



ASSEMBLY BUDGET COMMITTEE
2008-2009 SUBCOMMITTEE REPORT
UPDATED JUNE 10, 2008

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Updated Version: *This report has been updated since the June 5 version to make the following changes:*

- ◆ *Correct a scoring error that overstated the Assembly Budget's General Fund spending by about \$200 million;*
- ◆ *Update the Governor's May Revision totals to reflect changes the Administration has made since the release of the May Revision. These changes have eroded the Governor's reserve from \$2 billion to \$1.75 billion (all changes reflected in Assembly Version as well); and*
- ◆ *Provide a comparison chart of how the Governor and the Assembly close the \$15.2 billion General Fund shortfall.*



OVERVIEW

Summary

On May 30, 2008, the Assembly Budget Subcommittees completed their recommendations for crafting the Assembly's version of budget for 2008-09. In total, the Assembly's version of the budget contains \$104.3 billion in available General Fund resources, \$102.0 billion in General Fund expenditures, and a total available reserve of \$1.4 billion.

The Assembly version takes a balanced approach to crafting the budget with tough cuts in every area of the budget, modest revenue increases, and debt costs shifted to lottery securitization funds. There are no accounting schemes, no smoke and mirrors, and no unreasonable assumptions.

Like the Governor's proposal, the Assembly version does not require additional tax increases on ordinary Californians. However, the Assembly version differs from what the Governor has proposed in several significant ways, including:

- ◆ **Puts Education First.** The Assembly version puts education back as a key priority for the state by restoring over half of the Governor's \$4.3 billion cuts to schools, and does not put education at risk of losing another \$5 billion in lottery funds.
- ◆ **Balanced Each on Every Year.** The Assembly version balances the budget each year with a fiscally responsible approach of tough spending cuts and new revenues, while the Governor's proposal relies on unacceptable draconian cuts

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and accounting schemes to temporarily balance the budget – only to see massive deficits return in just a year or two.

- ◆ **No Risky Accounting Schemes.** The Assembly version does not rely on any risky accounting schemes, while the Governor's proposed reserve is made up almost entirely of revenues derived from his risky accrual proposal.
- ◆ **No Draconian Cuts to Health Care and Social Safety Net.** The Assembly version contains very tough cuts to health on human services, but it restores the most draconian cuts to the elderly, the disabled, and the children of California.
- ◆ **Lottery Securitization for Acceleration of Debt Payments – No Risk to Schools.** The Assembly version of the budget uses Lottery Securitization funds for the sole purpose of debt repayments, including early payments of debts to schools, local governments, transportation, and economic recovery bonds. This will immediately get critical funds to our schools, local governments, and road projects as well as save the General Fund billions of dollars annually. The Governor, meanwhile, puts the Lottery Securitization funds for unspecified General Fund relief which, according to the LAO, puts the schools at risk of losing \$5 billion in lottery funds.
- ◆ **No "Reform" Proposal.** The Assembly version provides a responsible, balanced budget in line with existing Proposition 58 reforms, rather than the Governor's proposal to avoid the Proposition 58 reforms entirely and instead turn to a new reform that shifts power to the Administration and forces billions of dollars of automatic, across the board cuts – even in years with adequate revenues.

Key highlights of the Assembly version of the budget are as follows:

Reserve

- ◆ The Assembly budget is balanced each and every year of the multi-year forecast period, starting with a real reserve of \$1.4 billion in 2008-09 and growing to over \$4 billion by 2011-12.
- ◆ The reserve is a major improvement over the Governor's proposed reserve. The Governor's May Revision contained a \$2 billion reserve, but since its release, the Administration has updated their May Revision totals which lower the proposed reserve to \$1.75 billion. In fact, the Governor's May Revision reserve is now smaller than the value of the risky \$1.85 accounting scheme. This means that the Governor's budget may actually be out of balance.

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- ◆ The Assembly budget also begins making deposits into the Budget Stabilization Account (BSA) in 2009-10 and each year thereafter. The Governor proposes to abandon the BSA entirely.
- ◆ An exhaustive analysis has not been completed, however, the preliminary multi-year forecast shows reserves as follows:

(In billions)	2008-09	2009-10	2010-11	2011-12
Regular Reserve	\$1.4	\$1.8	\$2.3	\$1.6
Budget Stabilization Account	\$0	\$.5	\$1.5	\$2.5
Total	\$1.4	\$2.3	\$3.8	\$4.1

Revenues

- ◆ Rejects the Governor's risky \$1.85 billion accounting scheme and instead raises about \$6.4 billion in new revenues. The new revenues can be raised through closing loopholes and tax breaks, short-term solutions that have been used in the past, or other options. It is important to note, that while the specific revenue solutions will need to be worked out as the budget process continues, this amount of revenues can be raised without impacting ordinary Californians or harming the economy.
- ◆ Does not assume the Lottery Securitization funds as a new revenue as the Governor does (instead the Lottery Securitization funds are deposited into a Debt Retirement Fund – discussed below).
- ◆ Assumes the LAO revenue forecast, which project less revenue in the budget year but more revenues in the out years.
- ◆ Adopts many of the Governor's revenue proposals, including closing the Yacht Tax Loophole, most of the Special Fund loans and sweeps, as well as the proposed LLC acceleration.

Lottery Securitization

- ◆ Assumes the same level of Lottery Securitization revenues as the Governor, but makes the following key changes:
 - Deposits securitization proceeds into the Debt Retirement Fund (DRF) to be used entirely for debt payments. This saves the General Fund \$3.6 billion in the budget year and prepays another \$1.5 billion in education, transportation, and local government debts. This proposal will save the General Fund billions of dollars per year after that.

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- Backs out the Governor's proposal for a subordinate \$1.2 billion annual payment for schools, which the LAO says could cost the schools as much as \$5 billion over 12 years. The schools will instead receive their normal lottery allocation in the budget year and be guaranteed the \$1.2 billion with a Proposition 98 adjustment beginning in 2009-10.
- Instead of being utilized for schools, the \$1.2 billion subordinate payments will be used to make extra payments to the Economic Recovery Bonds (ERBs) until they are paid off and then will be used to pay General Obligation bond debt service. This will enable the ERBs to be retired as much as two years early – saving the General Fund over \$1.6 billion in ERB payments per year for those two years and an ongoing savings of \$1.2 billion.

(in millions)	2008-09	2009-10	2010-11	2011-12	Total
Securitization Proceeds to Debt Retirement Fund (DRF)	5,122	6,900	2,978	0	15,000
DRF Uses					
Accelerated Ed Settle-up payments	550	550			1,100
Accelerated Trans. Debt Payments	750	750			1,500
Accelerated Mandate Payments	550	550			1,100
Reimburse GF for QEIA Settlement	450	450	450	450	1,800
Reimburse GF for ERB payments	1,461	1,509	1,580	1,643	6,193
Reimburse GF for GO Debt Service	1,350	1,957			3,307
Total	5,111	5,766	2,030	2,093	15,000
Available for Extra ERB Payments		1,200	1,200	1,200	3,600

Education

- ◆ Increases school funding by nearly \$2.3 billion above the Governor's budget. While this is a major increase from the Governor's proposal, it still results in about \$2 billion in cuts below the workload budget level.
- ◆ Repays schools \$1.1 billion education settlement funds over two years (\$550 million in 2008-09 and \$550 million in 2009-10), rather than the \$150 million per year for seven years as proposed by the Governor. This provides immediate, unrestricted funds to local school districts to help them deal with tough budget cuts.
- ◆ Funds the UC and CSU at the level proposed in the May Revision, which includes a \$100 million increase for each above the January proposal.

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

Transportation

- ◆ Full funding of Proposition 42, providing \$1.4 billion for highway construction, local road maintenance, and public transit.
- ◆ Restores \$317 million of the Governor's proposed cut to local public transit. This provides \$624 million for local transit – the same level provided in 2006-07 – while still providing about \$1 billion of General Fund relief.
- ◆ Accelerates the repayment of \$1.5 billion in TCRP and Proposition 42 loans over the next two years (\$750 million in 2008-09 and \$750 million in 2009-10) to provide an immediate shot in the arm to critical road projects and transportation agencies. The Governor's proposal pays off these debts at only \$183 million per year over approximately the next eight years.

Health

- ◆ Restores the most difficult cuts proposed by the Governor, including:
 - Restores nearly all (96 percent) of the 10 percent Medi-Cal rate cut adopted in the Special Session for most providers (doctors, nurses, dentists, home health providers, etc.), and almost half of the rate cut for pharmacy, managed care and long-term care facilities that do not pay the quality assurance fee (most nursing homes pay the fee and will receive a cost-based rate increase). These rate restorations total \$353 million.
 - Restores the Medi-Cal optional benefits. Of the restoration of \$ 85.5 million, the adult dental restoration is \$ 73.8 million.
 - Restores cuts to Medi-Cal eligibility, by: rejecting the imposition of quarterly status reports for children and parents that would impose paperwork barriers to continuity of care and cost-effective preventive care; rejecting the rollbacks in eligibility for poor families that penalize work and marriage; and rejecting restrictions on services to legal immigrants and imposing monthly eligibility hurdles to emergency care for the undocumented.
 - Rejects co-pay increase and reduces premium increases by half for children in the Healthy Families Program.
- ◆ Makes budget cuts of over \$400 million for Medi-Cal and Family health services.

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Human Services

- ◆ Makes major cuts to human service programs, including cuts to SSI/SSP, CalWORKs, and other critical safety net programs. And achieves General Fund relief by shifting \$120 million of IHSS costs to Realignment.
- ◆ Restores the most draconian cuts proposed by the Governor for the social safety net, including rejecting cuts to: children's services and foster care; CalWORKs kids eligibility; grant reductions; the SSI federal COLA; and IHSS.

Natural Resources and Environmental Protection

- ◆ Provides free access to state parks and beaches as well as long-term new investments in our park with the establishment of the State Parks Access Pass.
- ◆ Provides the funds necessary to fight forest fires and deal with other emergencies with the establishment of the State Responsibility Area Fire Fee and the Emergency Insurance Surcharge.

Public Safety

- ◆ Approves the Governor's summary parole proposal to cut administrative costs of parole for non-serious, non-violent offenders.
- ◆ Funds the COPS/Juvenile Justice program but makes other necessary reductions to state support of local public safety programs and responsibilities.

General Government

- ◆ Achieves \$144 million in savings by approving the Governor's STRS proposal to reduce the state's annual contribution while increasing the benefit for retired teachers.
- ◆ Cuts the waste out of government by requiring the Administration to convert costly and unnecessary Information Technology contracts to more cost effective state staff.
- ◆ Repays \$1.1 billion in local mandates funds owed to local governments over two years (\$550 million in 2008-09 and \$550 million in 2009-10) rather than the \$75 million per year for 12 years. The Governor's proposal actually would skip the 2008-09 payment altogether. The accelerated loan repayment will assist local governments in dealing with their significant budget challenges themselves.

What follows are some key charts and detailed Subcommittee Reports.

