



COMMITTEE ON BUDGET & FISCAL REVIEW
Room 5019, State Capitol
Sacramento, CA 95814

SENATOR DENISE MORENO DUCHENY, CHAIR

**BUDGET CONFERENCE
COMMITTEE HIGHLIGHTS**

August 6, 2010

Staff of the Senate Budget and Fiscal Review Committee prepared the attached overview of the actions taken in the Budget Conference Committee. (More detailed program information follows these Highlights – please see the Table of Contents on page 5.)

CONFERENCE VERSION OF THE 2010-11 BUDGET

Conference Committee Budget offers Credible Path to Closing Budget Gap

In the 2010 May Revision, the Governor identified a budget shortfall of \$17.9 billion. He offered a total of \$19.1 billion in budget “solutions” to close the shortfall and generate a reserve of \$1.2 billion.

The Conference Committee budget includes approximately \$18.5 billion in General Fund “solutions” to close the gap, and provides a final reserve of \$535 million.

The Conference Committee budget provides a credible path to closing the significant budget gap facing California. The Committee has taken steps to make significant expenditure reductions, realign some public safety responsibilities from the state to the counties, delay corporate tax cuts, and implement a tax reform proposal that results in additional ongoing revenues. Together these actions should help to stabilize the state’s fiscal future.

General Budget Framework

The Conference Committee has taken actions to address the budget deficit through a balanced approach that includes a combination of significant expenditure reductions, suspending the corporate tax cuts, implementing an oil severance tax, and reforming existing taxes in a way that increases federal deductibility and results in more taxpayer dollars remaining in California. The Conference version of the budget proposes to reduce the deficit with solutions that fall into the following categories—dollars based on preliminary scoring:

- Expenditure Reductions: \$8.3 billion
- Federal Funds: \$4.1 billion
- Revenues (corporate tax delays,
Oil severance tax, and tax reform): \$4.5 billion
- Revenue Adjustments
(Proposition 98 savings, LAO
revenues, public safety restructuring): -\$2.3 billion
- Alternative Funding: \$1.0 billion
- Fund Shifts and Other: \$2.7 billion
- Total Solutions: \$18.5 billion

As noted above, the Conference Committee’s budget identifies \$18.5 billion in solutions to close the budget gap. This will result in a reserve of approximately \$535 million.

Major Actions

Revenues. The Conference version of the budget includes approximately \$4.5 billion in additional revenues from the following sources:

- **Tax Reform:** The budget adopts a major tax reform proposal that raises taxes that are deductible from federal personal income taxes (State Personal Income Tax and Vehicle License Fee) and reduces the state sales tax that is not deductible on federal personal income tax forms. Under this tax proposal, all income groups would, after deductibility, experience a net tax reduction. The tax reform will generate \$1.8 billion in additional General Fund revenue in 2010-11, growing to about \$3.3 billion in future years. A portion of the revenues raised by the Vehicle License Fee is proposed to be dedicated to public safety activities realigned from the state to the counties.
- **Delays New Corporate Tax Breaks.** The budget delays for two years the start of new business tax breaks scheduled to take effect in 2010-11. Delaying these new tax breaks will preserve about \$2.2 billion in General Fund revenues for 2010-11 that would otherwise be lost.
- **Closes Oil Severance Tax Loophole.** The budget closes the Oil Severance loophole that will generate \$600 million in the budget year, and \$1.2 billion ongoing. This proposal also includes a reduction in the state sales tax of 0.25 percent and the “single flip”, which increases the local sales tax by 0.25 percent resulting in a shift of property taxes from local governments to the schools.

K-14 Education. The Conference version of the budget includes approximately \$52 billion for Proposition 98 that funds K-14 education. This is approximately \$3 billion higher than the Governor’s proposal. In addition, the Conference version also authorizes the creation of a joint powers authority (JPA) that would enable school districts to borrow against at least \$1.6 billion in mandate payments the state owes school districts.

- **Restores Major Reductions by Governor.** The Conference version of the budget restores \$1.5 billion for revenue limits (the most flexible funding for schools). The conference version also restores \$1.4 billion for child care (including \$286 million in one-time funds). The Governor had proposed eliminating child care funding. The Conference version also proposes to restore \$300 million for Class Size Reduction and \$230 million that the Governor cut by applying a negative cost of living adjustment.
- **Preserves Integrity of Proposition 98.** The Conference version of the budget rejects the Governor’s legally-suspect proposals to manipulate the Proposition 98 guarantee and rather proposes a direct suspension of the guarantee for one year. As the LAO has noted, suspension of the Proposition 98 guarantee eliminates any legal or Constitutional ambiguity over the \$11.2 billion maintenance factor created as part of last year’s budget agreement. Thus, the suspension keeps last year’s budget promises and enables funding for schools to grow as the economy rebounds.
- **Provides One-Time Mandate Relief.** The Conference version of the budget provides an additional \$1.6 billion and up to \$4 billion in one-time funds to schools to pay off past mandate claims and court-ordered settlements. The budget would establish a JPA to enable school districts to borrow funds that would be securitized by mandate payments from the state. The exact amount that would be generated would

depend on the outcomes of court-ordered settlements in several lawsuits filed by school districts with mandate claims.

Health and Human Services. The budget makes a number of reductions in health and human services programs, but rejects the Governor's proposals to eliminate CalWORKs, community mental health programs, Adult Day Health care, and the significant reductions proposed to the In Home Supportive Services program.

The Conference version of the budget also restores or partially restores several programs that were vetoed by the Governor in 2009-10. The most significant being the restoration of funding for child welfare services and the Office of AIDS.

The Conference version of the budget does not include a proposal to realign a portion of CalWORKs or child care as proposed by the Senate Democrats.

Public Safety. The conference version of the budget does include the realignment of approximately \$467 million in state expenditures on public safety to counties. This proposal is modified from the Senate Democrats original realignment proposal. Under the new proposal counties would be eligible for a block grant if they chose to house and supervise offenders convicted of "wobbler" crimes locally. Counties would have the option of rejecting the block grant if they wished to continue to send offenders convicted of "wobbler" crimes to the state. Over time this restructuring proposal is expected to produce savings to the state of over \$1 billion.

Local Government. The Conference budget adds trailer bill language to establish a statewide Joint Powers Authority (JPA) to enable local governments to accelerate about \$931 million in non-education mandate payments, via securitization of the state multi-year payment stream. This is modeled on the successful JPA used by local governments last year to accelerate the \$2 billion in Proposition 1A of 2004 suspension payments. The Conference budget also rejects several proposals by the Governor to significantly reduce county administration of health and human services programs.

State Employees. The Conference budget reduces spending for state employees by about \$1.5 billion consistent with collective bargaining agreements that have already been reached or are in negotiation. This is \$500 million less than what the Governor has proposed.

Federal Funds. The Conference version of the budget assumes federal funds consistent with the Governor's May Revision proposal. However, the Conference version is slightly higher because the conference version preserves the federal match for health and human services programs that the Governor had proposed eliminating.

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EMPLOYEE COMPENSATION

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved funding of \$1.36 billion GF for health and dental benefits provided to annuitants. This total reflects \$49 million in savings from the federal temporary early retiree reinsurance program, which was a component of federal health care reform and is intended to assist employer-based health plans in providing partial reimbursement for specified high cost coverage for retirees and their families until state health exchanges and federal subsidies for health coverage are implemented. The \$49 million figure represents five months of savings (the program runs on a calendar year, as opposed to a fiscal year); the calendar year 2011 savings from this program are estimated to total \$84 million.

See also Item 1900 Public Employees Retirement System (PERS), in the General Government Section of this document, approved budget provisional language to ensure that PERS can administer budgeted federal temporary early retiree reinsurance program funds.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved \$27.484 million GF to augment departmental budgets for increased salary and benefits costs (excluding pension contributions) under current law and salary schedules. For other funds, approved a total of \$57.581 million for increased salary and benefits costs. Under current law and the various expired labor agreements, virtually no state employees are expected to receive salary increases in 2010-11. The costs in this budget item, therefore, consist mainly of increased state contributions to health, dental, and vision benefits under some prior state employee contracts, the provisions of which generally continue in effect until a new labor agreement is approved. Additionally, the figures reflect the June 2010 action by the CalPERS Board to increase 2011 state employee health premiums by an average of 9.1 percent (note, this increase was partially offset by the federal temporary early retiree reinsurance program savings discussed more fully in Item 9650 Support for Health and Dental Benefits for Annuitants).

See also Item 1900 Public Employees Retirement System (PERS), in the General Government Section of this document, approved budget provisional language to ensure that PERS can administer budgeted federal temporary early retiree reinsurance program funds.

CS 3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- In light of the Public Employees Retirement System (PERS) Board adoption of new rates in June 2010, and prior action to adopt a new rate for Judges' Retirement System II, adopted revised rates for the seven retirement classes in this Control

Section. Although the PERS Board recognized total state retirement contributions of \$2.1 billion GF (\$3.8 billion all funds), the routine deferral of fourth-quarter payments to the subsequent fiscal year will result in a somewhat lower amount of costs reflected in the 2010-11 budget package itself. Note, subsequent legislative action to approve proposed bargaining unit MOUs may lower state pension contributions below this level (*please see next bullet*).

- Adopted a new subsection (d) to provide flexibility to the executive branch in administering pension provisions of future MOUs adopted consistent with the Ralph C. Dills Act by rank-and-file bargaining units and the Legislature and that contain an increase in state employee retirement contributions.
- Rejected subsection (d) of this control section, as introduced in January 2010, which would have made adjustments to the state employer contribution rate should the Legislature adopt an additional five percent increase in the employee's retirement contribution rate. *See also Control Section 3.90 Reduction for Employee Compensation, for further information about the Governor's January Employee Compensation package which included increasing state employee retirement contribution rates by five percent.*

CS 3.90 REDUCTION FOR EMPLOYEE COMPENSATION

- Reduced each item of GF appropriation in the 2010-11 budget, except those items of the California State University, the University of California, the California Community Colleges, Hastings College of Law, the Bureau of State Audits, the Legislature (including the Legislative Counsel Bureau), the judicial branch, the State Board of Equalization, the state constitutional offices, and the direct revenue collection functions of the Franchise Tax Board by \$579 million attributable to the Governor's Executive Order S-01-10 requiring state departments to cap the size (reduction of 8,915.7 PYs) and cost of the workforce by July 1, 2010. Of the \$579 million, \$449.6 million is attributable to personnel savings resulting from departmental plans to achieve five percent personnel savings and \$130 million is attributable to corresponding Operating Expenses and Equipment savings. Authorized the Director of Finance to allocate the reductions to each item of appropriation as necessary.
- Required that the first priority to reduce personnel costs under the Executive Order be to administration, including but not limited to agency, headquarters, and central offices, and that every effort be made to avoid negative impacts on the delivery of direct services.
- Adopted \$98 million GF in workload savings related to payment of Other Post Employment Benefits.
- Rejected the Governor's January Budget proposals, including proposed trailer bill language, to reduce state employee compensation by five percent and increase state

employee retirement contributions by five percent, as well as the proposed health care savings trailer bill language, instead directing the Administration to collectively bargain these proposals. *See also Control Section 3.91, Savings from Collective Bargaining.*

- Rejected the Governor's May Revision proposal to enact a new Personal Leave Program, consisting of a mandatory eight hours per month leave for all civil service employees, thereby reducing employee pay by 4.62 percent, instead directing the Administration to collectively bargain these proposals. *See also Control Section 3.91, Savings from Collective Bargaining.*

CS 3.91 SAVINGS FROM COLLECTIVE BARGAINING

- Reduced each item of appropriation in the 2010-11 budget, except those items for the California State University, the University of California, Hastings College of Law, the Bureau of State Audits, the Legislature, and the judicial branch, by \$1.557 billion (\$896 million GF) to reflect a reduction in employee compensation achieved through the collective bargaining process or through existing administration authority for represented employees and a proportionate reduction for nonrepresented employees (consistent with existing administration authority on nonrepresented employees).

CS 8.26 FEDERAL FUNDS TRIGGER

- Rejected Control Section 8.26 which would have triggered an additional five percent reduction in state employee compensation if the federal government failed to provide \$6.9 billion in funding or flexibility measures after January 1, 2010, and on or before July 15, 2010.

GENERAL GOVERNMENT

0502 OFFICE OF THE CHIEF INFORMATION OFFICER

- Approved requests to implement the final phase of the consolidation of information technology related activities and personnel under the OCIO pursuant to the 2009 Governor's Reorganization Plan No. 1 (GRP 1). The final phase represents an increase of 394 positions for the OCIO to reflect the transfer of employees in the Public Safety Communications Division from the Department of General Services.
- Approved statewide information technology savings of \$40 million attributable to the continued implementation of GRP 1.

0509 GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

- Rejected \$2.1 million (reimbursements) to provide half-year support for the Governor's Office of Economic Development. This action also rejected the addition of a budget bill item for this office and instead deferred to the policy process where several relevant bills are pending to establish this office in statute.

0510 SECRETARY FOR STATE AND CONSUMER SERVICES

- Approved as budgeted.

VARIOUS AMERICAN RECOVERY AND REINVESTMENT ACT OVERSIGHT ENTITIES

- Approved \$7.2 million (Central Services Cost Recovery Fund) to support oversight of the expenditure of federal American Recovery and Reinvestment Act (ARRA) funds by the Governor-created California Recovery Task Force and ARRA Inspector General; the State Controller's Office; and the Bureau of State Audits. This action will keep ARRA oversight expenditures in line with the policy established by the Joint Legislative Budget Committee to spend no more than \$7 million per year to allow all, or nearly all, of the oversight costs to be supported by federal funds. Included in this action was entity-specific provisional budget language restricting the expenditure of these funds for defined ARRA-related oversight activities. The \$7.2 million breaks down as follows:
 - \$3.9 million for the California Recovery Task Force, which reflects a reduction of \$100,000;
 - \$800,000 for the ARRA Inspector General, which is the same amount as what was provided in 2009-10 and includes rejection of any budgetary or statutory proposal to permanently establish the office or any positions therein;
 - Full funding of \$1.2 million to the Bureau of State Audits (the Governor's January budget contained only six months funding for the Bureau's ARRA oversight activities); and,
 - \$1.3 million to the State Controller's Office.
- Established an ARRA Oversight Reserve of approximately \$300,000 (federal funds) for other ARRA oversight and reporting activities in 2010-11 and beyond, to the extent permitted by the federal government.

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, & HOUSING

- Approved funding of \$901,000 (federal reimbursements) to fund the existing non-profit regional Financial Development Corporations to implement the \$35 million loan program for energy efficiency and green technologies that is part of the federal American Recovery and Reinvestment Act.

0596 CALIFORNIA AGENCY ON SERVICE AND VOLUNTEERING

- Rejected establishing the California Agency on Service and Volunteering in statute, which was proposed as the new "home" for the CaliforniaVolunteers program. The Administration presented that a new home was necessary because the CV program is currently housed in the Office of Planning and Research which the Governor proposed to eliminate. *See also item 0650 Governor's Office of Planning and Research and rejection of Governor's proposal to eliminate that office.*

0650 OFFICE OF PLANNING AND RESEARCH

- Rejected eliminating the Office of Planning and Research (OPR), including related trailer bill language. However, in retaining OPR, the action eliminated a total of 30.9 positions from OPR for savings of \$544,000 GF. This action reduces the overall number of positions in OPR but maintains the positions and resources necessary for the following core functions: (1) CEQA Clearinghouse; (2) Environmental Planning and Coordination; (3) CaliforniaVolunteers Program; and (4) Small Business Advocate.

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

- Approved \$20.4 million (\$19.1 million GF and \$1.3 million federal funds) to backfill domestic violence shelter funding eliminated by a Governor’s veto in the current year budget.
- Approved budget bill language allocating \$30 million in federal Byrne Justice Assistance Grants funds, authorizing an even distribution between prevention and intervention programs – particularly offender substance abuse treatment – and law enforcement programs.

0840 STATE CONTROLLER

- Approved \$30.7 million GF and \$35.4 million (other funds) to continue implementation of the 21st Century Project, which would replace the existing statewide employment history, payroll, leave balance accounting, and position control legacy systems. The 21st Century Project began in May 2004 and is currently projected to end in June 2014; the current estimated total cost of the project is \$282.8 million.

