



# HIGHLIGHTS OF GOVERNOR'S PROPOSALS FOR THE SPECIAL SESSION FISCAL EMERGENCY & 2008-09 STATE BUDGET

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## **OVERVIEW**

Today the Governor released his proposed budget for the 2008-09 budget year.

In addition, the Governor declared a fiscal emergency and called a Special Session in accordance with Proposition 58 to address a projected current year budget shortfall of \$3.3 billion and a projected budget year operating deficit of \$11.2 billion, which together total a \$14.5 billion shortfall.

Combined, the Governor's Special Session and Budget proposals provide \$17.3 billion in General Fund solutions that close the projected \$14.5 billion shortfall and result in a final reserve of \$2.8 billion.

The General Fund solutions include additional borrowing and skipping debt payments (\$4.8 billion), accounting changes (\$2 billion), roughly 10 percent across the board cuts (\$9.3 billion), and other various solutions (\$1.5 billion).

While not proposing any major General Fund revenue increase – which previous Republican Governors have done to address major budget challenges, the Governor does propose suspending Proposition 98 and cutting \$4.7 billion from schools, cutting \$1 billion from health care programs, closing 48 state parks, and releasing over 34,000 prisoners early.

In total, the Governor's proposed budget for 2008-09 includes \$104.7 billion in available General Fund resources, \$101 billion in expenditures, and a reserve of \$2.8 billion. While the Governor's proposal does balance the 2008-09 budget, it continues to leave the state with a projected \$2.8 billion operating deficit for 2009-10.

With the Special Session proposals now before the Legislature, the Legislature has 45 days to act to address the fiscal emergency. The Assembly Budget Committee and Subcommittees will begin holding hearings to gain an understanding of the Governor's proposals, explore alternative budget solutions, and to develop legislation to address the fiscal emergency.

Once the Special Session responsibilities and requirements are met, the Budget Committee will begin the regular subcommittee process for crafting the annual state budget.

What follows is a quick summary of the highlights of what the Governor has for the Special Session and for the 2008-09 State Budget. We hope this provides an initial understanding of the Governor's proposals, with more detailed reports and hearings providing an even more comprehensive understanding of the Governor's budget.

**SUMMARY OF CHARTS**

**2008-09 General Fund Summary  
(in millions)**

	<b>2007-08</b>	<b>2008-09</b>
<b>Prior Year Balance</b>	<b>\$3,900</b>	<b>\$1,757</b>
Revenues and Transfers	\$101,230	\$102,904
<b>Total Resources Available</b>	<b>\$105,130</b>	<b>\$104,661</b>
Non-Proposition 98 Expenditures	\$61,666	\$61,405
Proposition 98 Expenditures	\$41,707	\$39,593
<b>Total Expenditures</b>	<b>\$103,373</b>	<b>\$100,998</b>
<b>Fund Balance</b>	<b>\$1,757</b>	<b>\$3,663</b>
Reserve for Liquidation of Encumbrances	\$885	\$885
<b>Final Reserve</b>	<b>\$872</b>	<b>\$2,778</b>

**General Fund Solutions  
(in billions)**

<b>Source</b>	<b>Amount</b>
Sell Economic Recovery Bonds (ERB)	\$3.3
Skip Extra ERB Repayment	\$1.5
Current Year Proposition 98 Solutions	\$.4
Across the Board 10% Cuts	\$9.3
Accounting Change for Income & Corporate taxes	\$2.0
FTB and BOE Enforcement Enhancements	\$.4
Other Budget Cuts	\$.3
<i>Total</i>	<b>\$17.3 billion</b>

**Allocation of 10 Percent Across the Board Cuts  
(in millions)**

<b>Category</b>	<b>2007-08</b>	<b>2008-09</b>	<b>Total</b>
Education (K-12)	\$0.0	\$4,357.3	\$4,357.3
Health and Human Services	\$181.1	\$2,661.2	\$2,842.3
Higher Education	\$0.0	\$1,132.9	\$1,132.9
Business, Transportation and Housing	\$.2	\$2.0	\$2.2
Legislative, Judicial, Executive	\$6.6	\$362.8	\$369.4
General Government	\$3.8	\$131.9	\$135.7
Corrections and Rehabilitation	\$17.9	\$378.9	\$396.8
Resources	\$4.2	\$89.3	\$93.5
Environmental Protection	\$1.6	\$8.3	\$9.9
State and Consumer Services	\$1.2	\$5.3	\$6.5
Labor and Workforce Development	\$.2	\$2.1	\$2.3
<i>Total</i>	<b>\$216.6</b>	<b>\$9,132.1</b>	<b>\$9,348.7</b>

**2008-09 General Fund Revenue Sources  
(in millions)**

<b>Source</b>	<b>Amount</b>
Personal Income Tax	\$56,458
Sales Tax	\$29,215
Corporation Tax	\$11,937
Insurance Tax	\$2,276
Tobacco Taxes	\$119
Liquor Tax	\$341
Other	\$2,558
<i>Total</i>	<b>\$102,904</b>

**General Fund Expenditures  
(in millions)**

<b>Category</b>	<b>2007-08</b>	<b>2008-09</b>	<b>Change</b>	<b>% Change</b>
Education (K-12)	\$42,045	\$39,411	-\$2,634	-6.3%
Health and Human Services	\$29,577,	\$29,298	-\$279	-.9%
Higher Education	\$11,803	\$11,699	-\$104	-.9%
Business, Transportation and Housing	\$1,526	\$1,680	\$154	10.1%
Legislative, Judicial, Executive	\$3,914	\$3,787	-\$127	-3.2%
General Government	\$1,816	\$2,407	\$591	32.5%
Corrections and Rehabilitation	\$10,096	\$10,268	\$172	1.7%
Resources	\$1,804	\$1,656	-\$148	-8.2%
Environmental Protection	\$91	\$86	-\$5	-5.5%
State and Consumer Services	\$597	\$608	\$11	1.8%
Labor and Workforce Development	\$104	\$98	-\$6	-5.8%
<i>Total</i>	<b>\$103,373</b>	<b>\$100,998</b>	<b>-\$2,375</b>	<b>-2.3%</b>

## **ECONOMIC RECOVERY BONDS**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Commits to selling the remaining \$3.3 billion of available Economic Recovery Bonds (ERB). This is the amount that still remains from the original \$15 billion that the voters approved for the Governor in 2004. This does not require any Legislative action.

### ***2008-09 Budget Proposals:***

- ◆ States that the Governor will not make the extra \$1.5 billion repayment of the ERBs in 2008-09. The Governor has the authority to not make this payment, it does not require Legislative action.
- ◆ Reflects the automatic repayment of ERBs of approximately \$1.5 billion through the "triple flip" mechanism.

## **K-12 EDUCATION**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the proposition 98 Guarantee by \$400 million. The Proposition 98 minimum guarantee is \$1.4 billion lower than the level of Proposition 98 General Fund appropriations included in the 2007 Budget Act, however only \$400 million was reduced in the current year. K-12 revenue limit apportionments were reduced by \$360 million in the current year representing a current year deficit of 1.021 percent and community colleges were reduced by \$60 million.
- ◆ Proposes a \$2.6 billion reduction in 2008-09 for school district and county office of education revenue limit apportionments. This will eliminate the 4.94 percent COLA and reduce existing revenue limit level and as a result, the Governor's Budget proposes creating a 6.99 percent deficit factor.
- ◆ Proposes to delay the deferral payments for K-14 from June to September in order increase cash reserves during months when cash balances are projected to be deficient. Currently, K-12 June principal apportionment warrants are already delayed from June to July. The total amount of these deferrals is \$1.3 billion.

### ***2008-09 Budget Proposals:***

- ◆ Proposes to suspend the Proposition 98 Guarantee for a total reduction of \$4.357 billion, or 9.2 percent, less than the guarantee would have required in 2008-09.
- ◆ Makes across the board reductions for General Fund K-12 programs of approximately 10 percent. The only items not proposed for reduction were funding for the State Teachers' Retirement System, debt service, lease payments securing lease revenue bonds and mandate deferrals.
- ◆ Proposes to amend statute regarding how the Proposition 98 cost-of-living adjustment (COLA) is calculated. Currently, the COLA is calculated based on national economic factors, such as the cost of gasoline. The Governor's Budget proposes to calculate the COLA using economic factors only specific to California. This will result in a lower deficit factor.
- ◆ Reduces Special Education funding by \$357.9 million. No COLA will be provided and existing state funding for local schools' special education costs will be reduced.