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Summary of Charts

**Update to May Revision Reserve:
Administration's Changes Since Release of the May Revision
(in millions)**

Reserve at May Revision	\$2,009
Santa Cruz Fire Deficiency: Adds \$12 million to 2007-08 Spending	-\$12
Receiver Deficiency: Adds \$70 million to 2007-08 Spending	-\$70
Increase to Borrowing Costs: Adds \$95 million to 2008-09 Spending	-\$95
Technical Correction to CalWORKS: Adds \$79 million to 2008-09 Spending	-79
Less Special Fund Transfers/Loans: Reduces \$8 million from 2008-09 Revenue	-\$8
Interest Earnings Increase: Adds \$40 million 2008-09 Revenue	\$40
Adjusted May Revision Reserve	\$1,754

**2008-09 Updated May Revision and Assembly Budget
General Fund Expenditures
(in millions)**

Category	Updated May Revision	Assembly Budget	Difference
Education (K-12)	\$41,145	\$42,834	\$1,689
Higher Education	\$11,758	\$12,210	\$452
Health and Human Services	\$29,879	\$31,475	\$1,596
Corrections and Rehabilitation	\$10,139	\$10,090	-\$49
Business, Transportation and Housing	\$1,635	\$1,635	\$0
Legislative, Judicial, Executive	\$3,792	\$3,788	-\$4
Resources	\$1,624	\$1,507	-\$117
Environmental Protection	\$88	\$67	-\$21
State and Consumer Services	\$566	\$569	\$3
Labor and Workforce Development	\$97	\$98	\$1
General Government/Other	\$1,287	-\$2,233	-\$3,520
Total	\$102,010	\$102,040	\$30

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

	Updated May Revision	Assembly Budget
Starting Problem	-\$15.2	-\$15.2
Revenue Solutions		
Lottery Securitization to the General Fund	\$5.1	--
Governor's Accrual Proposal	\$1.9	--
Additional revenues	--	\$6.4
Special Fund Loans/transfers	\$0.6	\$0.7
LLC acceleration	\$0.4	\$0.4
LAO Projections and Miscellaneous	\$0.2	\$0.0
Total	\$8.1	\$7.5
Spending Reductions		
Education Cuts	\$4.3	\$2.0
LAO Property Tax Estimate, (Reduced GF for Ed in CY & BY)	\$0.0	\$0.6
Transportation Cuts	\$0.8	\$0.5
May Revision Health and Human Service Cuts	\$1.0	\$0.0
IHSS Costs Shifted to Realignment	--	\$0.1
CCPOA Contract	\$0.4	\$0.5
STRS proposal	\$0.1	\$0.1
Cut IT contracts	--	\$0.1
Fire Costs shifted to SRA Fee	--	\$0.1
Debt Payments Shifted to Lottery Securitization	--	\$3.6
Non-Prop 98 BBRs and Miscellaneous Cuts	\$2.4	\$1.7
Governor's changes since May Revision Release	-\$0.3	-\$0.3
Total Spending Reductions	\$8.9	\$9.2
Final Reserve	\$1.8	\$1.4

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

	2007-08		2008-09	
	Updated May Revise	Assembly Budget	Updated May Revise	Assembly Budget
	<u>2007-08</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2008-09</u>
Prior-year balance	\$4,096	\$4,127	\$1,661	\$1,504
Revenues and Transfers	\$101,190	\$100,701	\$102,988	\$102,809
Total Resources Available	\$105,286	\$104,828	\$104,649	\$104,313
Total Expenditures	\$103,625	\$103,324	\$102,010	\$102,040
Fund Balance	\$1,661	\$1,504	\$2,639	\$2,273
Budget Reserves:				
(Liquidation of Encumbrances)	(\$885)	(\$885)	(\$885)	(\$885)
Final Reserve	\$776	\$619	\$1,754	\$1,388

Subcommittee 1 on Health and Human Services

Assemblymember Patty Berg, Chair

Members of the Committee:

Assemblymember Jim Beall
Assemblymember Bill Emmerson
Assemblymember Hector De La Torre
Assemblymember Edward Hernandez
Assemblymember Bill Maze

Health

Department of Health Care Services—Medi-Cal

MAJOR ACTIONS

- ◆ **Partial Restoration of Provider Rates.** Restores a total of \$353 million of the \$611 million (General Fund) savings that resulted from the 10-percent rate reductions enacted in AB 5 3X, effective July 1, 2008. Specifically, the Subcommittee adopted the following rate restorations:
 - **Rates for Most Types of Providers Almost Wholly Restored.** Adds \$158.3 million (General Fund) to restore 92 percent of rate cut for most types of providers—their rate cuts will be reduced to 0.8 percent compared with the 10-percent cut in AB 5 X3. The providers and services affected by this restoration include physicians and other medical providers, including, dental, hospital outpatient, home health, medical transportation, and the Los Angeles County clinics.
 - **Pharmacy.** Adds \$70.1 million (General Fund) to restore almost half (46 percent) of the payment reductions to pharmacists (including both drug ingredient cost and the dispensing fee). The rate reduction for pharmacy would be 5.4 percent, rather than 10 percent. The subcommittee also adopted Budget Trailer Bill language to allow an offset against this reduction for any savings that result from the implementation of federal Medicaid drug pricing reforms that were included in the 2007-08 budget but which have not been implemented by the federal government due to federal court injunction.
 - **Long-Term Care.** Adds \$22.6 million (General Fund) to restore almost half (46 percent) of the rate cut to long-term care facilities who do not pay a quality assurance fee—primarily hospital-based (distinct part) facilities and adult day health care facilities. However, these facilities also receive annual rate adjustments in the budget. Adds \$1.8 million to maintain pediatric sub acute rates and reject Governor's 10-percent reduction.
 - **Managed Care Plans.** Adds \$92.6 million (General Fund) to restore managed care rates equivalent to the fee-for-service rate restorations above. Approves the \$169.8 million rate increase funding for Medi-Cal managed care plans proposed in the May Revision.

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- **Family Health.** Restores California Children's Services (CCS), Genetically Handicapped Persons' Program (GHPP) and Child Health and Disability Prevention (CHDP) rates consistent with the Medi-Cal rate restorations.

- ◆ **Non-Contract Hospitals.** Adopts Budget Trailer Bill language and approves savings of \$11.5 million included in a May Revision proposal to limit payments to non-contract hospitals (except for rural hospitals) to the lower of either 90-percent of the hospital cost-based rate (as provided in AB 5 X3) or 5 percent less than the regional average of the hospital contract rates negotiated on behalf of Medi-Cal by the California Medical Assistance Commission (CMAC). This revision is intended to provide more incentive for hospitals to negotiate contracts with CMAC. The action and the May Revision proposal also include limitations on the rates that Medi-Cal managed care plans must pay to hospitals that do not contract with them. The managed care language is intended to comply with federal law limits on emergency care charges to Medicaid managed care plans. Both elements of language were adopted as placeholders in anticipation of further discussions to answer questions asked and address issues raised by hospitals and plans.

- ◆ **Public Hospitals.** Rejects cut of \$34.4 million to Federal Safety-Net Care Pool funds provided to the Designated Public Hospitals and Los Angeles County in 2008-09. In 2009-10, the fully annualized amount of the shift would grow to \$54.2 million.

- ◆ **Private Safety-Net Hospitals.** Includes a 10-percent reduction to DSH (disproportionate share hospital) payments to non-designated public hospitals (generally district hospitals) and DSH "replacement" payments to private hospitals for a GF savings of \$24 million in 2008-09.

- ◆ **Optional Benefits.** Adds \$85.5 million to maintain the 10 Medi-Cal optional benefits that the Governor proposed eliminating for adults not in long-term care: chiropractors, incontinence creams and washes, acupuncture, adult dental, audiology, optometrists, opticians/optical labs, podiatry, psychology, speech therapy. The bulk of the restoration (\$73.8million) is for adult dental benefits.

- ◆ **Medicare Part B Premiums.** Eliminates payment of Medicare Part B premiums (almost \$100 per month) on behalf of Medi-Cal enrollees with an unmet share of cost greater than \$500 per month for General Fund savings of \$48.4 million. The Governor had proposed complete elimination, but the Subcommittee restored \$5.4 million to maintain payments for the lowest-income group.

- ◆ **Continuous Eligibility for Children and Quarterly Reports.** Rejects the proposed elimination of continuous eligibility for children and reinstatement of quarterly status reports for children and parents to maintain their Medi-Cal eligibility (\$43 million General Fund). The savings assumed in the budget resulted from disenrolling children and parents who are found no longer eligible or who do not return their completed reports. However, based on past experience, the anticipated caseload

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savings will be offset by higher Medi-Cal fee-for-service costs as parents and children who are disenrolled from managed care obtain more costly services in emergency rooms and other settings when they become sick or injured.

- ◆ **Roll-Back of Family Eligibility.** Adds \$31.2 million General Fund to rejects a proposal to roll back the income eligibility for "1931(b)" Medi-Cal—the eligibility category for low-income families. The income ceiling for applicants would be reduced from the current level of 100 percent of the federal poverty level to 68 percent of the federal poverty level and the "100-hour rule" would be reinstated. The applicant limit would significantly reduce eligibility for working parents, particularly married parents, and would be a disincentive to leave welfare.
- ◆ **Restricted Benefits for Legal Immigrants.** Adds \$86.7 million to reject a proposal to restrict Medi-Cal for legal immigrants who have been in the country less than five years to only those services also available to undocumented immigrants--emergency, long-term care, family planning, pregnancy, and breast and cervical cancer treatment. Currently Medi-Cal provides full-scope coverage for these immigrants (if they meet all other eligibility requirements).
- ◆ **Monthly Eligibility Determination.** Restores \$42 million General Fund to reject imposition of a requirement for monthly eligibility renewal for undocumented immigrants.
- ◆ **County Administration Funding.** Eliminates the 2008-09 COLA for county Medi-Cal administrative costs for a GF savings of \$32.3 million. Eliminates the caseload growth adjustment to county administrative costs in 2008-09 for a General Fund savings of \$20.6 million. Restores \$23.4 million to maintain base funding for county administration. The budget requested all three reductions.
- ◆ **Public Assistance Reporting Information System (PARIS) Pilot Project.** Approves May Revision proposal to implement the pilot project. The purpose of the project is to improve the identification of the subset of Medi-Cal beneficiaries who are also veterans and who may be eligible for duplicative services. The DHCS will implement this project with existing resources beginning in 2008.
- ◆ **Eligibility Streamlining.** Delays for an additional year the implementation of SB 437 eligibility streamlining for a savings of \$13.7 million General Fund as requested in the May Revision.
- ◆ **AB 2911 Drug Discount Program.** Approves \$5.9 million to implement the California Discount Prescription Drug Program established by AB 2911 (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.