0845 DEPARTMENT OF INSURANCE

- Restored the Governor’s 2009 veto of local assistance funds for local District Attorneys to combat automobile fraud. These are revenues collected by the Department of Insurance, consisting of a \$1.50 charge on each automobile insurance policy sold in California, and are required by statute to be spent by local District Attorneys’ to fight automobile insurance fraud. The restorations included \$4.373 million for the General Auto Fraud Program and \$2.187 million for the Urban Grant Program.

0860 STATE BOARD OF EQUALIZATION

- Approved various “tax-gap” proposals that will result in a net revenue gain of \$132 million to the General Fund. Included in these proposals are the following:
 - Agricultural Inspection Station Tax Leads. Approved an augmentation of \$6.7 million (\$4.4 million GF) to help close the tax gap by identifying

property entering California through its agricultural inspection stations that owes sales and use tax. This proposal is expected to result in \$23 million in additional GF revenues in the budget year.

- Use Tax Collection – Voluntary Disclosure Program. Approved TBL to extend the line item on the income tax form for taxpayers to self report use tax that was not paid on items purchased from out-of-state retailers. This proposal will result in the maintenance of \$9.2 million in GF revenues in the budget year, since the statute that established the line item sunset with the 2009 tax year.
- Sales Tax Collection – Out-of-State Internet Retailers. Approved TBL to establish nexus for out-of-state Internet retailers through the contracts they maintain with in-state companies. This proposal will result in approximately \$100 million in additional GF revenues in the budget year.
- Approved TBL to authorize BOE to implement a new cost recovery fee and to use involuntary collection methods such as liens and wage garnishments to obtain payment. This proposal will generate approximately \$4 million in the budget year.

0890 SECRETARY OF STATE

- Approved a one-time increase of \$68.2 million local assistance to reimburse counties for costs incurred for the May 19, 2009, Statewide Special Election.
- Approved \$10 million loan from the Victims of Fraud Compensation Fund to the General Fund for GF relief.
- Approved \$4.2 million (federal funds) to continue implementation of state mandates related to the Help America Vote Act (HAVA), including assistance for individuals with disabilities, voting systems testing/certification, voter education, performance measures, and administration. Additionally, and consistent with the HAVA plan, approved \$23 million (federal funds) to continue implementation of VoteCal, which is the HAVA-required centralized, interactive computerized voter registration database.
- See Item 0911, Citizens Redistricting Initiative, regarding supplemental report language impacting the Secretary of State.
- Approved increased expenditure authority of \$500,000 (Business Fees Fund) in 2010-11 and \$500,000 in 2011-12 (same fund) as part of a limited-term two-year plan to reduce the current backlog of Business Entity Filings and Statements of Information applications in the Business Programs Division. The Secretary of State estimates that \$3.7 million in undeposited checks are currently attached to unprocessed filings. Of the \$500,000, \$250,000 is to develop short-term information technology improvements to increase the functionality of the current electronic filing system and \$250,000 is for staffing costs (mix of overtime and for students and retired annuitant

hires). This two-year plan is intended to dovetail into a future information technology project which will serve as the long-term solution to automate the Business Programs Division. This long-term solution will be presented to the Legislature in a future budget cycle.

0911 CITIZENS REDISTRICTING INITIATIVE

- Rejected a \$3 million GF augmentation for the Citizens Redistricting Initiative due to the fact that \$2.5 million GF of the 2009-10 allocation remains unspent. Additionally, approved budget provisional language to provide an expedited request process should the Citizens Redistricting Commission demonstrate it requires funding greater than \$2.5 million for its costs from January 1, 2011, to June 30, 2011.
- Additionally, approved supplemental report language requiring the Secretary of State to submit a report by September 15, 2010, detailing its plan to provide transitional support to the Commission per the requirements of Proposition 11.

0950 STATE TREASURER'S OFFICE

- Approved a six new positions (funded through a special fund loan) to implement SB 71 (Chapter 10, Statutes of 2010), which expands the scope of eligible alternative energy projects that may apply for and receive financial assistance from California Alternative Energy and Advanced Transportation Financing Authority.
- Approved loan deferrals and new loans from various special funds to provide GF relief of \$54 million in 2010-11.

1100 CALIFORNIA SCIENCE CENTER

- Rejected the Governor's proposal for a \$12 million General Fund reduction to the Science Center and trailer bill language to begin admissions fee collections.
- Approved a \$1 million unallocated reduction.
- Approved budget bill language:
- Encouraging the Science Center to raise revenue from sources other than admissions fees; and
- Ordering a report on the Science Centers short- and long-term strategies for finance and governance.

1110 / 1111 DEPARTMENT OF CONSUMER AFFAIRS

- Approved the Consumer Protection Enforcement Initiative (CPEI) proposal by providing the Governor's requested 138 PY. Approved modified budget bill language allowing the Department of Finance to augment the amount of money the healing arts boards' can spend to contract with the Attorney General.
- Approved modified trailer bill language for CPEI to allow the Director of the Department of Consumer Affairs to place sworn investigative officers at the various

healing arts boards, and allows the Medical Board and the Dental Board to hire non-sworn officers to provide investigative services.

- Approved the BreZE licensing project which would allow all the healing arts boards to have a single licensing database, and would allow consumers to pay for licenses and update information on-line. Approved trailer bill language requiring notification to the JLBC of the final contract cost before the payments to the vendor can commence. Also, approved trailer bill language requiring an examination of the need for licensing staff once the BreZE system is complete (current system is paper-based and very staff-intensive).
- Approved 60 PY and \$8 million from special funds for the Bureau for Private Postsecondary Education (BPPE). Also approved trailer bill language to add criteria to an audit of BPPE already required by statute.
- Approved five additional positions and \$791,000 from special funds for the Board of Behavioral Sciences to license professional clinical counselors.
- Approved a \$10 million loan from the Accountancy Fund to the General Fund.

1730 FRANCHISE TAX BOARD

- Approved various “tax-gap” proposals that will result in a net revenue gain of \$15 million GF in the current year and \$45 million GF in the budget year. Included in these proposals are the following:
 - Financial Institution Records Match (FIRM). Approved TBL to authorize FTB to implement a new information technology project that would require financial institutions doing business in California to match FTB information on delinquent tax and non-tax debtors against their customer records. This proposal is estimated to generate approximately \$32 million GF in the budget year.
 - Abusive Tax Shelters. Approved TBL to provide single, consistent definitions for abusive tax shelters. This proposal is expected to cost \$5.7 million in the budget year, but will generate additional GF revenues in the out-years.
 - Professional License Suspension. Approved TBL to allow for the suspension of professional licenses of persons owing taxes to the State. Licenses would be suspended only after all due processes are exhausted and the taxpayer still does not agree to a payment plan for taxes owed to the State. This proposal is estimated to generate \$19 million in the budget year.

1760 DEPARTMENT OF GENERAL SERVICES

- Rejected the transfer from Department of General Services’ (DGS) budget to the Legislature’s budget permanent responsibility for Capitol building repairs and maintenance. Sustained the \$5.4 million GF reduction to the DGS budget due to the fact that there is \$9.3 million remaining from prior year appropriations for Capitol

repairs. Additionally, and due to the remaining balance, approved the reversion of \$2 million GF for additional GF savings in 2010-11. Finally, to avoid any further confusion as to what is available for expenditure and for what projects, approved budget provisional language that makes expenditure of the \$7.3 million on Capitol repairs contingent on the approval of the Joint Rules Committee.

- Approved revised budget provisional language to bring the Division of the State Architect “on budget” but with narrowed flexibility, require a performance audit, and prohibit the Division from hiring further staff to monitor plan review workload and develop performance metrics for plan review workload until the audit is done. Additionally, approved Supplemental Report Language to establish interim minimum monthly updates to the Legislature, LAO, and Department of Finance for DSA data until such time that the audit is complete and recommendations are implemented.
- Rejected two requests totaling \$343,000 (bond funds) and three redirected positions for the Office of Public School Construction for school construction workload. The Subcommittee found that, given diminishing overall workload due to rapidly diminishing school construction bond funds, the requests should instead be accommodated within existing resources and position authority.

1900 PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

- Adopted the budget approved by the Public Employees’ Retirement Systems’ (PERS) board.
- Approved budget provisional language to ensure that PERS can administer budgeted federal temporary early retiree reinsurance program funds. *See also Items 9650 Support for Health and Dental Benefits for Annuitants and 9800 Augmentation for Employee Compensation for further discussion of these federal program savings.*

2100 ALCOHOLIC BEVERAGE CONTROL

- Approved 15 percent increase in the general liquor license fee, and approved trailer bill language to adjust the fee based on the Consumer Price Index. This fee was last adjusted in 1995. Estimated to generate \$394,000 in revenues in 2010-11.
- Approved \$15 increase in the alcoholic beverage catering and event fees. The catering fee had not been adjusted since created in 1979. Estimated to generate \$128,000 in revenues in 2010-11.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Approved \$1 million from special funds for two permanent and 7.5 temporary positions to address the economic deterioration due to the deep recession.
- Approved \$1 million from special funds to make 8.6 temporary positions permanent for the purposes of oversight of money transmitters.

2180 DEPARTMENT OF CORPORATIONS

- Approved \$1,285,000 in special funds and eight permanent positions to address the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE), which requires the licensing of individual mortgage loan originators.
- Approved \$324,000 in special funds and two positions to provide information technology support.
- Approved a \$20 million transfer from the State Corporations Fund to the General Fund.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Approved the following Proposition 1C, Housing and Emergency Shelter Trust Fund Act of 2006, related requests:
 - \$20 million for the Housing Related Parks Program;
 - \$5 million for the Building Equity and Growth in Neighborhoods (BEGIN) Program;
 - An extension of budget authority and liquidation period authorized for the Affordable Housing Innovation Programs;
 - \$1 million for continued monitoring of Prop 1C Programs;
 - Reappropriation of up to \$40 million of any unencumbered balance in local assistance funding authorized in the 2009 Budget Act, plus an additional year for the liquidation period (to June 30, 2015), in the BEGIN Program;
 - Extended liquidation periods for allocations made under the Infill Incentive Grant Program (IIG) and Transit-Oriented Development Programs; and,
 - Appropriated \$9.275 million in remaining IIG Program funds and authorized HCD to allocate the funding to the three IIG projects that did not receive full funding in Round 1.
- Approved LAO recommendation to increase Enterprise Program Voucher Application Fees by \$5 per application to fully cover the program's administrative costs, thereby saving \$510,000 GF. As part of this action, approved trailer bill language to increase the fees and provided a start-up GF loan that will be paid back within three years and by which time the program will be entirely fee supported. Enterprise Zone companies are eligible for tax credits and benefits including \$37,440 or more in state tax credits over a five-year period for each qualified employee hired.
- Rejected the transfer of \$4.2 million from the Emergency Housing Assistance Program (EHAP) to the GF and instead adopted budget provisional language to require HCD to issue a Notice of Funding Availability for the EHAP program and then distribute the funds to local housing shelters.

2320 DEPARTMENT OF REAL ESTATE

- Approved \$2.8 million (Real Estate Fund) and 27 positions to implement the federally mandated Secure and Fair Enforcement Licensing Act of 2008 which requires states to implement a new licensing program for mortgage loan originators.

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved two positions from existing special funds for the Office of Patient Advocate’s website development.
- Approved 3.6 permanent positions from existing special funds for the Help Center’s call center coverage.
- Approved making two limited-term positions permanent, costing \$199,000 from special funds. The positions would process licensing applications.
- Rejected \$910,000 from special funds and nine positions to process consumer complaints against health insurance providers for not covering the developmental disability services provided by the Regional Centers.

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted.

8500 BOARD OF CHIROPRACTIC EXAMINERS

- Approved as budgeted.

8780 MILTON MARKS “LITTLE HOOVER” COMMISSION

- Approved as budgeted.

8820 COMMISSION ON THE STATUS OF WOMEN

- Approved as budgeted.

8850 PUBLIC WORKS BOARD

- Authorized a new interim financing mechanism for lease-revenue bond financed projects involving the use of asset transfers, where the state will capitalize one asset and use the proceeds to build another. A new interim financing mechanism is needed due to the fact that AB 55 upfront financing loans from the Pooled Money Investment Account are no longer available. The use of asset transfers was heretofore restricted to higher education and used only in very limited situations. By authorizing the use of asset transfers, approximately 50 lease-revenue bond financing projects that are stalled in the design phase will restart thereby decreasing the cost of financing these assets by eliminating the need for capitalized interest costs. This approved trailer bill language also enacted several technical and conforming changes to State Public Works Board oversight of capital outlay projects.

8860 DEPARTMENT OF FINANCE

- Approved as budgeted.

8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

- Approved \$42.6 million for continuing the Financial Information System for California (FI\$Cal) project, a “Next Generation” Enterprise Resource Planning (ERP) System. Funding includes an increase of \$4.2 million (FI\$Cal Internal Services Fund) in order to accelerate Stage One of the procurement process by two months (from nine months to seven months) and pay vendors (\$1.4 million apiece) for Fit-Gap analysis deliverables in the 2010-11 Fiscal Year (rather than in 2011-12).
- Approved, as placeholder, the Governor’s proposed trailer bill language to: (1) re-enact FI\$Cal authorization and financing provisions as separate legislation to address the single-subject-rule issue raised by the Attorney General’s office and preserve the potential for bond financing in the future; (2) amend the FI\$Cal statute provisions (e.g., project objectives) to make them consistent with the latest Special Project Report (SPR 3); (3) delete the “hard pause” (associated with the previous SPR 2 approach) for legislative review of the project; and (4) clarify that some departments with existing ERPs will need to interface with the system. Additionally, adopted: (1) an enhanced period of legislative review (90 days) prior to award of the prime vendor contract (which is now estimated to occur in September 2011); and (2) language directing the project to pursue, in addition to the current plan to develop a fully functioning system, a scaled-back plan with less functionality that would provide the Legislature with a lower-cost option from which to choose (if either cost or risk prove too prohibitive to the “full-scale” project plan).

8885 COMMISSION ON STATE MANDATES

- Approved trailer bill language to establish a statewide Joint Powers Authority (JPA) to enable local governments to accelerate \$1.6 billion to \$4.0 billion in education mandate payments, and about \$931 million in non-education mandate payments, via securitization of the state multi-year payment stream. This is modeled on the successful JPA used by local governments last year to accelerate the \$2 billion in Proposition 1A of 2004 suspension payments.
- Approved the suspension of most local mandates – similar to the 2009 Budget Act – to save about \$129 million GF.
- Adopted trailer bill language to establish a mandate redetermination process to guide the Commission on State Mandates in the case of new propositions, new federal laws, or new court decisions, which could result in a new mandate decision.
- Adopted trailer bill language to reduce state mandates costs in the future by removing the obligation for state reimbursement for two mandates while retaining some or all of the mandate requirements. Fee authority was added for local governments in the area of criminal background checks for local recreation staff, and some components of the Brown Act / open meeting laws were made best-practices for the implementation of Proposition 59 of 2004.

8910 OFFICE OF ADMINISTRATIVE LAW

- Rejected the proposed shift (including companion trailer bill language) of Office of Administrative Law (OAL) to a fee-for-service model due to concerns that the proposal could create a financial disincentive for state departments and agencies to seek OAL approval of proposed regulations therefore potentially resulting in delays in the regulation adoption process and/or an increase in underground regulations.

8940 MILITARY DEPARTMENT

- Approved \$49.1 million (bond and special funds) to fund the state's share of a project to provide the Military Department with a 125,000 square foot Consolidated Headquarters Complex and a 22,600 square foot storage facility on 30 acres of land at Mather Field in eastern Sacramento County.

8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved resources for the Veterans Homes of California as follows:
 - *Greater Los Angeles Ventura County*, approved 101.3 positions and \$7.5 million GF to continue construction, activate business, and begin admitting veterans. This funding level reflects a reduction of \$798,000 GF and one position, representing an increase in the salary savings rate from five to 20 percent in order to more accurately reflect the rate at which new positions will be filled and the elimination of the proposed Information Officer III position at California Department of Veterans Affairs' headquarters in Sacramento. *Note, these savings were redirected on a one-time basis to the Governor's Operation Welcome Home proposal discussed below.*
 - *Redding*, approved 9.3 positions and \$908,000 GF related to Construction Completion and Pre-Activation Phase II for the VHC Redding Home which is scheduled to open in February 2012.
 - *Fresno*, approved 8.5 positions and \$908,000 GF related to Construction Completion and Pre-Activation Phase II for the VHC-Fresno Home which is scheduled to open in April 2012.
 - For both the *Redding and Fresno Veterans Homes*, the funding levels reflect a reduction of \$92,000 GF for each home representing rejection of authority to purchase motor vehicles because CDVA did not have an exemption from the Governor's Executive Order which prohibits the purchase of new vehicles.
 - Approved reappropriations totaling \$6.7 million GF for the Enterprise Wide Veterans Home Information System project to acquire an integrated solution to support the long-term clinical care, financial, and administrative operations of all of the *California Veterans Homes*.