- ◆ Reduces Child Nutrition Programs by \$14.2 million. This reduction will cut the free and reduced price meal reimbursement rate by approximately \$0.02. However, the program received a \$0.06 per meal augmentation in 2007-08.
- ◆ Makes funding reductions and does not provide a COLA to categorical programs such as Class Size Reduction, the Charter School Categorical Block Grant, Instructional Materials, Supplemental Instruction, Home-to-School Transportation, Supplemental School Counseling and various Career Technical Education programs for a total reduction of \$1,095.7 million.
- ◆ Reduces funding for administration and support for the Department of Education by \$5.6 million. The Superintendent of Public Instruction will have discretion to implement this reduction.
- ◆ Reduces the State Special Schools budget by \$9.2 million however this reduction is unallocated to provide maximum flexibility to the Superintendent and the State Special Schools.
- ◆ Includes \$8.1 million (\$2.2 million General Fund and \$5.9 million special and federal funds) to fully fund the recently approved contract to develop the California Longitudinal Pupil Achievement Data System (CalPADS) system.
- ◆ Includes \$1.8 million in one-time federal Title II funds for three limited-term staff for the Department of Education for system development workload, and \$400,000 for the Commission on Teacher Credentialing's workload related to the California Longitudinal Teacher Integrated Data Education System (CalTIDES).

## HIGHER EDUCATION

### California Postsecondary Education Commission

#### *Special Session Fiscal Emergency Proposals:*

- ◆ Reduces funding for State Operations by \$223,000 for the budget year, by anticipating either the elimination of a position or a reduction of its operating expenses and equipment, and prioritizing its discretionary studies.

### University of California (UC)

#### *Special Session Fiscal Emergency Proposals:*

- ◆ Reduces funding for Institutional Support by \$331.9 million for the budget year, a 10 percent reduction of \$32.3 million to Institutional Support and 10 percent unallocated reduction of \$299.6 million for instruction and other programs.

#### *2008-09 Budget Proposals:*

- ◆ Provides a four percent increase of \$123.8 million for basic budget support.
- ◆ Provides a one percent increase of \$31 million for core instructional needs including library material replacements, deferred maintenance and instructional equipment.
- ◆ Provides a 2.5 percent increase of \$56.4 million for enrollment growth.
- ◆ Includes a \$124.8 million increase in fee revenue associated with the Regent's planned 7.4 percent mandatory fee increase for undergraduates, graduates, and professional school students. Fees for certain professional programs will increase between 7 percent and 19 percent. One-third of the revenue generated by the fee increases for undergraduate and professional programs and 45 percent of the revenue generated by the graduate fee increase would be set aside for financial aid.
- ◆ Continues to provide \$10 million in one-time funds for costs associated with sustaining UC Merced operations for a total funding level of \$20 million.
- ◆ Includes \$975,000 increase for the next cohort of 65 students for the Program in Medical Education for Latino Community (PRIME) Program.
- ◆ Provides \$11 million increase for annuitant health benefits.

- ◆ Provides \$970,000 increase for lease purchase payments.

**Current Year**

- ◆ Reduces funding for lease purchase payments by \$13.2 million.

**Hastings College of the Law**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces funding for Institutional Support by \$1.1 million for the budget year, a 10 percent reduction of \$252,000 to Institutional Support and a 10 percent unallocated reduction of \$872,000 for instruction and other programs.

***2008-09 Budget Proposals:***

- ◆ Provides a four percent increase of \$425,000 for basic budget support.
- ◆ Provides a one percent increase of \$106,000 for core instructional needs.
- ◆ Provides \$77,000 for annuitant benefit costs.

**California State University (CSU)**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces funding for Institutional Support by \$312.9 million for the budget year, a 10 percent reduction of \$43.2 million to Institutional Support and a 10 percent unallocated reduction of \$269.7 million for instruction and other programs.

***2008-09 Budget Proposals:***

- ◆ Provides a four percent increase of \$116.8 million for basic budget support.
- ◆ Provides a one percent increase of \$29.2 million for core instructional needs including library material replacements, deferred maintenance and instructional equipment.
- ◆ Provides a 2.5 percent increase of \$70.1 million for enrollment growth to fund an additional 8,572 state supported students.

- ◆ Includes \$109.8 million increase in fee revenue associated with the Trustees planned 10 percent mandatory fee increase for undergraduate, graduate, and teacher credential candidates.
- ◆ Provides a 4 percent increase of \$124,000 for the Capitol Fellows Program.
- ◆ Reduces \$8.6 million to continue the decrease in retirement costs in the current year.
- ◆ Reduces funding for lease purchase payments by \$4.9 million.

**Current Year**

- ◆ Reduces funding for retirement costs by \$8.6 million.
- ◆ Reduces funding for lease purchase payments by \$6.6 million.

**California Community Colleges (CCC)**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces funding for General Purpose Apportionments by a \$40 million one-time reduction as a current year adjustment. This proposal would require the suspension of Proposition 98.
- ◆ Delays \$200 million in payments scheduled for July 2008 for the 2007-08 deferral of apportionments until September 2008.

***2008-09 Budget Proposals:***

- ◆ Provides a 3 percent increase of \$171.9 million for enrollment growth for Apportionments, funding more than 35,000 additional full time equivalent students.
- ◆ Includes a \$291.7 million increase for cost of living (COLA) for general purpose apportionments.
- ◆ Includes a \$28.5 million increase for Categorical Program enrollment growth and COLA.
- ◆ Provides an increase of \$8.7 million to reflect anticipated lease-purchase debt obligations.
- ◆ Reduces by \$6.2 million to reflect increased fee revenue and other workload adjustments.

- ◆ Reduces Apportionments by \$139.8 million to reflect estimated growth in local property taxes.
- ◆ Includes a \$374,000 net increase for the Chancellor's Office state operations for standard baseline adjustments and an increase of \$200,000 and two positions for workload associated with nursing and career technical education program local assistance increases.

**Current Year**

- ◆ Reduces property tax revenue by \$4.6 million.
- ◆ Reduces \$2.2 million to reflect revised fee revenue.
- ◆ Reduces \$1.1 million to reflect revised lease-purchase debt obligations.
- ◆ Provides \$93,000 net increase for the Chancellor's Office for miscellaneous baseline adjustments.

**California Student Aid Commission (CSAC)**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces funding for State Operations \$1.6 million. The reduction is likely to be implemented by eliminating vacant positions and reducing operating and equipment expenses. The reductions may ultimately result in delays in responding to inquiries on Cal Grants and other student aid programs.
- ◆ Reduces funding for California Student Opportunity and Access Program by \$637,000. A reduction to the Cal-SOAP could reduce the amount of assistance provided to various consortia and, thus, may impact the amount of tutoring and outreach services to economically disadvantaged students.

***2008-09 Budget Proposals:***

- ◆ Provides an increase of \$26.7 million over the revised 2007-08 level for anticipated growth in the Cal Grant program, reflecting anticipated undergraduate fee increases of 7.4 percent and 10 percent at UC and CSU, respectively.
- ◆ Provides an increase of \$80 million for Cal Grants as a placeholder amount in the event the UC and CSU raise fees beyond the segments' anticipated fee levels. This amount is subject to adjustments after the governing boards take final action in context of potential reductions to balance the budget.

- ◆ Includes \$281,000 increase in loan assumption payments over the revised 2007-08 level for workload change in the Assumption Program of Loans for Education (APLE), National Guard APLE, State Nursing APLE, and Nurses in State Facilities APLE programs.
- ◆ Authorizes for a total of 8,000 new warrants for the APLE program, 100 new warrants for the State Nursing APLE program, and 100 new warrants for the Nurses in State Facilities APLE program. No new warrants for the National Guard APLE program are proposed.
- ◆ Provides \$436,000 increase for state operations including standard baseline and one-time costs adjustments. This amount also includes an increase of \$2 million and up to 11 new positions to enable the Commission to replace shared services assuming the sale of EdFund.
- ◆ Anticipates that \$331,000 in federal funds is proposed to fund the Cash for College program.

**Current Year**

- ◆ Estimates \$30.2 million in savings in the Cal Grant and APLE programs due to revised projects of need.
- ◆ Provides \$157,000 increase in state operations associated with standard baseline adjustments.
- ◆ Assumes a \$500 million reduction in anticipated one-time General Fund revenues from the pending sale, or other arrangement, of the state's Federal Family Education Loan (FFEL) program guaranty agency, EdFund.

## TRANSPORTATION

### CALTRANS

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Delays State Highway Account funds for cities and counties for local streets and roads. These funds will ultimately be transferred to cities and counties but will be available to assist the General Fund cash concerns during the delay.

