



ASSEMBLY BUDGET COMMITTEE
2007-2008 SUBCOMMITTEE REPORT
MAY 29, 2007

John Laird, Chair

Patty Berg, Chair of Subcommittee #1

Julia Brownley, Chair of Subcommittee #2

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Overview

Summary

On May 23, 2007, the Assembly Budget Subcommittees completed their recommendations for crafting the Assembly's version of budget for 2007-08. In total, the Assembly's version of the budget contains \$105.0 billion in available General Fund resources, \$104.4 billion in General Fund expenditures, and a total available reserve of \$1.4 billion.

The Assembly version is similar to the Governor's May Revision proposal in that they both have almost identical actual reserves and neither have a lot of new programs. However, there is one key fundamental difference: the Governor chooses to add \$595 million to the \$2.5 billion debt payment to Wall Street, while the Assembly maintains aid to underprivileged children, grants for SSI/SSP recipients, and support for critical academic preparation programs.

Some key elements of the Assembly's version of the budget are as follows:

- ◆ **General Fund Reserve Equal to the Governor's May Revision Reserve.** Provides total available reserve of \$1,363 million, just \$3 million short of the Governor's May Revision reserve, once adjusted to reflect the concern that the Governor's \$832 million Home-to-School proposal is likely unachievable.
- ◆ **Tough Solutions.** Includes difficult budget solutions, including cutting the CalWORKS COLA and taking nearly \$500 million in benefit from public transit to the General Fund.
- ◆ **Economic Recover Bonds Repayments.** Includes \$2.5 billion in repayments of the Economic Recovery Bonds. This includes \$1 billion that the Governor could decide to forgo prior to June 1 of this year to assist the General Fund reserve.
- ◆ **Williamson Act.** Rejects the Governor's proposal to eliminate the Williamson Act Subvention for local governments.
- ◆ **CalWORKS for Children.** Rejects the Governor's most draconian cuts to CalWORKS, including \$324 million in cuts that may have taken aid away from as many as 190,000 of California's neediest children.

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- ◆ **SSI/SSP COLA.** Rejects the Governor's proposal to cut the January, 2008 COLA for SSI/SSP.
- ◆ **Clean Air and Protecting the Environment.** Begins implementation of AB 32 and provides significant funding for clean air and environmental protection efforts with critical bond appropriations.
- ◆ **K-12 Education.** Provides full funding of Growth and COLA for education, and provides \$79 million to pay off education mandate debts.
- ◆ **Access to Higher Education.** Rejects Governor's proposed cut of \$29 million for Academic Preparation programs for the UC and CSU.
- ◆ **Public Transportation.** Rejects the Governor's proposal to cut public transit by \$832 million to fund Home-to-School transportation out of the Public Transportation Account, and restores full funding for local transit operations and STIP transit capital projects.
- ◆ **Proposition 42.** Provides full funding for Proposition 42, including \$83 million in repayments, and adds PTA spillover to Proposition 42 and adjusts allocations beginning in 2008-09, resulting in an increase of hundreds of millions of dollars for the STIP, local streets and roads, and the PTA.

In summary, the Assembly's version of the budget provides a reasonable \$1.4 billion reserve, maintains funding for critical programs, makes difficult cuts, and repays various General Fund debts.

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Summary of Charts

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

	Impact on Reserve
Governor's Stated Reserve in May Revision	\$2,199
Likely Unachievable Governor's Solution: Home-to-School with PTA	-\$832
Net Likely Reserve	\$1,367
Assembly Changes	
Assume no Tribal Gaming Revenues (compacts not passed Assembly)	-\$314
Reject CalWORKS cut to kids	-\$324
Reject cut SSI/SSP COLA (includes updated COLA estimate)	-\$148
Reject cut to Williamson Act Subvention	-\$39
Reject transfer from EDD Contingent Fund	-\$27
Various Revenue (increased interest, debt collections, etc)	\$32
Proposition 98 Increase	-\$48
Court Security Increase	\$37
Restore cut to Proposition 36 Funding	-\$25
Adjust EPSDT Repayment schedule	\$156
Reject FI\$CAL new spending proposal	\$36
Reject additional early repayment of ERB	\$595
Miscellaneous/Rounding	\$66
Final Assembly Reserve	\$1,364

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**2007-08 May Revision and Assembly Version
General Fund Expenditures
(in millions)**

Category	May Revision Amount	Assembly Budget Amount	Difference
Education (K-12)	\$41,367	\$41,312	-\$55
Higher Education	\$11,994	\$12,032	\$38
Health and Human Services	\$29,907	\$30,520	\$613
Corrections and Rehabilitation	\$9,968	\$9,887	-\$81
Business, Transportation and Housing	\$1,650	\$1,658	\$8
Legislative, Judicial, Executive	\$3,864	\$3,805	-\$59
Resources	\$1,687	\$1,688	\$1
Environmental Protection	\$90	\$88	-\$2
State and Consumer Services	\$576	\$575	-\$1
Labor and Workforce Development	\$118	\$104	-\$14
General Government/Other	\$2,545	\$2,726	\$181
Total	\$103,767	\$104,395	\$628

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**May Revision and Assembly Version
General Fund Summary
Current Year and Budget Year
(in millions)**

	2006-07		2007-08	
	May Revision	Assembly	May Revision	Assembly
	<u>2006-07</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2007-08</u>
Prior-year balance	\$10,540	\$10,540	\$3,961	\$4,069
Revenues and Transfers	\$95,685	\$95,685	\$101,253	\$100,944
Total Resources Available	\$106,225	\$106,226	\$105,214	\$105,013
Total Expenditures	\$102,264	\$102,157	\$103,765	\$104,396
Fund Balance	\$3,961	\$4,069	\$1,449	\$617
Budget Reserves:				
Reserve for Liquidation of Encumbrances	(\$745)	(\$745)	(\$745)	(\$745)
Reserve and Budget Stabilization Account	\$3,688	\$3,796	\$2,199	\$1,364
Likely Unachievable Solutions, 07-08 Impact			-\$832	-
Net Likely Reserve			\$1,367	\$1,364

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

MAJOR ACTIONS

- ◆ **Drug Cost Savings.** Includes savings of \$77.4 million (\$38.7 million General Fund), as proposed in the Governor's Budget and May Revision, due to reductions in Medi-Cal payments for drugs. The savings results from several changes. First, adoption of trailer bill language, proposed by the administration, to enable DHCS to change the basis on which Medi-Cal pays pharmacies for prescription drugs. Currently the basis of payment is Average Wholesale Price (AWP) minus 17 percent. The proposed language would allow payment to be *based on* Average Manufacturer Price's Price (AMP), which generally is lower than AWP. Federal law will require states to base their drug reimbursements on AMP data. However, this savings estimate also includes the effects of (1) implementing a revised "Federal Upper Payment Limit" (FUL) equal to 250 percent of AMP for generic drugs; and (2) recognizing an upcoming lawsuit settlement that is expected to reduce the existing AWP benchmark for many single-source (brand name drugs) by about five percent. The subcommittee approved the administration's language as "placeholder" language in order to facilitate discussion in Conference—in particular whether any adjustment to dispensing fees is needed.
- ◆ **Papillomavirus Vaccinations.** Includes \$11.3 million, (\$5.6 million General Fund), as proposed in the Governor's Budget, for Human Papillomavirus Vaccinations, on a voluntary basis for female Medi-Cal enrollees up to who are either under 18 or in non-family categories through age 26.
- ◆ **Nursing Home Rates.** Rejects Governor's proposed reduction in the growth cap for nursing home rates. Augments by \$32.6 million (\$16.3 million General Fund) to maintain the existing statutory growth cap of 5.5 percent and maintains the future growth cap at 5.5 percent. Also adopts trailer bill language to extend the existing AB 1629 rate methodology and authorization for Quality Assurance fees by one year—through 2008-09 (as proposed by the Governor), but with the growth cap continued at 5.5 percent rather than at medical cost inflation.
- ◆ **Medi-Cal Managed Care Rates.** Approves Governor's May Revision request for \$214 million (\$107 million General Fund) to increase rates for Medi-Cal managed care plans. Rates will be based on a new rate methodology that takes into account the specific population served and services provided by each plan (versus the former methodology that used extrapolations to other plans from the experience of

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one plan). The May Revision proposes to "hold harmless" plans that would otherwise receive a rate cut under the new methodology. Also approves administration Trailer Bill language to provide for move rate-setting for County Organized Health Systems to the department from the California Medical Assistance Commission.

- ◆ **County Administration Cost Increase.** Approves May Revision proposed increase of \$73.6 million (\$29.8 million General Fund) for increased county Medi-Cal administration costs due to caseload increases and increased cost of doing business.
- ◆ **County Performance Standards.** Rejects the Administration's proposal to increase county eligibility performance standard from 90 percent to 95 percent at this time due to concerns about new citizenship verification requirements and deficiencies in technical support and assistance by the department.
- ◆ **Federal Citizenship Verification Requirements.** Approves May Revision request for \$50.4 million (\$25.2 million General Fund) for one-time and ongoing county costs of complying with new federal citizenship verification requirements.
- ◆ **Minor Consent Services.** Approves May Revision request for \$19 million (General Fund) to backfill lost federal funds to maintain pregnancy-related services under the Minor-Consent Program in Medi-Cal. The May Revision indicates that the state will not enforce the federal citizenship verification requirements for minors independently seeking services.
- ◆ **SB 437 Pilot.** Approves Governor's Budget request for \$20.7 million (\$10.3 million General Fund) for additional caseload resulting from the implementation of two county pilot projects to test self-certification of assets and income by Medi-Cal applicants and enrollees in order to simplify the eligibility determination process, as provided by SB 437 of 2006.
- ◆ **AB 2911 Drug Discount Program.** Approves \$8.8 million and 16 positions to implement the California Discount Prescription Drug Program established by AB 2911 (Nuñez) of 2006, as requested by the Governor's Budget and May Revision. The program will provide drug discounts to Californians with incomes under 300 percent of poverty who do not qualify for no-cost Medi-Cal.
- ◆ **Continuation of Family PACT Services.** Approves Governor's Budget request for \$2.5 million (General Fund) to backfill for lost federal funds for certain Family PACT services, including mammography, Hepatitis B vaccines, five medical procedures related to certain types of contraceptive methods and diagnostic testing regarding cancer. The budget continues to assume the continuation of the current Family PACT waiver, under which the cost of most Family PACT family planning and reproductive health services receives a 90 percent federal match. The federal

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government currently is providing monthly extensions.