- *Yountville Veterans Home*, approved reappropriation of \$2.4 million to purchase and install a new addressable fire alarm system in seven veteran-occupied buildings. The project is 60 percent federally-funded.
- Approved Supplemental Report Language pertaining to the Rector Creek Dam and Reservoir and Yountville Veterans Home Leases to assess the potential to maximize state assets located at or associated with the *Yountville Veterans Home* to increase revenues to the state. The report is required on or before January 1, 2011.
- Approved funding to implement and sustain Operation Welcome Home as follows: (1) an ongoing augmentation of \$314,400 (Veterans Service Office Fund) and a one-time augmentation of \$800,000 GF in 2010-11, to provide a total of \$1.114 million or a 35 percent increase in operations funding for County Veteran Service Offices (CVSOs); and (2) a one-time Veterans Service Office Fund augmentation of \$768,000 in 2010-11 to be spent over three years to implement the Subvention Administrative Information System (SAIS), a common veteran case management application in CVSOs. With regard to the operations funding, approved budget provisional language requiring CDVA to submit to the JLBC a set of quantifiable goals and objectives to measure the performance of CVSOs related to Operation Welcome Home. Additionally, and with regard to the operations funding, approved Supplemental Report Language requiring CDVA to report no later than March 1 of every year the extent to which CVSOs have complied with the requirements of the budget provisional language, including efforts to meet the established goals and objectives. This action rejected the Governor's May Revision proposal to provide \$8.4 million GF for Operation Welcome Home.
- Via new budget provisional language, authorized a bridge loan of up to \$400,000 GF to the Pathway Home, which currently operates at the Yountville Veterans Home and is privately funded, contingent on the Pathway Home securing federal or private financing and showing that it needs bridge loan financing in order to address cash flow issues.
- Approved budget provisional language requiring the Department of Motor Vehicles to update its initial and renewal driver license and state identification card application forms, both paper and electronic, to identify veterans who wish to be contacted regarding their eligibility for state and federal veterans' benefits. The language, and companion trailer bill language, requires the Department of Motor Vehicles to share this information with the CDVA in compliance with state and federal privacy protection laws and otherwise shield this information from public view.

9100 TAX RELIEF

- Approved funding of \$442 million for the Homeowners' Property Tax Relief program, which is constitutionally required. Approved the Governor's budget suspension of funding for other tax relief programs including Senior Citizens'

Property Tax Assistance, Senior Citizen Renters' Tax Assistance, and Subventions for Open Space / Williamson Act.

9350 SHARED REVENUES

- Approved the elimination of the Trailer Vehicle License Fees (VLF) backfill to save the GF \$11.9 million. This funding otherwise flows to the Local Revenue Fund to support county-provided healthcare.

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

- Approved May Revision Finance Letter to reflect 2010-11 GF debt service costs of \$4.8 billion, which is \$197 million less than the amount in the January Governor's Budget.

9620 CASH MANAGEMENT AND BUDGETARY LOANS

- Approved May Revision Finance Letter to reflect 2010-11 GF cash flow borrowing costs of \$350 million, which is \$190 million less than the amount in the January Governor's Budget.

HEALTH, DEVELOPMENTAL SERVICES, & MENTAL HEALTH

4120 Emergency Medical Services Authority

- Denied \$448,000 (General Fund) for requested pharmacy caches since they are not necessary.
- Approved all special fund requests.

4260 Department of Health Care Services

Key Issues for the Medi-Cal Program

- *Rejected All Eligibility Reductions.* No eligibility reductions were adopted.
- *Retained Annual Eligibility for Children.* Adopted trailer bill language to restore the annual eligibility for children in Medi-Cal to meet the requirements of the federal Patient Protection and Affordability Care Act (H.R. 3590).

- *Receipt of Federal Funds.* Assumes continuation of the federal American Recovery and Reinvestment Act (ARRA) enhanced match (61.59 percent) through to June 30, 2011.
- *Mandatory Enrollment of Seniors and Persons with Disabilities in Medi-Cal Managed Care.* Modified May Revision to (1) approve \$357.5 million (\$182.1 million General Fund) reduction to begin February 1, 2011 phase-in of people in 14 counties; and (2) referred trailer bill language to policy committee to proceed with legislation. Dual Medi-Cal and Medicare eligibles are not included in this assumption.
- *Pending 1115 Medi-Cal Waiver Proposals.* Deleted three pieces of trailer bill language regarding the phase-in of certain pilot projects under this pending Waiver and referred them to policy committee to proceed with legislation.
- *State Resources for 1115 Medi-Cal Waiver.* Approved a total of \$5.7 million (\$1.6 million General Fund, \$994,000 Managed Care Fund, \$500,000 MHSA Funds and \$3.6 million federal funds) and 39 positions to begin implementation of the pending Waiver for California.

Of the 39 total positions, 26 are in the Department of Health Care Services and 13 are in the Department of Managed Health Care. The focal point of these resources is for implementation of the mandatory enrollment, as noted above. Additional resources can be phased-in as warranted.

- *Adult Day Health Care.* Adult Day Health Care services were maintained.
- *“Hard Caps” on Specified Services.* Rejected the Governor’s proposals to implement “hard caps” on the following services (1) six-prescription outpatient drugs; (2) durable medical equipment; (3) certain medical supplies, including wound care, incontinence supplies and Urologicals; (4) hearing aid expenditures; and (5) visits for outpatient primary and specialty care provided by physicians.
- *“Mandatory” Copayments.* Rejected the Governor’s proposals to implement mandatory copayments for various services, including (1) physician, Federally Qualified Health Centers, and Rural Health Centers; (2) dental office visits for children; (3) hospital inpatient days; (4) emergency room visits; (5) non-emergency room visits; and (6) pharmacy visits.
- *Enteral Nutrition.* Rejected proposal to limit enteral nutrition to tube feeding only.
- *Over-The-Counter Drugs.* Rejected proposal to eliminate Medi-Cal reimbursement for over-the-counter drugs.
- *Medicare Part B Premiums.* Denied proposal to eliminate federal Medicare Part B premiums for Medi-Cal enrollees with an unmet share-of-cost.
- *Nursing Home Quality and Accountability.* Adopted a comprehensive Nursing Home Quality and Accountability package which is General Fund neutral and contains the following key components:

- Provides for a two-year rate adjustment of 3.93 percent rate increase in 2010-11 and up to 2.4 percent in 2011-12 by extending the sunset of the Quality Assurance Fee to July 30, 2012.
- Expands the Quality Assurance Fee to 76 Multi-Level Retirement Communities (MLRCs) as proposed by the Governor since Medi-Cal currently pays for over 50 percent of the MLRCs patients and MLRCs have received over \$46 million in aggregate AB 1629-driven Medi-Cal rate increases since 2004 and have not previously been paying the Fee.
- Continues to exclude Continuing Care Retirement Communities from paying the Quality Assurance Fee since these entities operate under a different type of license and serve few Medi-Cal patients.
- Eliminates the use of a “labor-driven operating allocation” since quality and assurance and accountability measures will be phased-in.
- Limits Medi-Cal reimbursement for legal costs incurred by nursing facilities engaged in the defense of legal actions filed by governmental agencies or departments against the facilities.
- Limits Medi-Cal reimbursement for liability insurance to the 75th percentile computed on a specific geographic peer group basis.
- Requires the Department of Public Health to audit nursing homes for complying with the existing 3.2 nursing hours to patient ratio. About one-third of the nursing homes will be audited in 2010-11 with the remaining to be audited in 2011-12. Nursing homes that do not meet the ratio and are in non-compliance will be assessed a penalty. Nursing homes who are non-compliant from 5 percent to 49 percent of audited days would be assessed a penalty of \$15,000. This increases to \$30,000 for those nursing homes who are noncompliant from 50 percent or more of audited days.
- Begins to phase-in a Quality and Accountability system by establishing a special fund and a reward system for achieving certain measures. A comprehensive Stakeholder process will be used by the Administration to proceed with implementation of this system and to publish the specific information.

For 2011-12, the following quality and accountability benchmarks for allocating the special fund include: (1) 3.2 nursing to patient ratio; (2) immunizations; (3) physical restraints; (4) facility acquired pressure ulcers; (5) direct care staff retention, if data is available; and (6) resident and family satisfaction survey. Additional measures will be added including federal health care reform measures as specified, and the use of chemical restraints.

- Provides an additional \$1.9 million (special fund) above the Governor’s May Revision for the Long-Term Care Ombudsman administered by the Department of Aging. It also requires the Department of Health Care Services to seek federal approval to obtain a federal match for this program if feasible.

- *Hospital Rate Freeze.* Adopted the Governor’s proposal to freeze Medi-Cal rates paid for hospital in-patient services for a reduction of \$84.5 million (General Fund) and adopted trailer bill language to gradually transition to a “diagnosis-related grouping” method of reimbursement.
- *Reduction to Public and Private Hospitals.* Rejected both proposals to reduce Designated Public Hospitals and Private Hospitals 10 percent under the pending 1115 Medi-Cal Waiver.
- *Offset for Hospital Quality Assurance Fee.* Conforms to the Governor’s May Revision for Medi-Cal and assumes an offset of \$720 million (General Fund) in children’s health care services within Medi-Cal through the use of this fee, as established in AB 1383, Statutes of 2009. Modifications to this Fee are proceeding through the policy committee process.
- *Medi-Cal Managed Care Rates.* Adopted May Revision adjustments to reflect February 1, 2011 implementation of phase-in of mandatory enrollment, as referenced above, and an overall 3.7 percent rate increase for the health plans participating in the Medi-Cal Managed Care Program. Also adopted trailer bill language regarding a risk-adjustment factor.
- *Extend Gross Premium Payment.* Approved trailer bill language to extend this payment by Medi-Cal Managed Care plans.
- *Geographic Managed Care Changes.* Adopted the Administration’s proposal to shift responsibilities for negotiating Geographic Managed Care rates from the CA Medical Assistance Commission (CMAC) to the DHCS. In addition, shifted \$240,000 (\$120,000 General Fund) and two staff for this purpose.
- *Eight Family Planning Office Codes.* No rate reduction was adopted since California receives a 90 percent federal match for these services.
- *Radiology Rates.* Adopted Governor’s proposal to reduce certain radiology rates to 80 percent of federal Medicare rates for reduction of \$27.2 million (\$13.6 million General Fund).
- *New Physician Administered Drug Rates.* Adopted the Governor’s proposal to limit Medi-Cal reimbursement for Physician Administered drugs to the *lower* of: (1) Medi-Cal reimbursement for Pharmacy providers (AWP minus 17 percent); *or* (2) federal Medicare rate (ASP plus 6 percent), *unless* federal law requires a higher reimbursement level. This saves \$6.4 million (General Fund).
- *Medi-Cal Eligibility Processing—Change in Eligibility Growth Method.* Modified DHCS proposal, to reduce by \$84 million (\$42 million General Fund) through recalculating the County Administrative baseline for Medi-Cal caseload, by recognizing half of the savings and adopting trailer bill language to develop a methodology for next year.
- *Timely Filing for Third-Party Liability.* Adopted placeholder trailer bill legislation as proposed by the Administration.

- *Control Section 23.25.* Deleted the Administration’s Control Section 23.25 which authorized the Director of Finance to adjust any item of appropriation for the purpose of implementing the federal Patient Protection and Affordable Care Act of 2010.
- *Medi-Cal Claims Processing System.* Adopted trailer bill language to provide oversight and accountability of the replacement system for the CA-MMIS (Medi-Cal Fiscal Intermediary system).
- *Targeted Case Management.* Approved the DHCS request for state positions to conduct reviews of local government expenditures of federal funds as directed by the federal CMS, and adopted Budget Bill Language for the DHCS to provide state expenditure information as specified.
- *Local Education Agency Medi-Cal Billing.* Adopted a compromise to a total of \$1.3 million (local funds and federal funds) for DHCS staff to conduct reviews of local government expenditures for the DHCS to provide state expenditure information as specified.

4260 DEPARTMENT OF HEALTH CARE SERVICES

Highlights for Children’s Medical Services & Primary Care and Rural Health

- *Community-Based Clinic Programs.* Provided an increase of \$10 million (General Fund), or \$2.5 million for each program, including the Seasonal and Migratory Program, American Indian Program, Rural Health Program, and the Expanded Access for Primary Care Program.
- *Expanded Access for Primary Care Clinics.* Rejected the Governor’s proposal to eliminate the remaining \$10 million (Proposition 99 Funds) from this program.
- *California Children’s Services (CCS) Program.* Approved full funding for the CCS Program, with no reduction to eligibility.
- *Genetically Handicapped Persons Program (GHPP).* Approved full funding for the GHPP.

4265 Department of Public Health

- *HIV/AIDS Prevention, Education, and Care Programs.* Increased by \$52 million (General Fund) to restore State support to these programs which were vetoed by the Governor in 2009.
- *AIDS Drug Assistance Program (ADAP).* Increased by \$10 million (General Fund) the AIDS Drug Rebate Fund reserve since the existing reserve was below the 5 percent prudent reserve margin and several of the ADAP assumptions have questionable reliability. No eligibility changes were enacted.
- *Every Woman Counts Program.* Increased by \$20.1 million (General Fund) to provide additional funds for breast cancer screenings and adopted trailer bill language

to require the Department of Public Health (DPH) to provide the fiscal committees of the Legislature with an estimate package in January and May of each year. The DPH will also be required to provide quarterly updates to the Legislature on estimated expenditures in 2010-11.

- *Receipt of Federal Funds for Licensing and Certification.* Approved increase of \$17.6 million (federal funds) to permanently establish 124.8 positions to conduct surveys of nursing homes and other priority work as required by the federal Centers for Medicare and Medicaid (CMS).
- *Quality and Accountability Payment System for Licensing and Certification.* Approved \$2.2 million (reimbursements from the DHCS) for 38.5 positions to conduct quality and accountability work regarding nursing homes, including auditing for the 3.2 nurse hours per patient ratio.
- *Prostate Cancer.* Provided an additional \$1 million (General Fund) to this program for prostate cancer treatment.
- *Adolescent Family Life Program.* Increased this program by \$3 million (General Fund).
- *Black Infant Health Program.* Increased this program by \$2 million (General Fund).
- *2010 Water Bond Request.* No appropriation has been provided for this purpose.
- *Asthma Public Health Initiative and Proposition 99 Funds.* Maintained \$1.2 million for the Asthma Initiative but deleted, as proposed, the California Breath Program. Also made other adjustments to the Health Education Account and Research Account of Proposition 99 as proposed due to declining revenues.

4280 Managed Risk Medical Insurance Board

- *Healthy Families Program.* Fully funded the Healthy Families Program and rejected increases to premiums and copayments since this cost-sharing had been increased considerably last year. Also approved all adjustments for the federal Children's Health Insurance Program Reauthorization Act of 2009.
- *Gross Premium Payments.* Corrected an error within the Healthy Families appropriation by identifying \$11 million (Children's Health and Human Services) available from Medi-Cal Managed Care plans paying gross premium payments. This was used to offset General Fund support.
- *Access for Infants and Mothers (AIM) Program.* Approved the Board's recommended funding level for this program.