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- ◆ **Federal Penalty for Fresno Community Hospital.** Reduces May Revision request for \$9 million General Fund to \$1,000 to place in Conference to explore other funding options to pay this federal penalty for an impermissible intergovernmental transfer by Fresno County on behalf of Fresno Community Hospital.
- ◆ **Adult Day Health Reforms Staffing.** Eliminates 19 of 20 additional staff requested to expand implementation of SB 1755 reforms of Adult Day Health Care services for a savings of \$979,000 General Fund. The reduction recognizes that other department staff will be freed-up by making the annual Medi-Cal Error Rate Study biennial. Includes budgeted savings of \$13.9 million in Medi-Cal payments for Adult Day Health Care as a result of tightening medical necessity criteria and billing procedures, as authorized by AB 1755.
- ◆ **Rural Health Clinics.** Includes savings of \$3.5 million General Fund from Governor's 10-percent reduction to clinic grants provided under the Expanded Access to Primary Care (EAPC) and several other clinic programs.
- ◆ **AIDS Pharmacy Pilot Project.** Rejects \$1.6 million cut proposed in the May Revision from restricting the drugs that qualify for enhanced dispensing fees in the AIDS Pharmacy Pilot Project.
- ◆ **State Operations Budget Balancing Reductions.** Includes a total of \$7.6 million General Fund of budget-balancing reductions to a wide variety of departmental offices and functions, as proposed by the Governor.
- ◆ **Fiscal Intermediary Reductions.** Includes a total of \$3.6 million General Fund of reductions to the Medi-Cal Fiscal Intermediary contract for systems upkeep and modifications, modification of the Medi-Cal Management Information / Decision Support System and by relying on Internet-based distribution of provider manuals and other documents. These were included in the Governor's balanced-budget reductions.

Department of Public Health

MAJOR ACTIONS

- ◆ **Public Health Services Restorations.** Restores \$6.7 million to eliminate proposed reductions to a variety of programs that provide direct services or play a vital role, including Alzheimer's Disease Research Centers, Prostate Cancer Treatment, Domestic Violence shelter grants, programs that reduce teen pregnancy, and Tuberculosis Control Housing grants.
- ◆ **Other Budget-Balancing Reductions.** Approved reductions totaling \$4.5 million for 26 10-percent Budget-Balancing Reductions proposed by the Governor in to a wide variety of programs, generally for staff and other support functions.
- ◆ **Office of AIDS Programs.** Restores the \$7.3 million cut to the AIDS Drug Assistance Program (ADAP) that the budget sought to accomplish by eliminating drugs from the program's formulary and also restores a \$4.3 million cut to grants to local health jurisdictions for Therapeutic Monitoring to ensure effective drug treatment of HIV/AIDS. These two restorations were funded by drawing down additional available ADAP drug rebate funds. Also, this partially restores funding for AIDS Education and Prevention by restoring \$5.2 million of a \$7.2 million General Fund budget reduction (the \$5.2 million also is partially offset by savings of \$1.35 million from elimination of the AIDS Counseling Program in the Department of Mental Health).
- ◆ **Viral and Rickettsial Disease Laboratory.** Defers construction of modification to the laboratory for a savings of \$2.5 million in 2008-09.
- ◆ **Emergency Preparedness Planning Grants.** Rejects \$6.9 million General Fund increase proposed for local pandemic flu and bioterrorism planning local grants.
- ◆ **Health Facility Licensing and Certification Fees.** Eliminates the \$2.3 million General Fund subsidy to this program while at the same time greatly reducing fee increases that the budget proposed, and, in some cases, reducing fees from their current levels. This is accomplished by recognizing additional revenues and savings in the fee account and by more productive budgeting of licensing and certification staff.
- ◆ **Improving the Department's Structure and Competence.** Adopts Budget Trailer Bill Language directing a thorough review by the Public Health Advisory Committee of the Department's structure and function, including consideration of the Legislative Analyst's recommendations for the consolidation of many public health programs and development of a universal contract structure for local health jurisdictions.

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- ◆ **Proposition 84 Safe-Drinking Water Bond Funds.** Adds \$2 million for a contract with the State Water Resources Control Board to fund pilot projects in Tulare County and the Salinas Valley to evaluate sources of nitrate pollution and potential regulatory and fee-based approaches to ensure the viability and ongoing effectiveness of bond-funded cleanup projects.

Managed Risk Medical Insurance Board

■ **MAJOR ACTIONS**

- ◆ **Healthy Families Program.** Includes the following actions regarding the Governor's proposed Budget-Balancing Reductions:
 - **Plan Rates.** Adopts 5-percent reduction in plan rates proposed by the Governor (\$14.4 million General Fund savings).
 - **Family Premiums.** Restores \$9 million General Fund to cut proposed premium increases in half. The Governor's Budget proposed increasing the premium for many families—from \$9 per child per month to \$16 per child per month. Most of the savings resulted from estimated enrollment declines due to the higher premiums rather than from the premium revenue itself.
 - **Co-Pays.** Restores \$1.9 million General Fund to reject the Governor's proposed increase in the co-pay requirement.
 - **Dental Limit.** Adds \$1.1 million General Fund to provide a dental coverage limit of \$1,500 rather than \$1,000 as proposed by the Governor.

Department of Mental Health

MAJOR ACTIONS

- ◆ **Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT).** Makes adjustments to the EPSDT by rejecting the Governor's proposal to change the State Maximum Allowable (SMA) rate and adopting an alternative EPSDT Performance Improvement Project in lieu of the Governor's 6-Month Day Treatment proposal. This is in addition to actions taken during the Special Session for the COLA suspension of the SMA rate and the creation of a Short-Doyle Medi-Cal Unit.
- ◆ **Community Treatment Facilities.** Provides a total appropriation of \$750,000 General Fund and adopt Budget Bill Language for Community Treatment Facilities in lieu of accepting the Administration's reduction proposal.
- ◆ **Early Mental Health Initiative.** Rejects the proposed 10 percent reduction for the Early Mental Health Initiative and instead accepts a reduction in the state support of the program of 5 percent.
- ◆ **Medi-Cal Mental Health Managed Care.** Rejects the Governor's 10 percent unallocated reduction of \$23.8 million (General Fund) for Medi-Cal Mental Health Managed Care, adopts the technical baseline adjustment increase of \$22,000 (General Fund), and reduces by \$5.350 million (General Fund) to delete state support for the federal regulations.
- ◆ **Healthy Families Program.** Rejects the Governor's 10 percent reduction as modified by the May Revision for the Healthy Families Program for Supplemental Mental Health.
- ◆ **County Purpose of State Hospital Beds.** Eliminates the \$9.8 million General Fund subsidy for the purchase of State Hospital beds and increases reimbursements by \$9.8 million so that counties that opt to can purchase state hospital beds at the state's rate.
- ◆ **AIDS Counseling Program.** Eliminates the remaining \$1.350 million (General Fund) for the AIDS Counseling Program from the DMH after the Governor's budget balancing reduction of \$150,000, shifting the \$1.350 million in funds from the Office of AIDS to the Education and Prevention Program in the Department of Public Health.
- ◆ **Mental Health Services Act Expenditure Authority.** Increases by \$25 million for the Statewide Initiatives in Proposition 63's Mental Health Services Act and adopts trailer bill language to ensure access to data regarding the Initiatives.

Department of Developmental Services

■ MAJOR ACTIONS

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

Human Services

Department of Social Services

MAJOR ACTIONS

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

Food Stamps Program

- ◆ **Work Incentive Nutritional Supplement (WINS).** Adopts the administration's WINS proposal providing a food benefit to families while increasing the state's work participation rate.
- ◆ **Food Stamp Program (FSP) Administration.** Accepts the FSP Administrative reduction and adopts placeholder trailer bill language to suspend the county share of penalties when program funding is inadequate to meet program requirements.
- ◆ **Waiver of Face-to-Face Interview.** Accepts the Administration's proposal to waive the Face-to-Face Interview Requirement for Food Stamp Program.

Child Welfare and Foster Care

MAJOR ACTIONS

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

CalWORKs

MAJOR ACTIONS

- ◆ **Governor's CalWORKs Reduction Proposal.** Rejects the three main January proposals from the Administration on full family sanctions and elimination of the safety net for child-only cases and all similar cases in the program.
- ◆ **Pay for Performance.** Accepts the Administration's reduction of \$40 million in Pay for Performance payments to counties.
- ◆ **Pre-Assistance Employment Readiness System (PAERS).** Adopts placeholder trailer bill language to establish a PAERS program akin the LAO's approach.
- ◆ **Self-Sufficiency Reviews.** Rejects the Administration's proposal and associated trailer bill language on required Self-Sufficiency Reviews.
- ◆ **Grant Levels.** Rejects the Administration's proposal and associated trailer bill language to reduce CalWORKs grant levels by 5 percent.
- ◆ **Suspend the 2008 COLA.** Accepts the Administration's proposal and associated trailer bill language to suspend the 2008 COLA.
- ◆ **Single Allocation Reduction.** Accepts the Administration's proposal and associated trailer bill language on the single allocation reduction.

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- ◆ **Eliminate the TANF Reserve.** Adopts the Administration's proposal to eliminate the TANF Reserve.
- ◆ **California Alliance of Boys and Girls Club.** Rejects the Administration's proposal and allocate the TANF funds associated for the CalWORKs program.
- ◆ **TANF Transfers.** Rejects the TANF Transfer proposals as included in the May Revision, which would have applied these funds to other purposes in government, including juvenile probation and Cal Grants.
- ◆ **CalWORKs COLA.** Retains the Governor's proposal to suspend the CalWORKs July 2008 COLA.
- ◆ **Temporary Assistance Program (TAP).** Rejects the Administration's trailer bill to eliminate the TAP and instead extends the implementation date of the TAP program to from April 1, 2009 to April 1, 2010.

In Home Supportive Services

■ **MAJOR ACTIONS**

- ◆ **IHSS Reduction of Hours.** Approves the May Revision proposal to rescind the IHSS reduction of hours as was included in the Governor's January budget proposal.
- ◆ **IHSS Quality Assurance.** Approves the May Revision proposal to rescind the trailer bill language eliminating the IHSS QA program; approve the request for \$1.7 million (\$836,000 General Fund) and 16 positions to continue administration of the IHSS QA program and approves \$439,000 (\$222,000 General Fund) and five positions for implementing the IHSS Plus Waiver.
- ◆ **10 Percent Reduction to IHSS Administration.** Accepts the 10 Percent Reduction, but rejects the TBL on the proposed extended reassessments. Instead, adopts placeholder trailer bill language to suspend focused eligibility reviews for counties while the IHSS administrative cut is being implemented, with review from the Legislature on the appropriateness of reinstating these reviews during the usual Budget Subcommittee process when the Administration's local assistance budget would normally undergo examination.
- ◆ **Reduce State Participation in IHSS Wages.** Rejects the May Revision proposal to reduce the state's participation in IHSS provider wages and benefits from a maximum amount of \$12.10 per hour to the state minimum wage of \$8.00 per hour plus an additional 60 cents per hour for benefits.

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- ◆ **IHSS Functional Index Change.** Rejects the May Revision proposal to change the criteria to qualify for domestic and related services, focusing only on individuals with a functional index score of four or higher.
- ◆ **Limiting IHSS Share of Cost.** Rejects the May Revision proposal for the state to no longer pay the difference in the share of cost for those IHSS recipients with average functional index scores below four.
- ◆ **Increase Realignment Support for IHSS.** Shifts \$120 million of IHSS costs to Realignment, resulting in the same amount in General Fund savings, with no net dollar effect on support for the program.