- **Medi-Cal Management Information System and Fiscal Intermediary Procurement.** Deletes seven of the 24 positions requested to begin preliminary work on the re-procurement of Medi-Cal MMIS/FI contract for a savings of \$637,000 (\$159,000 General Fund).
- ◆ **Collection of "Aged" Drug Rebates.** Deletes on a workload basis, four of the 11 positions the budget requested to collect drug rebates that have gone unpaid for several years (General Fund savings of \$197,000). Provides the remaining seven positions on a permanent basis to enhance training and maintain staff expertise.
- ◆ **Fresno Field Office.** Adopts budget bill language to prohibit the closure of the Fresno Medi-Cal field office.
- ◆ **Contract Purchasing of Hearing Aids.** Adopts trailer bill language to require contract purchasing of hearing aids by June 30, 2008.
- ◆ **Adult Day Health Reforms.** Reduces staffing requested to implement SB 1755 reforms of Adult Day Health Care services by 13 of 46 requested positions for a savings of \$1.37 million (\$685,000 General Fund). Includes budgeted savings of \$5 million (\$2.5 million General Fund) in Medi-Cal payments for Adult Day Health Care as a result of tightening medical necessity criteria, as authorized by AB 1755.
- ◆ **Programs of All-Inclusive Care for the Elderly (PACE).** Adds two positions (\$100,000 General Fund) in the Office of Long-Term Care to assist with development and processing of applications to establish additional PACE programs.
- ◆ **AIDS Pharmacy Pilot Project.** Adds \$1.3 million to continue the AIDS Pharmacy Pilot Project through 2007-08 so that an evaluation of the program's effectiveness can be completed and reviewed.
- ◆ **Non-Emergency Medical Transportation.** Adopts budget bill language to require a report on the adequacy of rates and access.
- ◆ **Public Assistance and Reporting Information System (PARIS).** Adopts supplemental report language to develop proposals to use the federal PARIS information system to (1) identify veterans on Medi-Cal in order to use federal veteran's health coverage instead of Medi-Cal or to supplement Medi-Cal services for veterans and (2) to eliminate duplicate benefits for Medi-Cal enrollees and welfare recipients who have moved to another state.

Department of Public Health

■ MAJOR ACTIONS

- ◆ **Position Redirections.** Restores 10 positions (plus one in Medi-Cal) of the 57 program positions that were proposed for redirection in the Governor's Budget to establish the administrative and management structure of the new Department of Public Health pursuant to SB 162 of 2006, which splits the Department of Health Services into the Department of Health Care Services (primarily Medi-Cal) and the Department of Public Health. The restoration of program positions makes use of available federal funds and special funds and does not require any fee increases.
- ◆ **Budget Accountability.** Adopts trailer bill and supplemental report language to require more transparency and accountability in budgeting for the department. Specifically, amounts budgeted for significant program areas would have to be identified and an annual report on vacancies would be required.
- ◆ **Licensing and Certification Fee Increases.** Reduces the fee increases proposed in the Governor's Budget by making use of \$7 million of current-year savings to offset 2007-08 costs and by reducing 2007-08 costs by \$400,000 to recognize a realistic time frame for filling new nurse evaluator positions.
- ◆ **Licensing and Certification Fee Methodology.** Directs the department to unbundle fees for different clinic types in order to provide appropriate fee levels for each type of clinic. Approves placeholder trailer bill language to allow the department to revise fee structures during 2007-08 to address problems identified by provider groups as long as revisions are budget-neutral and do not shift costs to other provider groups. Approves budget bill language for an audit of the department's fee-setting methodologies by the Office of State Audits and Evaluations in the Department of Finance.
- ◆ **Medical Error Reporting by Hospitals.** Approves \$7.1 million of \$7.2 million requested from the Licensing and Certification Fund to implement the reporting and follow-up of adverse medical events in hospitals (reduced one position). This budget request implements SB 1301 (Alquist) of 2006.
- ◆ **Prostate Cancer Treatment.** Approves Governor's Budget request for \$3.5 million to continue the Prostrate Cancer Treatment Program.
- ◆ **Prenatal Screening.** Approves increase of \$15.8 million in the Prenatal Screening Program to implement an expanded screening panel and an additional \$4.6 million and six positions to implement improved prenatal screening and additional activities regarding the causes of birth defects, as proposed by the Governor's Budget.

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- ◆ **Food-Borne Illness Prevention and Response.** Reduces the budget request for \$2.1 million by \$667,000 and four positions.
- ◆ **HIV Name Reporting.** Approves \$2.0 million General Fund requested for additional local assistance to increase surveillance staff to implement HIV name reporting activities.
- ◆ **Hospital Infectious Disease Control Program.** Shifts about \$500,000 of program costs from the General Fund to special fund support based on the regulatory and mitigation nature of this program which requires reporting of hospital-acquired infections and actions to prevent them.
- ◆ **Office of AIDS.** Approves May Revision proposal to use \$17.1 million of additional drug rebate revenue and a \$10.5 million reduction in the 2007-08 cost estimate for the AIDS Drug Assistance Program (ADAP) as follows:
 - \$9.3 million General Fund reduction in ADAP.
 - \$5.6 million redirected to Care Services-Consortia.
 - \$5.3 million redirection to Early Intervention.
 - \$4 million redirection for increased testing under the Therapeutic Monitoring Program.
 - \$3.5 million redirection for home and community-based care case management.
 - Up to \$1.8 million of General Fund support is to be redirected to backfill federal funding reduction to six metropolitan areas.

Also approves \$5.6 million (General Fund) to maintain current funding level for HIV/AIDS Education and Prevention Programs.

- ◆ **Environmental Bio-monitoring Program.** Approves \$1.2 million to begin implementation of the environmental contaminant bio-monitoring program authorized by SB 1379 of 2006.
- ◆ **Proposition 84 Safe-Drinking Water Bond Funds.** Approves the Administration's request (on a one-year basis) for a total of \$47.3 million of Proposition 84 bond funds for Safe Drinking Water programs.

Managed Risk Medical Insurance Board

■ MAJOR ACTIONS

- ◆ **Healthy Families Program.** Approves May Revision estimate of \$1.1 billion (\$400 million General Fund) to provide coverage for 920,000 children—an increase of 7.7 percent over 2006-07. This amount also includes funds to pay for an estimated 3.1 percent increase in health plan rates.
- ◆ **Healthy Families-to-Medi Cal Bridge.** Approves May Revision request for a shift of about \$1.4 million of General Fund costs from Healthy Families to Medi-Cal in order to provide temporary Medi-Cal presumptive eligibility for children discontinued from Healthy Families. This program will replace a former bridge program that provided temporary continuation of Healthy Families enrollment that has ended due to termination of a federal waiver.
- ◆ **Access for Infants and Mothers (AIM) Program.** Approves May Revision General Fund support for the AIM Program by \$8.3 million to backfill a reduced Proposition 99 Tobacco Tax revenues.

Department of Developmental Services

■ MAJOR ACTIONS

- ◆ **Health Care for Leavers of Agnews Developmental Center.** Adopts trailer bill language to ensure that the outpatient clinic at Agnews remains available for an extended time, provides that two mobile clinics (funded with \$1 million through the department's Wellness Initiative) are acquired and used to serve residents away from Agnews, funds health care coordinators at the three Bay Area Regional Centers (\$126,000 General Fund, \$503,000 total funds), and requires private health plan providers to adopt protocols and practices to adequately serve this population.
- ◆ **Cost Containment.** Continues a variety of cost containment measures for regional centers, for an approximate total General Fund savings of \$172.7 million (\$250 million total funds) in the budget year.
- ◆ **Self-Directed Services.** Approves the Administration's requests in this area, which include a later implementation date for individuals enrolling for person-centered planning and development of the consumer's individual budget.
- ◆ **Salary Adjustments.** Approves salary increases in developmental centers for mental health classifications as a result of the *Coleman v. Governor Schwarzenegger* federal court order (approximately \$7.1 million total, \$4.16 million

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General Fund) and for dental staff pursuant to the *Perez* case (\$1.3 million total, \$747,000 General Fund).

- ◆ **Intermediate Care Facilities for the Developmentally Disabled-Continuous Nursing (ICF/DD-CN).** Adopts supplemental report and budget bill language requiring reporting on the bundling of rates for the reimbursement of these facilities, associated cost effects, and quality of seamless service-delivery for consumers.

Department of Mental Health

■ **MAJOR ACTIONS**

- ◆ **Mental Health Managed Care Rate Restoration.** Provides a five percent rate restoration (\$12 million General Fund) for mental health managed care services and adopts corresponding trailer bill language.
- ◆ **Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program.** Addresses the current and prior year deficiencies in the EPSDT program caused by administrative and accounting errors by approving a total increase of \$59.7 million (General Fund) to fund the 2006-07 deficiency, a total increase of \$107.9 million (General Fund) to fund 2007-08, and establish reimbursement to counties for \$260.2 million (General Fund) over a three-year period with payments of \$86.7 million. Also adopts language for the department to work collaboratively with the Legislature to develop an appropriate administrative structure in 2008-09, including the passage of legislation to address this in law.
- ◆ **Proposition 63.** Approves the continued implementation of the Mental Health Services Act (MHSA), including a modification to provide \$895,000 in MHSA funds for the Oversight and Accountability Commission's budget.
- ◆ **Salary Adjustments.** Approves various salary increases based on the department's staffing plan due to the *Coleman* lawsuit, the *Perez* case, and the Consent Judgment with the federal United States Department of Justice regarding the federal Civil Rights of Institutionalized Persons Act (CRIPA).
- ◆ **Incompetent to Stand Trial (IST).** Approves the May Revision requested pilot project and \$4.3 million (General Fund) to secure private provider contracts for additional IST beds to address demand for higher bed capacity.
- ◆ **Sexually Violent Predators (SVPs).** Approves the modifications in the May Revision as they relate to adjusted caseload and evaluation needs for the SVP population in state hospitals due to recent changes in law.

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S u b c o m m i t t e e R e p o r t

- ◆ **California Health Interview Survey.** Provides \$1 million (\$700,000 Mental Health Services Act Funds and \$300,000 reimbursements) for the continuation and augmentation of data components for the California Health Interview Survey.

- ◆ **Metropolitan State Hospital Fence.** Rejects the Administration's change proposal and instead requires the department to work with the City of Norwalk and other interested parties to develop a proposal to address the scope of the fence project and report back to the Legislature by January 20, 2008.

Human Services

Department of Social Services

MAJOR ACTIONS

- ◆ **Adult Protective Services.** Provides a \$12 million (General Fund) augmentation to the Adult Protective Services Program to allow for staffing and other improvements to assist the caseload in the program.
- ◆ **Food Bank Support.** Approves the \$4.5 million (General Fund) appropriation to fund local food banks and Foodlink for storage and distribution needs. Adopts trailer bill language to allow any of the unused funds to be used for other emergency food needs in the state.
- ◆ **LEADER Replacement.** Approves the \$2 million of additional funds to be used for planning activities for replacing the LEADER system, used by Los Angeles County for human services programs.
- ◆ **Automation Projects.** Approves the Administration's various requests regarding major automation projects affecting social service and health programs, including the Case Management Information and Payrolling System, the Interim Statewide Automated Welfare System, the Child Welfare Services/Case Management System, and the CalWORKS Information Network/Welfare Client Data System. These requests were approved with the understanding that they will be further examined and discussed in conference committee.
- ◆ **Human Services Cost of Doing Business.** Rejects the Administration's proposed new methodology for adjusting county administrative costs for human services programs and instead includes trailer bill language to restore the process of budgeting these programs based on reasonable costs to deliver services.