4300 Department of Developmental Services

- *Lanterman Developmental Center.* Adopted trailer bill language and Budget Bill Language to proceed with the Administration's proposal to begin the transition of Lanterman Developmental Center. Also approved \$50.7 million (total funds) in existing funds to be dedicated to the operational, assessment, start-up, and placement needs for individuals transitioning from Lanterman to the community.
- *Reduction of 3.65 Percent.* Reduced by a total of 3.65 percent both the Purchase of Services and Regional Center Operations, in lieu of the Governor's proposal to reduce by a total of 4.25 percent, for a total reduction of \$140.3 million (\$73.7 million General Fund). Adopted trailer bill language to sunset the 3.65 percent reduction as of June 30, 2011, to provide for specified exemptions from the reduction, and to allow for limited administrative relief as specified.
- *Revert \$5.3 million from 2009.* Adopted Budget Reversion Language to capture \$5.3 million (General Fund) in unexpended funds from 2009-10 which are unnecessary. These funds were appropriated in 2009 to provide for Adult Day Services to individuals with developmental disabilities due to reductions within the Medi-Cal Program. However, the reductions within Medi-Cal were enjoined by the courts and not enacted. Therefore individuals with disabilities continue to receive Adult Day Services through the Medi-Cal Program.
- *Series of Baseline Adjustments.* Adopted a series of baseline adjustments for funding provided to Regional Centers for the Purchase of Services and for Operations. Key adjustments include the following:
 - Rejected Governor's proposal to redirect \$200 million (Proposition 10 Funds) which would have required voter approval in November 2010.
 - Approved Governor's continuation of adjustments from 2009 which affect the entire developmental services system and equated to a \$334 million (General Fund) reduction in 2009. These actions are reflected in the base trends.
 - Provides \$12 million (General Fund) to purchase necessary dental services for adults receiving services through the Regional Centers who do not have insurance for this coverage. This is due to the elimination of Adult Dental Services as a Medi-Cal benefit in 2009. Individuals with developmental disabilities are entitled to these services.
- *Additional Receipt of Federal Funds.* Approved the Governor's proposal to modify the billing mechanism used to reimburse Intermediate Care Facilities for the Disabled in order to obtain an additional \$53.5 million in federal funds, with a corresponding reduction in General Fund.

4440 Department of Mental Health

- *Mental Health Services for Special Education Students (AB 3632 Mandate).* Rejected the Governor's proposal to eliminate the State mandate and instead did the following:

- Approved reduction of \$52 million (General Fund) in the Department of Mental Health (DMH) item;
 - Increased by \$133 million (General Fund) to the Commission on State Mandates for payment of prior year AB 3632 mandate claims in 2010-11 (Item 8885-295-0001); and
 - Appropriated \$3 million one-time (federal special education funds) so the Department of Education can contract for statewide technical assistance to Special Education Local Planning Areas regarding best practices in mental health related service delivery for students with disabilities in 2010-11 (Item 6110-161-0890).
- *Governor's Realignment Proposal.* Rejected the Governor's realignment concept to reduce County Mental Health services by \$602 million. This concept is severely flawed from a legal, fiscal and policy perspective.
 - *Evaluation Funds for Mental Health Services Act (MHSA).* Redirected \$1 million (Mental Health Services Act Funds, Proposition 63) for evaluation purposes from the Department of Mental Health to the MHSA Oversight and Accountability Commission (OAC) to reflect the needs and responsibilities of the OAC.
 - *Early and Periodic Screening, Diagnostic and Treatment (EPSDT) Program.* Fully funded program as proposed at May Revision.
 - *Mental Health Managed Care Program.* Approved the May Revision as proposed.
 - *State Hospitals.* Reduced State Hospitals by a total of \$20.7 million (General Fund) across the two-fiscal years to account for an over-estimate of patient population. This is a Legislative Analyst's Office recommendation.
 - *Sex Offender Commitment Program.* Adopted Governor's proposal to reduce by \$10.3 million (General Fund) for this program since 70 percent of evaluations are now re-referrals and cost less to evaluate.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Approved \$2.7 million from Proposition 40 bond funds for the California Cultural and Historical Endowment.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

- Approved as budgeted.

6440 UNIVERSITY OF CALIFORNIA

- Approved an overall General Fund support level of \$3,018 million, which is \$422 million above the 2009-10 General Fund support level.

- Approved a \$305 million General Fund augmentation to the University of California, which is intended to backfill for previous cuts to the system.
- Approved \$51.3 million for enrollment growth. This amount represents a 2.5 percent enrollment growth funding increase and would allow the UC to enroll approximately 5,121 Full Time Equivalent Students (FTES).
- Adopted Budget Bill language to:
 - Reinstate academic preparation and student outreach "earmarks" to ensure funding for legislative priorities;
 - Redirect \$15 million from existing funds for the UC Riverside Medical School; and
 - Redirect \$240,000 from existing General Fund funds for the Statewide Database & Election Administration Research Center at the University of California, Berkeley. Also, redirected \$360,000 from other UC funding sources for the Center.
 - Create a working group to examine the 30-year funding needs of the University of California Retirement Plan (UCRP).
- Approved Governor's trailer bill language erasing statute that specifies that the UC cannot use new General Fund augmentations for the University of California Retirement Plan (UCRP). Also approved budget bill language to create a working group to examine the funding needs of UCRP.
- Approved five new capital outlay projects at the UC Los Angeles, UC Berkeley, UC Santa Barbara, UC Merced, and UC San Diego campuses. Rejected a new lease-revenue funded capital outlay project at UC Irvine.

6610 CALIFORNIA STATE UNIVERSITY

- Approved an overall General Fund support level of \$2,723 million, which is \$373 million above the 2009-10 General Fund support level.
- Approved a \$305 million General Fund augmentation to the California State University, which is intended to backfill for previous cuts to the system.
- Approved \$60.6 million for enrollment growth. This amount represents a 2.5 percent enrollment growth funding increase and would allow the CSU to enroll approximately 8,290 Full Time Equivalent Students (FTES).
- Adopted budget bill language to reinstate academic preparation and student outreach "earmarks" to ensure funding for legislative priorities.
- Approved six new capital outlay projects at the CSU Stanislaus, CSU San Jose, CSU San Diego, CSU Chico, CSU Channel Islands, and CSU Fresno campuses.

6600 HASTINGS COLLEGE OF THE LAW

- Approved as budgeted.

6870 CALIFORNIA COMMUNITY COLLEGES

- Approved a total funding level of \$6.5 billion, of which \$4.069 billion is state General Fund, \$1.913 billion is local property taxes, \$365 million is student fee revenue, and \$153 million is from the lottery.
- Approved \$126 million for enrollment growth, which will allow the CCC to serve approximately 26,000 existing unfunded Full Time Equivalent Students (FTES).
- Approved \$35 million restoration of CCC categoricals to replace one-time ARRA funding.
- Approved \$25 million for the Economic and Workforce Development program to be used in critical needs skilled trades, such as nursing and renewable energy. Included budget bill language providing direction on the use of the funds.
- Approved the following for community college mandates:
 - Suspension of two mandates until 2013: Law Enforcement College Jurisdiction Agreements and Integrated Waste Management.
 - Action to request the Commission on State Mandates to reconsider the Collective Bargaining Mandate.
 - A working group composed of the LAO, DOF, and Legislative staff to review suspended mandates and develop recommendations for modifying mandates to eliminate or minimize costs in 2011-12, so that continuation of mandates could be considered in 2011-12.
 - Funding for all other community college mandates.
- Approved \$48 million in QEIA funds for the CTE Pathways Initiative.
- Rejected the Governor's negative Cost-of-Living Adjustment (COLA) for Apportionments and categorical programs.
- Rejected moving the Basic Skills Initiative, the Extended Opportunity Programs and Services (EOPS), and Fund for Student Success into the categorical flexibility item. Also, rejected moving the Career Technical Education (CTE) Pathways Initiative out of the categorical flexibility item.
- Rejected \$20 million in new General Fund for the CTE Pathways Initiative and restored \$10 million to EOPS and \$10 million to the Part-Time Faculty Compensation categorical items.
- Rejected Governor's trailer bill language to allow community college districts to contract out for some personal services.
- Rejected Governor's trailer bill language that would have made changes to the 75/25 rule.

7980 CALIFORNIA STUDENT AID COMMISSION

- Approved the Governor's May Revise proposal to keep the Competitive Cal Grant program. In the January 10 Budget, the Governor had proposed to eliminate the Competitive Cal Grant program.
- Approved \$1.7 million in General Fund (\$280,000 one-time) for the CSAC and EdFund detangling. As EdFund is sold sometime during 2010, certain functions currently performed by EdFund for CSAC will need to be moved in-house for CSAC.
- Transferred \$100 million from the Student Loan Operating Fund to the General Fund. This is \$25 million more than the Governor proposed.
- Offset \$7.2 million in General Fund with federal funds for the financial aid programs. Also approved budget bill language ensuring that the use of federal funds does not limit the number of CalGrants issued.
- Rejected the Governor's CalGrant pilot project trailer bill, which would have made amendments to AB 187.

HUMAN SERVICES

0530 Office of Systems Integration (OSI)

Among other actions to adjust the budgets for ongoing projects based on their status, staffing, or cost changes:

- Adopted trailer bill language to eliminate requirements for fingerprinting applicants to the food stamps and CalWORKs programs. Correspondingly, scored savings of \$11.6 million (\$4.2 million GF), offset by one-time system decommissioning costs of \$9.5 million (\$3.4 million). Other mechanisms already exist for verifying the identities of prospective recipients and preventing duplicate aid fraud. [See Department of Social Services section for related actions regarding the newly proposed use of SFIS for In-Home Supportive Services recipients.]
- Approved a requested increase of \$44.3 million in 2010-11 funding to begin the design, development, and implementation phase of the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System Project. Additionally requested updates from OSI on the progress of negotiations and anticipated costs of this phase of the project.

4140 Office of Statewide Health Planning and Development

Among other actions to approve of Special Fund authority and adjust staffing plans:

- Approved the Governor's January proposal to continue funding the Song-Brown Program, which increases the number of family practice physicians and other health professionals in medically underserved communities, with \$5 million in Health Data and Planning Funds (rather than GF resources).

- Approved the Governor’s May Revision proposal to extend the dates for repayment of \$32 million in loans to the GF from the Hospital Building and Health Data and Planning Special Funds.

4170 California Department of Aging (CDA)

Among other actions to approve federal funds authority and make technical adjustments:

- Restored \$6.4 million GF to the Linkages case management, Brown Bag senior nutrition, and Alzheimer’s Day Care Resource Center Community Based Services Programs (CBSPs). This amount is equivalent to approximately two-thirds of the resources that were vetoed by the Governor in 2009-10.
- Approved the Governor’s proposal for \$680,000 GF for the Long-Term Care Ombudsman program. The resources would be transferred from the Department of Public Health to CDA to cover a shortfall of this amount in the funding previously anticipated to be available from the Federal Citation Penalty Account for the program.

4200 Department of Alcohol and Drug Programs

- Rejected the Governor’s May Revision proposal to eliminate Drug Medi-Cal services for approximately 171,000 individuals (or 79 percent of individuals who would otherwise receive them).
- Rejected the Governor’s January proposal to eliminate all GF support (\$18 million) for the Offender Treatment Program (OTP). Consistent with the laws established by Proposition 36 (the Substance Abuse and Crime Prevention Act) of 2000, OTP provides drug treatment services, rather than incarceration, to certain offenders who have used or possessed drugs.
- Rejected the Governor’s January proposal to continue a reduction of \$663,000 GF to the Women and Children’s Residential Treatment Services (WCRTS) program for perinatal (before and after childbirth) drug treatment services. Further, amended budget bill language to no longer identify a specific number of providers, making it clear that the \$5.8 million GF set aside for the program is the total statewide funding. (The \$663,000 GF reduction was originally made in 2009-10 after one of the nine programs specifically identified in budget bill language closed.)

5175 Department of Child Support Services

In addition to the approvals of federal funds authority and other budget adjustments:

- Approved the Governor’s January proposal to continue an augmentation of \$18.7 million (\$6.4 million GF) that was originally enacted in 2009-10. This “revenue stabilization funding” was intended to support local child support agencies’

maintenance of caseworker staffing levels and to stabilize child support collections (including collections that offset GF costs of public assistance benefits provided to custodial parents).

- Approved plans to transition hosting for the Child Support Enforcement (CSE) component of the California Child Support Automation System (CCSAS) from vendor to in-house services provided by the state. Correspondingly, approved the use of \$14.1 million (\$4.8 million GF) in one-time reappropriation funding for costs associated with this transition, but removed authority for use of remaining reappropriation funds from specified prior years (for GF savings of \$1.8 million). Additionally, approved an increase of \$8.2 million (\$2.7 million GF) in baseline funding for the CCSAS system.

5180 Department of Social Services

Among other adjustments and votes, took the following actions in each major program:

CalWORKs

- Rejected the Governor's January proposal to trigger the elimination of the CalWORKs program if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds. Subsequently, rejected the Governor's May Revision proposal to eliminate the CalWORKs program (not subject to any trigger). The proposal to eliminate CalWORKs would have impacted 580,000 families with more than one million children. The state would have saved approximately \$1.2 billion GF, but foregone more than \$4 billion in federal funds.
- Rejected the Governor's proposal to reduce CalWORKs grants by 15.7 percent. The proposal would have made the maximum monthly CalWORKs and food stamps grant level equivalent to approximately 73 percent of the Federal Poverty Level (FPL) in high-cost, and 71 percent of the FPL in low-cost, counties.
- Rejected the Governor's proposal to eliminate the CalWORKs Recent Noncitizen Entrants Program (RNE). The RNE program provides temporary cash assistance and education, training, and employment services to approximately 22,500 lawful immigrants who have not yet been in the United States for five years.
- Adopted trailer bill language to ensure that the state can fully benefit from any extensions of ARRA's Temporary Assistance to Needy Families (TANF) Emergency Contingency Fund (ECF) and from all of the allowable uses of federal ECF funding for subsidized employment (including its use for needy youth between the ages of 18 and 24 years of age).

Note: See child care section of this report for additional CalWORKs-related outcomes.

Food Programs

- Approved the use of \$8.4 million in federal ARRA stimulus funding for food stamp modernization projects (e.g. expansion of online application options) and the use of \$30.0 million in federal Defense Appropriations Act funding to offset the increasing costs of administration due to the program's rapidly rising caseload (resulting in \$10.5 million GF savings).
- Rejected the Governor's proposal to eliminate the California Food Assistance Program, which provides nutritional benefits to approximately 32,900 low-income, lawful immigrants who are over 18 and under 65 years of age.
- Adopted trailer bill language to allow counties, during 2010-11 and 2011-12, to draw down a portion of increasing food stamps administration funding without a county match above and beyond an existing Maintenance of Effort requirement.
- Approved the Governor's May Revision proposal for \$23,000 (\$7,000 GF) savings from establishing Inter-County Transfer processes for food stamp recipients (as of April 1 or July 1, 2011, depending upon whether the beneficiaries also receive CalWORKs benefits). As a result, recipients will no longer need to reapply after moving from one county to another within California.

Supplemental Security Income/State Supplementary Program (SSI/SSP)

- Rejected the Governor's proposal to reduce SSI/SSP grants for individuals who are aged or blind or who have disabilities. The proposed SSP portion of the grants would have been set at the federally required minimum level. As a result, maximum grants for approximately one million individuals would have been reduced from \$845 to \$830 monthly (or from roughly 94 percent to 92 percent of the Federal Poverty Level).
- Rejected the Governor's proposal to eliminate the Cash Assistance Program for Immigrants (CAPI), which provides the equivalent of SSI/SSP benefits (minus \$10 per individual and \$20 per couple) to approximately 9,000 low-income, lawful immigrants who are aged or blind or who have disabilities.
- Adopted Supplemental Report Language directing the Department of Social Services to convene a workgroup to evaluate the estimated effects of eliminating the food stamps "cash-out" policy, under which SSI/SSP beneficiaries are currently ineligible for food stamps. This direction only takes effect if the state receives a positive response from the federal government regarding its request to consider changing the policy for only SSI/SSP recipients whose households would benefit.

In-Home Supportive Services (IHSS) Program

- Rejected the Governor's January proposal to trigger the elimination of the IHSS program if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds. Further, made technical adjustments necessary to

accept the Administration's rescission at the May Revision of its January proposals to eliminate services for approximately 87 percent of IHSS recipients and to reduce the state's participation in providers' wages to the minimum wage of \$8.00 per hour plus \$.60 per hour for benefits.

