



ASSEMBLY BUDGET COMMITTEE
SUBCOMMITTEE REPORT ON
FISCAL EMERGENCY SPECIAL SESSION
FEBRUARY 14, 2008

John Laird, Chair

Patty Berg, Chair of Subcommittee #1

Julia Brownley, Chair of Subcommittee #2

Ira Ruskin, Chair of Subcommittee #3

Juan Arambula, Chair of Subcommittee #4

Mike Feuer, Chair of Subcommittee #5

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OVERVIEW

Summary

On January 10, 2008, the Governor declared a fiscal emergency and called the Legislature into Special Session in accordance with the terms of Proposition 58.

The Governor projected a \$3.3 billion General Fund shortfall for the current year and a \$14.5 billion General Fund shortfall in the budget year. In addition, the Governor identified a severe cash crisis for the state that if left unaddressed would see the state nearly being out of cash in March and unable to pay its bills in July and August.

As required by Proposition 58, the Governor proposed his plan for addressing the fiscal emergency. His proposals filled over 900 pages of solutions that turned the projected current year deficit into an \$864 million reserve and provided over \$8.7 billion in cash solutions to ensure the state can pay its bills throughout the rest of the current year and the budget year.

The Assembly began immediately working to address the fiscal crisis in as swift a manner as possible, and certainly within the required 45 days. Since the Governor's declaration, the Assembly Budget Committee and Subcommittees have held 22 hearings, heard each and every one of the Governor's over 900 pages of solutions, and has worked nearly everyday to develop the Assembly's plan to address the fiscal emergency.

In total, the current year plan now before the Assembly Budget Committee turns the current year shortfall of \$3.3 billion into a reserve of over \$1 billion, about \$178 million higher than what the Governor projected with his solution proposal. In addition, the plan takes the budget year problem of \$14.5 billion down to about \$7.4 billion. The plan also provides over \$8.6 billion in cash solutions to ensure the state continues to pay its bills.

While the Governor took an "across the board" approach, the plan now before the Assembly Budget Committee takes a more fine-tuned approach. Still, the solutions hit every area of the budget, but in many cases avoid the most negative impacts proposed by the Governor. Some key elements of the proposal are as follows:

- ◆ In Health, the plan reduces Medi-Cal rates by 10 percent, but puts off the cut until July 1 to enable this cut to be further evaluated, and perhaps restored, in

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the regular budget process. And the plan does not include any of the Governor's proposed cuts to optional Medi-Cal benefits.

- ◆ In Social Services, the plan delays the SSI COLA by four months, but does not take it away for the year. The plan also delays the CalWORKs COLA, but it does not include the Governor's draconian proposals for poor children.
- ◆ In Education, the plan saves over \$500 million in the current year by reverting and capturing unspent prior and current year funds, but it does not approve the Governor's proposal to cut \$400 million from school district apportionments.
- ◆ In Resources, the plan recognizes an additional \$113.7 million in Tidelands Oil Revenues and makes various reductions. But the plan does not approve any cuts that would lead to the closure on state parks.
- ◆ In Transportation, the plan provides a solution to the PTA lawsuit to ensure the state's budget problem does not get \$409 million worse.
- ◆ For the cash crisis, the plan provides over \$8.6 billion in cash solutions, but makes changes to the Governor's proposals that minimize the negative impacts of the solutions on local governments and school districts.

The following chart summarizes the solutions and the rest of this Report provides specific details of the entire plan.