SSI/SSP

■ **MAJOR ACTIONS**

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

Community Care Licensing

■ **MAJOR ACTIONS**

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

Child Care and Development

MAJOR ACTIONS

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

Department of Child Support Services

MAJOR ACTIONS

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

Department of Aging

MAJOR ACTIONS

- ◆ **Program Restorations.** Rejects the Governor's proposed reductions for the Linkages program, Multipurpose Senior Services Program, Home Delivered Meals, Congregate Nutrition, Brown Bag Program, Long-Term Care Ombudsman, Adult Day Health Care, AAA Administration, Alzheimer's Day Care Resource Center, Respite Services, Senior Companion Program, and Senior Legal Hotline.

Dept. of Community Services & Development

■ MAJOR ACTIONS

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

Dept. of Alcohol and Drug Programs

■ MAJOR ACTIONS

- ◆ **Drug and Non-Drug Medi-Cal.** Rejects the proposed reductions in Drug Medi-Cal Medi-Cal, Non-Drug Medi-Cal Regular, and Non-Drug Medi-Cal Prenatal, as well as the accompanying trailer bill language.
- ◆ **Drug Court Programs.** Rejects all proposed reductions to Drug Court programs.
- ◆ **Prop. 36 and OTP.** Rejects proposed reductions to the Prop. 36 and Offender Treatment Program (OTP).
- ◆ **California Methamphetamine Initiative.** Adopts the proposed 10 percent reduction for the California Methamphetamine Initiative.

Subcommittee 2 on Education Finance

Assemblymember Julia Brownley, Chair

Members of the Committee:

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

K-12 Education

Department of Education

MAJOR ACTIONS

Ongoing funds

- ◆ **Total Proposition 98 for K-14 Education.** Provides \$2.3 billion more in ongoing Proposition 98 funding than proposed by the Governor in his May Revise for a total of \$59 billion. This funding level meets the minimum funding guarantee under Proposition 98 but falls short of the Governor's Workload Budget by \$2 billion.
- ◆ **Provides a partial COLA.** Provides a 1.6 percent COLA for K-14 programs, district and county office revenue limits and community college apportionments. The Assembly plan also creates a 3.8% deficit factor for the forgone COLA. The Governor's January budget and May Revise did not provide a COLA. The current COLA rate is 5.66% and the cost of providing a full COLA at this rate is roughly \$3.1 billion.
- ◆ **Rejects across-the-board cuts.** Rejects all across-the-board cuts and instead provides programs with funding slightly above the amount received in 2007-08. In January, the Governor proposed Budget Balancing Reductions (BBRs) that applied 10.9% across-the-board cuts to all K-12 categorical programs and school district revenue limits based on the Governor's workload budget. In the May Revise, the Governor restored cuts to revenue limits, special education and a portion of the cut to state special schools (Proposition 98). The Assembly's proposed plan accepts these program restorations but also rejects the remaining across-the-board cuts and instead provides categorical programs with the same level of ongoing programmatic support as they received in 2007-08, plus a 1.6 percent COLA.
- ◆ **Growth.** Provides a net increase of \$14 million for changes in K-12 average daily attendance (ADA). Savings from an expected decline in ADA at a rate of 0.52 percent (-\$128 million) are offset by a projected increase in the costs of holding district revenue limits harmless for one year from the costs of declining enrollment.
- ◆ **Flexibility options.** Rejects the Governor's proposed flexibility options for school districts, including allowing schools to use certain restricted accounts for general purposes and reducing unrestricted reserve requirements. When these options were given to districts in prior budget years, they were tied to specific reductions to

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revenue limits and categorical programs. The Assembly plan restores cuts to revenue limits and categorical programs.

- ◆ **Deferred maintenance.** Rejects the Governor's May Revise proposal to reduce deferred maintenance by \$223 million. The Assembly plan restores funding for this program to the 2007-08 spending level and includes a 1.6 percent COLA.
- ◆ **Charter School Facilities Grant Program.** Provides \$18 million in ongoing funds for this program. Last year's budget provided one-time funds for this program. This program provides funding to charter schools in low-income areas to pay for leasing costs when these charters are unable to secure non-leased buildings.

One-time funds. Includes a total expenditure level of \$509.4 million in one-time funds for K-12 expenditures. This include \$334.4 million in K-12 reappropriations; \$100 million from the Proposition 98 Reversion Account and \$74.8 million in various community college reappropriations and fees. The Subcommittee's proposed budget includes the following expenditures from this one-time funding:

- **Williams Settlement Emergency Facilities Repair Program.** Includes a total increase of \$100 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.
- **Prior-year mandates.** Provides a total of \$339 million to pay for prior-year mandate claims for K-12 education.
- **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: \$60,000 for Oakland Unified School District, \$125,000 for Vallejo Unified and \$110,000 for West Fresno Unified.

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

- **Education Technology:**
 - **California Longitudinal Pupil Achievement Data System (CALPADS).** Includes a total of \$10.9 million in one-time funds to continue the development and administration of CALPADS in 2008-09 (\$5.3 million from the Education Telecommunications Fund and \$6.2 million from federal Title VI). The Governor's January budget also provided this amount for CALPADS

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but used a variety of funding sources, including \$3.2 million non-98 general fund. The Subcommittee took action to eliminate the norm reference test (NRT) which was funded with federal Title VI funds and used that savings to fund the general fund portion of CALPADS.

- **California School Information Services (CSIS).** Provides \$1.1 million in one-time Title VI funds to CSIS to support workload associated with the development of CALPADS. The funding will be used to support 7.0 positions to provide subject matter expertise relating to the design, development, testing and implementation of the data system.
- **California Longitudinal Teacher Integrated Data Education System (CALTIDES).** Provides \$1.2 million in federal Title II funds for CALTIDES development in 2008-09. Specifically, CDE will hire a vendor for the project and the Commission on Teacher Credentialing (CTC) will disseminate Statewide Educator Identifiers (SEIDs) to all persons requiring a credential and will work with districts to begin to implement these identifiers. CDE will request use of the SEID on the California Basic Educational Data System (CBEDS) Professional Assignment Information Form (PAIF) in October 2008.
- **CSIS Best Practices Cohort (CSIS Lite).** Provides \$7.8 million in federal Title I local assistance funding for local education agencies (LEAs) that chose to work with CSIS to prepare for CALPADS implementation. The May Revise proposed to fund CSIS Lite with \$7.9 million one-time General Fund.
- **Title I set-aside and the School Improvement Grant.** Provides a total of approximately \$145 million in federal funds to assist Title I schools in meeting adequate yearly progress (AYP) and program improvement (PI) requirements under the federal No Child Left Behind (NCLB) act. The goal of the Subcommittee was to group all of these funds together so that a comprehensive Title I package could be developed.
 - **Ongoing Title I set-aside funds.** Provides \$10 million in ongoing funds for the statewide system of school support. Appropriates the remaining \$55.2 million in federal Title I set-aside funds pursuant to legislation per the recommendation of the Legislative Analysts Office (LAO).
 - **School Improvement Grant.** Provides \$78 million (\$16.6 million one-time) from a new federal School Improvement Grant (SIG) pursuant to Legislation. The Governor's budget would have provided these funds pursuant to the federal grant program criteria approved by the State Board of Education.
 - **CDE state operations.** Provides \$378,000 from the federal SIG funds for 4 positions however the Subcommittee approved these positions pursuant to

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legislation as well so that the positions are aligned with the complete Title I package.

- **Title II.** Funds the Administrator Training Program with \$5 million in one-time Title II carryover funds instead of general fund. Funds Teacher Misassignment Monitoring (\$308,000) and 2 positions in the CDE professional development unit (\$200,000) with ongoing Title II funds rather than with general fund.
- **Evaluation of Best Practices Pilot Program.** Augments by \$500,000, the evaluation of a multi-year research project to identify best practices for improving the academic achievement and English language development of English learners (created by AB 2117 (Coto), Chapter 561, Statutes of 2006). Last year the Governor vetoed half of the funds provided for the study, leaving \$500,000 for an evaluation. CDE expressed concerns with the funding amount stating that they would have to limit the scope of the study. Given that the state has invested \$20 million for this project, the Subcommittee appropriated an additional \$500,000 for the study (providing a total of \$1 million) to ensure the state receives a comprehensive study of the pilot.
- **Title I Migrant Education Program evaluation.** Provides \$600,000 in federal carryover funds to augment an evaluation of the program (\$400,000 from 2007-08 are available for this purpose.) This augmentation provides a total of \$1 million for the evaluation.
- **Federal Special Education funds.**
 - Restores the Governor's proposed reduction to the State Special Schools (\$8.9 million) with federal special education funds.
 - Provides \$1.8 million to CDE to develop and implement a standardized evidence-based assessment for eligible pupils with disabilities, allowing pupils with disabilities to demonstrate competence equivalent to the high school exit exam (CAHSEE).
 - Provides \$500,000 to CDE for the purpose of establishing a clearinghouse of evidence-based practices to address the needs of pupils with autism, pursuant to the recommendations of the Superintendent's Autism Advisory Committee.
- **Reading First.** Provides \$48.9 million for this program, a 64 percent decrease from the federal grant amount for 2007-08. To ensure that all cohorts receive a full six years of funding, the Subcommittee approved the LAO recommendation to not provide a seventh year of funding to Cohort 1 and to begin to phase the remaining 3 cohorts out of the program.

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Other state operations proposals

- **General Fund positions.** Approved the Governor's proposal to provide additional general fund positions to CDE totaling \$482,000. These positions are related to implementation of districts of choice legislation [SB 80 (Chapter 174, Statutes of 2007)]; the Math and Reading Professional Development Program, harassment monitoring [AB 394 (Levine), Chapter 566, Statutes of 2007)]; and CTE website development [AB 597 (Committee on Education), Chapter 529, Statutes of 2007)].
- **Federal Fund positions.** Approved the Governor's proposal to provide the following federally funded positions: \$231,000 (one-time) from federal Title II funds for two limited term positions related to the development of the California Longitudinal Teacher Integrated Data System (CALTIDES); \$1.874 million in federal Child Nutrition funds to extend 7.2 limited term positions for an additional year; \$103,000 in federal Title VI funds for 1.0 position to monitor changes to the CAHSEE pursuant to AB 347 (Nava), *Chapter 526, Statutes of 2007*; and \$172,000 for 2 positions to improve CDE's compliance monitoring and technical assistance for the federal Child and Adult Care Food Program.
- **CDE unallocated reduction.** Approved the Governor's January proposal to provide an unallocated reduction of \$5.6 million to CDE's state operations. The Subcommittee also included language requiring CDE to report to the Legislature 30 days after the enactment of the budget act as to how those reductions would be taken. The language also requires CDE to fill the new positions for the purposes provided in the budget act and prohibits the use of these positions as part of the unallocated reduction.
- **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.

Capital Outlay – State Special Schools

Athletic Complex and Football Field. Rejected the Governor's proposal to provide \$17,123,000 to design and construct an athletic complex for the Riverside School for the Deaf and rejected the Governor's proposal to provide \$14,371,000 to renovate the football field at the Fremont School for the Deaf. The Subcommittee stated that they were open to considering these projects in future budget years and were also open to reviewing revised proposals that specifically address the health and safety needs of students at these schools.