- Rejected the Governor's May Revision proposal to assume \$637.1 million General Fund (GF) savings in the IHSS program in 2010-11. Instead, adopted savings of \$250 million GF with placeholder TBL for 2010-11 and 2011-12, pursuant to the development and implementation of a provider fee (estimated at \$150-200 million in GF savings) and consultation with stakeholders to devise policies underlying the additional savings.
- Adopted placeholder trailer bill language to establish a stakeholder workgroup to examine, during 2010-11 and 2011-12, other potential policy options to achieve savings in the program, particularly in the context of options offered under federal health care reform.
- Repealed the following reductions, which were enacted by SB 6 (Chapter 13, Statutes of 2009) and ABx4 4 (Chapter 4, Fourth Extraordinary Session, Statutes of 2009):
 - Reduction - to \$9.50 per hour plus \$.60 per hour for health benefits - of the maximum level of IHSS provider wages in which the state will participate.
 - Elimination of eligibility, subject to applicable exemptions, for:
 - a. Domestic and related services for individuals with a functional index ranking below 4 for each service; and
 - b. All services for individuals with a functional index score below 2.
- Adopted trailer bill language to repeal the statutory requirement, enacted in 2009-10, to fingerprint IHSS recipients and to require fingerprints on provider timesheets. Correspondingly, rejected the Governor's January proposal to increase the Office of Systems Integration spending and position authority to expand the Statewide Fingerprint Imaging System project to include this information. Further, directed the Administration to refrain from obligating any unspent funds remaining from the 2009-10 appropriation of \$8.2 million (\$4.4 million GF) in the DSS budget that were tied to requirements for fingerprinting IHSS recipients.
- Rejected the Administration's January proposal for six new anti-fraud/program integrity positions at DSS. These proposed positions would have been in addition to 42 new, related state positions authorized in the 2009-10 budget (12 at DSS and 30 at the Department of Health Care Services over the 2009-10 and 2010-11 budget years).
- Rejected the Administration's proposal for \$26.4 million (\$10.0 million GF) in 2010-11 funding for additional fraud prevention, detection, referral, and investigation

efforts at the local level. In 2009-10, the Legislature authorized a similar amount of funding, on a one-time basis, for local District Attorney and County Welfare Department efforts.

- Approved \$150,000 (approximately half GF) of the Governor's January request for \$500,000 (\$264,000 GF) for contractor assistance in DSS's preparation of a report regarding prevention and early detection of fraud, as well as referrals of suspected fraud and final convictions of fraud.
- Adopted Supplemental Report Language to ensure that the Department of Social Services reports, prior to proposing funding for continued or new anti-fraud efforts in the In-Home Supportive Services (IHSS) program, on the estimated costs and savings associated with each of those activities. Such reports must include the basis for assumptions made by the Department in its analysis.

Children and Family Services Programs

- Restored \$133 million (\$80.0 million GF) for child welfare services that the Governor vetoed upon signing the 2009-10 budget. Preliminary data from the counties regarding the impacts of the 2009-10 reduction had indicated the loss statewide of more than 500 front-line social workers who investigate emergency reports, help families stay together or be reunited, and work to find permanent homes for foster children. Preliminary information also indicated less timely investigations of abuse and neglect and more frequent placement moves for foster children.
- Rejected the Governor's January proposal to trigger the elimination of the Transitional Housing Program Plus for former foster youth, which currently provides housing and supportive services to approximately 1,400 youth and 170 of their children, if the Department of Finance determined that the state would not receive \$6.9 billion in new federal funds.
- Approved an increase of \$268.5 million (\$93.9 million GF) resulting from recent court orders regarding group home rates. Additionally, adopted trailer bill language to establish a working group to revise the current system for setting group home reimbursement rates (within the context of other necessary changes to the system of foster care placements and services), and to enact a one-year moratorium on applications for new group homes or other specified changes in existing group home programs. Related to these activities, approved a three-year, limited-term position at DSS, along with \$250,000 (\$125,000 GF) for consulting and contracts, including contracts with county experts.
- Rejected the Administration's request for \$1.4 million (\$918,000 GF) in new funding for probation officers' access to the Child Welfare Services/Case Management automation system.

- Approved \$113,000 total funds (\$59,000 GF) of the Governor’s larger May Revision request for \$1.1 million (\$500,000 GF) to improve upon the state’s accuracy in determining eligibility for federal foster care funding. The approved funds are intended to support a web-based training site.

Community Care Licensing

- Rejected the Administration’s proposal to completely overhaul statutorily-based licensing inspection requirements and to raise provider fees (for an estimated total of \$1.4 million GF savings). Directed the Department to continue working with stakeholders on a future related policy and/or budget proposal that would, similar to this proposal, result in more frequent licensing inspections without additional GF costs.

Other

- Rejected proposed trailer bill language to make significant policy changes to the state hearings process, and instead funded three new Administrative Law Judges to alleviate workload-related demands [at a cost of approximately \$450,000 (\$215,500 GF)].
- Rejected (through conformity with other actions) the Governor’s proposal to redirect county savings from other proposed reductions to fund an increased county share of costs for Foster Care, Foster Care Administration, and the Adoption Assistance Program.

JUDICIARY, CRIMINAL JUSTICE, AND PUBLIC SAFETY,

0250 Judicial Branch

- Approved a package of changes designed to provide courts with sufficient funding to avoid mandated court closures. The package includes the following:
 - One-time transfer of funds from court construction balances (\$98 million),
 - One-time transfer of funds from court special fund balances (\$32 million),
 - \$10 court security fee increase with a 2013 sunset (\$40 million),
 - \$250 summary judgment fee increase (\$6 million),
 - \$20 telephonic fee increase (\$5 million),
 - \$40 per citation fee on existing automated traffic enforcement applied primarily to the vendor, as well as cities and counties (\$28 million),
 - First paper filing fee increases (\$40 million),
 - \$250 *pro hac vice* increase (\$1 million),

- \$3 parking fee surcharge (\$11 million),
- \$25 million General Fund reduction.
- Rejected Governor’s proposal to authorize local jurisdictions to implement automated speed enforcement cameras and use the revenues to backfill GF funding for the courts.
- Approved Governor’s proposal to delay funding for the implementation of the Conservatorship and Guardianship Act of 2006, resulting in GF savings of \$17.4 million.
- Approved all budget requests to provide funding for courthouse construction projects. These actions provided funding for projects needing approval of the next phase of design and construction to begin in the budget year. Specifically, this included courthouse projects in the following counties: Madera, San Bernardino, San Joaquin, Riverside, Tulare, San Benito, Calaveras, Solano, and Alameda.
- Rejected Governor’s proposal to implement electronic court reporting statewide.
- Approved package of trailer bill language designed to improve the effectiveness of court and county processes for collecting court-ordered debt. The package includes proposals to allow the state to collect from cash payments for unclaimed property to offset court ordered debt; requirements that courts and counties meet specified criteria to have comprehensive court collections programs; allow more court flexibility to allow lower initial payments on installment plans for court-ordered debt; discharge courts and counties from the responsibility to collect debt if the amount is too small to justify the expense of collection (this does not change the liability of people to pay their debt); and provide a one-time amnesty program for existing debtors.
- Approved changes to the budget bill designed to provide increased transparency over the courts budget. This includes adding a requirement that the Judicial Branch notify the Legislature before shifting funds between different budget programs, consistent with requirements for other state departments. It also included a requirement that the Governor’s budget provide more detail on expenditures in the Trial Court Trust Fund, including, for example, the amounts spent on information technology projects and court security.

0280 Commission on Judicial Performance

- Approved as budgeted.

0390 Contributions to the Judges’ Retirement System

- Approved as budgeted.

0820 Department of Justice

- Rejected Governor's proposal to shift GF departments to a system where they are billed for legal services provided by DOJ. Currently, DOJ provides these services to GF client departments utilizing a direct GF appropriation. Saves \$5 million GF relative to the Governor's May Revision.
- Approved Governor's proposal to increase from \$1 to \$3 the state fee applied to every \$10 of base fine, penalty, or forfeiture collected by the courts for criminal offenses for deposit into the DNA Identification Fund. The increase in revenues will offset state GF costs for operating forensic laboratories. Saves \$13.7 million GF in 2009-10 and \$41 million GF in 2010-11.
- Approved Governor's proposal to augment by one position DOJ's program for investigating gun shows, as well as shift the cost of the program from GF to the Dealers' Record of Sale Account. Saves \$616,000.

0855 Gambling Control Commission

- Approved Governor's request for \$37,000 from the Gambling Control Fund to address new workload issues arising from recent statutory changes, including requiring the department to develop new licensing regulations.
- Approved \$30 million from the Special Distribution Fund for local mitigation grants.

1690 Alfred E. Alquist Seismic Safety Commission

- Approved as budgeted.

1870 California Victim Compensation and Government Claims Board

- Approved as budgeted.

8120 Commission on Peace Officer Standards and Training

- Approved as budgeted.

8140 State Public Defender

- Approved as budgeted.

8550 California Horse Racing Board

- Approved two additional audit positions and \$148,000 from the Horse Racing Fund to address new workload requirements created by recent statutory changes.

5225 Department of Corrections and Rehabilitation

Corrections Reform Highlights

- Rejected the Governor’s proposal to change certain felonies that are eligible for incarceration in prison to an alternative felony term subject to no more than 366 days in local jail.
- Rejected the Governor’s proposal to require that non-serious and non-violent felons sentenced to three years or less of incarceration serve that time in county jail rather than prison and that a share of the state prison savings generated be provided to counties.
- Approved a restructuring plan designed to provide additional resources for local community corrections, specifically by providing \$467 million in 2010-11 and \$1.4 billion ongoing to local governments for (1) management of low-level drug and property “wobbler” offenders, (2) the Youthful Offender Block Grant, and (3) 16 various law enforcement programs whose funding is set to expire at the end of 2010-11.
- Approved trailer bill language to create a Board of Community Corrections to provide statewide leadership and coordination of state and local corrections.
- Modified Governor’s GF augmentation of \$572 million related to the estimated impact of already enacted reforms designed to target parole resources on the most serious and violent parolees, enhance incentives for inmates to complete rehabilitation programs, and provide community-based sanctions for parole violators, among other changes. Reduced these costs by \$50 million to account for further implementation needed by the administration, and approved budget bill language directing that none of these cuts could be taken from inmate rehabilitation programs.
- Approved with technical modifications the Governor’s proposal to create a reentry court pilot project in San Diego County for purposes of better managing and providing substance abuse services to selected parolees who commit new crimes. Saves \$649,000 GF.

Adult Population Highlights

- Modified Governor’s proposed augmentations of \$17 million related to adult caseload changes and housing. Reduced this amount by \$12 million related to (1) the rejection of the Governor’s proposals to expand the usage of out-of-state beds, and (2)

technical reductions related to the costs to operate the Stark facility for adult inmates for part of the year.

Juvenile Justice Highlights

- Approved Governor's May Revision proposal to realign responsibility for supervising Division of Juvenile Justice (DJJ) parolees to county probation departments and providing a share of the resulting state savings with counties to serve this population.
- Approved elimination of time-adds – additional commitment time that can be given by DJJ staff to wards based on disciplinary problems – saving an additional \$5 million.
- Increased Governor's estimate of savings resulting from DJJ's declining caseload from \$44 million to \$53 million in BY on a technical basis.

Health Care Highlights

- Approved \$820 million in reductions to the budget for inmate medical care. Further, approved package of four bills proposed by the Receiver to reduce operational costs.
- Approved Receiver's requests for \$532 million in additional funding to implement his Turnaround Plan of Action designed to extricate the state from federal court receivership.
- Approved Governor's request to approve additional mental health positions, but did not approve associated funding, resulting in savings of \$10 million relative to the Governor's budget.

Local Assistance Highlights

- Approved \$81 million for reimbursement to counties for back payments owed for housing parole violators in local jails.

Other Highlights

- Rejected Governor's request to continuously appropriate \$503 million from the GF for local public safety programs beginning in 2011-12.
- Approved package of proposals designed to increase budget transparency and accountability in corrections, including requirements that the Budget Act provide more program detail and that the department provide an annual report to the Legislature regarding its performance and outcomes.

Infrastructure Highlights

- Approved the use of the GF appropriation provided in AB 900 to offset new GF capital outlay project costs proposed by the Governor. Saves \$23 million GF compared to the proposed budget.

- Approved use of design-build authority in the construction of jails and local juvenile rehabilitation facilities authorized by AB 900 and SB 81, respectively.
- Approved an increase of \$200 million in lease-revenue to be used for construction of local juvenile rehabilitation facilities.

0552 Office of the Inspector General

- Approved as budgeted.

K-12 EDUCATION

K-14 -- Proposition 98 Overall

- Provided **\$49.9 billion** in total Proposition 98 funding (\$49.6 billion ongoing; \$263 million one-time) in 2009-10. This funding level is \$1.8 billion less than the Proposition 98 minimum guarantee, thereby creating a “settle-up” obligation to be paid in future years.
- Provided **\$52.1 billion** in total Proposition 98 funding (\$51.7 billion ongoing; \$370 million one-time) in 2010-11.
- Suspends the Proposition 98 minimum guarantee in 2010-11, which clearly acknowledges Proposition 98 maintenance factor obligations.
- Approved trailer bill language to allow school districts to securitize the payment stream from the state’s constitutional obligation to reimburse local mandate costs. This proposal could provide \$1.6 billion plus to school districts in 2010-11. This amount could grow to as much as \$4 billion depending on court ordered settlements for mandates currently in litigation.
- Adopted K-14 mandate reforms, as an alternative to the Governor’s across the board, one-year suspension of K-14 mandates. These reforms include:
 - suspending eight mandates for three years consistent with the timeframe for categorical flexibility;
 - modifying four mandates to preserve the underlying statute while reducing or eliminating mandate costs, including two of the most expensive mandates - Behavior Intervention Plans and High School Science Graduation Requirement;
 - updating statutes for two mandates programs that are no longer fully operational;
 - requesting redetermination of one mandate;
 - funding remaining K-14 mandates in 2010-11 through proceeds from the mandates securitization plan described above.

K-12 Education

Major 2009-10 Actions:

- Captured **\$340 million** in projected savings for the K-3 Class Size Reduction.
- Captured **\$176 million** in savings from various technical adjustments to other programs, primarily revenue limit savings tied to a decline in student attendance.

Major 2010-11 Actions: Restored approximately \$3.4 billion in reductions proposed by the Governor, including:

- Restored approximately **\$1.5 billion** in revenue limit (general purpose) funding for school district and county office revenue limits. Approved the Governor's May Revise proposal to delink these cuts from several policy proposals including school district central administration cuts, school district authority to contract out for non-instructional services, and county office of education consolidation. This action is intended to give school districts and county offices greater authority in allocating these reductions based upon local needs.
- Restored funding for the Child Care Program by adding back **\$1.45 billion** in reductions proposed by the Governor.
- Restored **\$210 million** to reject the Governor's proposal to reduce school district and county offices of education revenue limit and categorical programs for a negative cost-of-living adjustment for K-12 education -- now estimated at -0.39 percent.
- Added **\$300 million** to the K-3 Class Size Reduction (CSR) program -- compared to the Governor's budget. This action reflects anticipated savings of at least \$250 million for the program in 2010-11.
- Continued approximately **\$70 million** in funding for the Special Disability Adjustment in 2009-10 and 2010-11, and repeals the Special Disability Adjustment formula on July 1, 2011.
- Provided approximately **\$3 million** in Economic Impact Aid funding to county court schools beginning in 2010-11 and approved statutory changes to assure that court school students receive required instructional time.
- Approved **\$2.25 million** annually in one-time funds to restore program funding for the Fiscal Crisis and Management Assistance Team (FCMAT) program from 2010-11 through 2012-13 in response to significant workload increases.

General Funds Adjustments:

- Approved the Governor's request to reverse the shift of **\$250 million** in funding from 2010-11 to 2009-10 proposed by the Governor in January for the Quality Education Investment Act (QEIA) program.

Federal Funds Adjustments:

- Approved **\$34 million** in formula grants and **\$37.6 million** in competitive grants from one-time funds for the Enhancing Education Through Technology (EETT) program, as authorized by the American Recovery and Reinvestment Act (ARRA). Competitive grants will allow school districts to use data to improve college and career readiness and high school graduation. As approved by the Conference Committee, these ARRA grants will be authorized through a Section 28.00 Budget Letter. (ARRA formula grants have already been authorized via budget letter.) An additional **\$10.6 million** ongoing EETT funds was also approved in 2010-11 for the existing program.
- Approved **\$1.1 million** in federal funds to the California Department of Education (CDE) for the additional implementation costs associated with the California Longitudinal Pupil Achievement Data System (CALPADS).
- Approved **\$3.9 million** in federal funds to CDE, and an increase of **\$84,000** in Teacher Credentialing Funds to the Commission on Teacher Credentialing, for development of the California Teacher Information Data System (CALTIDES).
- Rejected Governor's proposal to shift the mandate for special education mental health related services (per AB 3632) from county mental health agencies back to schools. Approved **\$3.0 million** in one-time federal special education funds to CDE to contract for statewide technical assistance to Special Education Local Planning Areas (SELPA) regarding best practices in mental health service delivery for students with disabilities.