**Closing the 2007-08 General Fund Gap, and
Taking Making Real Progress on 2008-09
(in thousands)**

	2007-08	2008-09
Starting Shortfall (includes lost PTA lawsuit)	-\$3,727,000	-\$14,888,000
Solutions:		
Sub 1 Solutions	254,638	938,782
Sub 2 Solutions	508,216	0
Sub 3 Solutions	148,804	104,077
Sub 4 Solutions	76,399	150,200
Sub 5 Solutions	409,000	0
BOE and FTB Enforcement Enhancements	60,000	0
Governor's Sale of ERBs	3,313,000	0
Governor's suspension of Extra ERB Payment	0	1,509,000
Impact of 07-08 solutions on 08-09 starting reserve	0	4,770,657
Updated 07-08 Reserve & Remaining 08-09 Shortfall	\$1,043,057	-\$7,415,884

Subcommittee 1 on Health and Human Services

Assemblymember Patty Berg, Chair

Members of the Committee:

Assemblymember Jim Beall
Assemblymember John Benoit
Assemblymember Hector De La Torre
Assemblymember Edward Hernandez
Assemblymember Bill Maze



HEALTH

Department of Health Care Services—Medi-Cal

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Medi-Cal Provider Rates.** Reduces provider rates by 10 percent beginning July 1, 2008, which provides \$544 million of ongoing savings in 2008-09. The rate reduction includes distinct-part (hospital-based) nursing facilities, but excludes freestanding nursing homes that pay a quality assurance fee that helps to finance their rates. The reduction also applies to inpatient care provided by hospitals that do not contract with Medi-Cal, but excludes payments to contracting hospitals. Monthly payments to Medi-Cal managed care plans will be reduced on an actuarially-equivalent basis. This modifies the Governor's proposal by delaying the reduction by one month and by excluding from the reduction provider rates for family planning services and for the Breast and Cervical Cancer Treatment Program, which receive enhanced federal matching funds, in order to avoid excessive loss of federal funds. Rates paid for transitioning former Agnews residents also would be excluded.
 - The primary purpose of the delay of the reduction until the start of the new fiscal year is to allow time for further review of provider rates during the regular budget process to identify any particularly critical consequences of the reduction and to evaluate the possibility of using a more refined approach to mitigate those consequences while still achieving savings. Any necessary changes can be accomplished through the normal budget process.
- ◆ **Provider Rates for Family Health Program Components.** Reduces provider rates by 10 percent beginning July 1, 2008 for the non-Medi-Cal components of the California Children's Services (CCS) Program, Child Health and Disability Prevention Program (CHDP), and the Genetically Handicapped Persons Program (GHPP) for a 2008-09 savings of \$14.2 million. The Medi-Cal rate reductions reduce rates paid for these services to Medi-Cal enrollees. The reduction here provides parity between the rates paid for these program services inside and outside of Medi-Cal, which has been the Legislature's policy and is currently the case.

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- ◆ **Additional June Medi-Cal Checkwrite Delay.** Delays the June 19, 2008 Medi-Cal checkwrite until July. This results in a budget savings of \$165 million in 2007-08, as proposed by the Governor. The June checkwrite delay will be permanent, but the savings are one-time. This action will be accomplished administratively.
- ◆ **One-month Cash-Flow Delay of Provider Payments.** Delays one month of payments to Medi-Cal institutional providers and managed care plans. This is a one-month cash disbursement delay of \$686 million in order to reduce the state's cash needs prior to the issuance of a Revenue Anticipation Note. The budget assumes that the payments will be delayed from August until September 2008.
- ◆ **Delay of County Payments for Medi-Cal Administration.** Delays the first quarterly payment to counties in 2008-09 by one-to-two months for a cash disbursement delay of \$164 million in order to reduce the state's cash needs prior to the issuance of a Revenue Anticipation Note. This action will be accomplished administratively.