Kitchen/Dining Facility. Approved the Governor's proposal to augment by \$4,912,000 the construction phase for the Kitchen and Dining Hall Renovation project at the Riverside School for the Deaf.

Higher Education

California State Library

MAJOR ACTIONS

- ◆ **State Operations – Support.** Rejects the Governor’s budget balancing reduction of 10 percent, and restored funding to current year level.
- ◆ **Public Library Foundation (PLF) and Other Local Assistance Programs.** Rejects the Governor’s budget balancing reductions to all the Library programs and restores funding to current year levels.

California Postsecondary Education Commission

MAJOR ACTIONS

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

University of California (UC)

MAJOR ACTIONS

- ◆ **General Fund Support.** Approves \$3.2 billion in General Fund support.
- ◆ **Student Fees.** Assumes an increase of \$125 million associated with the UC Board of Regents approved 7.4 percent student fee increase for all undergraduate students.
- ◆ **Institutional Financial Aid.** Approves the student fee revenue 33 percent set-aside for financial aid for undergraduate and professional students and 45 percent set-aside for graduate students.

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- ◆ **UC Merced.** Approves \$10 million General Fund in one-time funds for the costs associated with sustaining UC Merced operations for a total funding level of \$20 million (reduced from the \$24 million in 2007-08 due to an agreement to phase down one-time funds as enrollments at Merced increase).
- ◆ **Program in Medical Education for the Latino Community (PRIME-LC).** Approves an increase \$975,000 for the next cohort of 65 students.
- ◆ **Annuitant Health Benefits.** Approves \$11 million increase for annuitant health benefits.
- ◆ **Lease Purchase Payments.** Approves \$970,000 increase for lease purchase payments.

Key Reductions. Includes the following reductions:

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

California State University (CSU)

■ **MAJOR ACTIONS**

- ◆ **General Fund Support.** Approves \$2.9 billion in General Fund support.
- ◆ **Student Fees.** Approves an increase of \$108.8 million associated with the CSU Board of Trustees approved 10 percent student fee increase for all students.
- ◆ **Institutional Financial Aid.** Approves the student fee revenue 33 percent set-aside for financial aid.
- ◆ **Retirement Costs.** Approves \$8.6 million reduction to continue the decrease in retirement costs in the current year.
- ◆ **Lease Purchase Payments.** Approves \$4.9 million reduction in lease purchase payments.

Key Reductions. Includes the following reductions.

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- Approves \$43.2 million in reductions to institutional support.
- Approves \$172.1 million in unallocated base reductions.
- Restores \$200,000 for the Executive, Legislative and Judicial Fellowship program to fund at the current year level.

California Community Colleges (CCC)

MAJOR ACTIONS

BUDGET-YEAR

- ◆ **Enrollment Growth Funding.** Approves a \$113.5 million to fund a two percent enrollment growth to fund an additional 23,000 FTES.
- ◆ **Apportionments.** Approves \$3.2 billion in funding for apportionments.
- ◆ **Basic Skills Program.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, and restores funding to the current year level of \$33.1 million.
- ◆ **Apprenticeship.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, and approves redirection of funds between CCC and K-12, bringing the total funding level to \$14.8 million.
- ◆ **Student Financial Aid Assistance Programs.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, and approves \$717,000 augmentation, bringing the total funding level to \$51.3 million.
- ◆ **Extended Opportunity and Special Services (EOPS).** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$124.3 million.
- ◆ **Disabled Students Programs and Services (DSPS).** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$116.9 million.
- ◆ **Matriculation Services.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, and restores funding to the current year level of \$103.5 million.
- ◆ **Academic Senate.** Rejects the 10 percent reduction proposed by the Governor's

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budget balancing proposal, bringing the total funding level to \$467,000.

- ◆ **Equal Employment Opportunity.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$1.7 million.
- ◆ **Part-Time Faculty Office Hours.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$7.2 million.
- ◆ **Part-Time Faculty Health Insurance.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$1 million.
- ◆ **Part-Time Faculty Compensation.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$50.8 million.
- ◆ **Telecommunications and Technology Services.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$26.2 million.
- ◆ **Fund for Student Success (FSS).** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$6.2 million.
- ◆ **Economic Development.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$46.8 million.
- ◆ **Transfer Education and Articulation.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$1.4 million.
- ◆ **Physical Plant and Instructional Support.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$27.3 million.
- ◆ **Career Technical Education.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$20 million.
- ◆ **Local District Fiscal Oversight.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$570,000.

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- ◆ **Nursing Program Support.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$22.1 million.
- ◆ **Special Services for CalWORKs Recipients.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$43.5 million.
- ◆ **Foster Care Education Program.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$5.2 million.
- ◆ **Childcare Campus Tax Bailout.** Rejects the 10 percent reduction proposed by the Governor's budget balancing proposal, bringing the total funding level to \$6.9 million.
- ◆ **State Operations.** Approves \$200,000 in unallocated reductions to the Chancellor's Office state operations, instead of the Governor's proposed \$1 million reduction.

California Student Aid Commission

■ **MAJOR ACTIONS**

- ◆ **Cal Grant Competitive Program.** Restores the Competitive Program, which had been proposed by the Governor to be phased out.
- ◆ **Assumption Program of Loans for Education (APLE).** Rejects the proposed 800 APLE awards reduction and restores authorization for a total of 8,000 new warrants, 100 new warrants for the State Nursing APLE program and 100 new warrants for the Nurses in State Facilities APLE program.
- ◆ **Cal Grant Public Awareness Campaign.** Continues to fund program at \$1.7 million using Student Loan Operating Fund.
- ◆ **Shift California Student Opportunity and Access Program from General Fund to College Access Challenge Grant Program.** Approves \$7.3 million shift from General Fund to federal grant for the 2008-09 and 2009-10 fiscal years to fund Cal-SOAP at \$5.3 million and Cash for College at \$500,000, and maintain \$1.5 million to offset gap in funding next year to avoid service disruptions.
- ◆ **Fund California Student Opportunity and Access Program and Cash for College Program using Student Loan Operating Fund (SLOF).** Approves \$2.2

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million in SLOF to support the administrative costs of the Cal Grant program and other financial aid awareness programs during the three month difference, since funding cycles between the state fiscal year and the time federal challenge grant funds become available in order to avoid service disruptions.

- ◆ **Delay in EdFund Sale.** Approves the statutory authority permitting the sale of EdFund for a one-year extension versus a two-year extension, and requests that the Director of Finance report to the Joint Legislative Budget Committee on the status of the sale.

- ◆ **Lender as Last Resort.** Approves Governor's proposed trailer bill language as well as staff recommended language that charges CSAC to bring together stakeholders to explore and recommend to the Legislature and the Governor additional steps that the state can take in addressing the credit crisis and its impact on access to postsecondary education and language that makes clear that the Commission's auxiliary must follow the directives of the state's agent, the Commission, and that notification must be given to the Legislature in implementing major actions related to the authority granted to the Commission through the Governor's proposal.

- ◆ **State Operations.** Approves \$789,000 in unallocated reductions to the Chancellor's Office state operations, instead of the Governor's \$1.6 million reduction.

Subcommittee 3 on Natural Resources and Environmental Protection

Assemblymember Ira Ruskin, Chair

Members of the Committee:

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



Natural Resources and Environmental Protection

Resources Agency

MAJOR ACTIONS

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

Conservation Corps

MAJOR ACTIONS

- ◆ **Budget Balancing Reductions.** Rejects \$3 million in General Fund reduction to Corps programs. Total reductions proposed by the Administration were \$3.75 million in General Fund.
- ◆ **Proposition 84** – Provides \$33.3 million (Proposition 84) for the California Conservation Corps and local conservation corps for public safety and watershed restoration projects, as well as grants to local corps for acquisition and development facilities to support local corps programs.

Department of Conservation

MAJOR ACTIONS

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

Sierra Nevada Conservancy

MAJOR ACTIONS

- ◆ **Conservancy Funding.** Approves \$17 million (Proposition 84) to the Conservancy for the protection of rivers, lakes, and streams in the Sierra Nevada region, along with their watersheds and associated land, water, and other natural resources.

Department of Forestry and Fire Protection

MAJOR ACTIONS

- ◆ **Budget Balancing Reductions.** Rejects \$4.3 million in General Fund cuts to the State Fire Marshal, Resource Management, Administration, and Hazardous Materials clean-up.
- ◆ **State Responsibility Area Fee.** Approves a fee placed on property owners of state responsibility area lands that would fund 50 percent of the Department's fire protection budget.
- ◆ **Emergency Protection Surcharge.** Approves new proposal in the Office of Emergency Services that will enact a two tiered surcharge, paid by those who hold insurance on all residential and commercial property statewide, that will be set based on differing risk: 1.40 percent on those structures in areas designated as high-hazard zones in terms of earthquake, fire, or flood, as determined by OES and CAL FIRE risk maps, and 0.75 percent on those structures in low-hazard zones. These zones will be designated by zip code. Funds generated from this proposal will be used to offset an otherwise \$49.1 million reduction in General Fund support for fire protection programs and fund \$28.9 million for 4 member crews on all state fire engines during peak and transition fire seasons.

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- ◆ **Urban Forestry.** Approves \$5.4 million (Proposition 84) for the Department to continue implementation of their Urban Forestry program.

Department of Fish and Game

■ **MAJOR ACTIONS**

- ◆ **Budget Balancing Reductions.** Rejects \$4.6 million (General Fund) in proposed cuts to the Department's Biodiversity, Hunting and Fishing, and Public use programs.
- ◆ **Special Fund Loans to General Fund.** Approves \$13.0 million loan from the Oil Spill Prevention Administration Fund to the General fund with trailer bill language that increases fees that support the fund. Denied \$2.5 million loan from the California Waterfowl Habitat Preservation Account. Department of Finance withdrew proposal to loan \$4.0 million from the hatchery and Inland Fisheries Fund.
- ◆ **Oil Spill Prevention.** Approves \$1.13 million (Oil Spill Response Fund) in new funding for the Oils Spill Prevention Response Program to fund improvements to monitoring systems and to fund local grants for oil response equipment.
- ◆ **Fish and Game Wardens.** Withdraws proposal to eliminate 38 game warden positions and \$2.6 million (General Fund). These positions and funding will be provided by various special funds in the Department
- ◆ **CALFED Ecosystem Restoration.** Approves \$21 million (Proposition 84) for the CALFED Ecosystem Restoration Program.
- ◆ **Salton Sea Restoration.** Provides \$10.8 million (Proposition 84) for continued Salton Sea Restoration activities.
- ◆ **Proposition 84 Anadromous Fish Grants.** Provides proposal to augment \$10.9 million (Proposition 84) for anadromous fish management and habitat restoration programs.
- ◆ **San Joaquin River Restoration.** Provides \$6 million (Proposition 84) for continued restoration of the San Joaquin River. This proposal is in coordination with the Resources Agency and the Department of Water Resources.
- ◆ **Suction Dredge Mining.** Approves \$1 million (General Fund) to conduct an environmental impact review (EIR) of the Suction Dredge Program, consistent with recent rulings by the courts. Additionally, the Subcommittee approved a complete moratorium on suction dredge mining permits until EIR is completed.