Child Welfare and Foster Care

MAJOR ACTIONS

- ◆ **Foster Care Payments.** Provides an \$11 million (General Fund) partial-year rate increase, starting January 1, 2008 and adopts trailer bill language updating the

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foster care methodology for all types of foster care providers to address cost increases.

- ◆ **CWS Budgeting Methodology.** Adopts trailer bill language that would enact over five years the optimal standards reflected in the SB 2030 study, updated to reflect changes in practice, to be implemented July 1, 2008.
- ◆ **KIN-GAP Clothing Allowance.** Provides \$1 million General Fund and trailer bill language to fund the state clothing allowance at 100 percent and to permit three smaller counties to receive the clothing allowance.
- ◆ **Title IV-E Evaluation.** Approves budget bill language to require the department to collaborate with stakeholders on the Title IV-E waiver evaluation timeline, components, and execution upon enactment of the Budget.

CalWORKs

■ MAJOR ACTIONS

- ◆ **Governor's CalWORKs Reduction Proposal.** Rejects the Administration's three sanction and safety net proposals, including the associated trailer bill language. Instead, adopted trailer bill language requiring the department to review the county plans for promising practices in engaging and re-engaging sanctioned families, among other directives, and requiring the information to be submitted to the Legislature and counties.
- ◆ **CalWORKs COLA.** Retains the Governor's proposal to suspend the CalWORKs COLA.
- ◆ **Semi-Annual Reporting in the Food Stamp Program.** Rejects the Administration's trailer bill language and adopts replacement language that will require counties to redetermine eligibility for recipients of CalWORKs and food stamp benefits on a semi-annual basis and establish a higher income reporting threshold for families (\$1,100).
- ◆ **State Staff.** Rejects the Administration's request for 27 additional positions for state support for CalWORKs.
- ◆ **Temporary Assistance Program.** Modifies the Administration's trailer bill to specify that the implementation date of the TAP program is moved from October 1, 2007 to April 1, 2009.

In Home Supportive Services

■ MAJOR ACTIONS

- ◆ **State Participation in Wages.** Rejects the Governor's proposal to freeze In-Home Supportive Services (IHSS) state participation in wages to January 10, 2007 levels, thus retaining the state's role in wages for these providers pursuant to current law. The cost of this continuation is \$14.1 million (General Fund) in the budget year.
- ◆ **Quality Assurance.** Approves the Administration's request for increased funds to reflect a lower level of Quality Assurance (QA) savings due to the revised methodology based on actual implementation data. Adopts Supplemental Report Language to require the department to report quarterly on IHSS utilization. Adopts budget bill language to require DSS to report at budget hearings on the impact of the QA regulations.
- ◆ **Direct Deposit.** Adopts trailer bill language to require the department and the Office of the State Controller to establish a program of direct deposit to IHSS providers no later than December 1, 2007. Adopts supplemental reporting language requiring DSS to provide information on implementation on a quarterly basis.

SSI/SSP

■ MAJOR ACTIONS

- ◆ **Federal COLA Pass Through.** Provides for the January 2008 state portion of the Cost of Living Adjustment (COLA) to the Supplement Security Income/State Supplemental Program (SSI/SSP). The SSI/SSP provides cash assistance to eligible aged, blind, and disabled persons. Additionally, adopts the LAO's projected adjustment to the cost of the restoring the state statutory COLA for a cost of \$148 million, or \$37 million less than the administration's estimate.
- ◆ **Cash Assistance Program for Immigrants (CAPI).** Adopts trailer bill language to permit CAPI recipients who naturalize to continue to receive benefits as they participate in the application and administrative appeal process of the Social Security Administration. Adopted the LAO's projected adjustment to costs due to caseload overestimation for a savings of \$5.4 million.

Community Care Licensing

■ MAJOR ACTIONS

- ◆ **Increased Visit Frequency.** Continues an appropriation that was provided in the Governor's original budget (\$2.3 million General Fund and 30.5 positions) to increase the number of community care facility inspections and follow-up visits.
- ◆ **Information on Provider Licensing.** Authorizes the department to spend up to \$1,675,000 in its licensing appropriation to implement its Licensing Reform Automation proposal, subject to the condition that its websites display licensing information with notification to the Legislature on how this would occur.

Child Care and Development

■ MAJOR ACTIONS

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

PreSchool

■ MAJOR ACTIONS

- ◆ **PreSchool Funding.** Provides \$20 million in one-time funding for preschool, to be available over a multi-year period for use in block grants to school districts that apply for funds for one-time activities to build capacity for future expansion of preschool.
- ◆ **Wrap Around Care.** Allows for \$5 million of the \$50 million appropriation proposal by the Administration for the Pre-Kindergarten Family Literacy preschool programs to be available for wrap around care in order to provide direct child care for children for the portion of the each day not otherwise covered by services provided as part of the state preschool program.

Afterschool

■ MAJOR ACTIONS

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

Department of Child Support Services

■ MAJOR ACTIONS

- ◆ **Child Support County Funding.** Approves \$68 million (\$23 million General Fund) for Local Child Support Agencies (LCSAs) to backfill for lost Federal Financial Participation due to changes in the Deficit Reduction Act of 2005.
- ◆ **Automation Certification.** Provides funding for the California Child Support

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Automation System and the Statewide Disbursement Unit that is projected to allow for federal certification in the budget year.

- ◆ **Performance Accountability.** Requires the department to report to the Legislature actual performance data on child support data and all comparative data for managing program performance provided to local child support agencies on a quarterly basis.

Department of Aging

■ MAJOR ACTIONS

- ◆ **Senior Legal Hotline.** Provides \$250,000 through the department for support of the Senior Legal Hotline operated by Legal Services of Northern California.
- ◆ **Mental Health Services.** Approves \$93,000 in Mental Health Services Act (MHSA) funds and one permanent position for the department to coordinate and monitor efforts to improve access to mental health services for older persons and adults with disabilities.
- ◆ **ADHC Program Reform.** Approves \$194,000 (\$94,000 General Fund) and one position to provide legal analysis and consultation on complex issues arising from implementation of Adult Day Health Care (ADHC) Program reforms.

Dept. of Community Services & Development

■ MAJOR ACTIONS

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

Department of Alcohol and Drug Programs

■ MAJOR ACTIONS

- ◆ **Proposition 36.** Provides \$25 million General Fund for support of the Substance Abuse and Crime Prevention Act (Proposition 36), which brings the overall funding for drug treatment in both the Prop. 36 and the Offender Treatment Program to a combined total of \$145 million, which is the amount provided in the programs in the current year.

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- ◆ **Methamphetamine Prevention.** Approves redirection of \$197,000 General Fund from existing funding (\$10 million) provided for the California Methamphetamine Initiative (CMI) to provide two limited-term positions to the department to provide support to the CMI.

- ◆ **Licensing Reform Phase II.** Approves \$1.2 million General Fund and 12.5 positions (4.5 limited term) to conduct biennial compliance visits of licensed and/or certified programs, and federally required monitoring reviews and complaint investigations of Drug Medi-Cal providers, with the establishment of fees.

Subcommittee 2 on Education Finance

Assemblymember Julia Brownley, Chair

Members of the Committee:

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

K-12 Education

Department of Education

MAJOR ACTIONS

Ongoing funds

- ◆ **Total Proposition 98 for K-12 Education.** Provides roughly the same level of K-12 ongoing Proposition 98 funding as proposed by the Governor in his May Revise, which is a four percent increase over the amount proposed in the January 10 proposed budget.
- ◆ **COLA Increase.** Provides an additional \$227 million Proposition 98 funds to increase the COLA for K-12 programs, from the January estimate of 4.04 percent to the final rate of 4.53 percent, as proposed in the Governor's May Revise.
- ◆ **Rejects the use of Public Transportation Funds.** Rejects the January 10, April and May proposals by the administration to use Public Transportation Funds to pay for the home-to-school transportation program in the K-12 budget. The May Revise proposed the use of approximately \$827 million in Public Transportation Funds for this purpose (\$200 million for 2006-07 costs and \$627 million for 2007-08 costs). The rejection of this proposal ensures that a) the \$827 million in Public Transportation Funds is available for other public transportation expenditures and b) K-12 state expenditures are entirely funded out of General Fund and local property taxes, as in prior years.
- ◆ **Recognizes the May Revise shortfall in ongoing funds.** Recognizes the \$364 million shortfall in ongoing funds in the May Revise. At a May 17, 2007 subcommittee hearing, the administration acknowledged the fact that the May Revise failed to account for approximately \$364 million in ongoing costs from a revenue limit equalization expansion that was initiated last year. These expenses are part of school districts' revenue limit apportionments and are continuously appropriated. Therefore, the state does not need to take action to appropriate the funds for this purpose. However, the May Revise's accidental omission of these expenses created the false impression that there was \$364 million in ongoing funds within the Proposition 98 minimum guaranteed funding level that was available for new program expansions. Along with the Administration's acknowledgement of this problem was its admission that it could no longer fund the various new programs

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and expansions proposed in his May Revise. Thus the Assembly's proposed budget for K-12 education assumes that the Governor's May Revise proposals to begin new programs or expand existing ones (totaling approximately \$230 million)¹ are withdrawn.

- ◆ **Addresses the May Revise shortfall in ongoing funds.** Addresses the May Revise shortfall with a combination of ongoing and one-time funds. Specifically, the subcommittee's approved budget assumes the withdrawal of the Governor's May Revise proposal to begin new programs and expand existing ones, freeing up \$221 million in funds that can be redirected to address the shortfall. For the remaining amount of the shortfall, the subcommittee's approved budget uses approximately \$142 million in one-time funds to pay for the budget-year costs of the state's deferred maintenance program.
- ◆ **Growth.** Provides \$13 million to pay for the estimated cost of growth for the Economic Impact Aid program, which provides funding to school districts to pay for supplemental educational services for English learners and economically disadvantaged students. Also assumes \$8.1 million in savings by providing a negative growth rate adjustment to a number of categorical programs that were held harmless from statewide negative growth in the Governor's January 10 budget.
- ◆ **School meals.** Provides an increase of \$24.9 million to increase the school breakfast and lunch state reimbursement rate by 4.7 cents from \$0.1634 to \$0.21 per meal, as proposed by the Governor's May Revise. (This state amount is on top of a per-meal rate paid for with federal funds.) Also includes budget control language proposed by the Governor's May Revise that: a) links the increase to legislation that requires school districts to improve the quality of the meals served, b) ensures that Child Nutrition Program expenditures do not exceed amounts appropriated in the budget, and c) requires CDE to notify the Department of Finance in writing 30 days prior to paying prior-year reimbursement claims for nutrition programs.
- ◆ **Community Based English Tutoring.** Provides \$50 million for the Community Based English Tutoring program, as proposed by the Governor. This program provides funds to school districts to offer English-as-a-Second-Language programs to non-English-speaking adults, including parents of K-12 students. The program was created 10 years ago by a related initiative. The initiative required that the state appropriate \$50 million a year for this program. That expenditure requirement is no longer in effect for 2007-08, but last year the Legislature approved legislation

¹ This includes the Governor's proposal to redirect \$100 million in ongoing savings from the High Priority School Grant Program to two new \$50 million programs. By assuming that these proposals are withdrawn, the subcommittee recaptured the \$100 million in savings from the HP program and redirected it to solve the shortfall in ongoing funds that is in the May Revise.