Department of Developmental Services

■ **BUDGET REDUCTIONS & CASH SAVINGS**

- ◆ **Regional Center Cost Containment.** Adopts the Administration's trailer bill proposal to indefinitely extend regional center cost containment policies that have been in effect since the Budget Act of 2003-04, and includes a proposal to extend the rate freeze for new providers of regional center services, formerly not impacted by the freeze to regional center negotiated rates. This results in \$249.3 million in the budget year savings.
- ◆ **Family Cost Participation Program.** Requires certain parents in the Family Cost Participation Program who have a child under three years of age living at home to pay a share of cost for daycare, respite, and camping service. Parents who have a child ages 3-17 living at home will be assessed a 10 percent share of cost if their income is between 400 to 500 percent FPL and 80 percent to 100 percent share of cost if their income is at or above 2,000 percent FPL. This results in \$773,000 in budget year savings.
- ◆ **Community Placement Plan Operations.** Cuts funding for regional center operations under the Community Placement Plan, taking advantage of unspent funds for a current year savings of \$660,000.
- ◆ **Regional Center HIPAA Implementation.** Cuts funding by \$23,000 in the current year, as a marginal reduction to funding that should not impact the Regional Centers' capability to meet their contractual requirements related to HIPAA.

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- ◆ **Clients' Rights Advocacy and Volunteer Advocacy Services Agreement.** Reduces the amount for the current contract by \$39,000 in the current year with the State Council on Developmental Disabilities for the provision of comprehensive clients' rights advocacy services at each of the developmental centers and state-operated community facilities.
- ◆ **ICF-DD Quality Assurance Fees.** Reduces the amount of quality assurance (QA) fees paid by the department by \$755,000 in the current year for Intermediate Care Facilities for the Developmentally Disabled (ICF-DD) beds, which have experienced a natural reduction given the scheduled closure of Agnews DC by June 30, 2008.
- ◆ **Porterville DC Office of Protective Services Peace Officer.** Reduces the budget for the Office of Protective Services by \$181,000 in the current year. Vacancies exist to cover the reduction and due to efforts currently underway to reorganize and utilize existing security guards for increased efficiency.
- ◆ **Regional Center Fiscal Audits Program.** Eliminates funding for two vacant positions and reduces funding by \$23,000 in the current year to account for this. The current year reduction places a freeze on recruiting and hiring audit staff for the vacant positions.
- ◆ **Vendor Fiscal Audits Program.** Eliminates funding for eight positions in this program, for a current year savings of \$96,000.

Department of Mental Health

■ **BUDGET REDUCTIONS & CASH SAVINGS**

- ◆ **Early, Periodic Screening, Diagnosis, and Treatment Program.** Reduces the cost per client by establishing a central Short-Doyle Medi-Cal Unit responsible for monitoring and improving the processes and procedures for claiming and county provider payment and providing technical assistance to counties (\$1.8 million) and eliminates the cost of living increase to the State Maximum Allowable (SMA) rate (\$1.9 million), for a total savings of \$3.7 million in the current year. This also results in \$14.6 million in the budget year.
- ◆ **Sexually Violent Predator Caseload.** Reduces funding to align with a slower than budgeted caseload growth for the SVP population, achieving savings of \$12.6 million in the current year.

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- ◆ **Cathie Wright Technical Assistance Center.** Reduces the department's contract for the operation of the Center by \$10,000 in the current year, limiting the number of planned facilities and reducing the number of training activities and consultants used for training.

- ◆ **Caregiver Resource Centers.** Cuts \$400,000 in the current year for the centers, which could decrease support services to over 1,300 caregivers.

- ◆ **Administrative Services and Information Technology.** Cuts the headquarters budget for the department by \$722,000 in the current year, eliminating eight positions and reducing contracts, general expenses, travel, and information technology contractor services.