#### ***2008-09 Budget Proposals:***

- ◆ Includes full funding for Proposition 42 of \$1.5 billion and the annual repayment from past suspensions of \$83 million.
- ◆ Provides \$500 million in Trade Corridors Improvement funds and \$200 million in State and Local Partnership Program funds from the Proposition 1B bond funds.
- ◆ Loans \$60 from the Traffic Congestion Relief Fund to the Public Transportation Account (PTA) to shore up the PTA's fund balance. The loan would be repaid in 2011-12.
- ◆ Includes \$460.3 million in additional federal funding from both reimbursement for emergency funds expended by Caltrans in past years and from federal funding that other states were unable to use. These funds will be used for additional rehabilitation work.
- ◆ Continues to assume \$100 million from tribal compact cash for the State Highway Account as it comes in until the date that the Tribal Gaming Bonds are sold is better known.

### **State Transit Assistance (Local Public Transit)**

#### ***2008-09 Budget Proposals:***

- ◆ Proposes \$743 million for local transit grants, an increase of about \$339 million from the current year. This is consistent with the budget agreement made in the current year which rejected the Governor's permanent take-away of spillover funds and instead preserved spillover funds for traditional public transit purposes.

- ◆ Proposes \$350 million from Proposition 1B for local public transit projects.

### **California Highway Patrol**

#### ***2008-09 Budget Proposals:***

- ◆ Proposes \$21.6 million for 120 new officer positions and 44 new support positions.
- ◆ Proposes \$1.9 million to relocate the Inland Division Communications Center to the new Inland Empire Traffic Management Center.

### **Department of Motor Vehicles**

#### ***2008-09 Budget Proposals:***

- ◆ Proposes to increase vehicle registration fees by \$11 per vehicle, and makes conforming late payment changes to generate approximately \$385 million in Motor Vehicle Account revenue in 2008-09 year for partial year implementation, increasing to \$522 million for full year implementation in 2009-10. These revenues will support continued public safety initiatives, such as the California Highway Patrol staffing and radio system upgrade, while maintaining a prudent reserve.
- ◆ Includes \$4.6 million for facility leases to establish a Business Service Center, relocate a Driver Safety Office, consolidate a Telephone Service Center, and establish a consolidated Commercial Drivers License Center. These consolidations and relocations will free up space for field office operations.

## **HUMAN SERVICES**

### **Department of Social Services**

#### ***Special Session Fiscal Emergency Proposals:***

Includes the following proposals, which together result in a net reduction of \$73.7 million in the current year and \$389 million General Fund in the budget year for the CalWORKs program:

- ◆ Implements graduated full family sanctions, reducing a grant by 50 percent when adults have been sanctioned for not participating and remain in sanction status for an accumulated total of six months and eliminating the grant entirely after a 12-month sanction period. The proposal costs \$1.7 million General Fund in the current year and \$22.6 million General Fund in the budget year.
- ◆ Eliminates CalWORKs safety net or child-only grants for families beyond the 60-month time limit unless the family meets the federal work participation requirements. The administration states that this proposal would remove approximately 33,500 families from aid and will result in \$253 million General Fund in savings in the budget year, with a smaller reduction, \$17.8 million, expected in the current year.
- ◆ Eliminates, similarly, CalWORKs safety net or child-only grants for families that include parents or caretakers who are undocumented non-citizens, drug felons, or fleeing felons that have exceeded the 60-month limit. The Governor states that this proposal would remove this benefit from approximately 36,700 families and will result in \$236 million General Fund in savings in the budget year, with a smaller reduction, \$17.8 million, expected in the current year.
- ◆ Permits the CalWORKs 4.25 percent COLA, increasing the grant amount for approximately 452,000 CalWORKs recipients. Maximum aid payments for a family of three would increase from \$723 to \$754 monthly, with a cost of \$131.1 million General Fund in the budget year.
- ◆ Adds a Work Incentive Nutritional Supplement, also known as the Food Stamp Move-In proposal, at a cost of \$8.4 million General Fund in the budget year for non-CalWORKs families receiving food stamps if the adult works sufficient hours to meet federal TANF work participation requirements.
- ◆ Funds the continuation of support for county efforts to increase CalWORKs work participation, including efforts toward peer review,

publication of performance outcomes, and multiple county efforts regarding engagement, re-engagement, and avoidance of sanction status for participants. The budget year cost of this continuation is \$90 million General Fund.

- ◆ Eliminates \$40 million General Fund in Pay for Performance incentive funds in 2007-08, but makes available \$40 million in 2008-09 for those counties that achieve improved program outcomes in 2007-08.

Includes the following proposals in the Child Welfare Services (CWS) area, totaling reductions of \$10.9 million (\$6.8 million General Fund) in the current year and \$264.4 million (\$168 million General Fund) in the budget year:

- ◆ Reduces the CWS local assistance allocation by 11.4 percent, or \$129.6 million (\$83.7 million) General Fund in the budget year, with the exception of the Adoptions and Child Abuse Prevention Programs.
- ◆ Reduces the budget for the Independent Adoptions Program (IAP) by \$839,000 General Fund in the budget year by privatizing the program in the counties of Alameda, Los Angeles, and San Diego. Additionally reduces state operations for the IAP by \$422,000 General Fund in the budget year.
- ◆ Reduces the basic care rate, specialized care rate, and clothing allowance rates for children in foster care, including those who are seriously emotionally disturbed, in the Kin-Gap program, and the Adoptions Assistance Program by ten percent, resulting in a current year cut of \$10.8 million (\$6.8 million General Fund) in the current year and \$130.8 million (\$81.5 million General Fund) in the budget year.
- ◆ Eliminates all funding (\$1 million General Fund) in the budget year for the implementation of AB 2488, which allows adopted persons to petition the superior court to have a confidential intermediary assigned to search for contact with siblings. Additionally reduces state operations for the implementation of this service by \$289,000 (total funds) and three positions in the budget year.

Additional significant cuts in the Department of Social Services include:

- ◆ Suspends the state-portion of the COLA for both June 08 and June 09 for the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program, resulting in savings of \$23.3 million General Fund in the current year and \$300.3 million General Fund in the budget year. The proposal allows pass-through of the annual federal COLA. SSI/SSP provides for basic living expenses for food, clothing, and shelter for needy aged, blind, and disabled people.

- ◆ Reduces funding by 10 percent (\$581,000 total funds, \$281,000 General Fund) in the budget year for the Deaf Access Program, created in 1980 to ensure that public programs and services are adapted to meet the needs of the deaf and hard of hearing individuals and their families.
- ◆ Reduces domestic and related services hours across the board in the In-Home Supportive Services (IHSS) program by 18 percent. This service category includes payment for meal preparation, meal clean-up, laundry, and food shopping and results in a total reduction of \$336.6 million (\$109.4 million General Fund) in the budget year.
- ◆ Reduces county administrative funds for provision of the IHSS program by ten percent or approximately \$24.4 million (\$10.2 million General Fund) in the budget year. In order for counties to accommodate this reduction in funding, the budget proposes an extension to 18 months for variable reassessment for all non IHSS Plus Waiver, Personal Care Services Program (PCSP), and Residual recipient assessments.
- ◆ Reduces funding in the Adult Protective Services (APS) program by 10 percent across the board, resulting in a total reduction of \$11.4 million (\$6.1 million General Fund) in the budget year. The administration suggests that counties set up processes to evaluate and prioritize case to continue to support and protect seniors and dependent adults and that some services may need to be directed to other agencies.
- ◆ Reduces from 30 percent to 14 percent the random inspection protocol for the Community Care Licensing Division in order to realize a 10 percent reduction in licensing costs and a reduction of \$2.3 million General Fund and 33 positions in the budget year.
- ◆ Reduces the county allocation for administration of the federal Food Stamp Program (FSP) by four percent or \$20.5 million (\$14.4 million General Fund) in the budget year in order to meet a ten percent reduction in the FSP.
- ◆ Reduces the average monthly benefit for a recipient in the California Food Assistance Program (CFAP) from approximately \$91 to \$82, resulting in savings of \$2.5 million general fund in the budget year. The reduction affects 23,400 people served by the program.
- ◆ Eliminates the Interim Statewide Automated Welfare System (ISAWS) Migration project, which intended to convert 35 ISAWS Consortium counties to the SAWS Consortium IV (C-IV). This project and contract termination provides for a total savings of \$97.8 million (\$44 million General Fund) in the budget year.

- ◆ Decreases the Disability Determination Service Division-State Programs by \$1.2 million (\$589,000 General Fund) in the budget year and 10.2 positions, resulting in extended delays in disability determinations for state residents who have applied for Medi-Cal disability under Title XIX of the Social Security Act.
- ◆ Reduces DSS administrative support by \$1.5 million (\$830,000 General Fund) in the budget year, including the reduction of 13 Administrative Law Judge positions in the State Hearings Division.