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authorizing the state to continue funding for the program through the annual budget process. The Governor proposed to continue funding the program at the previous level, at \$50 million and the subcommittee's proposed budget adopts this funding level.

- ◆ **Arts and Music control language.** Makes slight changes to the control language regarding the \$110 million included in the budget for the Arts and Music Block Grant. The language changes allow funds to be used for professional development programs and require school districts to collect funding about how they spend the funds and report this to CDE.
- ◆ **Childcare funding.** Adopts Governor's January 10 proposal to increase the share of childcare that is paid for with Proposition 98 funds by \$269 million.
- ◆ **Statewide testing of 2nd graders.** Assumes savings of \$2.1 million due to a provision in current law in which authority to recognition of current law that sunsets 2nd grade testing July 1, 2007.

One-time funds. Includes a total expenditure level of \$526 million in one-time funds for K-12 expenditures. This includes: a) \$301 million in one-time Proposition 98 expenditures needed to meet the new higher minimum Proposition 98 funding requirement for 2006-07, since there is a new calculation that reflects updated General Fund information; and b) \$225 million in one-time Proposition 98 funds from the Proposition 98 reversion account, which includes unused funding from prior-year K-12 appropriations that are recaptured for other expenditures. The subcommittee's proposed budget includes the following expenditures from these two one-time pots of funding:

- **Williams Settlement Emergency Facilities Repair Program.** Includes a total increase of \$139 million for this program, pursuant to the terms of the *Williams* lawsuit settlement of 2004. The program is intended to ensure that the lowest-performing 30 percent of schools have access to funds to take care of emergency repairs. The terms of the settlement require that the greater of \$100 million or half of all funds in the Proposition 98 reversion account go towards this program.
- **California Longitudinal Pupil Achievement Data System (CALPADS).** Includes the following proposals to help school districts get ready for the implementation of this system:
 - A total of \$65 million in one-time funds as proposed by the May Revise for support activities to provide local assistance to school districts to help them get ready for implementation. However, the subcommittee's proposal distributes funding differently than the May Revise, with \$60 million of the funds distributed by CDE on a per-pupil basis to school

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districts to ensure that districts can collect quality data, and \$5 million of the funds set-aside for training to districts in implementing CALPADS.

- \$2 million in one-time funds to the California School Information Services (which helps in the implementation of CALPADS) for the following: a) \$533,000 for hardware and testing software at CSIS, b) \$957,000 for support staff at CSIS, and c) \$500,000 to CSIS for support of the CALPADS project.
- **Prior-year mandates.** Provides a total of \$79 million to pay for prior-year mandate claims for K-12 education.
- **Charter School Facilities Grant Program.** Provides \$18 million in one-time funds for this program, which provides funding to charter schools in low-income areas, to pay for leasing costs when these charters are unable to secure non-leased buildings. This funding is estimated to cover one year's worth of costs under the program.
- **Trailer bill regarding statewide benefit charter schools.** Adopts trailer bill language that makes various changes regarding the state's regulation of statewide-benefit charters (which are approved by the State Board of Education), including a requirement that these charters be limited to a single site.
- **High Speed Network maintenance.** Adopts a May Revise proposal to provide a \$1.9 million one-time increase to the High Speed Network for system maintenance and service enhancements. This is on top of the January 10 proposed funding level of \$10.4 million in Proposition 98 funds for the system (a \$6 million increase in Proposition 98 funds for the program over last year's funding level). The subcommittee also adopted budget control language for the entire California Education Network, which covers the K-12 High Speed Network as well as the network for the higher education segments. The control language is intended to address audit findings about the system that raised concerns about the need to protect state assets.
- **Preschool infrastructure.** Adds \$20 million in one-time funds for block grants to school districts for activities related to improving and enhancing the existing preschool infrastructure. Such activities might include: a) increasing the supply of preschool teachers that have bachelor's degrees; b) increasing the number of preschool teachers that are bilingual; c) increasing professional development opportunities for existing preschool staff; d) data collection related to state preschool programs; and e) improving preschool facilities.
- **English learner instructional materials.** Approves \$19 million of the \$20 million proposed in May Revise for instructional materials designed to help English learners master the English language.

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- **Budget officer training.** Approves \$2.5 million proposed in the January 10 budget for a current program to train school districts budget officers.
- **Instructional materials pilot program for English learners.** Adds the following amounts for a pilot program to test different instructional materials that are designed to help English learners master English language development and state Reading Language Arts standards at the same time: 1) \$1 million in one-time Proposition 98 funds for the staff development costs related to using these materials; and 2) \$300,000 in one-time Title III carryover to evaluate the pilot program.
- **State special schools interpreters.** Adds \$300,000 in one-time Proposition 98 funds to pay for interpreters of American Sign Language and Spanish at the state special schools, to facilitate better communication with parents of students at these schools.
- **Schoolsite data workgroup.** Adds \$300,000 in one-time funds for the Fiscal Crisis and Management Assistance Team to run workgroups to help identify common data definitions in preparation for future implementation of a statewide data system to collect fiscal data by schoolsite.
- **FCMAT reports for emergency loan districts.** Adds the following amounts of one-time Proposition 98 funds to pay for reports prepared by the Fiscal Crisis and Management Assistance Team. These reports are required by statute and provide information to the state on the progress that these districts make toward improved management goals: \$150,000 for Oakland Unified School District, \$125,000 for Vallejo Unified and \$110,000 for West Fresno Unified.

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

- **Individual student growth score pilot.** Adds \$150,000 in federal Title VI testing funds for a pilot project to evaluate different ways of providing data on students' individual year-to-year growth on statewide tests.
- **CDE staff to support NCLB corrective actions in program improvement LEA's.** Adds \$350,000 in federal funds and 3.8 positions for workload related to federal No Child Left Behind Act requirements that the state intervene in local educational agencies (school districts and county offices of education) that do not progress out of "program improvement" status.
- **Evaluations related to English learners.** Adds a total of \$1.3 million in federal Title III one-time carryover funds for two evaluations related to English learners: a) \$1 million for the evaluation of a project funded in last year's budget to identify

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best practices for teaching English learners, and b) \$300,000 for an evaluation of teacher training programs for teachers of English learners.

- **Promoting the use of interpreters by school districts.** Adds \$1 million in federal Title III one-time carryover funds for a pilot program to promote the use of interpreters when schools communicate with non-English-speaking parents of K-12 public school students.
- **Reading First.** Appropriates \$34 million in one-time federal Reading First carryover funds to school districts for professional development that focuses on the needs of special education teachers.
- **Special education proposals.** Adds the following amounts using one-time federal special education carryover funds:
 - \$450,000 to pay for increased costs of CDE's interagency agreement with the Office of Administrative Hearings for dispute resolution related to special education students.
 - \$200,000 for an evaluation of the dispute resolution program run by the Office of Administrative Hearings.
 - \$500,000 for an independent evaluation to identify best practices for special education students (with a special emphasis on autistic students) that help these students meet statewide performance expectations.
 - \$1 million to be spent over three years for focused monitoring and technical assistance for special education students in alternative schools, county court schools and Youth Authority schools.

Other state operations proposals

- **State Board of Education.** Restores funding for the State Board of Education. This funding was not included in the current year's budget.
- **Review of Native American Instructional Materials.** Reappropriates \$50,000 for CDE's costs of reviewing instructional materials regarding California Native American history, culture and tribal sovereignty.
- **CDE's reporting on handling of civil rights review.** Requires CDE to report next year on its handling of student civil rights complains through the uniform complaint procedures.

Higher Education

California State Library

■ MAJOR ACTIONS

- ◆ **Public Library Foundation (PLF).** Approves a \$52,000 augmentation to the PLF's budget. Total funding for the PLF in 2007-08 would be \$21.3 million.

University of California (UC)

■ MAJOR ACTIONS

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

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

California State University (CSU)

■ MAJOR ACTIONS

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

California Community Colleges (CCC)

■ MAJOR ACTIONS

BUDGET-YEAR

- ◆ **Enrollment Growth Funding.** Approves a \$109.9 million increase in ongoing funds to fund a two percent enrollment growth to fund an additional 23,000 FTES.
- ◆ **Student Fee Reduction Backfill.** Approves an increase of \$30.4 million in ongoing funds to backfill the remaining student fee revenue included in the *2006-07 Budget*

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Act. Last year, the Legislature reduced student fees from \$26 to \$20 per unit and backfilled the \$40 million in loss student fee revenue for the 2007 spring term.

- ◆ **General Purpose Cost-of-Living-Adjustment (COLA).** Approves \$248.5 million for a 4.53 percent COLA for general purpose apportionments.
- ◆ **Growth and COLA for Categorical Programs.** Approves \$21.2 million for a 4.53 percent COLA for categorical programs.
- ◆ **Basic Skills Overcap Enrollment Funding.** Rejects the \$33.1 million redirection in ongoing funds to support matriculation and other student services and shifts funds back to basic skills schedule.
- ◆ **Matriculation Services.** Rejects the \$10 million augmentation for matriculation services.
- ◆ **Career Development and College Preparation Programs.** Approves \$18 million in ongoing funds to increase the per-student rate for career development and college preparation programs. These are selected noncredit programs.
- ◆ **Current and Prior Year Unused Enrollment Growth Funding.** Changes the proposed reduction from \$80 million to \$40 million and rejects the automatic reversion language for unused enrollment growth funding.
- ◆ **Part-Time Faculty Office Hours.** Provides \$5 million in ongoing funds for part-time faculty office hours. Total funding in 2007-08 would be \$12.1 million.
- ◆ **Part-Time Faculty Health Insurance.** Provides \$5 million in ongoing funds for part-time faculty health insurance. Total funding available in 2007-08 would be \$6 million.
- ◆ **Professional Development.** Provides \$5 million in one-time funds for faculty professional development.
- ◆ **Career Technical Education.** Approves \$20 million in ongoing funds and \$32 million in one-time funds for a total of \$52 million for career technical education programs.
- ◆ **Career Technical Education Equipment.** Provides \$20 million in one-time funds for career technical education equipment and associated facility reconfigurations.
- ◆ **Nursing Program Enrollment Expansion.** Approves \$9 million in one-time funds to support five new nursing programs and four simulators and approves \$25.9 million in ongoing funds for nursing program support and expansion.