HUMAN SERVICES

Department of Social Services

BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Delay of the CalWORKs COLA.** Delays the effective date of the July 2008 CalWORKs COLA until October 1, 2008 on a one-time basis. This proposal results in savings of \$41.5 million for the three months of delay in the budget year and does not affect the July 2009 COLA effective date.
- ◆ **Delay of the SSI/SSP COLA.** Delays the effective date of the June 2008 COLA for recipients in the Supplemental Security Income/State Supplementary Payment Program (SSI/SSP) until October 1, 2008 on a one-time basis. This proposal results in current year savings of \$23.3 million and savings of \$67.8 million for the three months of delay in the budget year. The proposal does not impact the June 2009 COLA effective date.
- ◆ **Pay for Performance Incentive Funding.** Eliminates funding of \$40 million in the current year in Pay for Performance incentive funds as counties have not yet been awarded funds for this program.
- ◆ **Social Services Cash Deferral.** Temporarily suspends the monthly advance of state general funds to counties, for a total of \$814 million, for benefits or aid grants, administration, and for employment and supportive services for the months of July and August 2008. The advance of these funds shall resume on September 1, 2008 and the delayed payments shall be made no later than September 30, 2008. Exempted from this temporary suspension are advances for the SSI/SSP and the In-Home Supportive Services program.
- ◆ **ISAWS Migration Project.** Reduces funding for the Interim Statewide Automated Welfare System (ISAWS) Migration project to delay implementation for one month from June 1 to July 1 and to update the budget to reflect known, rather than estimated, costs for a current year savings of \$3.5 million.
- ◆ **CWS/CMS Savings.** Cuts current year funding by \$3 million for the Child Welfare Services/Case Management System (CWS/CMS) to reflect automation savings associated with projections that exceed expenditures in the current year.

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- ◆ **Operating Expenses and Equipment.** Cuts the department's expenditures across all categories and targets in-state travel, contracts, and other costs to produce a savings of \$70,000 in the current year.

Department of Child Support Services

■ **BUDGET REDUCTIONS & CASH SAVINGS**

- ◆ **Operating Expenses and Equipment.** Reduces the department's state operations budget by \$200,000 in the current year from a combination of strategies ranging from reducing contracts and positions in the customer service area, reductions in performance support and improvement, and cuts in information technology and administrative overhead.

Department of Alcohol and Drug Programs

■ **BUDGET REDUCTIONS & CASH SAVINGS**

- ◆ **Drug Medi-Cal.** Reduces the current year appropriation by \$100,000 to recoup available state operations dollars and leaves the budget year reduction to be evaluated in the regular spring budget process.
- ◆ **California Methamphetamine Initiative.** Cuts \$360,000 from the current year budget for the program, recouping unspent dollars not yet obligated toward the purposes of the initiative.

Subcommittee 2 on Education Finance

Assemblymember Julia Brownley, Chair

Members of the Committee:

Assemblymember Michael Duvall
Assemblymember Jean Fuller
Assemblymember Gene Mullin
Assemblymember Sandré Swanson

K-12 EDUCATION

Department of Education

BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Total Reductions to Proposition 98 for K-12 Education.** Achieves \$475.7 million in current year savings through reappropriations of prior year unspent funds and reductions to current year funding for certain categorical programs that would otherwise go unspent. This reappropriation of one-time funds allows the state to achieve current year savings while maintaining K-12 expenditures at budgeted levels. These reductions replace the Governor's proposal to reduce school district revenue limits by \$360 million in the current year.
- ◆ **Williams Settlement Emergency Facilities Repair Program.** Appropriates an additional \$100 million from the Proposition 98 Reversion Account to the Emergency Facilities Repair Program pursuant to the terms of the *Williams* lawsuit settlement of 2004 and makes conforming changes to provisional budget language. This ensures all Williams related expenses will be met without impacting other programs.
- ◆ **Deferral of Payments to Address Cash Shortage.** Defers, on a one-time basis, \$1.1 billion in advance apportionment payments for K-12 schools from July, 2008 to September, 2008, in order to meet the state's cash needs. This differs from the Governor's proposal which proposed to defer the June payment to September and would have been an ongoing, permanent deferral.
- ◆ **Changes to Proposition 49 (Before and After School programs).** Clarifies and defines the Proposition 49 continuous appropriation to: (1) not be without regard to fiscal year and (2) to treat unspent funds in the same manner as normal budget act appropriations, allowing unspent dollars in the program to be used for other Proposition 98 purposes.



HIGHER EDUCATION

California Community Colleges

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Total Reductions to Proposition 98 for Community Colleges.** Reduces the Proposition 98 minimum guarantee in the current year by approximately \$31.1 million through reappropriations of funding from unspent prior year appropriations and reductions to current year funding for certain categorical programs that would otherwise go unspent. These reductions replace the Governor's proposal to reduce community college apportionments by \$40 million in the current year.

