates an Agency Information Officer (\$416,000) to coordinate all major technology projects, of which there are currently six under this Agency.

Department of Insurance

■ **MAJOR ACTIONS**

- ◆ **Insurance Fraud Prevention.** Approves \$4 million (Insurance Fund) to provide grants to local district attorneys for workers compensation and healthcare insurance fraud cases.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **General Fund Tax Collection Funding Shift.** Rejects the Governor's proposal to shift \$2.122 million in tax collection costs from Special Funds to the General Fund.
- ◆ **Paperless Workflow System.** Approves an augmentation of \$2.787 million (Special Funds) to implement the planning and procurement phase for a centralized electronic document management system. This system will provide electronic forms for customers to use, electronic storage and retrieval of documents, and allow electronic filing of reports and documents.

Department of Fair Employment and Housing

■ **MAJOR ACTIONS**

- ◆ **Revised Cut.** Approves a reduction of \$875,000, approximately half the cut in the Governor's proposal. This change allows the state to continue collecting all available federal funds rather than risk losing \$100,000-\$500,000 in federal funding.

Department of Housing and Community Development

■ **MAJOR ACTIONS**

- ◆ **Emergency Housing Assistance Program (EHAP).** Rejects the Governor's proposed \$401,000 reduction, which would have resulted in a 10 percent cut in state funding for these facilities.
- ◆ **Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) Positions.** Approves funding in line with the schedule set out in 2007-08, including \$200 million for Infill Incentive Grants, \$95 million for Transit Oriented Development, \$95 million for Affordable Housing Innovation, and \$50 million for CalHome.
- ◆ **New State Housing Law.** Rejects the Governor's request for \$117,000 to incorporate recycled water features into the Building Standards Code, but includes Trailer Bill Language to consider sustainability factors when developing building standards.
- ◆ **Employee Housing.** Approves a reduction of \$85,000 General Fund, but authorizes HCD to increase fees that have been the same since 1982 in order to backfill those funds.
- ◆ **Loans.** Approves \$19.4 million in special fund loans, \$1.8 million more than proposed in the Governor's May Revise. Loans from the Mobilehome Park Revolving Fund and Mobilehome-Manufactured Home Revolving Fund were

THE 2008-2009 STATE BUDGET
Floor Report

reduced and eliminated, respectively. The Loan from the Housing Rehabilitation Loan Fund was increased to compensate.

Secretary of State

■ **MAJOR ACTIONS**

- ◆ **10 Percent Reduction.** Approves reducing the Special Projects budget by \$3.5 million through changes to the Voter Information Guides including elimination of color, lighter weight paper, slightly reducing the size, and eliminating duplicate mailings to households.
- ◆ **Help America Vote Act (HAVA).** Continues funding HAVA activities including elections assistance for individuals with disabilities, voter education, voting equipment certification, and the development of a statewide voter registration database (VoteCal). This year's allocation totals \$42.4 million.
- ◆ **Local Election Costs.** Approves \$85.6 million for full reimbursement of Counties for Presidential Primary election costs. Also approved is budget bill language that specifies the State Controllers' Office's role in auditing the reimbursement requests to ensure accuracy.

State Controller's Office

■ **MAJOR ACTIONS**

- ◆ **Unclaimed Property.** Approves the Governor's proposal to convert \$26.1 million in General Fund costs for the Unclaimed Property program to the Unclaimed Property Fund.

California Science Center

■ **MAJOR ACTIONS**

- ◆ **California African American Museum (CAAM).** Approves \$200,000 in General Funds and \$800,000 in Special Funds to begin working drawings for the renovation and expansion of 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

THE 2008-2009 STATE BUDGET
Floor Report

space including a café, a retail store, and meeting space.

- ◆ **New Los Angeles Coliseum Lease.** Allocates the use of the new \$1 million lease signed for the Los Angeles Coliseum. \$365,000 is authorized for security and facility purposes and \$655,000 for General Fund offset.

Department of Consumer Affairs

■ **MAJOR ACTIONS**

- ◆ **Loans.** Approves nearly \$100 million in special fund loans, but rejects \$20 million proposed by the Governor from the recently created Enhanced Fleet Modernization Sub-account.
- ◆ **Bureau of Private Postsecondary Education.** Approves half year funding of \$5 million pending enactment of legislation to authorize the Bureau's activities. Legislation would not take effect until January 1, necessitating only half year funding.