Wildlife Conservation Board

■ MAJOR ACTIONS

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

Coastal Conservancy

■ MAJOR ACTIONS

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

Coastal Commission

■ MAJOR ACTIONS

- ◆ **Budget Balancing Reduction.** Rejects \$1.18 million in General Fund cuts to the Commission's ongoing programs.
- ◆ **Proposition 84.** Approves \$84.4 million (Proposition 84) for the Conservancies five ongoing projects.
- ◆ **Administrative Penalties.** Provides authority for the Commission to levy administrative penalties for violations of coastal permits.
- ◆ **LCP Amendments.** Provides authority to the Commission to charge fees to local entities for project driven local coastal plan amendments.
- ◆ **Commission Programs.** Provides \$300,000 (reimbursements) to provide authority to accept funds from non-state entities and provide funding for additional temporary help positions. Additionally, the Subcommittee approved \$1.2 million (General Fund)

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for the Commission, affecting Commission staff review and response for energy, industrial and other projects within the coastal zone.

Department of Parks and Recreation

■ **MAJOR ACTIONS**

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

Department of Water Resources

■ **MAJOR ACTIONS**

- ◆ **FloodSAFE.** Approves \$461 million and 14 new positions as budgeted from Propositions 1E and 84 for a variety of ongoing and new flood protection programs. Additionally, the Subcommittee augmented flood protection spending by \$100 million to fund general levee projects throughout the delta.
- ◆ **Integrated Regional Water Management.** Provides \$142 million (Proposition 84), \$150 million (Proposition 1E) for the 2008-09 IRWM program with statutory principles that reflect those established in AB 1654 (Huffman). Additionally, the Subcommittee required that 10 percent of all IRWM funds be used to benefit disadvantaged communities and \$1 million to fund a drinking water feasibility studies in Tulare County.

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- ◆ **Multi-Benefit Planning.** Provides \$15.7 million (Proposition 84) as budgeted for 2008-09 to fund integrated planning and feasibility studies that will include surface storage studies, climate change evaluations, water plan implementation and Delta Vision development. Additionally, the Subcommittee approved the following supplemental augmentations to this proposal: \$8 million for Climate Change Studies (includes \$2 million transfer to the State Water Resources Control Board for this purpose); \$9.1 million from the integration of flood and water systems; \$8 million for Delta Vision implementation.
- ◆ **All American Canal.** Approves proposal to shift funding for the final year of All American Canal lining from General fund to Proposition 84 funds for a total savings of \$13.5 million (General Fund).
- ◆ **Budget Balancing Reductions.** Approves \$7.1 million (General Fund) reduction from various programs and will have impacts on flood protection, water management, and may increase fees for watermaster services.
- ◆ **Alternative Conveyance.** Approves \$1.4 million (State Water Project Funds) and eight limited term positions to collect, review and update all available information on and begin the environmental impact report and statement for an alternative delta conveyance facility.
- ◆ **Salton Sea.** Provides \$3 million (reimbursement authority) to implement the Salton Sea Restoration and Management Program.
- ◆ **San Joaquin River Restoration.** Approves \$9.6 million (reimbursements) to continue restoration activities on the San Joaquin River.
- ◆ **Prop 1E Levee Evaluations.** Approves \$126.5 million (Proposition 1E) to continue statewide evaluation and repair of system levees.

Air Resources Board

■ **MAJOR ACTIONS**

- ◆ **Air Quality Improvement Program.** Approves \$48.7 million (Air Quality Improvement Fund) to fund financing programs such as grants, loans and loan guarantees in order to assist heavy duty mobile source fleets with early compliance with recent air quality emissions rulings by the Air Board.
- ◆ **Budget Balancing Reductions.** Approves reductions of \$100,000 in 2007-08 and \$243,000 in 2008-09 from the Boards air pollution research contracting budget.

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- ◆ **Air Quality Enforcement.** Approves \$8.5 million (Motor Vehicle Account) and 44.1 positions to implement and enforce efforts to control toxic diesel particulate pollution.
- ◆ **AB 32 (Núñez) Implementation.** Augments \$5.6 million (Air Pollution Control Fund) and 25.8 positions for additional staff and resources to continue implementation of strategies to reduce greenhouse gas emissions in California.
- ◆ **Hydrogen Highway.** Rejects \$6 million (Motor Vehicle Account) on a one time basis for the state's Zero Emission Vehicle program. These funds will be used for further development of the state's Hydrogen Highways plan.
- ◆ **Air Quality Improvement Program.** Provides \$1.6 million (Air Quality Improvement Fund) and 9.6 positions to develop and implement the Air Quality Improvement Program and Enhanced Fleet Modernization program.

The Integrated Waste Board

■ **MAJOR ACTIONS**

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

State Water Resources Control Board

■ **MAJOR ACTIONS**

- ◆ **Budget Balancing Reduction.** Rejects entire proposed General Fund reduction of \$4.1 million for water quality and water rights program.
- ◆ **Water Quality Surcharge.** Provides authority to the Board to levee an annual fee of no more than \$10 per resident to provide \$19 million in funding to support ongoing levels of funding for water quality programs.
- ◆ **Delta Water Quality.** Approves \$4.3 million (General Fund) from various programs in the board including TMDL assessment, non-point source program, NPDES Program, Delta water quality and general Water board's administration costs.
- ◆ **Waste Discharge Permits.** Approves \$1.3 million (\$790,000 Waste Discharge Permit Fund, \$524,000 Water Rights Fund) and 8.5 positions to fund investigators and enforcement personnel for the State Water Resources Control Board.

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- ◆ **Ocean Debris.** Approves \$1 million and 8.5 positions to implement plastic debris reduction programs.

Department of Toxic Substances

■ **MAJOR ACTIONS**

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

Department of Food and Agriculture

■ **MAJOR ACTIONS**

- ◆ **Budget Balancing Reduction.** Rejects \$1.3 million in General Fund cuts to the Department's Animal Health and Food Safety Services programs. Reduces \$9.5 million (General Fund) from the Department's budget, eliminating Diaprepes Root Weevil detection and Eradications, reduce Pierce Disease and Fire Ant controls, reduce livestock health inspections, and reduce funding for county agricultural commissioners' measurement standards programs.
- ◆ **Agricultural Inspection Stations.** Provides \$7.5 million (Motor Vehicle Account/General Fund) and 117.5 positions to operate all statewide border inspection stations full time to inspect all commercial and private vehicles.

Energy Resources Conservation and Development Commission

■ MAJOR ACTIONS

- ◆ **Loans to the General Fund.** Approves \$10.9 million loan from the Renewable Resources Trust Fund to the General Fund
- ◆ **Alternative and Renewable Fuel and Vehicle Technology Program.** Approves \$100.9 million from the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVTF) to begin implementation of the Alternative and Renewable Fuel and Vehicle Technology program to develop and deploy new alternative fuel and vehicle technologies.
- ◆ **Energy Efficiency.** Provides \$4.411 million (ERPA funds) and 17.5 positions to accelerate the development of energy efficiency standards for buildings and appliances.

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 Labor and Workforce Development

MAJOR ACTIONS

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

Department of Insurance

MAJOR ACTIONS

- ◆ **Insurance Fraud Prevention.** Approves \$4 million (Insurance Fund) to provide grants to local district attorneys for workers compensation and healthcare insurance fraud cases.
- ◆ **General Fund Tax Collection Funding Shift.** Rejects the Governor's proposal to shift \$2.122 million in tax collection costs from Special Funds to the General Fund.
- ◆ **Paperless Workflow System.** Approves an augmentation of \$2.787 million (Special Funds) to implement the planning and procurement phase for a centralized electronic document management system. This system will provide electronic forms for customers to use, electronic storage and retrieval of documents, and allow electronic filing of reports and documents.

Secretary of State

MAJOR ACTIONS

- ◆ **10 Percent Reduction.** Approves reducing the Special Projects budget by \$3.5 million through changes to the Voter Information Guides including elimination of color, lighter weight paper, slightly reducing the size, and eliminating duplicate mailings to households for one year.

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- ◆ **Help America Vote Act (HAVA).** Continues funding HAVA activities including elections assistance for individuals with disabilities, voter education, voting equipment certification, and the development of a statewide voter registration database (VoteCal). This year's allocation totals \$42.4 million.
- ◆ **Local Election Costs.** Approves \$48 million, of the expected cost of \$89 million, for reimbursement of Counties for the Presidential Primary election costs. Also approved is budget bill language that specifies the State Controllers' Office's role in auditing the reimbursement requests to ensure accuracy.

State Controller's Office

■ **MAJOR ACTIONS**

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

Department of Fair Employment and Housing

■ **MAJOR ACTIONS**

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

California Science Center

■ **MAJOR ACTIONS**

- ◆ **California African American Museum (CAAM).** Approves \$2.1 million in General Funds 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.
- ◆ **New Los Angeles Coliseum Lease.** Allocates the use of the new \$1 million lease signed for the Los Angeles Coliseum. \$365,000 are authorized for security and facility purposes, \$414,000 for General Fund offset, and the remainder stays in reserve for unanticipated costs that may arise from the new lease.

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Department of Consumer Affairs

■ **MAJOR ACTIONS**

- ◆ **Loans.** Approves \$101.5 million in special fund loans, but rejects a \$15 million proposed by the Governor from the recently created Enhanced Fleet Modernization Sub-account.

Department of General Services

■ **MAJOR ACTIONS**

- ◆ **State Capitol and Grounds Maintenance and Repairs.** Reduces the budget for maintenance by 10 percent (\$794,000).
- ◆ **Architecture Revolving Fund (ARF).** Creates Control Section language to address the \$27 million deficit in this fund. It specifies that approximately 50 percent of the funds shall be charged to those departments that received the services, while the other half may be collected through a surcharge on future projects.
- ◆ **Earthquake Safety Bond Act.** Rejects the Governor's proposal to place a \$300 million GO Bond on the November 8, 2008 ballot. These funds would have been used for state building projects determined to be eligible for retrofitting, reconstruction, repair, replacement, relocation, or other seismic hazard abatement. All projects proposed using these funds were also rejected.
- ◆ **Loans.** Approves a \$60 million loan from the Public School Planning, Design and Construction Review Revolving Fund.
- ◆ **Federal Unallowable Costs.** Reimburses the Federal Government for unallowable expenditures of federal funds on projects in the State Capitol Building over the past 5 years for a total of \$3.25 million.
- ◆ **Infrastructure Studies.** Approves \$230,000 to complete infrastructure studies for older DGS owned buildings. Along with funding, this item includes TBL requiring these studies to include review of energy efficiency and other sustainable building measures.
- ◆ **Green Building Initiative Implementation.** Approves Trailer Bill Language to require the Building Standards Commission to adopt Code in compliance with current practice, report on progress of the Green Building Initiative, and more accurately track and report on the effectiveness of building to LEED standards.

State Teachers' Retirement System

MAJOR ACTIONS

- ◆ **Supplemental Benefits Maintenance Account.** Achieves \$144 million in savings by approving the Governor's May Revise STRS proposal, with adjustments, to reduce the state's annual contribution while increasing the benefit for retired teachers.