Local Funding Flexibility:

- Moved the English Language Acquisition Program (ELAP) into the Economic Impact Aid program. This change will allow ELAP funds to be used more flexibly to meet the needs of English Learners.

Child Development

- Rejected the Governor's May Revise proposal to eliminate CalWORKs child care and protected child care for about 151,000 children (51,236 in Stage 1; 61,342 in Stage 2; and 38,165 in Stage 3). Rejected Governor's January 10 proposed reductions to various child care programs, thus protecting child care for over 72,000 children.
- Rejected lowering the reimbursement rate ceilings for child care providers and kept them at the current levels of 85th percentile of the Regional Market Rate for licensed providers; and at 90 percent of the 85th percentile for unlicensed providers.
- Rejected the Governor's \$5.9 million negative Cost-of-Living Adjustment (COLA).
- Funded CalWORKs child care programs using Proposition 98 General Fund, with \$201 million from unspent prior year one-time funds and \$85 million from local child care center reserves. Also approved budget bill language to facilitate the use of the local child care center reserves.

- Approved trailer bill language limiting local child care center reserves to five percent of contract amounts. Previously there had been no limit on the size of the reserve for certain types of centers.
- Approved budget bill language on administrative overpayments in state subsidized child care programs. The budget bill language requires a report with more detail than in the past to distinguish between administrative errors and fraud.
- Approved placing a measure on the ballot to repeal the After School Education and Safety (ASES) Program (Proposition 49), and if it passes, add the ASES program into the K-12 flexibility item.
- Approved technical caseload adjustments to CalWORKs Stage 2 and Stage 3, unrelated to the Governor's elimination of child care or changes to policy.

CDE State Operations

- Reduces state operations funding for CDE by **\$2.6 million** in General Funds (non-98) to reflect workload savings associated with funding flexibility for 40 plus categorical programs. This action eliminates 22 vacant positions.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY (LWDA)

- Approved \$7.208 million (special fund and reimbursements) and 66 positions to permanently establish the Economic and Employment Enforcement Coalition (EEEC), a federal-state multi-agency partnership formed to combat the worst violators of federal and state labor, licensing, and tax laws operating in the underground economy. In addition to LWDA, the other state departments that comprise the EEEC include the Department of Industrial Relations, Employment Development Department, and the Contractors State License Board. The EEEC was initially approved in 2005-06 Budget as three-year limited-term; the 2008-09 Budget continued the EEEC for another two-year limited-term.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved 2010-11 resources for eleven information technology projects intended overall to improve service delivery and increase operational effectiveness and efficiency at the EDD. These projects include the following: (1) Automated Collection Enhancement System; (2) Disability Insurance Automation Project; (3) Call Center Network Platform and Application Upgrade; (4) Continued Claims Redesign; (5) and (6) Single Client Database Modernization (SCDB) and Alternate Base Period (ABP) subprojects (*revised request approved, see next bullet and trailer bill language below*); (7) Electronic Benefit Payments; (8) Identity Management; (9)

Continued Claim Certification Web; (10) eApply Modernization; and (11) Unemployment Insurance Forms.

- With regard to the SCDB and ABP subprojects, the approved resources were reduced to reflect adopted trailer bill language (detailed below) which provides a five-month extension of the current statutory deadline for completion of the ABP subproject.
- Approved several adjustments for the Workforce Investment Act (WIA) Program (federal funds), reflective of an overall decrease in federal funds. Additionally, the ARRA-specific WIA funds, which provided an additional \$470 million for California's workforce system, have expired and are not available in 2010-11.
 - For the WIA 15 Percent discretionary funds, which total \$69 million in 2010-11, approved the Administration's proposed expenditure plan. With regard to the California Department of Corrections and Rehabilitation (CDCR) Parolee Services Programs, in addition to the \$6 million in proposed WIA 15 Percent discretionary expenditures in 2010-11, approved a no-cost extension of \$7 million from 2009-10 to the 2010-11 year, bringing the total amount of WIA 15 Percent discretionary funds available for CDCR Parolee Services Programs in 2010-11 to \$13 million.
- Denied the Governor's Jobs Initiative which consisted of \$500 million in loans from the Disability Insurance Fund to the Employment Training Panel to be paid back by requiring all employers, including those who are currently exempt, to pay the Employment Training Tax.

Trailer Bill Language

1. Approved a five-month extension of the current April 3, 2011, statutory deadline for the Alternate Base Period subproject. The project is five months behind schedule due to federal unemployment insurance benefit extensions that required the temporary redirection of programming resources away from the subproject. The EDD was developing a "de-linking" solution, but the potential risks and costs of this solution were too high. The statutory deadline was legislatively-created; a five-month extension of the deadline will still allow the ABP subproject to be completed well in advance of the federal implementation deadline of September 2012.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Approved several requests to provide resources to enforce apprenticeship labor code requirements on public works projects and assist labor compliance programs that are newly empowered to enforce apprenticeship laws on public works projects.
- Approved 3.5 positions and \$918,000 (special fund) in 2010-11, and \$624,000 ongoing, to continue critical ongoing maintenance activities necessary to the

Electronic Adjudication Management System (EAMS), including ensuring that unauthorized access to personal and confidential information is prevented and that medical care and disability payments are provided in a timely fashion. The Subcommittee was informed that the continuing external user access issues with EAMS will be resolved in a yet-to-be-determined new project.

- Eliminated \$798,000 GF in 2010-11 for a Residential Prevailing Wage Survey in the Central Valley and adopted related budget provisional language to prevent expenditure of any other funds for purposes of this survey. The survey was authorized in July 2009; however, the actual survey has yet to commence and current law provides that any bidder can file a petition to review a wage determination rate upon the ground that it has not been determined in accordance with law.

LOCAL GOVERNMENT

MANDATE REIMBURSEMENTS

- Approved trailer bill language to allow local governments and school districts to securitize the payment stream from the State's constitutional obligation to reimburse local mandate costs. This proposal could provide \$1.6 billion to school districts in 2010-11 and about \$930 million to other local governments. The amount for school districts could grow to as much as \$4 billion depending on court ordered settlements for mandates currently in litigation. This bonding mechanism is based on the successful Joint Powers Authority use by local governments in 2009-10 to accelerate the \$2 billion in Proposition 1A suspension payments.

RESOURCES / ENVIRONMENTAL PROTECTION

0540 Secretary for Natural Resources

- Approved the following Strategic Growth Council funding: (1) an augmentation of \$286,000 (Proposition 84) and three positions to begin the first year of full implementation of the Urban Greening Program; and (2) \$21.1 million (Proposition 84) in grant funds. [See also Department of Conservation and Department of Forestry and Fire Protection for Strategic Growth Council-related items.]
- Denied the Governor's proposal to appropriate \$57.9 million from the as-yet-to-be-approved 2010 Water Bond for the Red Bluff Diversion Dam.
- Approved extension, until 2013, of the period of availability for the Proposition 40 California River Parkways reappropriation item (for funds originally appropriated in 2005).
- Approved reappropriation of the unencumbered balance of \$56.2 million in Proposition 40 funds originally appropriated for the California River Parkways Program in 2002.

3110 Special Resources Program

- Approved as budgeted.

3125 California Tahoe Conservancy

- Approved \$6.5 million (various funds), including \$5 million federal funds, for ongoing implementation of the Lake Tahoe Environmental Improvement Program (EIP). Additionally, approved extension of the liquidation period for various bond funds (Proposition 84 and 12) previously appropriated for implementation of the EIP.
- Approved \$49,000 in Proposition 50 (Prop 50) funding to replace exhausted Proposition 12 program delivery funds that historically supported conservancy baseline activities.

3340 California Conservation Corps

- Approved various reappropriations and extensions of liquidation periods for Proposition 84 funding both for the California Conservation Corps and the local conservation corps. Additionally, reverted \$3 million over-appropriated in Item 3340-001-6051 of the Budget Act of 2009.
- Approved a one-time \$2.9 million augmentation to Collins-Dugan Reimbursement Account in 2010-11 and \$1.4 million in 2011-12 to fund replacement of 54 crew carrying vehicles and 20 vans.
- Approved the final \$659,000 available to the California Conservation Corps and Local Conservation Corps from Proposition 12 for support of Fresno County Economic Opportunities Commission/Fresno Local Conservation Corps (FCEOC/FLCC) capital outlay and resources conservation projects.
- Approved approximately \$2 million from the Collins-Dugan Account for various projects and an additional \$2.2 million augmentation to Operating Expenses and Equipment.
- Approved reappropriation of working drawings and construction phase funding for the Delta Service District Center.

3460 Colorado River Board of California

- Approved as budgeted.

3480 Department of Conservation

- Approved \$3.2 million (special fund) and 17 permanent positions to augment the Underground Injection Control (UIC) and Enhanced Oil Recovery (EOR) Program. Additionally, adopted: (1) budget bill language requiring the department to return in

the 2011-12 Governor's Budget with a "zero-based" budget for this program; and (2) trailer bill language requiring the department to report annually on permitting levels and enforcement actions.

- Approved a total of \$70 million over six years from Proposition 84 to administer the new Sustainable Communities Planning Grant and Incentives Program (on behalf of the Strategic Growth Council [SGC]) and to support planning projects and incentives awarded by the SGC. For the 2010-11 Fiscal Year (FY), the Administration is requesting \$575,000 for program support; \$859,000 for outreach (via a new Outreach and Education Program); \$830,000 to develop and provide data and information to applicants; and \$40 million for projects. As proposed, the request would support six existing positions.
- Approved a four-year limited-term appropriation of \$1 million per year for remediation of 54 orphan oil facilities identified in a 2007 statewide inventory. Additionally, adopted trailer bill language limiting the duration of the necessary fee increase to the four-year period of the augmentation.
- Approved the transfer of 282.9 positions and \$49.6 million (special fund) from the Division of Recycling to the new Department of Resources Recycling and Recovery pursuant to Chapter 21, Statutes of 2009 [SB 63; Strickland].
- Approved \$1.1 million in federal funds for each of three years and two, three-year limited-term positions to implement activities specified in a \$4 million award received from the United States Bureau of Land Management (BLM) to remediate hazardous abandoned mines and inventory abandoned mine sites on BLM lands in California.
- Approved \$356,000 (Oil, Gas, and Geothermal Administrative Fund) and two permanent positions and associated equipment (e.g., vehicles) to address increased regulatory workload associated with the safe operation of geothermal facilities.
- Approved a one-time local assistance appropriation of \$7.9 million for the California Farmland Conservation Program and Budget Bill Language to make these funds, which were originally appropriated in 2006 but were unable to be encumbered, available for three years.
- Approved a one-time appropriation of \$132,000 from various special funds for maintenance of the department's information technology (IT) infrastructure.
- Approved a two-year appropriation of \$122,000 (Oil, Gas, and Geothermal Account) for support of IT project planning for the Division of Oil, Gas, and Geothermal Resources.

3500 Department of Resources Recycling and Recovery

- Approved, for transfer to the Department of Resources Recycling and Recovery, 282.9 positions and \$49.6 million (various funds) from the Department of Conservation, Division of Recycling, and 482.9 positions and \$212.1 million (various funds) from the California Integrated Waste Board.
- Provided no further hearing, following the Eighth Extraordinary Session, of the Governor's proposed language to overhaul the Beverage Container Recycling Program, and, instead, suggested the Administration pursue programmatic reform via the policy process. Approved trailer bill language clarifying existing law regarding reporting on the condition of the Beverage Container Recycling Fund.
- Approved various Governor's proposals to reduce Integrated Waste Management Account (IWMA) expenditures by \$5.8 million (including \$1.3 million in support of positions). Additionally, approved a \$1.5 million loan from the Electronic Waste Recycling and Recovery Account (E-Waste Fund) to the IWMA.
- Approved a fund shift of "base" AB 32 funding (\$501,000) from the IWMA to the AB 32 Cost of Implementation Fund.
- Approved a \$75 million loan from the Electronic Waste Recovery and Recycling Account, Integrated Waste Management Fund to the GF. Additionally, approved a one-year extension of a \$10 million loan from the California Tire Recycling Management Fund to the GF.
- Heard, but did not approve, the Governor's proposal to officially change the name of the department to "CalRecycle."

3540 Department of Forestry and Fire Protection

- Approved the Governor's Emergency Response Initiative, originally proposed back-fill of \$200 million GF, but scored \$36 million GF benefit due to late budget and delayed implementation.
- Approved the shift of Emergency Fund (E-Fund) dollars to the department's base budget in order to: (1) re-align historic expenditures for annual/ongoing, non-emergency activities with the intended use of the E-Fund; (2) re-align reimbursements approved in the Budget Act of 2009; and (3) shift \$1.7 million from early-season hire of firefighters to the hire of Fire Prevention Specialists for the purpose of carrying out increased defensible space inspections. Approved budget bill language to clarify allowable uses of E-Fund. Additionally, adopted trailer bill language to: (1) improve oversight of the E-Fund; (2) improve the availability and quality of data provided to the Legislature on fire prevention efforts; and (3) increase legislative oversight of "Schedule A" agreements.
- Denied all the Governor's proposals to provide \$40 million in Proposition 1E (Prop 1E) funds over seven years for watershed fuels management.

- Approved reappropriation of approximately \$7.7 million in Proposition 40 funding (\$1.8 million for urban forestry; and \$5.9 million for fuels management) that was originally appropriated in FY 2008-09.
- Denied \$1.3 million (AB 32 Cost of Implementation Fund) to assist in implementing Forest Sector greenhouse gas reduction measures.
- Approved fourth-year funding of \$3.2 million (Proposition 84) for urban forestry local assistance grants. Additionally, approved a reversion of \$6.3 million originally appropriated in 2008, consistent with the subsequent creation of the Strategic Growth Council (SGC) and the reallocation of the urban forestry dollars to the SGC. Based on the revised spending plan, FY 2011-12 will be the last year for Prop 84 grants under this program (approximately \$3.2 million).
- Approved conversion of 14 limited-term positions to permanent status and carryover of the associated operating budget (\$2.1 million GF) in order to continue implementation of the Statewide Fire Suppression Cost-Recovery Program, including recovery of approximately \$12 million - \$14 million GF annually.
- Approved one position and \$139,000 (Building Standards Administration Special Revolving Fund) to develop building standards, with emphasis on development, adoption, publication, updating, and educational efforts associated with green building standards and efforts to reduce home loss due to wildland fires. Additionally, adopted uncodified trailer bill language requiring the Office of the State Fire Marshal to report on steps taken to improve fire and public safety with respect to green building standards
- Approved two temporary help positions and associated special funds for the State Fire Training program to develop a Feasibility Study Report for a student records database.
- Approved \$1.4 million in American Recovery and Reinvestment Act funding (including \$524,000 in FY 2010-11 and 3.5 positions) for the forest fuel reduction program in the San Bernardino National Forest.
- Approved \$33.6 million in lease-revenue bonds to replace or rebuild fire stations.

3560 State Lands Commission

- Approved \$160,000 in reimbursement authority (to be supported by School Lands Revenue) to fund increased workload related to geothermal resource development on lands held by the Commission pursuant to the School Lands Bank Act.
- Approved reappropriation of \$261,000 GF to support ongoing hazardous waste remediation at Selby, California, per a federal order.