Department of General Services

■ **MAJOR ACTIONS**

- ◆ **State Capitol and Grounds Maintenance and Repairs.** Reduces the budget for maintenance by 10 percent (\$794,000).
- ◆ **Architecture Revolving Fund (ARF).** Creates Control Section language to address the \$27 million deficit in this fund. It specifies that approximately 50 percent of the funds shall be charged to those departments that received the services, while the other half may be collected through a surcharge on future projects.
- ◆ **Earthquake Safety Bond Act.** Rejects the Governor's proposal to place a \$300 million GO Bond on the November 8, 2008 ballot. These funds would have been used for state building projects determined to be eligible for retrofitting, reconstruction, repair, replacement, relocation, or other seismic hazard abatement. All projects proposed using these funds were also rejected.
- ◆ **Loans.** Approves a \$60 million loan from the Public School Planning, Design and Construction Review Revolving Fund.

**THE 2008-2009 STATE BUDGET
Floor Report**

- ◆ **Infrastructure Studies.** Approves \$230,000 to complete infrastructure studies for older DGS owned buildings, and requires reporting on the progress of efforts to implement energy efficiency in state buildings.
- ◆ **Natural Gas.** Increases expenditure authority for the Natural Gas Purchasing Program by \$75 million to recognize increased prices and usage.

Employment Development Department

■ **MAJOR ACTIONS**

- ◆ **Workforce Investment Act (WIA) Expenditure Plan.** Approves expenditure of WIA funds to achieve \$7.2 million in General Fund savings, \$2 million in Green Technology/Green Collar Job funding, and \$3.5 for economic stimulus funding.
- ◆ **Unemployment Insurance Augmentation.** Approves \$8.5 million (\$5.3 million General Fund) to help backfill the loss of federal funds to support this program. Also included is language authorizing the Department of Finance to allocate more funding should the Federal Government not provide additional funding later this year.
- ◆ **Automated Collection Enhancement System (ACES).** Approves \$2.8 million to continue implementation of this project to increase the effectiveness of EDD tax collection operations, increasing revenue by approximately \$71.4 million by the end of 2012-13 and each year thereafter.

Agricultural Labor Relations Board

■ **MAJOR ACTIONS**

- ◆ **10 Percent Reduction.** Rejects the Governor's proposal to cut \$515,000 from the Board, which would have left only one part time judge to complete all the hearings required of the Board.

Department of Industrial Relations

■ **MAJOR ACTIONS**

- ◆ **Targeted Inspection and Consultation Fund (TICF).** Authorizes the Department

**THE 2008-2009 STATE BUDGET
Floor Report**

to revise the TICF fee structure to increase revenue by approximately \$3.9 million annually. This will serve to help pay off a \$13 million loan over the next six years.

- ◆ **OSHA Program Fund Shift.** Establishes a new Occupational Safety and Health Fund to be supported by a new assessment on Workers' Compensation premiums. The initial assessment in 2008-09 will be \$18.9 million. This fund will cover many costs previously covered by the TICF.

Public Employment Relations Board

■ **MAJOR ACTIONS**

- ◆ **Oakland Office Closure.** Rejects the Governor's proposal to eliminate the Oakland office of the Board (\$140,000), and continues to require PERB to cover the cost of fact finding panels.

State Teachers' Retirement System

■ **MAJOR ACTIONS**

- ◆ **Supplemental Benefits Maintenance Account.** Achieves approximately \$145 million in savings by implementing various changes including reducing the state's annual contribution, increasing the benefit for retired teachers, allocating required interest payments in out years, and other technical adjustments.

Department of Personnel Administration

■ **MAJOR ACTIONS**

- ◆ **Rural Healthcare Equity Program.** Eliminates the Rural Healthcare Equity Program for a total savings of \$5.5 million. This program provides reimbursements of certain health care expenses for state employees and annuitants who do not have access to an HMO.
- ◆ **Position Reduction/Layoff Workload.** Rejects the Governor's proposal for \$3 million to process workload related to position reductions and layoffs originally proposed in the Governor's budget. Many of these position reductions are no longer contained in the proposed budget.

Board of Chiropractic Examiners

■ MAJOR ACTIONS

- ◆ **Investigators.** Approves an augmentation of \$503,000 to allow the Board to use in-house investigators. Along with this request, the Board is required to report on the effectiveness of these investigators, and their progress in addressing the concerns raised in the BSA audit completed earlier this year.