University of California

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **California Welfare Research Project.** Reduces the non-operational funding for the California Welfare Research Project located at UC Berkeley by \$2.25 million. General Fund savings in the current year and allows for a readdressing of the Project's mission and purpose in the course of the regular budget process.

Subcommittee 3 on Natural Resources and Environmental Protection

Assemblymember Ira Ruskin, Chair

Members of the Committee:

Assemblymember Noreen Evans
Assemblymember Julia Brownley
Assemblymember Dave Jones
Assemblymember Jim Silva
Assemblymember Sam Blakeslee



NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Resources Agency

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **CALFED Bay Delta.** Cuts \$87,000 from the CALFED Bay Delta Program's operating budget. This reduction will be achieved through salary savings and by shifting lease costs from General Fund to Proposition 50 funds.

Department of Fish and Game

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Fishery Restoration Grants.** Cuts \$1.4 million from fishery restoration grants in 2007-08. This cut will not result in a loss of matching federal funds to the state so long as funding levels remain consistent with prior year levels.
- ◆ **Sea Bass Field Sampling.** Cuts \$165,000 of contract funds for white seabass field sampling in 2007-08.
- ◆ **Administration.** Cuts \$152,000 in 2007-08 and ongoing for database maintenance and application development for the Lands Branch and the Wildlife Branch.

State Lands Commission

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Tidelands Oil Revenue.** Increases tidelands oil revenue projections for the General Fund by \$113.7 million in the current year and \$104.1 million in the budget year as a result of updated information not available at the time of the release of the Governor's budget.

Department of Parks and Recreation

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Parks Operations.** Reduces \$1 million in 2007-08 from State Parks operations. This reduction will be achieved by delaying equipment purchases and reducing temporary help hours. This proposal will not result in the closure of any state parks in the current year and proposed reductions for the budget year will continue to be discussed through the course of the regular subcommittee process.
- ◆ **Deferred Maintenance.** Shifts \$30 million in funding for deferred maintenance projects from General Fund to Proposition 84 funds.

Department of Water Resources

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Floodplain Management.** Reduces \$200,000 from the floodplain management program in 2007-08. This reduction will be achieved in the budget year through salary savings and will be partially offset ongoing through bond fund allocations.

Secretary for Environmental Protection

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Administration.** Cuts \$100,000 from the CalEPA agency's administration budget. This cut will be achieved from salary savings and vacant positions captured from various programs that the Agency administers.

Air Resources Board

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Stationary Source Research.** Cuts \$100,000 from air pollution research contracts to support non-vehicular and non-greenhouse gas sources in 2007-08.

**Department of Toxic Substances Control
Board**

■ **BUDGET REDUCTIONS & CASH SAVINGS**

- ◆ **Illegal Drug Lab Removal and Emergency Response.** Reduces \$1.3 million in 2007-08 from illegal drug lab clean-up, off-highway spill removal programs, and distributed administration. According to the department, this cut can be absorbed because a recent decline in methamphetamine production in California has resulted in reduced drug lab clean up workload for the department.

**Office of Environmental Health Hazard and
Assessment**

■ **BUDGET REDUCTIONS & CASH SAVINGS**

- ◆ **Health Risk Assessment.** Reduces \$100,000 in the current year in contracting funds for the Health Risk Assessment Programs. Proposed budget year reductions will be discussed in the regular subcommittee process.

Department of Food and Agriculture

■ **BUDGET REDUCTIONS & CASH SAVINGS**

- ◆ **General Agricultural Activities.** Reduces \$263,000 in 2007-08 for the Agricultural Security and Emergency Response (ASER) Office that serves as a central coordinating point in Sacramento for agricultural emergency response. This action will not reduce funding for inspections of food rendering facilities or other public health inspection functions of the department. The proposed cut for the budget year will continue to be evaluated through the regular budget process.
- ◆ **Marketing Commodities, Agricultural Services.** Reduces \$237,000 in the current year for the division of Measurement Standards. This reduction will be backfilled by surplus revenue in the Agriculture fund.