3600 Department of Fish and Game

- Approved the Governor's proposal to reduce hunting and fishing program expenditures by \$5 million GF, but to backfill those reductions with \$2.4 million in other funds (primarily federal funds).
- Denied \$3 million in Governor-proposed GF reductions to the Marine Life Protection Act (\$1.5 million) and Timber Harvest Plan Review (\$1.5 million), but approved the Governor's proposal to delete \$2 million GF—\$1.5 million in the Fisheries Restoration Grant Program and \$500,000 in the CALFED Ecosystem Restoration Program. The latter two reductions are to be backfilled with Proposition 84 funds.
- Approved five positions (including 2.2 temporary help) and \$1 million (Proposition 84) to implement Delta in-stream flow criteria requirements of Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).
- Approved six positions and \$807,000 (Proposition 84, and reimbursements from the Department of Water Resources using Proposition 84 and Proposition 1E) to support the increase in both Delta Levee Program workload (three positions) and the number of Permitting and Restoration Program projects in the Sacramento-San Joaquin River Delta (three positions).
- Denied the Governor's proposal to appropriate \$72.4 million to the department from the as-yet-to-be-approved 2010 Water Bond.
- Approved \$2 million Non-Dedicated Fish and Game Preservation Fund (FGPF-ND) and seven Game Warden positions to focus on marine issues.
- Approved \$378,000 (FGPF-ND), to provide 350 tasers to game wardens, subject to legislative review of department use and training guidelines (per budget bill language).
- Approved \$1 million (FGPF) to retrofit 23 on-road and 58 off-road diesel vehicles and equipment to reduce emissions in compliance with regulations adopted by the California Air Resources Board (ARB). However, adopted budget bill language to authorize reduced funding if subsequent changes to ARB requirements reduce or eliminate the need for the retrofits in FY 2010-11.
- Appropriated, over a three-year period, the balance of Proposition 84 funds available for salmon and steelhead restoration grants to be expended in a manner consistent with section 6217.1 of the Public Resources Code.
- Approved ongoing authority for 10 existing positions and \$8.8 million in one-time funding from Proposition 84 (via reimbursements from the Natural Resources Agency) in order to support year four of San Joaquin River restoration efforts.
- Approved one 2-year limited-term position and \$340,000 (Proposition 84 funds provided via reimbursement from the Wildlife Conservation Board) in order to produce a spatial data system identifying wildlife corridors and habitat linkages consistent with the intent of Chapter 333, Statutes of 2008 (AB 2785).

- Approved \$17.2 million federal funds (including \$6 million one-time) to: (1) conserve and recover federally listed anadromous fishes, green sturgeon, and marine invertebrates; and (2) recover endangered salmonid species in coastal California.
- Approved three positions and \$580,000 (reimbursement authority) to expand the South Coast and Central Regions' requiring regulatory review and permitting capabilities.
- Approved \$275,000 (reimbursement authority) and 2.5 positions (including one 2-year limited-term) to implement two coastal wetland programs.
- Approved \$1.9 million (reimbursement authority), one permanent position, and six Temporary Help positions to implement Iron Gate Hatchery responsibilities under the Klamath Hydroelectric Settlement Agreement.
- Approved \$1.6 million (various funds) in FY 2010-11 and \$525,000 ongoing to move 130 staff out of the current, overcrowded facility and into one that meets fire, life, and safety requirements.
- Approved \$300,000 special funds one-time to purchase 75 Motorola XTS-2500 P-25 portable radios.
- Approved expenditure increases of \$155,000 and \$515,000 to FGPF accounts dedicated to protecting, preserving, and enhancing duck and pig habitat, respectively.
- Approved \$100,000 (Non-Dedicated FGPF) to enforce Chapter 478, Statutes of 2009 (AB 825; Blakeslee) crab trap restrictions.
- Approved \$59,000 (Non-Dedicated FGPF) and 0.5 positions to implement the Shared Habitat Alliance for Recreational Enhancement program pursuant to Chapter 394, Statutes of 2009 (AB 1423; Berryhill).
- The Governor withdrew a request for \$387,000 (reimbursement authority) and 1.5 two-year limited-term positions to review the qualifications of nonprofit organizations applying to hold mitigation lands, and conduct ongoing oversight of these organizations in their management and stewardship capacities.
- Approved \$1.5 million from the Hatchery and Inland Fisheries Fund in support of Chapter 689, Statutes of 2006 (AB 7; Cogdill) activities at fish hatcheries.
- Approved \$720,000 from Proposition 99, Public Resources Account, for various capital outlay projects.

3640 Wildlife Conservation Board

- Approved \$2.7 million in Proposition 84 funding to administer grants and projects, to develop the San Joaquin River Parkway.
- Approved reappropriation of the unencumbered balance (approximately \$11.6 million) of the San Joaquin River Conservancy's original 2004 Proposition 40 appropriation (which was \$11 million Proposition 40 and \$1 million reimbursement

authority) to fund complex land acquisitions and public access and recreation improvement projects.

- Approved reappropriation of the unencumbered balance (approximately \$12.1 million) of the original 2007 Proposition 84 appropriation (\$14.3 million) to fund conservation easements that preserve and protect valuable rangeland, and grasslands that ensure continued wildlife, water quality, watershed, and open space benefits to the people of California.
- Approved reappropriation of the unencumbered balance (approximately \$13 million) of the original 2007 Proposition 84 appropriation (\$14.3 million) to fund long-term private and public stewardship and conservation of oak woodlands.
- Approved reappropriation of the unencumbered balance (approximately \$9.9 million) of the original 2003 Proposition 50 appropriation (\$32.5 million) to fund ongoing efforts in acquiring lands to preserve and protect valuable wildlife resources and working to fulfill the state obligation for regulatory requirements related to California's allocation of water supplies from the Colorado River, including restoration of the Salton Sea and related activities.
- Approved reappropriation of the unencumbered balance (approximately \$2.4 million) of the original 2006 Proposition 12 appropriation (which was \$15.2 million) to fund various activities, including: (1) restoration or acquisition of habitat for threatened and endangered species; (2) restoration, acquisition, or protection of habitat or habitat corridors for threatened, endangered, or fully protected species; and (3) acquisition of certain real property subject to a natural community conservation plan (NCCP).
- Approved reappropriation of the unencumbered balance (approximately \$11.3 million) of the original 2007 Proposition 84 appropriation (which was \$25 million) to fund acquisitions of key habitat lands that would contribute to the successful implementation of regional NCCPs.
- Approved reappropriation of the unencumbered balance (approximately \$3.4 million) of the original 2007 Proposition 84 appropriation (which was \$4.8 million) to provide grants to farmers to assist them in integrating agricultural activities with ecosystem restoration and wildlife protection.
- Approved \$1 million from special funds for the Public Access Program.
- Approved \$21 million Proposition 1E transfer to the Habitat Conservation Fund for support of Wildlife Protection Act activities.
- Approved reversion of \$3 million from the Wildlife Conservation Board's Budget Act of 2009 Proposition 84 appropriation (Item 3640-301-6051). The funds made available in Proposition 84 for Natural Communities Conservation Planning (NCCPs) purposes were inadvertently over-appropriated when Chapter 2, Statutes of 2009, Seventh Extraordinary Session (SBx7 8) appropriated \$24 million for NCCPs in or around the Sacramento-San Joaquin Delta.

3680 Department of Boating and Waterways

- Denied the Governor’s proposed \$7 million annual appropriation from the Harbors and Watercraft Revolving Fund (HWRF) for Davis-Dolwig costs (see also Department of Water Resources).
- Approved a total of \$16 million in local assistance from the HWRF—\$6 million for grants and \$10 million for public loans—to renovate existing publicly owned small craft harbor facilities and construct/improve public boat launch facilities.
- Approved \$150,000 transfer from the HWRF to the Abandoned Watercraft Abatement Fund, and authority to expend \$100,000 of those funds to implement a pilot program, pursuant to Chapter 416, Statutes of 2009 (AB 166, Lieu), to provide grants to locals for disposal of dilapidated and unseaworthy vessels surrendered by their owners before they are abandoned.
- Approved \$500,000 (HWRF) to establish a permanent baseline budget for the Abandoned Watercraft Abatement Fund.
- Approved \$5.4 million from special funds for various statewide minor capital outlay projects.

3720 California Coastal Commission

- Approved \$311,000 from special funds for operating expenses and equipment.
- Approved a one-year augmentation of \$127,500 (Environmental License Plate Fund, California Beach and Coastal Enhancement Account) to fund additional coastal education grants to non-profits and government agencies.

3760 State Coastal Conservancy

- Approved \$32.8 million (Proposition 84) for various programs that improve various coastal water bodies and promote public access and enjoyment of these areas, including the following: (1) \$10.2 million to the San Francisco Bay Area Conservancy; (2) \$6.3 million to Monterey Bay watersheds; (3) \$5.7 million to San Diego Bay and watersheds; and (4) \$10.6 million to statewide conservancy programs.
- Approved: (1) \$2.1 million in Proposition 40 funding to acquire, protect, and enhance coastal watershed resources and to grant funds for this purpose to public agencies and nonprofit organizations; and (2) multiple reappropriations of Proposition 40 unencumbered balances (totaling approximately \$1.8 million) and associated anticipated reimbursements (totaling approximately \$5.2 million) for various projects.
- Approved reappropriation of unencumbered balances (approximately \$1.8 million total) of the \$120 million originally allocated to the Coastal Conservancy in Proposition 50 for the purposes of watershed protection and for the acquisition and development of facilities to promote public access to, and participation in, the conservation of land, water, and wildlife resources. Additionally, approved

reappropriation of approximately \$5.5 million in Proposition 50 funding that was originally appropriated in 2005, but has not been encumbered due to delays from the bond freeze.

- Approved: (1) \$5.5 million in Proposition 12 funding to implement restoration projects in Santa Monica Bay; and (2) multiple reappropriations of Proposition 12 unencumbered balances for projects up and down the California coast.
- Denied \$120,000 (AB 32 Cost of Implementation Fund) to develop a wetland carbon offset protocol to reduce greenhouse gas emissions.
- Approved \$985,000 from special funds for public access and education programs.
- Approved two permanent positions and shifting of \$166,000 (Environmental License Plate Fund) from operating expenses and equipment to personal services in order to support Ocean Protection Council efforts related to marine debris management, coastal sediment dynamics, sea level rise adaptation, and endangered species protection, among others.

3780 Native American Heritage Commission

- Approved as budgeted.

3790 Department of Parks and Recreation

- Restored \$133 million GF after the Governor abandoned his proposal to supplant \$140 million in GF support with revenues from a new oil lease at Tranquillon Ridge. The level of funding adopted is consistent with a \$7 million (or 5 percent) reduction relative to FY 2008-09 levels, but is greater than the FY 2010-11 level of \$124 million GF agreed to last year. *[Note: According to the Administration, because the Governor ultimately directed the department to take current year reductions in a “one-time” manner (e.g., deferred maintenance) as opposed to permanent lay-offs and closures, FY 2010-11 savings of \$16 million are virtually unattainable (e.g., because it can take longer than nine months to go through the lay-off process.)]*
- Approved \$4.1 million GF for ongoing evaluation, analysis, and implementation of remedial alternatives at Empire Mine State Park.
- Approved \$14.2 million (Proposition 84) for California Museum Collection Center infrastructure and tenant improvements upon approval of new facilities for the museum.
- Approved \$1.8 million (Proposition 84) for the Natural Heritage Stewardship program.
- Approved \$1.6 million (Proposition 84) for the Interpretive Exhibit program.
- Approved \$1.3 million (Proposition 84) for the Cultural Stewardship Program.
- Approved \$1.4 million (Proposition 84) for the Large Natural Resources Program.

- Approved \$2.4 million (Proposition 99, Public Resources Account) to supplant, on a one-time basis, \$2.4 million in State Parks and Recreation Fund support for the Resources Management Program.
- Approved \$880,000 (federal fund authority) to support eight existing positions (currently funded from other resources) to address increased workload in the Office of Historic Preservation associated with the American Recovery and Reinvestment Act.
- Approved \$232,000 (reimbursement authority) and three positions to augment the Special Events Program in the Orange Coast District. Additionally, approved Supplemental Report Language requiring the Orange Coast District to report on revenues generated in its special events program.
- Approved \$303,000 (Harbors and Watercraft Revolving Fund), and \$750,000 ongoing, to continue the Quagga Mussel Prevention and Inspection Program at Lake Perris and Silverwood Lake.
- Approved \$9 million in Proposition 12 and \$4 million in Proposition 40 funds to comply with Americans with Disabilities Act barrier-removal work mandated by the federal court in *Tucker v. California Department of Parks and Recreation*.
- Approved various Local Assistance grant requests, including: (1) reappropriation of Proposition 40 local assistance funds set to revert in 2010; and (2) a new appropriation for Proposition 12 local assistance that reverts in 2010.
- Approved \$46.6 million in federal funds and special funds for the parks local assistance program.
- Approved \$3.4 million (Proposition 84) to conduct the construction phase of an improvement project at Marshall Gold Discovery State Historic Park.
- Approved approximately \$5 million (Proposition 84) for various park development projects (capital outlay).
- Approved reappropriations and/or liquidation period extensions for entities with delayed projects, including the following: (1) City of Encinitas; (2) Door of Hope Community Center; (3) Hayward Area Regional Park District (Holland Park); (4) YMCA of San Diego County; (5) Richmond Natatorium; (6) Girls Today Women Tomorrow; (7) People Coordinated Services of Southern California, Youth and Family Center; (8) City of San Pablo, Wanlass Park; (9) Children's Museum of Los Angeles; (10) Mid-Valley Multi-Purpose Center; (11) Sepulveda Basin Sports Complex Phase I; (12) East Wilmington Greenbelt Park; (13) Reseda Lake; and (14) Harvard Skate Park.
- Approved \$8.3 million in reimbursement authority for various capital outlay projects (whose funding will be provided by other entities).
- Approved Proposition 84 funding for various statewide minor capital outlay projects, including \$2.5 million for statewide park system projects, \$430,000 for the recreational trails program, and \$586,000 for the volunteer enhancement program.

- Approved \$48 million from special funds for capital outlay projects in the Off-Highway Motor Vehicle Recreation Program.
- Adopted Supplemental Report Language to approve a new concession for Oceano Dunes State Vehicular Recreation Area (SVRA) Off-Highway Vehicle 9OHV Rentals.
- Approved trailer bill language to divide the lands of the “Freeman Property” between the Anza-Borrego Desert State Park and the Ocotillo Wells State Vehicular Recreation Area, should that property be acquired by the state.

3810 Santa Monica Mountains Conservancy

- Approved \$4 million in Proposition 84 funding for acquisition and local assistance grants in the Upper Los Angeles River watershed and Santa Monica Bay and Ventura County coastal watersheds.

3820 San Francisco Bay Conservation and Development Commission

- Approved \$460,000 (reimbursement authority), and made permanent three limited-term positions in order to continue contracting with Metropolitan Transportation Commission and the California Department of Transportation for permit review and planning activities to expedite project delivery.

3825 San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy

- Approved as budgeted.

3830 San Joaquin River Conservancy

- Approved \$676,000 in Proposition 84 funding (the balance of unappropriated authorized funds for this purpose) and \$2 million in reimbursement authority to implement public access, recreation, and environmental restoration projects along the San Joaquin River Parkway.

3835 Baldwin Hills Conservancy

- Approved \$10.8 million in Proposition 84 and Proposition 40 reappropriations for acquisition, restoration, and development.

3840 Delta Protection Commission

- Approved six positions and \$2 million (Environmental License Plate Fund), including three positions and \$400,000 ongoing to carry out requirements of Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).
- Augmented the Governor’s proposed funding by transferring to the Delta Protection Commission former CALFED resources totaling \$1.4 million originally proposed for support of the Delta Stewardship Council. Adopted Budget Bill Language specifying the activities on which the additional funds may be expended.

3845 San Diego River Conservancy

- Approved as budgeted.

3850 Coachella Valley Mountains Conservancy

- Approved reappropriation of \$5.5 million in Proposition 84 funding (the balance of unappropriated authorized funds for this purpose) to acquire and protect mountainous and natural community conservation plan lands.

3855 Sierra Nevada Conservancy

- Approved as budgeted.

3860 Department of Water Resources

- Approved creation of a new “Flood Emergency Fund” (E-Fund) and shifted \$1 million from the department’s existing baseline budget into the E-Fund. Additionally, adopted budget bill language to: (1) clarify the conditions under which the E-Fund may be activated; (2) specify that the funds may be expended for up to seven days; (3) require reporting to the Legislature when the fund is used; and (4) require notification to the Joint Legislative Budget Committee of the criteria adopted by the department subject to which the E-Fund may be used.
- Approved 15 positions and \$12.5 million (Proposition 84) over three-years (including \$5 million in FY 2010-11) for implementation of the Water Conservation Act of 2009 (Chapter 4, Statutes of 2009, SBx7 7, Steinberg).
- Approved budget bill language directing the department, when implementing a pilot program for disadvantaged community assistance within the Coachella Irrigation District, to consider methods that provide cost savings for high-priority water-related problems affecting disadvantaged communities, including consolidation of community water systems, wastewater systems, and flood systems, and steps to implement consolidation of those systems, where appropriate and feasible.