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

■ MAJOR ACTIONS

- ◆ **Operational Improvements.** Approves \$367,000 to implement programmatic improvements including a comprehensive review of pilot fitness standards, training in shipboard and portable electronic navigation systems, and strengthening the Board's incident investigation procedures. The request also funds recruitment and outreach to qualified minority groups to compete for entry into the Board's pilot trainee training program.

Fair Political Practices Commission (FPPC) and Political Reform Act of 1974.

■ MAJOR ACTIONS

- ◆ **10 Percent Reduction.** Rejects the Governor's proposed reductions of \$825,000 for the FPPC and \$275,000 for the Political Reform Act of 1974.

Economic and Employment Enforcement Coalition

■ MAJOR ACTIONS

- ◆ **Coalition Funding.** Approves funding under the Secretary of Labor and Workforce Development, Employment Development Department, Department of Industrial Relations and the Contractor's State License Board for a total of \$7

THE 2008-2009 STATE BUDGET
Floor Report

million in funding. The Coalition is designed to combat the "underground economy".

Military Department

■ **MAJOR ACTIONS**

- ◆ **Joint Operations Center.** Provides \$1.2 million to staff the Joint Operations Center in order to provide immediate response during disasters and special security events.
- ◆ **Critical Infrastructure Protection.** Provides \$2.1 million to establish two Critical Infrastructure Protection Teams in order to assess designated critical infrastructure sites and develop recommendations to mitigate vulnerabilities.
- ◆ **Medical Services Branch.** Provides \$228,000 to meet the increased demand for services provided to wounded and deceased soldiers.

Department of Veteran's Affairs

■ **MAJOR ACTIONS**

- ◆ **GLAVC Veteran Home.** Provides \$9.4 million to support pre-activation activities and begin operations of the Greater Los Angeles/Venture Counties Veterans home.
- ◆ **Capital Assets and Facilities Management.** Provides \$2.5 million to address increased workload in construction planning and implementation, capital outlay, and facilities management.
- ◆ **Fiscal Operations.** Provides \$736,000 to address deficiencies in fiscal controls and provide oversight of budget development, capital outlay, accounting, and financial and fiscal operations.
- ◆ **Nursing Staff.** Provides \$2 million to implement nurse staffing ratios at the Chula Vista Veterans Home as set forth in emergency draft regulations issued by the California Department of Public Health.
- ◆ **Mental Health Network.** Provides \$496,000 to begin development of a statewide veteran mental health referral network.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **County Services Organizations.** Restores \$260,000 to county veteran's services offices that was proposed as part of the Administration's budget balancing reductions.

Gambling Control Commission

■ **MAJOR ACTIONS**

- ◆ **Gaming Device Inspection.** Provides \$1 million to provide oversight of electronic gaming devices and associated equipment research, testing and inspection.

PUBLIC SAFETY

Office of Emergency Services & Office of Homeland Security

MAJOR ACTIONS

- ◆ **Emergency Response Initiative.** Establishes the Emergency Response Initiative to enhance the emergency response capabilities of the California Department of Forestry and Fire Protection, the Office of Emergency Services (OES) and the Military Department. The Emergency Response Initiative establishes a surcharge on insurance holders for all residential and commercial property statewide. This surcharge will be set at two levels based on differing risk and is expected to generate approximately \$139 million in the 2008-09 fiscal year, which is twice as much as the Administration proposed in its May Revision due to an increased surcharge rate.
- ◆ **Regional Operational Readiness.** Provides \$3.3 million to provide increased support at three regional offices and to enhance response capabilities.
- ◆ **Domestic Violence.** Provides \$400,000 to increase domestic violence counseling and education to underrepresented communities.
- ◆ **Local Law Enforcement.** Provides \$500,000 to administer a local assistance grant program focused on the investigation and prosecution of crimes committed against children on the internet. This ongoing funding would support existing Internet Crimes Against Children Task Forces in San Diego, Los Angeles, San Jose, and Sacramento.
- ◆ **Gang Prevention.** Provides \$900,000 to carry out the provisions of Assembly Bill 1381 (Chapter 459, Statutes of 2007), which established the Office of Gang and Youth Violence Policy.
- ◆ **Methamphetamine Enforcement Teams.** Rejects \$19.5 million to continue funding for California Multi-Jurisdictional Methamphetamine Enforcement Teams (Cal-MMET). Cal-MMET supports efforts to disrupt and dismantle methamphetamine manufacturing and trafficking activities.