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- ◆ **Nursing/Allied Health Equipment.** Approves \$49.2 million in nursing and allied health equipment and minor facility reconfigurations.
- ◆ **Deferred Maintenance.** Approves \$14.4 million in one-time funds and \$27.3 million in ongoing funds for deferred maintenance, instructional equipment and hazardous substances abatement projects.
- ◆ **Textbook Assistance.** Increases the proposed \$2.5 million in one-time funds for text book grants for qualifying students to \$5 million.
- ◆ **Mandates.** Provides \$20 million in one-time funds to help pay for the cost of mandates.

California Student Aid Commission

■ **MAJOR ACTIONS**

BUDGET-YEAR

- ◆ **Cal Grant Baseline Adjustments.** Reduces the baseline by \$42 million reflecting the revised caseload for the budget year.
- ◆ **Assumption Program of Loans for Education (APLE) Math and Science Set-Aside.** Rejects the proposed 600 APLE awards set-aside for participants in the Governor's Math and Science Initiative.
- ◆ **State Nursing APLE (SNAPLE) and Nurses in State Facilities APLE Warrants (SNAPLE-SF) Warrants.** Rejects proposal to carry over the unused warrants for both programs instead of allowing them to be issued and adopts revised language authorizing 100 new warrants for each program in the budget year.
- ◆ **Shift State Operations from Student Loan Operating Fund (SLOF) to General Fund.** Approves \$15.3 million shift from SLOF to the General Fund to support the administrative costs of the Cal Grant program and other financial aid awareness programs.
- ◆ **Shift California Student Opportunity and Access Program from Student Loan Operating Fund to General Fund.** Approves \$5 million shift from SLOF to the General Fund and augments it by \$3.5 million for total funding of the program of \$8.5 million.

T H E 2 0 0 7 - 2 0 0 8 S T A T E B U D G E T
S u b c o m m i t t e e R e p o r t

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

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

■ MAJOR ACTIONS

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

Tahoe Conservancy

■ MAJOR ACTIONS

- ◆ **Environmental Impact Program.** Approves \$23.5 million (various funds) for support and local assistance to continue the state's efforts to support the Environmental Impact Program for the Lake Tahoe Basin.
- ◆ **Tahoe Fuels Reduction/Urban Forestry.** Rejects \$4.1 million (Proposition 84) for the Conservancy in conjunction with the Department of Forestry to enhance programs that promote biomass energy generation. Rejects \$716,000 (Proposition 84) for equipment to support the Conservancy's existing ReGreen Program. This action is consistent with other actions to reject funding from the Sustainable Communities section of Proposition 84 and to move discussion to policy committee.

Sierra Nevada Conservancy

■ MAJOR ACTIONS

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

Department of Conservation

■ MAJOR ACTIONS

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

Department of Forestry and Fire Protection

■ MAJOR ACTIONS

- ◆ **Computer Aided Dispatch System.** \$6.7 million (General Fund) to complete the department's computer aided dispatch system.
- ◆ **Southern California Fuels Management.** Approves \$3.5 million (General Fund) to the Southern California Fuels Management.
- ◆ **Lake Tahoe Fuels Reduction and Biomass.** Rejects \$5.1 million (Proposition 84) for the Department of Forestry in conjunction with the Tahoe Conservancy to provide grants to biomass energy generating facilities and enhance existing programs that promote biomass generation. This action is consistent with other actions to reject funding from the Sustainable Communities section of Proposition 84 and to move discussion to policy committee.

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- ◆ **Urban Forestry.** Approves Retains \$4.49 million (Proposition 84) for urban forestry programs that provide grant funding for projects such as tree planting and vegetation maintenance programs.

Department of Fish and Game

■ MAJOR ACTIONS

- ◆ **Quagga Mussels.** Approves \$5.7 million (General Fund) for the exclusion and eradication of the quagga mussel.
- ◆ **CALFED Ecosystem Restoration.** Approves \$47 million (Proposition 84) for CALFED Bay Delta Ecosystem Restoration Programs.
- ◆ **Coastal Salmonid Recovery Plan.** Approves \$11.5 million (Proposition 84) and 14.5 positions for Coastal Salmonid Monitoring Plan implementation, Coho Recovery Plan implementation, Coastal Steelhead and Chinook Recovery, and the Steelhead Report Card Program.
- ◆ **Yuba River Flood Control.** Approves \$7.4 million (Yuba Feather Flood Protection Subaccount) to continue environmental mitigation, restoration, and enhancement measures for the Yuba Feather River Flood Control Project, which adds flood protection for over 25,000 residences.
- ◆ **Lower Colorado River Multi Species Habitat Conservation Plan.** Approves \$6.8 million (Proposition 84) for the acquisition of lands for natural resource protection and public access to natural resources, consistent with the purpose of the Lower Colorado River Multi-Species Habitat Conservation Plan.
- ◆ **CEQA Staff Increase.** Approves \$4.5 million (Fish and Game Preservation Fund) and 34 positions for the California Environmental Quality Act (CEQA) Review Program. Chapter 667, Statutes of 2006, increased the fees collected by Fish and Game for CEQA reviews by an estimated \$4.5 million.

Wildlife Conservation Board

■ MAJOR ACTIONS

- ◆ **Wildlife Corridors.** Approves budget bill language that directs the Board to conduct Vegetation Mapping and Wildlife Corridor mapping in priority areas in the state.

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- ◆ **Proposition 84.** Approves \$25 million (Proposition 84) for the first year of funding of the various programs allocated funding to in Proposition 84.

Coastal Conservancy

■ MAJOR ACTIONS

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

Department of Parks and Recreation

■ MAJOR ACTIONS

- ◆ **Empire Mine Remediation.** Approves \$4.1 million (General Fund) and six positions for the continued implementation of remediation and treatment measures.
- ◆ **Proposition 84 Administration.** Approves \$7.3 million (Proposition 84) funds and 76.8 positions for planning and administration for the state park system, program delivery for local grant programs, and statewide bond administration.
- ◆ **Deferred Maintenance.** \$86 million (General Fund) reversion from funding allocated to the Department of Parks and Recreation for deferred maintenance in the 2006-07 Budget.

Department of Water Resources

■ MAJOR ACTIONS

- ◆ **General Fund Reversion.** Funds various flood control programs directly out of Propositions 1E and 84 that were previously funded out of the General Fund. This plan will generate a \$184 million in General Fund savings.
- ◆ **Flood Control Subventions.** Reverts \$16 million (General Fund) from the local flood subvention program. This reversion will have no effect on flood control projects that are underway.

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- ◆ **Salton Sea Management.** Approves \$2.0 million (General Fund) for interim management of the Salton Sea.
- ◆ **Water Conservation in Landscaping Act.** Approves \$400,000 (General Fund) to implement the Water Conservation in Landscaping Act.
- ◆ **Climate Change.** Approves \$2.0 million (Proposition 84) for the first year of funding and 10 PYs to evaluate how the department can reduce greenhouse gas emissions through management of water resources and how the state can mitigate the effects of climate change through new water management strategies.
- ◆ **Pelagic Fish Decline.** Approves three new positions (State Water Project Funds) to implement the Pelagic Fish Action Plan.
- ◆ **Flood Protection.** Approves \$8.4 million (General Fund) and 35 positions for levee maintenance activities, including San Francisco Bay-Sacramento-San Joaquin River Delta levees, improved emergency response capabilities, and floodplain mapping.
- ◆ **Flood Protection.** Approves the first year of funding for total amount of \$474.6 million from Propositions 1E and 84 and 52 positions for investments to improve the state's flood control systems. This funding includes \$401 million for local assistance including flood control subventions, grants for projects to improve flood protection in urban Central Valley areas, support for local maintenance and improvements of delta levees, grants for new flood control feasibility studies and levee evaluations, and programs to improve floodway corridors. Additionally, \$61.6 million is provided for state operations, including development of a California Flood Plan, support for floodplain evaluations and delineation, sediment removal to improve channel flows, and administrative and technical assistance for grant programs.
- ◆ **Surface Storage Feasibility Studies.** Rejects \$15.8 million (\$3.7 million Proposition 50; \$12 million Proposition 84) to complete feasibility studies for three proposed reservoirs.
- ◆ **All American Canal.** Approves \$47.3 million (General Fund) and \$34.7 million (Proposition 84) for the lining of the All American and Coachella canals, and other projects considered essential to reduce the state's use of Colorado River water.
- ◆ **Integrated Regional Water Management.** Approves the first year of funding (Propositions 1E, 50, and 84) for projects to protect communities from drought, protect and improve water quality, and reduce dependence on imported water. This funding includes \$322 million for local assistance grants and \$42.6 million for state operations for grant administration, technical assistance, and improving systems for collection and dissemination of water quality and groundwater monitoring data. This

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action separated out proposition 1E Stormwater funding which will be discussed in subsequent legislation.

- ◆ **Delta Water Quality.** Approves \$25 million (Proposition 84) programs, including \$25.1 million for the Delta Water Quality Program, \$15.1 million for Statewide Water Planning, and \$9.3 million for the Urban Streams Grant Program.

Secretary for Environmental Protection

■ MAJOR ACTIONS

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

Air Resources Board

■ MAJOR ACTIONS

- ◆ **Trade Corridors.** Approves, upon passage of subsequent legislation, \$111 million (Proposition 1B) to implement the Trade Corridor Incentives Program that will grant funding to: upgrade old, high emitting trucks that service ports, rail yards and intrastate commerce; electrification of piers; clean locomotive technology; and replacement of harbor craft diesel engines. The Air Resources Board will allocate funding for these programs based upon the expected impact a proposal will have on air quality.
- ◆ **Carol Moyer Oversight.** Approves 6.0 positions from existing funds for increased oversight and accountability for the Carl Moyer Air Quality Incentives Program. This funding will be used for both oversight and assistance for those communities that have underperforming programs.
- ◆ **AB 32 (Núñez) Implementation.** Augments the Governor's proposal to implement AB 32 (Núñez) by 26 positions for increased early actions and priority sources specific measures. Rejects 26 positions requested for market mechanism development, energy sector coordination, and international consultation. Rejects \$2.6 million in contracting funds for sector based measures.
- ◆ **High Emitting School Buses.** Approves \$193 million (Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund) with a two year expenditure period and 2.9 positions to replace pre-1987 school buses and retrofit old diesel school buses.

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- ◆ **Hydrogen Highway.** Rejects \$6.0 million (Motor Vehicle Account) and 7.7 positions for the Air Resources Board for matching funds for up to eight publicly accessible hydrogen fueling stations.
- ◆ **Heavy Duty Diesel.** Augments \$658,000 (Motor Vehicle Account) and 7.0 PYs for increased enforcement of Heavy Duty Diesel power vehicles.