Department of Housing and Community Development

MAJOR ACTIONS

- ◆ **Emergency Housing Assistance Program (EHAP).** Rejects the Governor's proposed \$401,000 reduction, which would have resulted in a 10 percent cut in state funding for these facilities.
- ◆ **Updated Housing Elements.** Approves \$226,000 for additional workload in regards to flood hazard assessments required in Chapter 369, Statutes of 2007 (AB 162).
- ◆ **Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) Positions.** Approves funding in line with the schedule set out in 2007-08, including \$200 million for Infill Incentive Grants, \$95 million for Transit Oriented Development, \$95 million for Affordable Housing Innovation, and \$50 million for CalHome.
- ◆ **Housing Urban-Suburban and Rural Parks.** Approves \$30 million allocation in Proposition 1C funds in the budget year, but is contingent upon legislation enacting criteria for the program.
- ◆ **New State Housing Law.** Approves the Governor's request for \$117,000 to incorporate recycled water and other green building features into the Building Standards Code. Also included is Trailer Bill Language specifying factors that should be taken into account when looking at green building standards.
- ◆ **Loans.** Approves \$19.4 million in special fund loans, \$1.8 million more than proposed in the Governor's May Revise. Loans from the Mobilehome Park Revolving Fund and Mobilehome-Manufactured Home Revolving Fund were reduced and eliminated, respectively. The Loan from the Housing Rehabilitation Loan Fund was increased to compensate.

Office of Real Estate Appraisers

MAJOR ACTIONS

- ◆ **Loans.** Approves the proposed \$16.6 million loan.

Department of Real Estate

MAJOR ACTIONS

- ◆ **Loans.** Approves a \$9.7 million special fund loan, \$2.5 less than proposed by the Governor. This loan amount was reduced due to decreases in revenues in recent years.

Employment Development Department

MAJOR ACTIONS

- ◆ **Workforce Investment Act Expenditure Plan.** Approves the increased allocation of funds proposed by the Governor, but with modifications to reflect Assembly priorities, including increased funding for Green Collar Jobs, Veterans, Community Colleges, and \$1.1 million in General Fund savings.
- ◆ **Unemployment Insurance Augmentation.** Approves \$8.5 million (\$5.3 million General Fund) to help backfill the loss of federal funds to support this program. Also included is language authorizing the Department of Finance to allocate more funding should the Federal Government not provide additional funding later this year.
- ◆ **Automated Collection Enhancement System (ACES).** Approves \$2.8 million to continue implementation of this project to increase the effectiveness of EDD tax collection operations, increasing revenue by approximately \$71.4 million by the end of 2012-13 and each year thereafter.

California Workforce Investment Board

MAJOR ACTIONS

- ◆ **Green Collar Jobs.** Approves Trailer Bill Language to include Green Collar Job opportunities in the strategic workforce development plan being prepared by the California Workforce Investment Board.

Agricultural Labor Relations Board

MAJOR ACTIONS

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

Department of Industrial Relations

MAJOR ACTIONS

- ◆ **Targeted Inspection and Consultation Fund (TICF).** Authorizes the Department to revise the TICF fee structure to increase revenue by approximately \$3.9 million annually. This will serve to help pay off a \$13 million loan over the next six years.
- ◆ **OSHA program fund shift.** Establishes a new Occupational Safety and Health Fund to be supported by a new assessment on Workers' Compensation premiums. The initial assessment in 2008-09 will be \$18.9 million. This fund will cover many costs previously covered by the TICF.

Public Employment Relations Board

MAJOR ACTIONS

- ◆ **Oakland Office Closure.** Rejects the Governor's proposal to eliminate the Oakland office of the Board (\$140,000).

Department of Personnel Administration

MAJOR ACTIONS

- ◆ **Rural Healthcare Equity Program.** Eliminates the Rural Healthcare Equity Program for a total savings of \$5.5 million. This program provides reimbursements of certain health care expenses for state employees and annuitants who do not have access to an HMO.

Board of Chiropractic Examiners

MAJOR ACTIONS

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

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

MAJOR ACTIONS

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

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

MAJOR ACTIONS

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

Augmentation for Employee Compensation

MAJOR ACTIONS

- ◆ **Bargaining Unit 6.** Rejects the Governor's "Last, Best and Final Offer" to Bargaining Unit 6 for a collective bargaining agreement, generating savings of \$260 million (General Fund).

Economic and Employment Enforcement Coalition

■ MAJOR ACTIONS

- ◆ **Coalition Funding.** Approves funding under the Secretary of Labor and Workforce Development, Employment Development Department, Department of Industrial Relations and the Contractor's State License Board for a total of \$7 million in funding. The Coalition is designed to combat the "underground economy".

Military Department

■ MAJOR ACTIONS

- ◆ **Recruitment and Retention.** Provides \$1.8 million to provide an educational benefit to members of the National Guard to increase retention of Guard members.
- ◆ **Joint Operations Center.** Provides \$1.2 million to staff the Joint Operations Center in order to provide immediate response during disasters and special security events.
- ◆ **Critical Infrastructure Protection.** Provides \$2.1 million to establish two Critical Infrastructure Protection Teams in order to assess designated critical infrastructure sites and develop recommendations to mitigate vulnerabilities.
- ◆ **Medical Services Branch.** Provides \$228,000 to meet the increased demand for services provided to wounded and deceased soldiers.

Department of Veteran's Affairs

■ MAJOR ACTIONS

- ◆ **GLAVC Veteran Home.** Provides \$9.4 million to support pre-activation activities and begin operations of the Greater Los Angeles/Venture Counties Veterans home.
- ◆ **Capital Assets and Facilities Management.** Provides \$2.5 million to address increased workload in construction planning and implementation, capital outlay, and facilities management.

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- ◆ **Fiscal Operations.** Provides \$815,000 to address deficiencies in fiscal controls and provide oversight of budget development, capital outlay, accounting, and financial and fiscal operations.
- ◆ **Nursing Staff.** Provides \$2 million to implement nurse staffing ratios at the Chula Vista Veterans Home as set forth in emergency draft regulations issued by the California Department of Public Health.
- ◆ **Mental Health Network.** Provides \$496,000 to begin development of a statewide veteran mental health referral network.

Gambling Control Commission

■ **MAJOR ACTIONS**

- ◆ **Gaming Device Inspection.** Provides \$1 million to provide oversight of electronic gaming devices and associated equipment research, testing and inspection.
- ◆ **Tribal Compacts Workload.** Provides \$282,000 for licensing workload driven by five amended Tribal Compacts (Agua Caliente, Morongo, Pechanga, San Manuel, Sycuan) and one new compact (Yurok).

Commission on State Mandates

■ **MAJOR ACTIONS**

- ◆ **Special Session Action to Shift Claims Payment.** Recognizes one-time savings from the deferral of \$75 million of 2008-09 costs to pay local government claims for 2007-08 mandate costs. This action eliminated claims for estimated costs, and instead limits claims to actual costs, which would be claimed for the prior year and paid in the budget for the subsequent year. Consequently, the claims for 2007-08 will be paid in 2009-10.
- ◆ **Repayment of Deferred Mandate Debt.** Deletes \$75 million, as proposed by the May Revision, for the 2008-09 installment of past deferred mandate claims that must be repaid to local governments by 2020-21. The May Revision proposed this as a deferral. The Assembly budget plan, however, will repay all of the \$1 billion outstanding deferred mandate debt to local governments using lottery bond proceeds over two years.

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- ◆ **Claims Less than Budgeted.** Reduces by \$53 million the amount appropriated to pay remaining 2005-06 and 2006-07 mandate claims. The actual amounts of claims timely filed for payment is less than was budgeted.
- ◆ **Jessica's Law.** Adopts Budget Trailer Bill language directing the commission to review and reconsider its previous decision that state law establishing the Sexually Violent Predator Program is a reimbursable mandate in light of the voter's passage of Jessica's Law in 2006.

State Board of Equalization

■ **MAJOR ACTIONS**

- ◆ **Sales Tax Compliance and Outreach.** Approves budget request for \$7.5 million General Fund to add 112 positions to improve compliance and outreach with the Sales and Use Tax. The budget estimates additional General Fund revenues of \$38 million in 2008-09 and \$51 million in 2009-10 resulting from this additional effort to ensure that business that engage in retail sales register with the board and collect and transmit sales tax.
- ◆ **Tax Gap Reduction.** Approves \$13.7 million of a budget request for \$13.9 million (\$9 million General Fund) and 127 of 129 requested positions to enhance compliance with the Sales and Use Tax and reduce the Tax Gap—the difference between taxes legally owed and the amount actually collected by the state. The board estimates additional General Fund revenues of \$27.2 million in 2008-09 and larger amounts annually thereafter from these efforts, which include 51.5 positions to improve compliance with use tax payment by in-state service businesses when they purchase equipment or supplies from out-of-state vendors. Other staff increases will improve and expand audit and collection efforts. This revenue estimate is \$7.2 million General Fund greater than assumed in the May Revision as a result of an estimate revision by the board using more recent data.
- ◆ **Agricultural Inspection Program.** Approves budget request for \$1.4 million (\$800,000 General Fund) to continue 16 positions at the border stations to detect and identify shipments of taxable goods brought into the state without payment of the tax. The board estimates that this continuation will result in \$5.3 million of General Fund revenue in 2008-09—an increase of \$1.7 million over the May Revision due to more recent data.
- ◆ **Cigarette and Tobacco Tax Program.** Approves budget request for \$3 million (\$238,000 General Fund) for 13 new positions and continuation of 20 limited-term positions to enhance enforcement and compliance efforts for cigarette and tobacco taxes. These efforts primarily are funded by and benefit the cigarette and tobacco

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tax funds established by Proposition 10 and Proposition 99. The budget estimates \$30.1 million of total revenue from this expenditure in 2008-09.

- ◆ **Staff Vacancy Savings.** Reduces by \$660,000 General Fund to reflect a more realistic projection of salary savings from normal staff vacancies and hiring timelines. The board, as a revenue producing entity was not subject to a 10-percent reduction.

Franchise Tax Board

■ **MAJOR ACTIONS**

- ◆ **Tax Gap Reduction Efforts.** Approves budget requests for a total of \$17.6 million and 224 positions for a variety of activities intended to improve compliance and collection of the Personal Income Tax and the Corporation Tax. The budget estimates that these efforts will generate \$104 million in additional revenue in 2008-09 and larger amounts thereafter.
- ◆ **Acceleration of LLC Fee Payments.** Includes Trailer Bill language requested in the May Revision to accelerate the due date for payment of LLC fees for a revenue gain of \$360 million in 2008-09 and \$35 million annually thereafter.
- ◆ **Financial Institution Record Match (FIRM).** Includes an FTB proposal for \$7.6 million and Trailer Bill language requiring financial institutions to match their account records against information about delinquent taxpayers in order to enhance collection of delinquent accounts. FTB estimates increased collections of \$30 million in 2008-09 growing to \$100 million by 2011-12. The information also will be used to enhance revenue collections by the Board of Equalization and the Employment Development Department.