Department of Justice

MAJOR ACTIONS

- ◆ **Gang Suppression.** Rejects \$5.3 million in additional funding to permanently establish four Gang Suppression Teams to assist local law enforcement in efforts targeting the leadership and organizational structure of criminal street gangs but authorizes the Department of Justice to fund these activities within existing resources.
- ◆ **Gambling Regulation.** Provides \$850,000 to address increased compliance and enforcement efforts in card rooms throughout the state.

Department of Corrections and Rehabilitation

MAJOR ACTIONS

- ◆ **Population Adjustment.** Reduces funding by \$34.7 million to account for projected changes in the California Department of Corrections and Rehabilitation's (CDCR) adult and juvenile populations. The spring population projections estimate an average-daily adult institution population of 170,641 and an average-daily parole population of 122,872. The average-daily population projection of juvenile institutions is 1,847 and the average-daily juvenile parole population projection is 1,971.
- ◆ **Earned Discharge.** Reduces funding by \$35.5 million by authorizing risk-based earned discharge from parole for offenders convicted of non-serious, non-violent, non-sex offenses, depended on predicted risk level as determined by the department's validated risk instrument. Low risk offenders would be discharged upon release from prison and moderate risk offenders could be discharged from parole after four months of clean time.
- ◆ **Parole Diversion.** Reduces funding by \$42 million by mandating the use of alternative sanctions for certain parolees including GPS, community work crews, and short-term incarceration.
- ◆ **Sentencing Changes.** Reduces funding by \$11.5 million by adjusting the value threshold for property crimes by inflation.
- ◆ **Credit Reform.** Reduces funding by \$42 million by implementing comprehensive credit reform that will establish consistent day-for-day credit earning status,

THE 2008-2009 STATE BUDGET
Floor Report

authorize the CDCR to extend existing enhancements for fire camp inmates (two days for one day) to inmates waiting for transfer to a fire camp.

- ◆ **AB 900 Program Implementation.** Provides \$35.4 million (\$31 million from AB 900 funding) for implementation and enhancement of various rehabilitation tools and programs.
- ◆ **Parolee Drug Treatment.** Provides \$1.3 million to enhance the In Custody Treatment Bed Program, which provides community-based treatment beds for parolees that violate their parole conditions due to drug or alcohol dependency.
- ◆ **Juvenile Probation and Camps Program.** Provides \$181.3 million to support the Juvenile Probation and Camps Program.
- ◆ **Juvenile Parolee Due Process.** Provides \$3 million to address juvenile parolee due process deficiencies as identified by the *L.H.* lawsuit. The Division of Juvenile Justice will adopt procedural due process remedies similar to those mandated by the Division of Adult Parole Operations as outlined in the *Valdivia* Permanent Injunction.
- ◆ **Mentally Ill Offender Crime Reduction Grant.** Rejects funding of \$40.5 million for the Mentally Ill Offender Crime Reduction Grant Program (MIOCR). MIOCR provides funding to local jurisdictions in order to more effectively respond to and provide services for mentally ill offenders. Propositions 63 funds are available for these services.
- ◆ **Lifer Parole Suitability Hearings.** Provides \$7.9 million to ensure more efficient and timely parole suitability hearings for inmates sentenced to life terms as required by the *Rutherford/Lugo* lawsuit.
- ◆ **Americans with Disabilities Act.** Provides \$14.1 million to bring CDCR practices and institutions into compliance with the Americans with Disabilities Act through specific actions as required by the *Armstrong* court.
- ◆ **Healthcare Lawsuit Compliance.** Provides \$298.7 million to support the department's compliance with federal courts regarding inmate dental care and medical services. The majority of this funding is driven by inmate medical services at the request of the Federal Receiver appointed by the *Plata* court.
- ◆ **Administrative Segregation Unit.** Provides \$1.6 million to allow eight institutions to meet the minimum ten hours per week exercise time for inmates housed in Administrative Segregation Units as required by the *Coleman* court.
- ◆ **Prisoner Reentry Initiative.** Provides \$1.4 million to provide assessment and planning support for non-violent offenders reintegrating into society.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Small Management Yards.** Provides \$25.4 million to construct 476 small management yards for Administrative Segregation inmates at 26 institutions as required by the *Coleman* court.
- ◆ **Condemned Inmate Complex.** Provides \$136 million for additional funding to construct a new Condemned Inmate Complex at California State Prison, San Quentin.