The Integrated Waste Board

■ **MAJOR ACTIONS**

- ◆ **Fraud Prevention.** Approves \$518,000 various special funds and 4.8 positions to conduct financial, performance, and service audits to enhance the Board's ability to ensure that its waste diversion, used oil and tire recycling and electronic waste programs are properly administered.
- ◆ **Household Hazardous Waste.** Approves \$716,000 (Integrated Waste Management Account) and 1.9 positions for the Household Hazardous Waste grant program to develop and promote alternatives to the illegal disposal of household hazardous waste items.
- ◆ **Electronic Waste.** Approves \$435,000 (Electronic Waste Recovery and Recycling Account) and 4.8 positions to improve the Board's ability to promptly process payments to recyclers, and enforce the state's electronic waste program requirements.

State Water Resources Control Board

■ **MAJOR ACTIONS**

- ◆ **Total Maximum Daily Load.** Approves \$650,000 (General Fund) and five PYs to accelerate North Coast Water Board water quality assessment workload.
- ◆ **Groundwater Basin Pilot Project.** Approves \$650,000 (General Fund) and five PYs to initiate a pilot project to assess proportionate polluters of groundwater basins.
- ◆ **Proposition 84.** Approves \$75.7 million (Proposition 84) and eight positions for the State Water Pollution Control Revolving Fund Program that adds low interest loans or grants to construct municipal wastewater treatment facilities, storm water pollution control projects, non-point source pollution projects, and estuary enhancement projects. This funding includes the state share of federal matching funds.

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- ◆ **Agricultural Water Quality Grant Program.** Approves \$6.2 million (Proposition 84) and 1.5 positions for the Agricultural Water Quality Grant Program. This program adds grants for public agencies or nonprofit organizations to improve agricultural water quality, including projects related to research and construction of agricultural drainage water improvements.
- ◆ **Urban Stormwater Grant Program.** Approves \$14.6 million (Proposition 84) and three positions for the Urban Storm Water Grant Program. This program adds grants to local public agencies for projects that contain storm water runoff, such as diverting the runoff to treatment facilities.
- ◆ **Clean Beaches.** Approves \$8.8 million (Proposition 84) and 5.7 positions for the Clean Beaches Grant Program. This program adds grants to public agencies for water quality projects in coastal waters, estuaries, and bays. Projects include upgrading septic systems, storm water pollution reduction programs, and clean beach projects in Santa Monica. Proposition 84 specifies that 20 percent of the funds for clean beaches be allocated to the Santa Monica Bay Restoration Commission.
- ◆ **Water Basin Plans.** Rejects \$6.1 million (Proposition 84) and 11.9 positions for basin and land use planning activities. This program will provide grants to local agencies to incorporate watershed protection efforts into land use policy, including projects such as restoring creeks and wetlands, directing runoff to permeable surfaces, and increasing water reuse. This proposal was rejected as it was funded from a section in Proposition 84 that was moved to policy committee.
- ◆ **Brownfield Remediation.** Retains \$3.1 million (Cleanup and Abatement Account) and 25.1 positions for the Water Board to accelerate the cleanup of approximately 750 additional brownfield sites.

Department of Food and Agriculture

■ MAJOR ACTIONS

- ◆ **High Risk Pest Exclusion.** Augments by \$2.2 million (General Fund) for high-risk pest exclusion activities performed by local Agriculture Commissioners.
- ◆ **Pest Prevention and Eradication.** Approves a total of \$9.5 million (General Fund) for the following pest prevention and eradication programs: \$2.0 million (General Fund) to eradicate the Light Brown Apple Moth; \$4.2 million (General Fund) and 45.6 limited term positions to fund a two year project to eradicate the Diaprepes

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Rood Weevil in Southern California; \$2.4 million (General Fund) and 33.2 positions for eradication and exclusion of the Quagga Mussel; and \$977,000 (General Fund) for the eradication of the Japanese Dodder.

**Energy Resources Conservation and Development
Commission**

■ MAJOR ACTIONS

- ◆ **AB 32 Implementation.** Approves \$1.1 million and 4.8 positions to reduce greenhouse gas emissions. Emission reduction strategies include expanding energy efficiency, increasing the use of alternative fuels and biofuels, promoting renewable electricity generation, and implementing electricity demand strategies.
- ◆ **Building Standards Enforcement.** Augments building standards compliance and enforcement by two PYs and \$693,000.
- ◆ **Appliance Standards and Enforcement.** Augments appliance standards and enforcement by one PY and \$118,000.
- ◆ **Solar homes.** Retains \$994,000 and 4.8 positions to implement SB 1 and the New Solar Homes Partnership.

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

Secretary for Business, Transportation & Housing

MAJOR ACTIONS

- ◆ **Tourism Commission.** Approves \$6.3 million (General Fund) reduction in the ongoing state contribution to tourism marketing pursuant to Chapter 790, Statutes of 2006 (AB 2592), which authorizes a new assessment of the rental car industry to support the marketing efforts of the California Travel and Tourism Commission.
- ◆ **International Trade Study.** Approves \$300,000 (General Fund) and 3.0 positions to carry out Chapter 663, Statutes of 2006 (SB 1513), which requires the Business, Transportation and Housing Agency to produce a comprehensive study of the need for state programs to facilitate foreign trade, develop an international trade and investment strategy, and convene a statewide partnership for international trade and investment.
- ◆ **Small Business Loan Guarantee Program.** Approves a one-time General Fund appropriation of \$832,000 to match \$4.3 million in federal funds to provide additional loan guarantees to small businesses, particularly in areas that have suffered sudden job loss due to natural disasters or manufacturing plant closures.
- ◆ **Small Business Loan Guarantee Program.** Augments \$7.5 million (General Fund) to increase the loan volume of the Small Business Loan Guarantee Program.

Department of Corporations

MAJOR ACTIONS

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

Department of Insurance

■ MAJOR ACTIONS

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

Electricity Oversight Board

■ MAJOR ACTIONS

- ◆ **Ongoing Support.** Rejects the Governor's proposal to eliminate the Board.

Public Utilities Commission

■ MAJOR ACTIONS

- ◆ **Implementation of AB 32 (Nunez).** Approves \$1,272,000 (special fund) and 2.9 positions for the PUC's greenhouse gas emissions reduction efforts. These resources will enable the PUC to conduct climate change proceedings to implement emission reduction strategies, evaluate various electric and natural gas sector greenhouse gas emission cap scenarios, and develop protocols to measure and verify actual emissions reductions.
- ◆ **Solar Home Initiative.** Approves \$2,460,000 and 2.9 positions to implement this initiative. This proposal will provide necessary staff for PUC proceedings, enable the PUC to develop a pricing structure that adds an incentive to generate solar energy during peak-demand hours, and fund an independent program evaluation.

Commission on State Mandates

■ MAJOR ACTIONS

- ◆ **Reappropriation to Pay Claims for Prior Years.** Approves May Revision request to reappropriate \$41 million (General Fund) to pay remaining local government claims for reimbursement of mandates subject to Proposition 1A. As proposed by the Governor's Budget, there is no new General Fund funding for local government mandates in 2007-08.
- ◆ **Mandate Reform.** Defers mandate reform legislation to the policy process. Adopts technical changes to mandate law to conform better with current practice post-Proposition 1A.

State Board of Equalization

■ MAJOR ACTIONS

- ◆ **U.S. Customs Program.** Approves budget request for \$1.1 million (\$696,000 General Fund) to expand the U.S. Customs Program from five positions to 16.5 positions. This program collects California import data from the Department of U.S. Customs and Border Protection to ensure payment of use tax by California-based purchasers. The budget estimates the proposed positions will generate \$15.2 million in revenues in 2007-08, of which \$9.4 million will accrue to the General Fund and \$5.8 million to local governments.
- ◆ **New Efforts by Local Assessors.** Adopts a net General Fund benefit of \$10 million as a result of providing additional resources to assessors and legislation to enable assessors to improve property tax collection and to assist the Board of Equalization in collection of business use tax.

Franchise Tax Board

■ MAJOR ACTIONS

- ◆ **Tax Gap Efforts.** Approves, with some redirection, \$19.6 million (General Fund) and 230 positions for various efforts to close the state's estimated \$6.5 billion tax gap--the difference between the amount of tax owed and the amount paid. Of the proposed resources, \$13.6 million and 180.5 positions continue six existing pilot programs proposed for permanent establishment. The existing programs

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concentrate on detecting non-filers and filers of fraudulent returns and on audit and collections activities. The FTB estimates these programs will generate \$64.7 million in revenues in 2007-08, and \$68.5 million in revenues in 2008-09. The remaining \$6 million and 49.5 positions are for new initiatives to educate independent contractors about filing requirements, expand the corporate non-filer program, address out-of-state tax avoidance, and increase investigations of persons who fail to file a return, or who file fraudulent returns. The budget estimates these initiatives will generate \$12.8 million in revenues in 2007-08, and \$29.8 million in revenues in 2008-09. A redirection of some resources within the proposal increases the revenue estimate by \$2 million in 2007-08.

- ◆ **Customer Service Improvement.** Reduces by \$650,000 a budget proposal for \$1.3 million to restore 27 customer telephone service positions that were previously eliminated due to budgetary constraints. The additional positions will allow FTB to reduce customer service wait times and to respond more effectively to taxpayer inquiries.
- ◆ **Tax Agency Information Sharing.** Provides \$250,000 (General Fund, redirected from savings in the Tax Gap proposal) for a technology consultant and adopts Budget Bill language to identify technology solutions to enhanced data sharing among the state's three major tax agencies—the Franchise Tax Board, State Board of Equalization and the Employment Development Department. The funding responds to a need identified in the plan presented by the tax agencies as part of their Federal-State Partnership and also responds to a report and recommendations by the Legislative Analyst.

Tax Relief Programs

■ MAJOR ACTIONS

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

Economic Recovery Bonds Debt Service

■ MAJOR ACTIONS

- ◆ **Required Payments.** Includes, as budgeted, \$2.5 billion to repay the ERBs. This amount consists of \$1.5 billion from the dedicated quarter-cent sales tax and an additional \$1 billion (50 percent of the amount transferred from the General Fund to the Budget Stabilization Account), consistent with Proposition 58.
- ◆ **Accelerated Repayment.** Rejects the Governor's Budget proposal to appropriate \$595 million from the General Fund to accelerate repayment of the Economic Recovery Bonds (ERBs).

Unallocated Reductions

■ MAJOR ACTIONS

- ◆ **Budgeted Savings.** Includes a total of \$152.7 million of General Fund savings from unallocated reductions, as requested by the Governor. This amount consists of \$100 million of General Fund savings that will be identified by the Administration during 2007-08. An additional \$46.3 million results from eliminating half of the "price increase" budgeted for operating expenses and equipment in most departments. A further reduction of \$6.4 million results from complete elimination of price increase funding for Health and Human Services departments.