***2008-09 Budget Proposals:***

- ◆ Provides \$131 million General Fund for statutory grant increases in the CalWORKs program.
- ◆ Appropriates \$258 million General Fund as a backfill due to a lack of sufficient federal Temporary Assistance for Needy Families (TANF) block grant funds to support the CalWORKs program.
- ◆ Includes an increase of \$31.4 million (\$18.4 million General Fund) to reflect the full-year cost of foster care rate increases that became effective January 1, 2008 and increased reimbursement rates in the Private Adoption Agency Reimbursement Payments Program that become effective February 1, 2008.

**Child Care and Development**

***Special Session Fiscal Emergency Proposals:***

- ◆ Proposes across-the-board cuts to child development programs totaling \$198.9 million. Programs exempted from the reduction include CalWORKs stages 2 and 3. The budget includes a proposal to freeze SMI for the budget year. The administration notes that while the reduction is equivalent to the loss of 8,000 slots, it believes that natural attrition from slots would blunt the loss to any currently-enrolled child. Current reimbursement rates would remain the same.
- ◆ Reduces funding in the budget year by \$2.1 million to the Foster Youth Services Education Program, which provides educational services to foster youth and children so that they may enroll, stabilize, and improve their educational performance in the face of the trauma experienced due to abuse and neglect.
- ◆ Reduces funding in the budget year for Before and After School programs by \$59.6 million. This reduction would require a ballot initiative to go before the public in order to revise Proposition 49. The administration notes the impact should be minimal given that some grantees have not yet implemented and

also notes that federal 21st Century Learning grants may be available to offset the cuts, although this funding source has been difficult to utilize historically.

## **Department of Aging**

### ***Special Session Fiscal Emergency Proposals:***

Reduces the department's General Fund budget by 10 percent or \$6.3 million General Fund (\$9.6 total funds) and three positions in the budget year. The combination of cuts to achieve this reduction includes the following:

- ◆ \$316,000 General Fund from the Home-Delivered Meals program, likely resulting in 240 older adults not receiving meals.
- ◆ \$253,000 General Fund from the Congregate Nutrition program, likely resulting in 380 older adults not receiving meals.
- ◆ \$1.5 million General Fund from the Senior Community Employment program, which the administration argues is freed up due to the recent increase in the federal minimum wage.
- ◆ \$791,000 total funds (\$130,000 General Fund) to eliminate the Senior Farmers Market program, resulting in approximately 30,000 seniors not receiving \$20 worth of produce annually from farmers markets.
- ◆ \$250,000 General Fund to reduce local staffing and operating expenses in the Long-Term Care Ombudsman program.
- ◆ \$416,000 General Fund in local assistance for Alzheimer's Day Care Resource Centers.
- ◆ \$544,000 General Fund in local assistance from the Linkages case management program.
- ◆ \$2.5 million General Fund in local assistance from the Multipurpose Senior Services Program (MSSP), which assists in retaining nursing-home eligible Medi-Cal recipients in community settings.

### ***2008-09 Budget Proposals:***

- ◆ The Governor's Budget for 2008-09 includes \$218.0 million (\$56.4 million General Fund) for the department, a net decrease of \$6.1 million (\$6.4 million General Fund) from the revised 2007-08 budget and \$4.9 million (\$6.4 million General Fund) below the 2007 Budget Act level.

**Department of Alcohol and Drug Programs**

***Special Session Fiscal Emergency Proposals:***

Reduces the department's General fund budget by 10 percent or \$16.1 million General Fund (\$24.6 million total funds) and 5.8 positions in the budget year. The combination of cuts to achieve this reduction includes the following:

- ◆ \$17.3 million total funds (\$8.8 million General Fund) in the Drug Medi-Cal (DMC) Program, which represents an across-the-board 10 percent decrease to the developed rates by DMC modality beginning in the budget year.
- ◆ \$3.3 million General Fund in the current year and \$10 million General Fund the budget year for a combined reduction of local assistance and in corresponding state support for the Substance Abuse and Crime Prevention Act (SACPA) program, also known as Proposition 36.
- ◆ \$3.1 million General Fund to the current county funding for the Comprehensive Drug Court Implementation, Drug Court Partnership, and Dependency Drug Court programs.
- ◆ \$2.3 million General Fund to the current allocation to counties for Non-Drug Medi-Cal Perinatal services.
- ◆ \$1 million General Fund from the California Methamphetamine Initiative's social marketing campaign.
- ◆ \$667,000 General Fund in the current year and \$2 million General Fund in the budget year for a combined reduction of local assistance and in corresponding state support for the Substance Abuse Offender Treatment Program (OTP).

***2008-09 Budget Proposals:***

- ◆ Includes \$662.6 million for ADP (\$286.9 million General Fund) and includes a \$28.1 million General Fund reduction for the budget year.

**Department of Child Support Services**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$200,000 General Fund in the current year and \$4.3 million General Fund in the budget year for the department, including cuts to the following

areas: direct customer service, support to counties for quality assurance and performance improvement, the number of staff available for various information technology related activities such as interfaces and application support, and administrative overhead.

***2008-09 Budget Proposals:***

- ◆ The Governor's Budget estimates that child support collections will be \$2.2 billion (\$225.9 million General Fund) in fiscal year 2007-08 and \$2.2 billion (\$201.7 million General ) in 2008-09.

**Department of Rehabilitation**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces funding by \$3.4 million General Fund to close 10-15 district offices that provide direct services to consumers, reduce the rates of 1,600 Supported Employment (SEP), Community Rehabilitation and Individual Service Providers by 10 percent, and realizes case services reductions in the base program and in statewide contracts.

**Department of Community Services and Development**

***Special Session Fiscal Emergency Proposals:***

Reduces by \$300,000 General Fund in both the current and budget years funding for the Naturalization Services Program as a 10 percent cut.

**HEALTH SERVICES****Department of Health Care Services*****Special Session Fiscal Emergency Proposals:***

Cuts General Fund (GF) spending, primarily in the Medi-Cal Program, by a total of \$47.6 million in 2007-08 and \$1.1 billion in 2008-09. Total spending reductions will be double those amounts—more than \$2.2 billion--because of the loss of federal matching funds.

- ◆ Reduces most Medi-Cal provider rates by 10 percent for a GF savings of \$33.4 million in 2007-08 and \$602.4 million in 2008-09. This amount includes savings from equivalent reductions in Medi-Cal managed care rates. These reductions would not affect acute care hospital inpatient services, Federal Qualified Health Centers and rural health clinics, and various long-term care facilities. However, some of these providers would be affected by other reductions, as discussed below. The administration indicates that these rate reductions may reduce provider participation and result in a shift of treatment of Medi-Cal patients to higher-cost settings, such as hospital emergency rooms.
- ◆ Cuts rates to California Children's Services (CCS) providers by 10 percent for a GF savings of \$11 million in 2008-09. Also cuts rates by 10% for providers in the Genetically Handicapped Persons Program for a GF savings of \$4.2 million in 2008-09.
- ◆ Cuts Federal Safety-Net Care Pool funds to the Designated Public Hospitals and Los Angeles County by \$54.2 million in 2008-09. The state would realize an equivalent GF savings by shifting these federal funds to replace state funding for California Children's Services, the Genetically Handicapped Persons Program, the Medically Indigent Adult—Long-Term Care Program, and the Breast and Cervical Cancer Treatment Programs. The affected public hospitals would have less money to treat Medi-Cal and uninsured patients and this may affect access to services according to the administration.
- ◆ Reduces payments to non-contract hospitals for Medi-Cal inpatient care by 10 percent for a GF savings of \$30 million in 2008-09.
- ◆ Reduces by 10 percent DSH (disproportionate share hospital) payments to non-designated public hospitals (generally district hospitals) and DSH "replacement" payments to private hospitals for a GF savings of \$24 million in 2008-09. The administration notes that these hospitals may approach the California Medical Assistance Commission to request a Medi-Cal rate

increase to backfill this reduction. To the extent any such requests are granted, they would offset these savings.