Judicial Branch

■ **MAJOR ACTIONS**

- ◆ **Trial Court Growth Factor.** Provides \$58.5 million in savings associated with calculating trial court growth in the budget year based on the California Consumer Price Index rather than the State Appropriations Limit. These savings are included in the total \$246 million budget balancing reduction to the Judicial Branch's budget.
- ◆ **Trial Court Facility Modifications.** Provides \$22 million to support facility modifications of trial court facilities that have been transferred to the state.
- ◆ **Human Resource and Financial IT System.** Provides the use of \$6 million from Modernization Fund Reserves to support the continued deployment of the Phoenix Project, which is a standardized statewide employment and financial system.
- ◆ **New Court Construction.** Provides \$113.4 million to continue support for eleven courthouse construction projects that were started in the prior fiscal year.
- ◆ **Mental Health Services Act.** Provides \$431,000 to address mental health issues in the courts and develop a research component to evaluate court appointed programs for the mentally ill.

Office of the Inspector General

■ **MAJOR ACTIONS**

- ◆ **Audits and Investigations.** Provides \$2.4 million to address workload shortfalls in the Bureau of Audits and Investigations in order to ensure statutory compliance.
- ◆ **Use of Force.** Provides \$890,000 to ensure regular attendance at use-of-force committee meetings, no less than monthly at each CDCR institution, as required by the *Madrid* lawsuit.

THE 2008-2009 STATE BUDGET
Floor Report

- ◆ **Health Care Monitoring.** Provides \$878,000 to implement a pilot project to monitor the CDCR's investigatory and disciplinary processes for health care staff. This project was requested by the Federal Receiver appointed by the *Plata* court.

Local Public Safety Programs

■ **MAJOR ACTIONS**

- ◆ **COPS/JJCPA.** Provides a total of \$200 million (\$100 million for each program) for the Citizen's Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) programs. The COPS program distributes funds to locals, on a population basis, to augment local funding for district attorneys, county jail construction and operation, and front-line law enforcement. The JJCPA program provides funding to locals for services that target at-risk juveniles, juvenile offenders, and their families.



TRANSPORTATION

Department of Transportation (Caltrans)

MAJOR ACTIONS

- ◆ **Proposition 42.** Provides full funding for Proposition 42 of \$1.4 billion for the STIP, local streets and roads, and the Public Transportation Account (PTA).
- ◆ **General Fund Relief.** Provides \$1.45 billion of General Fund relief from transit funds, including \$713.5 million in accordance with last year's budget agreement and about \$740.5 million in additional relief. In total, this is about \$858 million of savings in addition to what was proposed in the January budget. In addition, the budget approves about \$230 million in transportation account loans to the General Fund, all of which will be paid back by 2010-11.
- ◆ **Proposition 1B.** Approves funding for the Trade Corridor Improvement Fund and (TCIF) and the State-Local Partnership Program at May Revision levels.
- ◆ **Capital Outlay Support.** Funds Capital Outlay Support at a 90-10 percent split between state staff and contract staff, saving an additional \$10 million from the Governor's May Revision, which funded Capital Outlay Support at an 89-11 percent split.
- ◆ **State Highway Operation and Protection Program (SHOPP).** Rejects the Governor's proposal to cut the SHOPP program by \$100 million.

Special Transportation Programs

MAJOR ACTIONS

- ◆ **State Transit Assistance.** Restores \$217 million of the Governor's proposed cut to STA, for total funding of \$523 million.
- ◆ **Proposition 1B.** Approves the Governor's proposal for \$350 million of Proposition 1B funds for local transit capital projects.

High Speed Rail Authority

■ MAJOR ACTIONS

- ◆ **Budget Increase.** Approves the Governor's May Revision proposal to increase funding by \$41.2 million with a mix of Proposition 116, Public Transportation Account (PTA), and High Speed Train (HST) Bond funds. The budget adjusts the mix of the funds proposed in the May Revision to minimize the use of the PTA and to maximize the use of the new HST Bond funds. This is done without impacting any of the work that is scheduled to occur prior to the HST being before the voters in November.

California Highway Patrol

■ MAJOR ACTIONS

- ◆ **CHP Officers.** Delays the hiring of 120 new officers until 2009-10 due to the CHP still filling previously approved officer positions.
- ◆ **CHP Fee Increase.** Approves a Motor Vehicle Account (MVA) fee increase of \$11 and increases various penalties to ensure MVA is solvent and able to support the growing costs of the CHP.