Subcommittee 4 on State Administration

Assemblymember Juan Arambula, Chair

Members of the Committee:

Assemblymember Paul Cook
Assemblymember Chuck DeVore
Assemblymember Mary Hayashi
Assemblymember Gene Mullin
Assemblymember Sandré Swanson



GENERAL GOVERNMENT

Economic Recovery Bonds



BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Sale of Remaining Economic Recovery Bonds.** Reflects the Governor's decision to sell the remaining \$3.3 billion of Economic Recovery Bonds. This is an essential component of the plan to address the state's cash crisis and provides substantial one-time budget relief as well. The Legislature has no role in this decision and does not need to take any action to reflect the Governor's action.
- ◆ **Supplemental Economic Recovery Bond Payment.** Reflects the Governor's decision to suspend the Proposition 58 requirement requiring an additional debt payment of \$1.5 billion in the budget year. The Governor must make this decision in the current year and the Legislature has no role in this decision and does not need to take any action to reflect the Governor's action. The state will continue to pay approximately \$1.5 billion to payoff the Economic Recovery Bonds.

Department of Housing and Community Development



BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **State Housing Law.** Cuts \$50,000 in the current year to capture savings from an existing vacant position.
- ◆ **Enterprise Zone Program.** Cuts \$50,000 from the current year. This will result in the loss of ½ position formerly dedicated to marketing, leaving this responsibility primarily to the local entities.
- ◆ **Housing Element Program.** Cuts \$100,000 from the current year eliminating approximately one position for administering housing element reviews.

Department of General Services

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Capitol Maintenance and Repair.** Reduces the funding available for Capitol infrastructure projects by 10 percent, or \$1.179 million. This funding was not yet dedicated to any projects and will simply delay overall maintenance and repair of the Capitol.

Department of General Services

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Capitol Maintenance and Repair.** Reduces the funding available for Capitol infrastructure projects by 10 percent, or \$1.179 million. This funding was not yet dedicated to any projects and will simply delay overall maintenance and repair of the Capitol.

Office of Planning and Research

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **State Planning and Policy Development.** Cuts \$44,000 from the current year budget for planning and policy development, as proposed by the Governor.
- ◆ **California Volunteers.** Reduces \$375,000 from the current year budget for the California Volunteers program. This is \$333,000 deeper than the Governor as a result of cutting funding for a marketing component of the program.

State Teachers' Retirement System

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Supplemental Benefit Maintenance Account.** Realizes \$664 million in cash only savings between July and November by specifying that the 2008-09 Supplemental Benefit Maintenance Account (SBMA) payment will be made on November 1, 2008.

Commission on State Mandates

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Estimated Mandate Claims.** Reduces spending in 2008-09 by \$75 million by eliminating payments to local governments for their estimated mandate costs in 2007-08. Instead, only actual claims from previous years will be paid. This change will be ongoing, but the savings is one-time.

State Board of Equalization

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Out-of-State Purchases of Vehicles, Vessels, and Aircraft.** Reinstates the 12-month rebuttable presumption for vehicles, vessels and aircraft brought into California. The presumption was shortened to 90 days in the 2007-08 budget. Vehicles, vessels and aircraft purchased out of state by a California resident are presumed to have been purchased for use in California and are subject to use tax if they are brought into the state before the end of the presumption period, with certain exceptions. After the presumption period, the presumption is that the property was not purchased for use in the California and is exempt from use tax unless the board can rebut that presumption to demonstrate that there was intent to use the property in California at the time of the purchase. This change results in a General Fund revenue gain of \$5 million in 2007-08 and \$21 million in 2009-10.