- ◆ Reduces by 10 percent the proposed 2008-09 rates for certain types of long-term care facilities—Nursing Facility Level A, Distinct Part Nursing Facilities level B, Distinct Part Subacute facilities, Pediatric Subacute facilities, Rural Swing Bed facilities, and Adult Day Health Care programs. These rate reductions save \$56.8 million GF in 2008-09. There would not be any reduction to rates for Level B Nursing Facilities or Intermediate Care Facilities for the Developmentally Disabled--these facilities pay quality assurance fees that are used to obtain federal matching funds to partially finance their rates and reduce state costs.
- ◆ Eliminates 10 Medi-Cal optional benefits for total GF savings of \$10 million in 2007-08 and \$134 million in 2008-09. The following services would be eliminated to the extent they are not required by federal law: chiropractors, incontinence creams and washes, acupuncture, adult dental, audiology, optometrists, opticians/optical labs, podiatry, psychology, speech therapy. The bulk of the savings (\$115 million in 2008-09) results from the elimination of adult dental benefits.
- ◆ Eliminates payment of Medicare Part B premiums on behalf of Medi-Cal enrollees with an unmet share of cost for GF savings of \$4.2 million in 2007-08 and \$50.1 million in 2008-09. The administration assumes that these beneficiaries will pay the Part B premiums themselves.
- ◆ Eliminates continuous eligibility for children and reinstates quarterly status reports for children and parents to maintain their Medi-Cal eligibility for GF savings totaling \$92.2 million in 2008-09. The assumed savings result from disenrolling children and parents who are found no longer eligible or who do not return their completed reports.
- ◆ Eliminates the 2008-09 COLA for county Medi-Cal administrative costs for a GF savings of \$22.4 million.
- ◆ Eliminates the caseload growth adjustment to county administrative costs in 2008-09 for a GF savings of \$33.4 million. The budget reduction proposals are expected to eliminate caseload growth.
- ◆ Reduces base funding for county administration by 2.5% for a GF savings of \$15.3 million in 2008-09.
- ◆ Shifts the June Medi-Cal check write to fee-for-service providers to July on a permanent basis for a one-time GF savings of \$165 million in 2007-08.

## **Department of Public Health**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces funding for Chronic Disease Programs by \$3.5 million in 2008-09.
- ◆ Reduces funding for HIV/AIDS programs by \$11 million, including a reduction of \$7 million in AIDS Drug Assistance Program by eliminating some ancillary drugs from the formulary.
- ◆ Reduces funding for Family Health programs by \$5.4 million in 2008-09.
- ◆ Reduces funding for Communicable Disease programs, including laboratory and surveillance activities and immunizations by \$6.6 million in 2008-09.

### ***2008-09 Budget Proposals:***

- ◆ Includes \$8.9 million (licensing fees) for 68 positions in the Licensing and Certification Division to conduct licensing surveys of long-term care facilities to ensure compliance with state standards.
- ◆ Reduces Proposition 99 funding for selected health programs by about \$23 million, including a reduction of \$12.8 million for the California Healthcare for Indigents Program, due to limited Proposition 99 funds and the allocation of Proposition 99 funding to cover anticipated growth in certain programs.

## **Managed Risk Medical Insurance Board**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces GF funding for the Healthy Families Program by \$41.9 million by a 5 percent cut in plan rates, dental limitations, and premium and copay increases. The total reduction is \$118 million, including federal funds.

## **Department of Developmental Services**

### ***Special Session Fiscal Emergency Proposals:***

Reduces the department's General Fund budget by approximately 10 percent or \$261 million General Fund (\$380.8 million total funds). The combination of cuts to achieve this reduction includes the following:

- ◆ \$228.8 million General Fund combined reduction in purchase of services costs through continuation of the temporary cost containment measures,

- including (1) non-community placement start-up funding freeze, (2) day, work activity and In-Home Respite program rate freeze, (3) Community Care Facility (CCFs) service level freeze and elimination of pass through, (4) contract services rate freeze, and (5) habilitation services rate freeze.
- ◆ \$7.7 million General Fund to reduce the 24 percent rate increase received by providers of Supported Employment Services in 2006-07 by 10 percent.
  - ◆ \$512,000 General Fund, a 10 percent reduction in the contract, for the statewide provision of clients' rights advocacy to consumers served by the 21 regional centers and a reduction of \$119,000 General Fund to reduce the contract with the State Council on Development Disabilities for similar services by 10 percent.
  - ◆ \$2 million General Fund to reduce the amount of funding for regional center operations under the Community Placement Plan (CPP), which provides dedicated funding to cover the costs of moving developmental center residents to the community and for deflection of individuals from developmental center admission.
  - ◆ \$20.5 million General Fund to continue additional cost containment measures including the delay in assessment of new consumers from 60 to 120 days following the initial intake and allowing regional centers to have higher caseload ratios than what is currently required, from 1:62 to 1:66.
  - ◆ \$11.7 million General Fund from reduced staffing and associated cost as a result of capping Porterville Developmental Center's Secure Treatment Program (STP) court commitments at its current capacity.
  - ◆ \$2.3 million General Fund to reduce the Quality Assurance (Q/A) fee program for Intermediate Care Facility-Developmentally Disabled (ICF-DDs) by 10 percent.
  - ◆ \$5.9 million General Fund reduction in operating expenses and equipment for developmental centers and community facilities that includes cuts in travel, contracts, purchases, and preventive maintenance and repairs.

**2008-09 Budget Proposals:**

- ◆ Includes \$4.5 billion (\$2.7 billion General Fund) for the DDS in 2008-09, which is \$143 million (\$81 million General Fund) above the Budget Act of 2007.

**Department of Mental Health**

***Special Session Fiscal Emergency Proposals:***

Reduces the department's community services budget, for a savings of \$16.8 million General Fund in the current year and \$73.3 million in the budget year, including the following cuts:

- ◆ \$8.2 million General Fund in the current year and \$23.8 million General Fund in the budget year for a 10 percent reduction to the Mental Health Managed Care Program.
- ◆ \$1.2 million General Fund in both the current and budget years for the elimination of the Community Treatment Facility (CTF) Supplemental Rate.
- ◆ \$6.7 million General Fund in the current year and \$46.3 million General Fund in the budget year for the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program, including measures to impose a prior authorization requirement on all requests for EPSDT day treatment services that exceed six months, eliminate the increase and to furthermore reduce the State Maximum Allowable (SMA) Rate by 5 percent, and redirect existing staff to create a central Short-Doyle Medi-Cal Unit.
- ◆ \$400,000 General Fund in the current year and \$1.2 million General Fund in the budget year to achieve a 10 percent decrease for the Caregiver Resource Centers.
- ◆ \$722,000 General Fund in the current year and \$1.9 million General Fund in the budget year for reductions at the department's headquarters.
- ◆ \$1.6 million General Fund reduction for a 10.9 percent cut to the Early Mental Health Initiative, which will result in fewer grants awarded to approximately 387 school sites currently receiving these grants.

***2008-09 Budget Proposals:***

- ◆ Includes \$5 billion (\$2.1 billion General Fund) for DMH in 2008-09, a net increase of \$144.4 million (\$143.8 million General Fund) from the revised 2007-08 budget and an increase of \$159.4 million (\$163.3 million General Fund) from the Budget Act of 2007. The administration states that the net change primarily reflects continued growth in the EPSDT Program, funding AB 3632 mental health services program mandates, employee compensation adjustments including funding for Coleman-related classifications, growth in the state hospitals, continued compliance with the Civil Rights of

Institutionalized Persons Act (CRIPA), and the continued activation of Coalinga State Hospital.

**Office of Statewide Health Planning and Development**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces combined funding for the Song-Brown Healthcare Workforce Training Program and the Health Professions Education Foundation by \$509,000 General Fund in the budget year.

***2008-09 Budget Proposals:***

The Governor's Budget for 2008-09 includes \$82 million (\$4.6 million General Fund) for the department, a net decrease of \$1.5 million (\$860,000 General Fund) from the revised 2007-08 budget and an increase of \$5.5 million above the 2007 Budget Act level (with a decrease of \$513,000 in General Fund).

***natural resources and environmental protection***

**Secretary for Resources**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$625,000 (General Fund) from the Agency's CALFED and SB 97 Implementation budget.

***2008-09 Budget Proposals:***

- ◆ Augments \$28.3 million in Proposition 84 funds for local assistance grants and \$210,000 for programmatic support for the California River Parkways Program.
- ◆ Augments \$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.
- ◆ Augments \$30 million (Propositions 84 and 50, reimbursements, and reversions) to support the CALFED Science Program.

**California Conservation Corps**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$1.2 million (General Fund) from the Corps in 2007-08 and \$3.7 million in 2008-09 by: shortening corps members' workweeks; increasing housing fees charged to corps members; cutting \$337,000 in support; eliminating satellite sites in Sacramento, Los Angeles and Arcata; and reducing general headquarters expenses.

***2008-09 Budget Proposals:***

- ◆ Augments \$33.3 million (Proposition 84) for the California Conservation Corps and local conservation corps for public safety and watershed restoration projects, as well as grants to local corps for acquisition and development facilities to support local corps programs.

**Department of Conservation**

***Special Session Fiscal Emergency Proposals:***

- ◆ Increases \$5.2 million (Proposition 84) for the Farmland Conservancy program to preserve agricultural lands.
- ◆ Includes \$2.1 million (Proposition 84) for the Watershed Coordinator program.