Elimination of Boards and Commissions

■ MAJOR ACTIONS

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

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- California Quality Education Commission

Military Department

■ MAJOR ACTIONS

- ◆ **Recruitment and Retention.** Provides \$1.7 million to provide an educational benefit to members of the National Guard to increase the number of authorized positions.
- ◆ **Mental Health Services.** Retains \$165,000 and one position to provide emergency crisis counseling, combat stress evaluations and mental health services to the state military services.
- ◆ **Armory Maintenance and Modernization.** Provides \$3.5 million to provide for the ongoing facilities needs of state armories.
- ◆ **Honor Funerals.** Provides \$1.8 million and 22.1 positions to meet the demand for increased military funeral honor ceremonies in California.

Department of Veteran's Affairs

■ MAJOR ACTIONS

- ◆ **Veterans Enrollment.** Improves statewide efforts to enroll eligible veterans in federal benefit programs, by requiring the department to create a data exchange system, update the department's website and maintain a 1-800 number.
- ◆ **GLAVC Veteran Home.** Provides \$621,000 to support start-up cost associated with the opening of the Greater Los Angeles/Venture Counties Veterans home.
- ◆ **Skilled Nursing Facility.** Provides \$2.3 million and \$18.9 million to re-open the 40 bed skilled nursing facility at the Barstow veterans' homes.

Department of Housing and Community Development

■ MAJOR ACTIONS

- ◆ **Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) Positions.** Approves 45.0 positions to support the programs funded by the passage of Proposition 1C.
- ◆ **Building Equity In Neighborhoods Programs (BEGIN).** Approves \$40 million allocation in Proposition 1C funds in the budget year for BEGIN. The program provides grants to cities and counties to make deferred payment second mortgage loans to qualified buyers of newly constructed homes.
- ◆ **Affordable Housing Innovation Fund.** Rejects \$15 million allocation in Proposition 1C funds in the budget year. Funding for this program is subject to legislation.
- ◆ **Housing Urban-Suburban and Rural Parks.** Reduces \$30 million allocation in Proposition 1C funds in the budget year to \$5 million for tracking purposes only. The budget year allocation is contingent upon an appropriation by the Legislature and it is subject to the conditions and criteria that the Legislature may provide in statute. These funds are available for housing-related park grants in urban, suburban and rural areas.
- ◆ **Transit-Related Development (TOD).** Rejects the \$95 million allocation in Proposition 1C funds in the budget year. Appropriation for this new program is subject to legislation. This new transit-oriented development program provides funds to be used for developing or facilitating the development of higher density uses (infill development) within close proximity to transit stations that will increase public transit ridership.
- ◆ **Regional Planning, Housing, and Infill Incentive Account.** Approves \$100 million allocation in Proposition 1C funds in the budget year. The \$850 million approved in the bond would provide incentive grants for capital outlay related to infill housing development.
- ◆ **Multi-Family Housing for Homeless Youth.** Approves \$15 million allocation in Proposition 1C funds in the budget year. Youth between the ages of 18 and 24 years of age and who meet specified requirements are eligible for transitional, emergency or permanent housing, which is tied to supportive services.
- ◆ **Joe Serna Jr. Farmworker Housing Grant Fund.** Approves \$40 million allocation in Proposition 1C funds in the budget year. This program provides grants to local government agencies, nonprofit corporations, and federally recognized Indian tribes to assist in the construction or rehabilitation of housing projects for agricultural

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worker households.

- ◆ **Emergency Housing and Assistance Fund (EHAP).** Approves \$10 million allocation in Proposition 1C funds in the budget year. The program provides operating facility grants for emergency shelters, transitional housing projects, and supportive services for homeless individuals and families.

Department of Fair Employment and Housing

■ **MAJOR ACTIONS**

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

California Science Center

■ **MAJOR ACTIONS**

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

Department of Consumer Affairs

■ MAJOR ACTIONS

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

Department of General Services

■ MAJOR ACTIONS

- ◆ **Green Building Initiative Implementation.** Approves 8.0 positions to support the Sustainability Program and approves \$3 million (Service Revolving Fund) to hire private consultants to perform Leadership in Energy and Environment Design (LEED) certification of state buildings as required by the California Global Warming Solutions Act of 2006.
- ◆ **Fleet Analysis and Reporting System.** Approves \$614,000 (Service Revolving Fund) and 2.0 positions to continue the development of a Fleet Analysis and Reporting System (FARS) to improve tracking and accountability for state vehicles.
- ◆ **State Capitol and Grounds Maintenance and Repairs.** Approves a \$1.2 million

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augmentation in General Fund and 4.5 positions to fund maintenance, special repairs, and utilities for the State Capitol.

- ◆ **State Capitol Security Funding.** Approves \$1 million (Service Revolving Fund) for State Capitol Security.

Employment Development Department

■ **MAJOR ACTIONS**

- ◆ **Job Services Program.** Restores \$27.1 million in General fund and 271 positions to the Job Services Program. The programs provides a variety of job services including services to the disabled, long-term unemployed, welfare recipients, parolees, veterans and youth.
- ◆ **Disability Insurance Branch Automation Project-Phase 3.** Approves \$1.6 million and 6.6 positions to fund the second year of a four-year project of an IT system that would provide greater access to services for claimants, medical providers, and employers. Total cost of the project will amount to \$28.9 million.
- ◆ **Workforce Investment Act Expenditure Plan.** Approves an unallocated reduction of \$1,000 and shifts \$.8 million from the Capacity Building Activities to the At Risk/Youthful Offender Gang Prevention for a total funding of \$3.6 million and shifts \$.5 million from the Local Occupational Information Group to the Veterans/Disabled Employment Services for at total funding of \$1.2 million.

Department of Industrial Relations

■ **MAJOR ACTIONS**

- ◆ **Workers' Compensation.** Approves 31.0 limited-term positions into permanent positions to support the Workers' Compensation increase in workload.
- ◆ **Industrial Welfare Commission.** Rejects \$449,000 in General Fund to restore funding and 3.0 positions for the Commission.
- ◆ **Employer/Employee Labor Law Education.** Approves a permanent augmentation of \$211,000 to accelerate the implementation of the new labor-law education plan by one year-from 2008-09 to 2007-08. The funding would be used to establish a toll free 800 number that workers could call to get information about worker rights and labor laws, to support 1.0 position to respond to the hotline and

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to develop a bus advertising campaign to inform the public about the hotline number.

- ◆ **Apprenticeship Audit Positions.** Approves \$339,000 and 3.0 Apprenticeship Consultant positions to meet audit requirements of apprenticeship programs.

- ◆ **Special Fund Loan to the Targeted Inspection and Consultation Fund (TICF).** Approves authority for a loan not to exceed \$13.0 million from the Workers' Compensation Administration Revolving Fund to the TICF, which primarily supports the California Occupational Health and Safety Administration (Cal-OSHA) and amends the proposed language requiring a long-term plan to address the TICF's fund imbalance and a detailed loan repayment schedule.



Public Safety

Office of Emergency Services & Office of Homeland Security

MAJOR ACTIONS

- ◆ **Gang Prevention.** Provides \$14.3 million for the creation of a statewide gang coordinating and local gang-intervention programs with a focus on preventing, intervention and job skill development.
- ◆ **Domestic Violence.** Provides \$300,000 to increase domestic violence counseling and education to underrepresented communities.
- ◆ **Local Law Enforcement.** Provides \$4 million to support five Internet Crimes Against Children (ICAC) taskforce pilot projects. ICAC provide the investigation of computer crimes by offenders using the Internet, online communication systems and other technologies.
- ◆ **Port Security.** Provides \$60 million to establish the California Port Security Grant Program. The grant program will provide assistance to ports in preparing for, responding to, and protecting against acts of terrorism.

Department of Justice

MAJOR ACTIONS

- ◆ **Witness Protection.** Provides \$3.7 million to increase state support for local district attorney offices. The Department of Justice provides reimbursements to local district attorneys to costs incurred in providing witness protection in sensitive cases.
- ◆ **Megan's Law.** Provides \$611,000 to support enhancements to the Megan's Law website and database.
- ◆ **Proposition 69.** Rejects the General Fund back-fill for the DNA Fingerprint, Unsolved Crime, and Innocence Protection Act for \$11.2 million in savings.

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Recently, the Bureau of State Audits has been authorized to conduct an audit of the collections and remittances by local agencies to the DNA ID fund.

Department of Corrections and Rehabilitation

■ MAJOR ACTIONS

- ◆ **Population Adjustment.** Provides \$35 million to support projected changes in the department's adult and juvenile populations. The spring population projection predictions an end-year adult institution population of 178,236 and a parole population of 126,068. The end-year population project of juvenile institutions is 2,340 and a juvenile parole population of 2,385.
- ◆ **Juvenile Population Shift.** Provides \$40 million in savings by reducing the Division of Juvenile Justice Population by shifting 805 wards to local probation agencies.
- ◆ **Recidivism Reduction Strategies.** Retains \$93.9 million for the full year implementation for various rehabilitation programs, but redirects resources to enhance parolee employment opportunities.
- ◆ **Gang Member Intervention.** Provides \$805,000 to expand Project IMPACT, which provides workshops, seminars and counseling to decrease gang affiliation among juveniles within state institutions, as well as provide aftercare housing for wards that denounce gang membership.
- ◆ **Education Services.** Provides \$13 million to increase the number of academic and vocational teachers within adult institutions.
- ◆ **Healthcare Lawsuit Compliance.** Provides \$170 million to support the department's compliance with three federal courts regarding dental care, mental healthcare delivery and medical services.
- ◆ **Jessica's Law.** Provides \$62.4 million to meet statutory requirement requiring the oversight of high risk sex offenders.
- ◆ **Probation Services.** Provides \$20 million and trailer bill language to support four pilot probation programs within local agencies.
- ◆ **Lethal Injection Room.** Rejects \$182,000 to complete the unauthorized construction of the lethal injection room at San Quentin.

Judicial Branch

■ MAJOR ACTIONS

- ◆ **New Trial Court Judgeships.** Provides \$27.2 million to support the facilities and staffing for up to 50 new judgeships in the budget year. Also, adopts trailer bill language limiting the number of Subordinate Judicial Officer positions to 16 per year.
- ◆ **Access to Justice.** Provides \$10.2 million to support the expansion of Self-Help programs and trial court interpreter services.
- ◆ **New Court Construction.** Provides \$14.8 million to begin construction of four new court facilities in the counties of Madera, Riverside, San Bernardino, and San Joaquin.
- ◆ **Conservatorship.** Retains \$17.4 million to implement the Conservatorship and Guardianship Reform Act of 2006, which increases oversight over the conservatorship and guardianship system for elderly and dependent adults.