Military Department

■ BUDGET REDUCTIONS

- ◆ **Veteran Honor Funeral.** Eliminates 3 positions and \$700,000 in the Veterans Honor Funeral Program. The reduction, however, will still operate above the prior year level due to the additional 23 positions added by the 2007 Budget Act.
- ◆ **Salary Savings.** Eliminates \$300,000 in salary savings, resulting from unfilled positions throughout the fiscal year in various programs throughout the department.
- ◆ **Retirement Benefits.** Reduces benefit payments by \$100,000 due to a natural decline in the number of retirees and beneficiaries. This reduction would have been realized in the budget year and does not represent a cut in retiree benefits.

Department of Veteran's Affairs

■ BUDGET REDUCTIONS

- ◆ **Veteran Homes.** Cuts \$1.6 million by limiting the expansion of the Memory Care Unit and reducing the number of beds with the homes Skilled Nursing Facilities. The Yountville home was slated to increase its Memory Care Unit to a total of 75 beds. To date, 40 beds have been filled due to transfers from the home's Skilled Nursing Facilities. To achieve the savings the home will limit the Memory Care Unit to existing population (40 beds) and forgo backfilling the beds transfer by the Skill Nursing Facilities.
- ◆ **Information Technology.** Reduces \$110,000 in the current year and \$4.3 million in the budget year by eliminating the VistA component from the Enterprise-wide Veterans Home Information System project. The department initially believed VistA was needed to interface with various state and federal databases; however, the department has since discovered a solution that negates the need for the VistA component.



PUBLIC SAFETY

Office of Emergency Services & Office of Homeland Security



BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Disaster Assistance.** Cuts \$2.4 million for disaster assistance, which provides aid to local agencies for repair and restoration of public real property. The cuts will not result in a reduction in service levels, because the department will adjust its funding formula to prioritize the expenditure of federal funds for all federal recognized disasters.
- ◆ **Mutual Aid.** Cuts \$326,000 for emergency mutual aid services to jurisdictions whose resources and services are overextended in a disaster situation. The reduction does not relieve the Office of their statutory duty to response to a disaster.
- ◆ **Plan and Preparedness.** Cuts \$430,000 current year for future disaster preparation. The Office is responsible for interfacing federal, state and local disaster response plans, as well as conducting post disaster assessment.
- ◆ **State Terrorism Threat Assessment Center.** Reduces the current year appropriation by \$1 million to capture salary savings from various unfilled vacancies.

Department of Corrections and Rehabilitation



BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Unspent Funds.** Reduces the budget by \$40 million to reflect various program savings that will occur because of delays in implementing new programs, including new sex behavior treatment programs.

Judicial Branch

■ BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **New Judgeships.** Reduces expenditures by \$21.9 million (current year) and \$54.2 million (budget year) by delaying the remaining vacant appointments of new judgeships authorized by Senate Bill 56 (10 remaining) and the additional 50 judgeships authorized by AB 159 (scheduled for June of 2008) to instead be filled beginning in June Of 2009.

Subcommittee 5 on Transportation and Information Technology

Assemblymember Mike Feuer, Chair

Members of the Committee:

Assemblymember Lois Wolk
Assemblymember Paul Krekorian
Assemblymember John J. Benoit
Assemblymember Bob Huff



TRANSPORTATION

Department of Transportation (Caltrans)



BUDGET REDUCTIONS & CASH SAVINGS

- ◆ **Gas Tax Deferral.** Defers five months of local gas tax disbursements from April through August, which provides \$500 million of cash benefit to state accounts. The deferred disbursements will be made with the September disbursement. This also includes language clarifying that local governments can use Proposition 1B funds to meet cashflow needs until the deferred disbursements are made.
- ◆ **PTA Lawsuit Solution.** Adjusts the current year budget to comply with the recent court decision, *Shaw v. Chiang*, thus avoiding an additional General Fund budget shortfall of \$409 million. The court ruled the state could not use the Public Transportation Account (PTA) to reimburse the state for *past* transit expenses, but that it can be used to reimburse the state for current transit expenses. Therefore, this solution provides that \$409 million from the PTA is used to reimburse the General Fund for current home-to-school transportation costs.