**Department of Forestry and Fire Protection**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$2.9 million (General Fund) in 2008-09 from resource management programs and will reduce the Department's capacity to review timber harvest plans, enforce environmental protection standards, and conduct nursery operations and vegetation management programs. Some of the functions affected by these reductions will be funded through new bond fund appropriations.
- ◆ Reduces \$4.8 million (General Fund) and 46 positions from Department administration in 2008-09.
- ◆ Generates \$125 million (Insurance Fund) beginning in 2008-09 in new revenue by assessing a 1.25 percent fee on statewide homeowner insurance policies to fund fire suppression programs. This increase in revenue will be used to offset an otherwise \$44.7 million reduction in General Fund support for fire protection programs.

***2008-09 Budget Proposals:***

- ◆ Augments \$33 million (Insurance Fund) and 387 new positions to implement the following recommendations of the 2007 Southern California Wildfire Action Plan: Increase staffing of Fire Engines from 3 to 4 firefighters; manage fire suppression fleet through new global positioning systems; and replacement of 10 helicopters. Additionally, there will be a corresponding proposal in the Office of Emergency Services to procure 100 new fire engines that are to be distributed statewide.
- ◆ Augments \$4.4 million (Proposition 84) and 12.1 positions for the Department to evaluate climate change's impacts on forests and the begin implementation of strategies such as tree planting, stand management, biofuel energy generation, and fuels reductions projects.

**Department of Fish and Game**

***Special Session Fiscal Emergency Proposals:***

- ◆ Eliminates 38 game warden positions and \$2.6 million (General Fund). Currently these positions are not filled with sworn officers cadets are currently moving through the academy to fill the vacancies.
- ◆ Reduces \$1.4 million (General Fund) in 2007-08 and \$3.6 million in 2008-09 from the Biodiversity Conservation Program. This reduction will impact central Sierra timber harvest plan review, California Environmental Quality Act review, Endangered Species Act review, coho salmon recovery projects, and conservation plan development.
- ◆ Reduces \$152,000 (General Fund) in 2007-08 and \$964,000 (General Fund) in 2008-09 for department administration.

***2008-09 Budget Proposals:***

- ◆ Augments \$21 million (Proposition 84) for the CALFED Ecosystem Restoration Program.
- ◆ Augments \$10.8 million (Proposition 84) for continued Salton Sea Restoration Projects.
- ◆ Augments \$10.9 million (Proposition 84) for anadromous fish management and habitat restoration programs.
- ◆ Augments \$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.
- ◆ Augments \$1 million (General Fund) to conduct an environmental impact review of the Suction Dredge Program, consistent with recent rulings by the courts.

**Coastal Commission**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$1.2 million (General Fund) from the commission, affecting Commission staff review and response for energy, industrial and other projects within the coastal zone.

**Department of Parks and Recreation**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$13.3 million and 136 positions from the state park system, potentially closing 43 State Parks (17 percent of the system) and reducing seasonal lifeguards on state beaches. This reduction will be divided between field units - \$8.9 million and 124 positions – and managerial support - \$4.4 million and 12 positions.
- ◆ Reduces \$1 million (General Fund) from the Department's state operations budget.
- ◆ Reduces \$30 million (General Fund) from the Department's deferred maintenance program and replaces that funding with \$30 million from Proposition 84 funds.

***2008-09 Budget Proposals:***

- ◆ Augments \$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.
- ◆ Augments \$6.7 million (Proposition 84) over five years to preserve and restore historical resources in the existing state park system.
- ◆ Augments \$8.7 million (Proposition 84) over five years for the development, restoration, rehabilitation, and interpretation of state park visitor resources.

**Department of Water Resources**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$7.1 million (General Fund) from various programs and will have impacts on flood protection, water management, and may increase fees for watermaster services.

***2008-09 Budget Proposals:***

- ◆ Appropriates \$13.5 million (General Fund) to continue lining of the All American Canal.

- ◆ Augments \$459.6 million (Propositions 85 and 1E) to support various flood prevention and response activities that include: making repairs to the federal and state flood control systems; flood control planning; and provide emergency response preparedness for floods.
- ◆ Augments \$1.4 million (State Water Project Funds) and eight permanent full time positions to collect, review and update all available information on and begin the environmental impact report and statement for an alternative delta conveyance facility.
- ◆ Augments \$3 million (reimbursement authority) to implement the Salton Sea Restoration and Management Program.
- ◆ Augments \$61.7 million (Proposition 84) over five years and 25.4 new positions for the following activities: climate change evaluation and adaptation; urban/agricultural water conservation; surface storage studies; flood management and water supply integration; CA water plan implementation; development of the delta vision and plan.
- ◆ Augments \$9.6 million (reimbursements) to continue restoration activities on the San Joaquin River.
- ◆ Appropriates \$126.5 million (Proposition 1E) to continue statewide evaluation and repair of system levees.

### **Secretary for Environmental Protection**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$209,000 (General Fund) from the Secretary's budget.

### **Air Resources Board**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$100,000 in 2007-08 and \$243,000 in 2008-09 from the Boards air pollution research contracting budget.

#### ***2008-09 Budget Proposals:***

- ◆ Augments \$8.5 million (Motor Vehicle Account) and 44.1 positions to implement and enforce efforts to control toxic diesel particulate pollution.

- ◆ 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.
- ◆ Includes \$6 million (Motor Vehicle Account) on a one time basis for the state's Zero Emission Vehicle program. These funds will be used to further development of the state's Hydrogen Highways plan.
- ◆ Augments \$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.

### **Integrated Waste Management Board**

#### ***2008-09 Budget Proposals:***

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

### **Department of Pesticide Regulation**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Augments \$2.3 million (Pesticide Regulation Fund) and 10.4 positions to implement regulations to implement recent volatile organic compound reduction regulations.

### **State Water Resources Control Board**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$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.

#### ***2008-09 Budget Proposals:***

- ◆ Augments \$1.3 million (\$790,000 Waste Discharge Permit Fund, \$524,000 Water Rights Fund) and 8.5 positions to fund investigators and enforcement personnel for the State Water Resources Control Board. The program

enhancements will improve the Water Boards' ability to enforce water quality laws.

- ◆ Augments \$1 million and 8.5 positions implement plastic debris reduction programs.

## **Department of Toxic Substances**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$3.8 million (General Fund) from the Department's various programs in the department. 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.

### ***2008-09 Budget Proposals:***

- ◆ Augments \$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

## **Energy Commission**

### ***2008-09 Budget Proposals:***

- ◆ Augments \$100.9 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 to develop and deploy new alternative fuel and vehicle technologies.
- ◆ Augments \$4.411 million (ERPA funds) and 17.5 positions to accelerate the development of energy efficiency standards for buildings and appliances.

## **Electricity Oversight Board**

### ***2008-09 Budget Proposals:***

- ◆ Eliminates all funding, \$3.2 million, for the Board.

**Department of Food and Agriculture**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$9.5 million (General Fund) from the department's budget, eliminating Diaprepes Root Weevil detection and Eradications, reduce Pierce Disease and Fire Ant controls, reduce livestock health inspections, and reduce funding for county agricultural commissioners' measurement standards programs.

***2008-09 Budget Proposals:***

Increases \$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.

## **PUBLIC SAFETY**

### **Local Law Enforcement**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Cuts \$23.8 million from the COPS/JJCPA local assistance grant which provide resources to police, sheriff and county district attorney departments based on population.
- ◆ Cuts \$3.5 million in local assistance for booking fee reimbursements. Booking fees are assessments county sheriff departments charge to local police department for detaining an arrested person.
- ◆ Cuts \$1.9 million from the Small/Rural Sheriffs Grant program which provide resources for discretionary law enforcement purposes.

### **Department of Justice**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the Department's General Fund appropriation by \$41.6 million, for a 10 percent unallocated cut in the 2008-09 budget year.

#### ***2008-09 Budget Proposals:***

- ◆ Provides \$5.3 million and 31.0 positions to fund the four existing Gang Suppression Enforcement Teams, which perform investigation of gang activity across-jurisdiction, on a permanent basis.

### **Department of Corrections**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the General Fund appropriation by \$4.3 million in the current year and \$265.4 million in the budget year by releasing non-violent, non-sex registrant offenders by to parole 20 months before their calculated release date. In order to achieve the anticipated savings, the proposal also calls for the elimination of more than 5,000 positions by the conclusion of 2008-09.
- ◆ Reduces the General Fund appropriation by \$13.6 million in the current year and \$97.9 million in the budget year by creating a summary parole status.

Offenders with summary parole status would be subject to search and seizure by any peace officer. However, a summary parolee would only return to prison for a new commitment offense.

- ◆ Cuts \$24.6 million in local assistance grants to law enforcement agency. The ten percent reduction results in a \$4.5 million reduction in funding for mentally ill offenders and \$20.1 million for juvenile probation programs.