Office of the Inspector General

■ MAJOR ACTIONS

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

Subcommittee 5 on Transportation and Information Technology

Assemblymember Mike Feuer, Chair

Members of the Committee:

Assemblymember Lois Wolk
Assemblymember Laura Richardson
Assemblymember John J. Benoit
Assemblymember Bob Huff



Transportation & Information Technology

Department of Transportation (Caltrans)



MAJOR ACTIONS

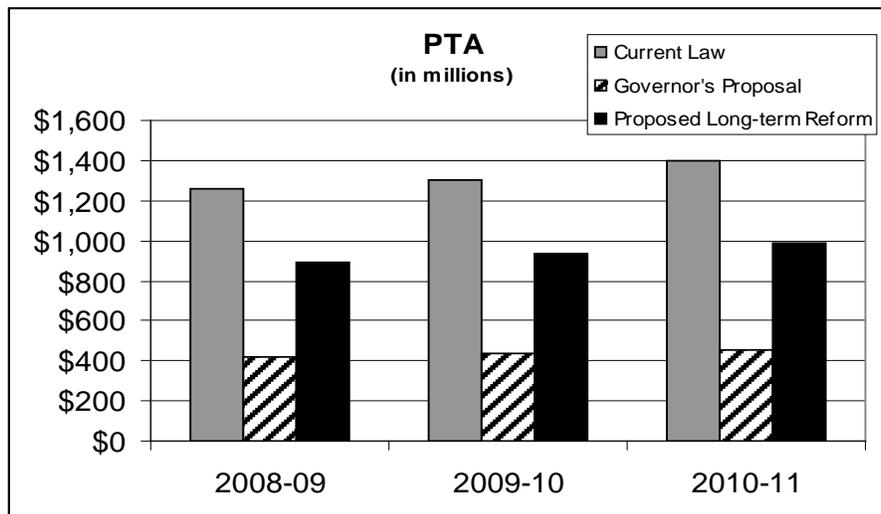
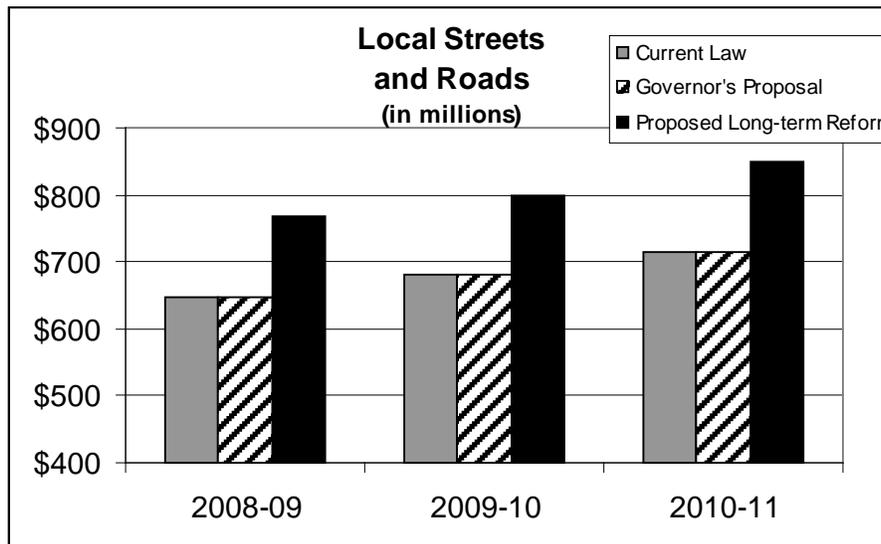
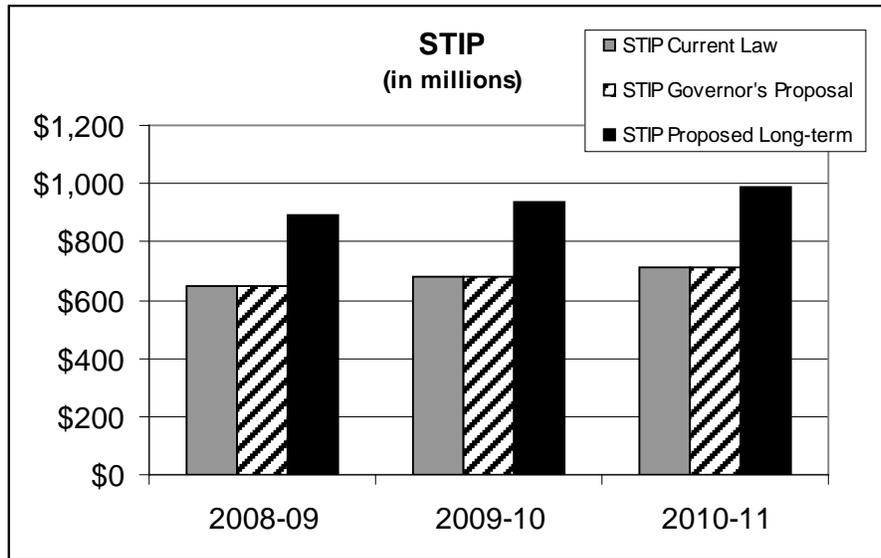
- ◆ **Proposition 42.** Provides full funding for Proposition 42, resulting in full funding for the Transportation Congestion Relief Plan, the STIP, and the Public Transportation Account (PTA). In addition, the STIP receives the local streets and roads share of Proposition 42, as a result of an arrangement made at that time of a prior Proposition 42 suspension.
- ◆ **PTA Home-to-School General Fund Solution.** Rejects the Governor's proposal to fund K-12 Home-to-School transportation from the PTA, resulting in additional available revenues for the PTA of \$832 million. This assists the budget to provide full funding for local transit operations (an addition of \$413 million), full funding for STIP transit capital (an increase of \$533 million) and funding for the High Speed Rail Authority (\$50 million).
- ◆ **Other PTA General Fund Solutions.** Includes the Governor's proposal to reduce General Fund costs by repaying \$340 million in GO debt and \$129 million for regional center transportation from the PTA. This provides a total of \$469 million in General Fund solutions.
- ◆ **Proposition 1B.** Approves about \$4 billion in Proposition 1B funds, but rejects the Governor's request for authority to move appropriation authority from category to category and rejects the Governor's request for a three year appropriation. Instead, approves reasonable flexibility language to ensure there is adequate funding to make use of all peak construction months.
- ◆ **Capital Outlay Support.** Rejects the Governor's proposal to fill the entire increase for capital outlay support with contacting out positions and instead fills the entire increase with state positions, saving an estimated \$50 million.
- ◆ **Environmental Enhancement and Mitigation Program (EEMP).** Augments the budget by \$10 million for EEMP to award grants to local agencies to undertake mitigation projects that are directly related to the environmental impacts of modifying existing transportation facilities or constructing new facilities.

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- ◆ **Long-term PTA Protections.** Approves a long-term solution to protect PTA Spillover revenues from being diverted for non-transportation purposes. Beginning in 2008-09 the Spillover revenues will be included in Proposition 42, increasing the size of Proposition 42 by 57 percent. This reform is outlined below:
 - ◆ First, beginning in 2008-09, adds Spillover revenues to the Proposition 42 allocation.
 - This increases Proposition 42 by a projected amount of 57 percent through 2010-11 (and likely beyond, but DOF projections do not go that far out).
 - ◆ 2008-09, from \$1.62 billion to \$2.56 billion.
 - ◆ 2009-10, from \$1.70 billion to \$2.67 billion.
 - ◆ 2010-11, from \$1.79 billion to \$2.83 billion.
 - ◆ Three year total, from \$6.67 billion to \$10.45 billion.
 - ◆ Second, beginning in 2008-09, change the allocation formulas of Proposition 42 to provide 35 percent to the STIP, 30 percent for local streets and roads, and 35 percent to the PTA.
 - ◆ The combined three year affects of the two changes provide:
 - \$776 million increase for the STIP.
 - \$373 million increase for local streets and roads.
 - \$2.3 billion increase to the PTA above the Governor's proposal (but a decrease of \$1.1 billion from current law, assuming the PTA ever received the entire Spillover).

The charts below show the annual affects of the long-term reform, based on recent projections provided by the Department of Finance.

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- ◆ As is clear from the above information, adding the Spillover revenues into Proposition 42 will be a significant increase to all the categories, even if the percentage shares are reduced. While there may be some uncertainty as to the exact level of annual Spillover revenues, no one is predicting there will be not be significant Spillover revenues as far as the eye can see. For example, the LAO projects lower gas prices than the Department of Finance, but still projects Spillover revenues totaling between \$7.9 billion to over \$11 billion over a 10 year period.

However, the primary intent of the Subcommittee's action is to: 1) provide long-term protection of Spillover revenues to ensure all state taxes paid at the pump go to transportation purposes; 2) benefit other transportation priorities beyond just the PTA; and 3) ensure the PTA receives an ongoing modest increase in the overall share of the Proposition 42 allocation to mitigate the loss of its claim to 100 percent of Spillover revenues. Therefore, as the budget process continues, alternate reform proposals consistent with this primary intent should be considered, such as:

- ◆ Placing a sunset on the reform, perhaps after 10 years or five years, which would provide for the entire 2008 STIP period. This would also protect against any unintended consequences or if all the forecasters are dramatically wrong about gas prices and the rest the economy.
- ◆ Increasing the amount of PTA from Proposition 42 that goes to local transit agencies.
- ◆ Locking in a base dollar amount based on the 2007-08 allocations and guaranteeing at least that amount, with some sort of inflation adjuster, each year thereafter.
- ◆ Dividing the Spillover revenues between just the STIP and the PTA categories of Proposition 42 and allowing Local Streets and Roads to maintain its current percentage of the Propositions 42, but not including the addition of the Spillover revenues.
- ◆ Enacting a constitutional amendment to protect the Spillover Revenues and then divide the revenues between the PTA and the SHOPP, which is the program for preserving and rehabilitating state highways and bridges. This would have the additional benefit of potentially freeing up existing transportation funds that could be added to the STIP.

Special Transportation Programs

■ MAJOR ACTIONS

- ◆ **State Transit Assistance.** Provides \$619 million for STA, an increase of \$413 million above the Governor's May Revision. The increase is due to the rejection of the Governor's proposal to fund Home-to-School transportation from the PTA.

High Speed Rail Authority

■ MAJOR ACTIONS

- ◆ **Budget Increase.** Provides an increase of \$50 million to keep the contract, environmental, and other critical work going during the budget year.

California Highway Patrol

■ MAJOR ACTIONS

- ◆ **Additional CHP officers.** Approves \$17.5 million for 50 additional uniformed CHP officers and 40 support positions. This increase is in addition to the 240 uniformed officers and 70 support positions approved in the current year and are being phased in over the current and budget years. The significant proposed growth in CHP personnel is the result of the state's rapid growth in population, in the licensed drivers, and in the development of new communities.