Tax Relief Programs

■ **MAJOR ACTIONS**

- ◆ **Senior Citizen Programs.** Achieves the same level of savings proposed by the Governor's 10 percent reduction (\$21.7 million) for Senior Citizens' property tax and renters' assistance and for the property tax deferral program. Modifies the Governor's proposal to reduce the impact on the lowest-income seniors.
- ◆ **Williamson Act.** Approves Governor's proposal to reduce subventions by 10 percent for a savings of \$3.9 million in 2008-09.

Local Government Financing

■ MAJOR ACTIONS

- ◆ **Compliance with Redevelopment Pass-Through Requirement.** Recognizes \$98 million of General Fund K-14 education savings from the adoption of Trailer Bill language, as proposed by the LAO, to improve the compliance of redevelopment agencies with existing law that requires them to pass through to K-14 education entities a portion of their tax increment revenues from post-1993 projects and requires K-14 to report a percentage of the pass-through as property tax revenues for apportionment and Proposition 98 purposes. The estimated \$98 million savings results from the recapture of pass-through payments that redevelopment agencies should have made but didn't, improvements in the efficiency and accountability of the pass-through mechanism, and a five-year catch-up for K-14 entities to report the appropriate shares of pass through that they received in the past but did not report as property tax revenue (\$20 million in 2008-09).
- ◆ **Trailer Vehicle License Fee.** Rejects Governor's 10-percent reduction of \$1.2 million to the General Fund subvention that replaces VLF revenue dedicated to fund Realignment that was lost when the state revised the registration system for commercial trailers. Because Realignment funds health and social services costs shifted to the counties, a reduction in these funds could expose the state to mandate claims.

Public Safety

Office of Emergency Services & Office of Homeland Security

MAJOR ACTIONS

- ◆ **Emergency Response Initiative.** Establishes the Emergency Response Initiative to enhance the emergency response capabilities of the California Department of Forestry and Fire Protection, the Office of Emergency Services (OES) and the Military Department. The Emergency Response Initiative establishes a surcharge on insurance holders for all residential and commercial property statewide. This surcharge will be set at two levels based on differing risk and is expected to generate approximately \$69.3 million in the 2008-09 fiscal year.
- ◆ **Regional Operational Readiness.** Provides \$3.3 million to increase support at OES regional offices in order to enhance California's efforts to provide a strong and effective emergency management system capable of responding to natural or manmade disasters.
- ◆ **Domestic Violence.** Provides \$500,000 to increase domestic violence counseling and education to underrepresented communities.
- ◆ **Local Law Enforcement.** Provides \$1 million to administer a local assistance grant program focused on the investigation and prosecution of crimes committed against children on the internet. This ongoing funding would support existing Internet Crimes Against Children Task Forces in San Diego, Los Angeles, San Jose, and Sacramento.
- ◆ **Gang Prevention.** Provides \$1.3 million to carry out the provisions of Assembly Bill 1381 (Chapter 459, Statutes of 2007), which established the Office of Gang and Youth Violence Policy.
- ◆ **Methamphetamine Enforcement Teams.** Rejects \$20 million to continue expiring limited-term funding for California Multi-Jurisdictional Methamphetamine Enforcement Teams (Cal-MMET) on a permanent basis, which leaves \$9.6 million to support this program. Cal-MMET supports efforts to disrupt and dismantle methamphetamine manufacturing and trafficking activities.

Department of Justice

MAJOR ACTIONS

- ◆ **Gang Suppression.** Provides \$5.3 million to permanently establish four Gang Suppression Teams to assist local law enforcement in efforts targeting the leadership and organizational structure of criminal street gangs.
- ◆ **Gambling Regulation.** Provides \$1.7 million to address increased compliance and enforcement efforts in card rooms throughout the state.

Department of Corrections and Rehabilitation

MAJOR ACTIONS

- ◆ **Population Adjustment.** Reduces funding by \$20.1 million to account for projected changes in the California Department of Corrections and Rehabilitation's (CDCR) adult and juvenile populations. The spring population projections estimate an average-daily adult institution population of 170,641 and an average-daily parole population of 122,872. The average-daily population projection of juvenile institutions is 1,847 and the average-daily juvenile parole population projection is 1,971.
- ◆ **Summary Parole.** Reduces funding by \$173.6 million to account for savings associated with placing non-serious, non-violent, non-sex offenders with no prior serious, violent or strikeable offense on summary parole after serving their prison term.
- ◆ **Wobblers to Misdemeanors.** Reduces funding by \$75 million to account for savings associated with changing the punishment for certain crimes from wobblers (punishable as a misdemeanor or felony) to misdemeanors.
- ◆ **AB 900 Program Implementation.** Provides \$35.4 million (\$31 million from AB 900 funding) for implementation and enhancement of various rehabilitation tools and programs.
- ◆ **Parolee Drug Treatment.** Provides \$1.3 million to enhance the In Custody Treatment Bed Program, which provides community-based treatment beds for parolees that violate their parole conditions due to drug or alcohol dependency.
- ◆ **Juvenile Probation and Camps Program.** Provides \$181.3 million from the General Fund to support the Juvenile Probation and Camps Program. This action

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rejects the Administration's May Revision proposal to direct approximately \$151 million in Temporary Assistance for Needy Families funds to support Juvenile Probation Programs.

- ◆ **Juvenile Parolee Due Process.** Provides \$3 million to address juvenile parolee due process deficiencies as identified by the *L.H.* lawsuit. The Division of Juvenile Justice will adopt procedural due process remedies similar to those mandated by the Division of Adult Parole Operations as outlined in the *Valdivia* Permanent Injunction.
- ◆ **Mentally Ill Offender Crime Reduction Grant.** Reduces funding by \$36.1 million for the Mentally Ill Offender Crime Reduction Grant Program (MIOCR), which leaves \$5 million for the program. MIOCR provides funding to local jurisdictions in order to more effectively respond to and provide services for mentally ill offenders.
- ◆ **Lifer Parole Suitability Hearings.** Provides \$7.9 million to ensure more efficient and timely parole suitability hearings for inmates sentenced to life terms as required by the *Rutherford/Lugo* lawsuit.
- ◆ **Americans with Disabilities Act.** Provides \$14.1 million to bring CDCR practices and institutions into compliance with the Americans with Disabilities Act through specific actions as required by the *Armstrong* court.
- ◆ **Healthcare Lawsuit Compliance.** Provides \$298.7 million to support the department's compliance with federal courts regarding inmate dental care and medical services. The majority of this funding is driven by inmate medical services at the request of the Federal Receiver appointed by the *Plata* court.
- ◆ **Administrative Segregation Unit.** Provides \$1.6 million to allow eight institutions to meet the minimum ten hours per week exercise time for inmates housed in Administrative Segregation Units as required by the *Coleman* court.
- ◆ **Prisoner Reentry Initiative.** Provides \$1.4 million to provide assessment and planning support for non-violent offenders reintegrating into society.
- ◆ **Small Management Yards.** Provides \$25.4 million to construct 476 small management yards for Administrative Segregation inmates at 26 institutions as required by the *Coleman* court.
- ◆ **Condemned Inmate Complex.** Rejects \$136 million for additional funding to construct a new Condemned Inmate Complex at California State Prison, San Quentin.

Judicial Branch

MAJOR ACTIONS

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

Office of the Inspector General

MAJOR ACTIONS

- ◆ **Audits and Investigations.** Provides \$2.4 million to address workload shortfalls in the Bureau of Audits and Investigations in order to ensure statutory compliance.
- ◆ **Use of Force.** Provides \$890,000 to ensure regular attendance at use-of-force committee meetings, no less than monthly at each CDCR institution, as required by the *Madrid* lawsuit.
- ◆ **Health Care Monitoring.** Provides \$878,000 to implement a pilot project to monitor the CDCR's investigatory and disciplinary processes for health care staff. This project was requested by the Federal Receiver appointed by the *Plata* court.

Local Public Safety Programs

■ MAJOR ACTIONS

- ◆ **COPS/JJCPA.** Provides a total of \$214 million (\$107 million for each program) for the Citizen's Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) programs. The COPS program distributes funds to locals, on a population basis, to augment local funding for district attorneys, county jail construction and operation, and front-line law enforcement. The JJCPA program provides funding to locals for services that target at-risk juveniles, juvenile offenders, and their families.
- ◆ **Small and Rural Sheriffs/Local Detention Facility Subvention.** Reduces funding by a total of \$49 million, comprised of a \$17 million reduction to Small/Rural Sheriffs Grants and a \$32 million reduction to Local Detention Facility Subventions. A nominal amount of funding was left in each of these programs to ensure that the programs were not eliminated.

Subcommittee 5 on Transportation and Information Technology

Assemblymember Mike Feuer, Chair

Members of the Committee:

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

Transportation & Information Technology

Department of Transportation (Caltrans)

MAJOR ACTIONS

- ◆ **Proposition 42.** Provides full funding for Proposition 42 of \$1.4 billion for the STIP, local streets and roads, and the Public Transportation Account (PTA).
- ◆ **General Fund Relief.** Provides \$965 million of General Fund relief from transit funds, including about \$588 million in accordance with last year's budget agreement and about \$377 million in additional relief. In addition, the budget approves about \$140 million in transportation account loans to the General Fund, all of which will be paid back by 2010-11.
- ◆ **Trade Corridor Improvement Fund.** Approves funding for the Trade Corridor Improvement Fund (TCIF) at the January 10 proposed level, with the intention of sending the issue to Conference Committee. The concerns surrounding the proposal are whether the TCIF funds are adequately distributed among the state's trade corridors in regards to the level of goods movement and the air quality impacts of goods movements.
- ◆ **Capital Outlay Support.** Funds Capital Outlay Support at a 90-10 percent between state staff and contract staff, saving an additional \$10 million from the Governor's May Revision, which funded Capital Outlay Support at an 89-11 percent.
- ◆ **State Highway Operation and Protection Program (SHOPP).** Rejects the Governor's proposal to cut the SHOPP program by \$100 million.

Special Transportation Programs

■ MAJOR ACTIONS

- ◆ **State Transit Assistance.** Restores \$317 million of the Governor's proposed cut to STA, for total funding of \$624 million, equal to the funding provided in 2006-07, which was the highest level ever provided for STA.
- ◆ **Proposition 1B.** Approves the Governor's proposal for \$350 million of Proposition 1B funds for local transit capital projects.

High Speed Rail Authority

■ MAJOR ACTIONS

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

California Highway Patrol

■ MAJOR ACTIONS

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

Department of Motor Vehicles

■ MAJOR ACTIONS

- ◆ **Fund Alignment.** Reduces Vehicle License Fee (VLF) revenue support for the DMV by \$120 million and increases MVA support by \$120 million to better reflect the workload of the DMV. The feed up VLF revenues increase Realignment to offset other General Fund costs.

Information Technology

■ MAJOR ACTIONS

- ◆ **Information Technology Contracts.** Directs the Director of Finance to convert unnecessary and wasteful Information Technology contracts to state staff to save \$100 million in General Funds.
- ◆ **FI\$CAL.** Approves the LAO's alternative for FI\$CAL, which will upgrade the state's financial systems while preserving critical legislative oversight.