**2008-09 Budget Proposals:**

- ◆ Provide \$58.5 million for various costs related to changes in adult institution and parolee populations. However, the Governor's budget reduces funding for juvenile institutions and parole by \$56.8 million to reflect to declining population.
- ◆ Provides \$34.5 million to implement programs and assessments tools in order to comply with the goals of AB 900 (Chapter 7, Statutes of 2007).
- ◆ Provides \$3.6 million to establish Re-entry facilities and programs in two counties: San Francisco and San Joaquin. Re-entry programs are aimed at increase the success rate of offenders returning to their communities by connecting them to community programs and resources prior to paroling.
- ◆ Provides \$30.4 million to activate 2,000 female rehabilitative community beds. These beds provide in-custody gender responsive programming in facilities that range in size from 75 beds to 400 beds. This funding also provides community-based aftercare programs that offer different levels of programming and services based on the needs of the parolee.
- ◆ Provides \$99.5 million for enhancements to adult medical services, including an additional \$26 million for the Federal Receiver's operating budget
- ◆ Provides \$19.9 million General Fund to expand the existing parole academy, run a one-time satellite academy for entry-level Correctional Officers, and add contract funding to ease the backlog in background investigations and pre-employment medical clearances.

**Office of State Inspector General**

**Special Session Fiscal Emergency Proposals:**

- ◆ Cuts \$1.4 million for audits and special reviews of wardens and superintendents, extending to review cycle from four year to 5 years.

**2008-09 Budget Proposals:**

- ◆ Implements the Medical Investigation Monitoring program (\$890,000) to oversee investigation of serious misconduct by medical staff at adult institutions. The proposal is in conjunction with the action plan of the federal healthcare Receiver.

**Judiciary and Trial Court Funding**

**Special Session Fiscal Emergency Proposals:**

- ◆ Reduces the Branch's General Fund appropriation by \$245.9 million, for a 10 percent unallocated reduction in the 2008-09 budget year.

**2008-09 Budget Proposals:**

- ◆ Provides \$126.2 million (General Fund) for trial courts operations in accordance with the Trial Court Funding Act.
- ◆ Provides \$46.5 million to add fifty new judgeship positions, providing a total of 150 new judgeships over a three year period.
- ◆ Provides \$6 million (General Fund) and 35.6 positions to enhance administrative IT projects.

## **GENERAL GOVERNMENT**

### **Secretary of State and Consumer Services**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Includes \$1.9 million (General Fund) to provide full year funding for the Office of Information Security and Privacy Protection. The office will be responsible for leading state agencies in securing and protecting the State's information assets.

### **State Controller**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Includes a 10 percent unallocated reduction of \$8.9 million (General Fund) to the Controller's budget for 2008-09.

#### ***2008-09 Budget Proposals:***

- ◆ Proposes \$38.3 million (\$21.9 million General Fund) for the Human Resources Management System (aka 21st Century Project) to continue activities associated with the replacement of the existing employment history, payroll, leave accounting, and position control systems.

### **Department of Insurance**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Proposes shifting \$2.122 million in expenditures from the Insurance Fund to the General Fund for insurance premium tax collection activities.
- ◆ Includes \$4 million (Insurance Fund) for local assistance to aid District Attorneys in the prosecution of workers' compensation fraud.

### **Secretary of State**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Includes a 10 percent unallocated reduction of \$3.5 million (General Fund) to the Secretary of State's budget for 2008/09.

**2008-09 Budget Proposals:**

- ◆ Includes \$42.3 million (Federal Funds) to continue implementation of the Help America Vote Act (HAVA). Of that amount \$38.8 million is to implement the VoteCal voter database system.

**California Science Center**

**Special Session Fiscal Emergency Proposals:**

- ◆ Reduces the total 2008-09 Center budget by \$1.5 million (General Fund).
- ◆ Delays the operational ramp up of Phase II of the Science Center expansion (-\$228,000).
- ◆ Reduces facility and operations services, including elimination of school security (-\$523,000).
- ◆ Reduces educational programming including exhibit development and teacher professional development (-\$297,000).
- ◆ Reduces funding to the California African American Museum (CAAM) by \$249,000 primarily through cuts to curators, rental and shipping, program professional services, and related public notifications.

**Department of Consumer Affairs**

**2008-09 Budget Proposals:**

- ◆ Includes \$11.3 million (various special funds) to reform the Bureau for Private Postsecondary and Vocational Education, which sunset on July 1, 2007, and reestablishes it as the Bureau for Private Postsecondary Education. The Governor expects legislation to be enacted before July 1, 2008 to implement the reforms.
- ◆ Proposes \$1.3 million (various special funds) for a department-wide pilot program to educate the public on the risks of conducting business with unlicensed practitioners and service providers.

**Department of Fair Employment and Housing**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the total Department budget for 2008-09 by \$1.8 million (General Fund) and eliminates 18 PY. These reductions will result in lost federal funding of at least \$100,000 due to inability to meet statutory time lines for investigation of discrimination cases.

**Department of General Services**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces current year funding for state capitol maintenance and repair by 10 percent (\$1.1 million General Fund). This will delay overall maintenance and repair projects.
- ◆ Reduces budget year funding by 10 percent (\$794,000), further delaying maintenance and repair projects, as well as limiting contingency funding available for non-dedicated projects.

***2008-09 Budget Proposals:***

- ◆ Includes \$2.5 million (Service Revolving Fund) to support anticipated increases and workload growth in space planning for state-owned buildings, and leased space.

**Department of Housing and Community Development**

***Special Session Fiscal Emergency Proposals:***

- ◆ Includes current year reductions of \$200,000 (General Fund) through elimination of positions in the State Housing Law, Enterprise Zone, and Housing Element Law programs. These reductions in staff could result in decreased and delayed services.
- ◆ Includes budget year reductions of \$1.2 million (General Fund) through elimination of positions and funding to the State Housing Law, Employee Housing, Community Development Block Grant, Emergency Housing Assistance, Enterprise Zone, and Housing Element Law programs. These reductions in staff and funding could result in decreased and delayed services.
- ◆ Reduces funding to the Community Development Block Grant program, which will result in a loss of \$104,000 in federal matching funds and will reduce the department's ability to meet compliance workload demands.

- ◆ Includes a 10 percent reduction to the Office of Migrant Services (\$687,000 General Fund), which will lead to the closure of 4-6 centers which provide safe, decent, and affordable seasonal rental housing and support services for migrant farm worker families. The centers to be closed have not yet been identified.

***2008-09 Budget Proposals:***

- ◆ Continues implementation of Proposition 1C reflecting a decrease of \$202 million, from \$973 million in 2007-08 to \$771 million in 2008-09. This includes \$30 million in planned awards for the Housing Urban-Suburban-and-Rural Parks Program, as well as 2.0 positions and \$583,000 for implementation.

**Employment Development Department**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the total department 2008-09 budget by \$246,000, with \$190,000 accounted for by shifting the tax-sharing ratio from the General Fund to the Unemployment Insurance, Disability Insurance, and Employment Training funds. The US Department of Labor has requested that the Department update the cost sharing agreement for this ratio, and this reduction will further put the ratio out of federal compliance.
- ◆ Cuts \$56,000 (General Fund) from the Unemployment Insurance Board who has recently been found out of compliance with Federal Standards for timeliness of deciding unemployment appeals cases.

***2008-09 Budget Proposals:***

- ◆ Includes \$2.8 million (\$2.6 million General Fund) for continuation of the EDD's Automated Collection Enhancement System (ACES), which will improve the EDD's ability to track, collect, and audit the payment of specified employer payroll taxes.
- ◆ Reflects an increase in benefit payments of \$753 million (various special funds) and a state operations increase of \$35.9 million for the various employment assistance payments that EDD administers.

**Agricultural Labor Relations Board**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the total Board budget by \$665,000 (General Fund) between current year and budget year reductions. Reductions are achieved through staffing reductions. These reductions will leave the Board with only one part time judge to preside over evidentiary hearings in unfair labor practice and disputed election cases.

## **Department of Industrial Relations**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the total Department 2008-09 budget by \$1.2 million (General Fund, primarily through cuts to the Administrative Support division (\$553,000).
- ◆ Cuts \$222,000 from the Appeals Board and Occupational Safety and Health Standards Board. The Appeals Board will lose one hearing officer, which could result in over 1,000 fewer appeals heard, with a backlog of 3,000 cases already existing.

### ***2008-09 Budget Proposals:***

- ◆ Proposes an increase in the assessment on Employers Annual Workers Compensation Insurance Premiums (7 percent increase to total average annual assessments for 2008-09) to provide a stable funding source for the Department of Industrial Relations, Division of Occupational Safety and Health.

## **Public Employment Relations Board**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Cuts \$510,000 (General Fund) from the Board's 2008-09 budget by eliminating the fact finding budget, closing the Oakland office, and elimination of staff positions. Elimination of the fact finding budget will place the burden on the individual parties. Closing the Oakland office will require parties to travel to either Sacramento or Los Angeles to receive services. The Oakland office will be closed as of January 1, 2009, for a partial year savings of \$280,000.

## **Department of Personnel Administration**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Decreases total 2008-09 funding by \$1.9 million (General Fund) primarily through reductions in staffing and operating budgets.

- ◆ Reduces funding to the Classification and Compensation Division by \$398,000 and 3 positions. This reduction could inhibit the ability of departments such as the Department of Corrections and Rehabilitation to hire qualified staff and meet statutory requirements.
- ◆ Reduces the Rural Health Care Equity Program funding to annuitants by \$50 per month (provided to state employees and annuitants who do not have access to a Health Maintenance Organization).

**2008-09 Budget Proposals:**

- ◆ Provides an augmentation of \$3 million (General Fund) and 30 two-year limited term positions to support and manage the projected layoff workload resulting from the statewide across-the-board budget balancing reductions in the 2008-09.

**Board of Chiropractic Examiners**

***Special Session Fiscal Emergency Proposals:***

- ◆ Restores full funding to the Board at \$3.1 million (General Fund).

**Augmentation for Employee Compensation**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces this item by over \$30 million (General Fund) in 2008-09 to correspond with the proposed Bargaining Unit 6 staff reduction (4,132 fewer positions) at the Department of Corrections and Rehabilitation (CDCR). If this reduction in staffing levels does not occur, this item will not be able to fully augment CDCR's budget for compensation increases.

**Economic and Employment Enforcement Coalition**

**2008-09 Budget Proposals:**

- ◆ Proposes nearly \$7 million (various special funds and reimbursement) across the Department of Industrial Relations, Secretary of Labor and Workforce Development, Contractors and State License Board, and Employment Development Department. The Coalition is a partnership of enforcement agencies that identifies the worst offenders for targeted workplace enforcement actions throughout the state.

**Secretary for Business Transportation and Housing**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces \$481,000 in 2008-09 for the Small Business Loan Guarantee Program. This reduction will result in fewer loan guarantees available to small businesses in California.

**Office of Emergency Services**

***Special Session Fiscal Emergency Proposals:***

- ◆ Cuts the General Fund appropriation for the Plans and Preparedness Program, which ensures consistency and updating in response and recovery planning at all levels of government, by \$430,000. In addition to the budget year reduction of \$914,000, this cut will also result in the loss of \$600,000 in federal funds, for an accumulative decrease of \$1.5 million in 2008-09.
- ◆ Cuts the General Fund appropriation for Mutual Aid Response by \$326,000 in the current year, increasing to \$2.2 million in 2008-09 budget year. The reduction will result in a decrease in coordination between law enforcement and rescues agencies, as well as increased response times during a disaster situation.
- ◆ Reduces assistance to local government for the repair and restoration of public property in disaster stricken areas by \$2.4 million (General Fund) in the current year. The General Fund budget year reduction of \$9.2 million will result in an additional loss of \$23 million in 2008-09.
- ◆ Cuts \$3 million in General Fund grants for various public safety and victim services, including domestic violence shelters, gang violence suppression program, drug enforcement and rural crime prevention. In the budget year, the grants will be reduced by \$8.3 million (\$8.2 million General Fund and \$100,000 Federal Fund).

***2008-09 Budget Proposals:***

- ◆ Includes \$10.2 million (Special Fund) and 8.7 positions to establish the Wildland Fire Initiative to increase coordination and resources available to response to major wildfires, including 26 fire engines.
- ◆ Includes \$21 million to fund the disaster response and recovery cost resulting from the 2007 Southern California Wildfires.

- ◆ Includes \$3.2 million (\$1.6 million General Fund) and 18 positions to increase staffing at three regional offices to improve preparedness, response and recovery.
- ◆ Continues \$20.1 million in General Fund resources to the Cal-MMET Program to provide resources to curtail the production and distribution of methamphetamines.

### **Office of Administrative Law**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the Office's General Fund appropriation by \$293,000, which may result in delaying the full implementation of AB 32 (Chapter 488, Statutes of 2006).

### **Military Department**

#### ***Special Session Fiscal Emergency Proposals:***

- ◆ Cuts \$2.4 million in maintenance for state facilities and armories.
- ◆ Eliminates 3 positions and \$2.1 million over two fiscal years for the Veterans Honor Funeral Program. With the reduction, the department would no longer be able to participate in the thousands of funerals, honoring deceased veterans.
- ◆ Cuts a total of \$400,000 in both the current and budget year for emergency response planning and training efforts.
- ◆ Cuts a total \$1.4 million in both the current and budget year for youth leadership programs throughout the state.

#### ***2008-09 Budget Proposals:***

- ◆ Proposes \$9.2 million from the Insurance Fund and 35.8 positions to establish and maintain the appropriate staffing and equipment levels necessary for the California National Guard (Guard) to be able to respond to major wildfire disasters. Of this amount, \$4.8 million is for the purchase of new firefighting systems for military aircraft and \$4.4 million is to provide the staffing necessary to be able to provide air support and respond to any emergency situation in the state in four hours or less
- ◆ Provides \$1.8 million to establish an education benefit program to improve retention of Guard members.

- ◆ Provides \$1.3 million General Fund and 13.3 positions to provide 24 hours a day, 7 days per week staffing of the Joint Operations Center to enable the Military Department to rapidly deploy personnel and equipment with little notice from the Office of Emergency Services and conduct the coordination and notification necessary to support state agencies in the event of an emergency or disaster.

## **Department of Veterans' Affairs**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Cuts 135 placements and a total of \$20.4 million from both the current and budget year. Thereby, reducing the numbers of eligible veterans able to receive full time medical and nursing care. In addition, the department will delay the opening of GLAVC and staffing of the pre-activation team for the Redding and Fresno homes until July 2009.

### ***2008-09 Budget Proposals:***

- ◆ Provides \$9.4 million General Fund and 100.7 positions for the construction and activation phases of the Veterans Homes in West Los Angeles and Ventura County. The Governor's Budget also includes \$580,000 General Fund and 4.3 positions for the initial construction and pre-activation phases of the Redding and Fresno Veterans Homes projects.
- ◆ The Governor's Budget includes \$3.2 million General Fund and 18.3 positions to establish a Facilities Maintenance and Management Unit which will be responsible for implementing a program for maintenance and repairs at the current three veterans homes, the state cemetery for veterans, and the five veterans homes under construction.

## **Commission on State Mandates**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Delays \$75 million of mandate reimbursement payments to local governments for a one-time savings in 2008-09.

## **State Board of Equalization**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Augments by \$7.5 million to add 112 positions to improve compliance 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.

### ***2008-09 Budget Proposals:***

- ◆ Augments by an additional \$13.9 million (\$9 million General Fund) and 129 positions to enhance compliance with the Sales and Use Tax and reduce the Tax Gap. The budget estimates additional General Fund revenues of \$20 million in 2008-09 and \$38 million in 2009-10 from these efforts.

## **Franchise Tax Board**

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Augments by \$9.8 million for 139 new positions that will produce an estimated \$71 million in General Fund revenue in 2008-09, increasing to \$125 million in 2009-10.

### ***2008-09 Budget Proposals:***

- ◆ Augments by \$6.4 million for 68 new positions to improve tax compliance. The budget estimates that this will increase General Fund revenues by \$22 million in 2008-09 and by \$39 million in 2009-10. This effort will concentrate on persons who fraudulently claim tax refunds or credits and increased audit workload.

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

### ***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces assistance by 10 percent in (\$21.7 million) for Senior Citizens' property tax and renters' assistance and for the property tax deferral program.

**Tax Relief—Williamson Act Open Space Subventions**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces subventions by 10 percent for a savings of \$3.9 million in 2008-09.

**Revenue Proposals**

***2008-09 Budget Proposals:***

- ◆ Proposes to reinstate the 12-month test for vehicles, vessels and aircraft use-tax exemption for a General Fund revenue gain of \$5 million in 2007-08 and \$21 million in 2009-10.

**California Arts Council**

***Special Session Fiscal Emergency Proposals:***

- ◆ Eliminates the position of Exempt Special Assistant to the Director, for savings of \$24,000 General Fund in the current year and \$124,000 in the budget year.

**Commission on the Status of Women**

***Special Session Fiscal Emergency Proposals:***

- ◆ Reduces the budget for the Commission on the Status of Women by 10 percent, for a savings of \$59,000 General Fund in the budget year.