- Approved five positions and \$1.3 million (Proposition 50) for one-year only to conduct groundwater monitoring activities consistent with Chapter 1, Statutes of 2009, Seventh Extraordinary Session (Steinberg, SBx7 6).
- Denied six positions and related funding for the California Water Commission, and instructed the Administration to return with a request if, and when, the 2010 Water Bond Act is approved by the voters.
- Adopted various changes (via trailer bill language) to Chapter 2, Statutes of 2009, Seventh Extraordinary Session (SBx7 8, Steinberg).
- Approved creation of a new “Flood Emergency Fund” and shifted \$1 million from the department’s existing baseline budget into the fund. Additionally, adopted Budget Bill Language to: (1) clarify the conditions under which the fund may be activated; (2) specify that the funds may be expended for up to four days before the Governor’s approval must be obtained for continued spending; and (3) require reporting to the Legislature when the fund is used.
- Appropriated \$10 million (Proposition 1E), including \$5 million already included in the Governor’s Budget, to fund agricultural easements in flood corridors consistent with Public Resources Code Section 5096.825. Additionally, adopted Budget Bill Language specifying that the department is to work with the Department of Conservation to identify high quality agricultural easements with flood management values consistent with the requirements of the bond act
- Denied, consistent with the Governor’s abandonment of the 2010 Water Bond, the Governor’s proposal to appropriate \$472 million to the department from the as-yet-to-be-approved 2010 Water Bond. However, provided \$6.5 million from Proposition 13 fund for the Red Bluff Diversion Dam Project (which the Governor has proposed from the Water Bond).
- Approved \$326,000 from the AB 32 Cost of Implementation Fund to ensure bond funds, specifically in the Integrated Regional Water Management grant program, are leveraged to support AB 32 goals related to water use and energy efficiency.
- Approved one-year funding of \$4 million (reimbursement authority) to carry out Salton Sea restoration activities funded by the Department of Fish and Game and the Natural Resources Agency.
- Approved \$33.8 million in reimbursement authority (\$13.8 million in FY 2010-11; and \$20 million in FY 2011-12) in order to receive Proposition 84 funds from the Natural Resources Agency for support of year four of San Joaquin River restoration efforts.
- Denied the Governor’s proposal to fund Davis-Dolwig costs in the State Water Project (SWP), and denied proposed trailer bill language to amend the Davis-Dolwig Act. Approved redirection of \$200,000 in consulting funds and adopted budget bill language to direct their use for an independent analysis of the methodology used to calculate the share of recreation/environmental benefits owed to the SWP by the state.

- Adopted trailer bill language to assist in the implementation of the Quantification Settlement Agreement by enabling the Imperial Irrigation District to finalize a loan guarantee agreement with the California Infrastructure and Economic Development Bank.
- Approved \$1 million (Proposition 84) to begin implementation of a new five-year program to provide grants for projects that eliminate discharges of agricultural subsurface drainage water from the west side of the San Joaquin Valley into the San Joaquin River. The total expected cost for this program is expected to be \$38.6 million over a five-year period.
- Approved continued FloodSAFE funding of \$210.8 million (including \$173.8 million Proposition 1E; \$21 million Proposition 84 [continuously appropriated]; and \$16 million Proposition 13) and 37 positions (including 15 new, full-time positions; 13 new limited-term positions; and nine existing positions) to carry out activities across six functional areas.
- Approved approximately \$120 million (Proposition 1E) for new flood control capital outlay projects, and reappropriations and liquidation period extensions for various capital outlay projects.
- Approved \$1 million (Proposition 84) to acquire approximately 100-150 acres of land to create a “land bank” in the Sacramento-San Joaquin River Delta where habitat could be restored to provide mitigation for needed levee repairs in the Delta.
- Approved \$30.6 million from Proposition 84 (including new appropriations totaling \$16 million over the next three years; and reappropriation of approximately \$14.6 million originally appropriated in FY 2007-08), and three new positions to fund various multi-benefit water planning and feasibility studies activities.
- Approved reversion of \$6 million (Proposition 50) originally appropriated in FY 2008-09 that has gone unused due to the 2008 bond freeze, and a new appropriation of \$6 million, including \$3 million for the Water Use Efficiency Technical Assistance Program and \$3 million for the Program Science Evaluation.
- Approved: (1) \$794,000 (Proposition 50), to be reverted from funds originally appropriated in FY 2003-04, for water supply reliability projects; and (2) \$9.1 million (Proposition 84) to continue the Urban Streams Restoration Program.
- Approved \$8 million (Proposition 204) to be reverted from funds originally appropriated in FY 2008-09, for the Sacramento Valley Water Management and Habitat Protection Measures Program.
- Approved conversion of one limited-term position to permanent status and \$200,000 (federal funds) for five years to allow receipt and expenditure of Truckee River Operating Agreement grant funds.

3875 Sacramento-San Joaquin Delta Conservancy

- Approved the transfer of seven positions and \$1.3 million (including \$829,000 GF) from former CALFED resources to support the new Sacramento-San Joaquin Delta Conservancy (Delta Conservancy) consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian).

3885 Delta Stewardship Council

- Approved the transfer of \$47.6 million (including \$4.9 million GF) and 48 positions from former CALFED resources to support the new Delta Stewardship Council (Council) consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session (SBx7 1, Simitian). Additionally, adopted trailer bill language requiring: (1) a zero-based budget in FY 2011-12 for all entities receiving former CALFED resources (including the Council and the Delta Conservancy); (2) the Governor to submit, as part of this 2011-12 Governor's Budget, a financing plan for the ongoing support of Delta activities; and (3) independence and oversight of various Council contracts.

0555 Secretary for Environmental Protection

- Approved the transfer (to the California Environmental Protection Agency), and ongoing funding of, the Office of Environmental Education in the aftermath of the California Integrated Waste Management Board elimination (pursuant to Chapter 21, Statutes of 2009 [SB 63; Strickland]). Additionally, adopted: (1) budget bill language permitting the Environmental Education Initiative (EEI) funding to be increased if additional monies become available through non-state contributions to the program; and (2) trailer bill language to authorize the agency to sign a Memorandum of Agreement with an "external fiscal agent," so that the agency may direct expenditure of any non-state contributions that are deposited with the external fiscal agent for the purpose of supporting the EEI.
- Approved \$903,000 reduction to various special funds, but denied \$151,000 of the proposed reductions to the Integrated Waste Management Account (IWMA) in order to preserve funding for ongoing California-Mexico border environmental programs. The proposed reductions were to special funds administered by the former Waste Board and now under the control of Department of Resources Recycling and Recovery (in the Natural Resources Agency).
- Approved \$1.5 million in federal fund authority, with approximately \$1 million to go to rural Certified Unified Program Agencies (CUPA) to create a Rural CUPA Underground Storage Tank (UST) Inspection grant program, and approximately \$500,000 annually in federal National Environmental Information Exchange Network (NEIEN) grant funds for the continued development and enhancement of the CalEPA's electronic reporting systems.

3900 Air Resources Board

- Directed the Air Resources Board (ARB) to cease spending funds for the purpose of developing a renewable energy standard, or similar requirement, absent the enactment of legislation that authorizes such activities. Deleted \$750,000 (special funds) from the ARB budget—the estimated amount being expended in the current fiscal year on developing a 33-percent renewable energy standard.
- Deleted the final \$189,000 GF remaining in the ARB research budget.
- Approved one position and \$100,000 (special funds) to support the ARB's new rulemaking responsibilities pursuant to Chapter 384, Statutes of 2009 (AB 1085, Mendoza). Additionally, adopted trailer bill language to clarify the intent of AB 1085.

3910 Integrated Waste Management Board

- Denied various Budget Change Proposals intended to transfer resources from the California Integrated Waste Management Board—CIWMB (which was eliminated pursuant to Chapter 21, Statutes of 2009 [SB 63; Strickland]). *[Note: The aforementioned proposals were denied in subcommittee as part of an action stemming from concerns with the Department of Resources Recycling and Recovery's management of the Beverage Container Recycling Program, and will need to be reconciled (in Conference Committee) to the fact that the CIWMB no longer exists in statute.]*

3930 Department of Pesticide Regulation

- Adopted trailer bill language suspending for one year the registration of methyl iodide for use in California, and specified various requirements for its future registration.
- Approved transfer of the Structural Pest Control Board (including 34 positions and \$4.6 million special funds) from the Department of Consumer Affairs (DCA) to the Department of Pesticide Regulation (DPR), consistent with the reorganization enacted by Chapter 18, Statutes of 2009, Fourth Extraordinary Session (ABx4 20, Strickland). Additionally, approved placeholder trailer bill language to clarify/ensure that the Structural Pest Control Board retains various enforcement options, such as issuing citations and fines which are authorized for boards and bureaus under the jurisdiction of the DCA, but are not explicitly authorized under the DPR.

3940 State Water Resources Control Board

- Approved \$2.7 million GF to fund the defense of litigation filed by Pacific Lumber Company alleging that the State of California breached the Headwaters Agreement.
- Approved the following Governor-proposed fund shifts (from GF to fee-supported special funds):

- \$1.4 million in the National Pollutant Discharge Elimination System Wastewater Program from GF to the Waste Discharge Permit Fund (WDPF)—making the program entirely WDPF-supported.
- \$1.8 million in the Irrigated Land Regulatory Program from GF to the WDPF—making the program entirely WDPF-supported.
- \$3.2 million in the Water Rights Program from GF to the Water Right Fund.
- Approved a \$2 million fund shift from the IWMA to the WDPF, and adopted trailer bill language requiring the State Water Resources Control Board to provide an analysis of the water quality monitoring program at active landfills, and to collect the increased WDPF in the second quarter of the fiscal year.
- Approved the Governor’s request to shift all GF support for basin planning activities (\$6.1 million) to the WDPF. Additionally, approved the Governor’s proposal to augment basin planning (8.9 positions and \$746,000), but funded it from the WDPF, rather than third-party reimbursements.
- Approved one position and \$155,000 (reimbursement authority) for implementation of the Water Conservation Act of 2009 (Chapter 4, Statutes of 2009, Seventh Extraordinary Session [SBx7 7, Steinberg]).
- Approved 4.5 positions and \$673,000 million (Water Right Fund) to fund the Delta Watermaster and Delta flow criteria consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session [SBx7 1, Simitian].
- Approved 2.5 limited-term positions and \$253,000 (Water Right Fund) to improve water diversion and use reporting information consistent with Chapter 5, Statutes of 2009, Seventh Extraordinary Session [SBx7 8, Steinberg].
- Denied the Governor’s proposal to appropriate \$419 million to the State Water Resources Control Board from the as-yet-to-be-approved 2010 Water Bond.
- Approved two positions and \$535,000 (AB 32 Cost of Implementation Fund) to address water recycling and reuse in order to reduce greenhouse gas emissions associated with water conveyance, treatment, and discharge.
- Approved, as a three-year pilot program, \$1 million (Water Right Fund) for the State Water Board to hire environmental consultants directly for California Environmental Quality Act activities and seek cost recovery from applicants/petitioners. Adopted trailer bill language requiring a report on the success of the new approach.
- Approved five positions and \$603,000 (Water Right Fund), supported by a fee increase, to augment the State Water Board’s Water Quality Certification Program in order to timely process “401” water quality certifications for Federal Energy Regulatory Commission hydroelectric projects.
- Approved a one-time augmentation of \$158 million to the Underground Storage Tank Clean-up Fund (USTCF) in order to expend additional revenues generated by the temporary fee increase adopted pursuant to Chapter 649, Statutes of 2009 (Ruskin, AB 1188). Adopted Supplemental Report Language requiring a USTCF Action Plan update with the 2011-12 Governor’s Budget.

- Approved one position and \$96,000 to assume front-end research duties and establish a collections strategy on debts owed to the WDPF.
- Approved four positions and \$384,000 (State Water Pollution Cleanup and Abatement Account) to timely enforce Mandatory Minimum Penalty violations.
- Approved the remaining balance of \$577,000 from the Environmental Protection Trust Fund so that the fund can be liquidated for Aboveground Petroleum Storage Act (APSA) oversight per the provisions of Chapter 626, Statutes of 2007 [AB 1130].
- Adopted trailer bill language to create the Waste Water Certification Fund as a repository for revenues from fees (authorized under current law) charged to certified operators of wastewater treatment plants, applicants to become certified operators, and contract operators for various services associated with certification. These programs previously operated on a reimbursable basis.
- Approved various reappropriations of Proposition 13 and 50 funds, reversions of various Proposition 50 and Proposition 84 amounts, and various new appropriations, including the following totals for local assistance: Proposition 13 – \$2.3 million; Proposition 40 – \$17.9 million; and Proposition 50 – \$36.5 million. Additionally, approved Budget Bill Language to extend the encumbrance period for the above amounts from one year to three years (i.e., make them available until June 30, 2013).

3960 Department of Toxic Substances Control

- Approved \$403,000 (special funds) for design, development, testing, and implementation of the Toxics Clearinghouse, consistent with Chapter 560, Statutes of 2008 (SB 509, Simitian).
- Approved one position and \$135,000 (Toxic Substances Control Account) to enforce a ban on lead wheel weights consistent with Chapter 614, Statutes of 2009 (SB 757, Pavley).
- Approved one position and \$128,000 (reimbursement authority) to implement Chapter 353, Statutes of 2009 (SB 546, Lowenthal), and ensure that out-of-state recyclers of California used oil meet the same testing, reporting, and permitting standards as in-state recyclers.
- Approved \$360,000 (State Certified Unified Program Agency Account), including \$197,000 ongoing, to fully fund the department's role as the Imperial County Certified Unified Program Agency.
- Approved conversion from limited-term to permanent one position and \$103,000 (special funds), to continue working down an ongoing backlog of outstanding accounts receivable, and maintain increased delinquent account collections for the department's site cleanup program.

3980 Office of Environmental Health Hazard Assessment

- Denied the Governor’s proposal to eliminate 0.5 position and \$108,000 (Integrated Waste Management Account) associated with testing emissions from environmentally preferred products.

3360 California Energy Commission

- Approved nine positions and a two-year total of \$8.7 million—\$6.2 million in FY 2010-11—from the Energy Facility License and Compliance Fund to process electricity generation siting applications and to ensure the more rapid development of the Desert Renewable Energy Conservation Plan (DRECP). Additionally, approved trailer bill language to increase existing licensing fees and expand them to include renewable generation.
- Approved ten permanent positions and \$1.8 million (federal funds), including \$500,000 for contract expenses to implement an Energy Efficiency Program for Existing Residential and Nonresidential Buildings consistent with Chapter 470, Statutes of 2009 [AB 758, Skinner and Bass].
- Approved \$141,000 (Energy Resources Program Account—ERPA) and conversion of a limited-term position to permanent status to conduct ongoing oversight and monitor compliance with the combined heat and power guidelines established pursuant to Chapter 713, Statutes of 2007 [AB 1613, Blakeslee]. Denied a second position to address distributed generation issues associated with development of a “smart grid.”
- Approved \$143,000 (ERPA), on a two-year limited-term basis, one position to provide the California Public Utilities Commission with consultation on defining and developing a smart grid in California, consistent with Chapter 327, Statutes of 2009 [SB 17, Padilla].
- Approved the Governor’s request to provide a budget year (\$5 million) and an ongoing (\$2 million) increase to the Alternative and Renewable Fuel and Vehicle Technology Program (AB 118). Additionally, approved the Governor’s proposed reappropriation of \$40 million (originally appropriated in 2008) for the California Alternative Energy and Advanced Transportation Financing Authority to provide loans, loan guarantees, credit enhancements, bond funding, and sales tax rebates to various AB 118 program participants. Also approved AB 118 trailer bill language to: (1) synchronize the release of the AB 118 Investment Plan with the budget process and provide legislative notification of changes to the plan that occur after the close of the budget process; and (2) accelerate the requirements placed on biorefiners who receive loans via the California Ethanol Producer Incentive Program in order to encourage a more rapid transition toward more environmentally friendly and sustainable ethanol production processes.
- Approved the Governor’s request for trailer bill language to establish the Clean and Renewable Energy Business Financing Revolving Loan Fund, which would authorize the CEC to conduct and administer the Clean and Renewable Energy Business Financing Program.

- Approved trailer bill language to extend the sunset of the Energy Conservation Assistance Account sunset by two years (to January 1, 2013), and the Local Jurisdiction Energy Assistance Account by five years (to January 1, 2016).
- Approved a one-year extension of \$35 million in loans from the Renewable Resource Trust Fund to the GF.

**3860 Department of Water Resources
(California Energy Resources Scheduling Division)**

- Approved as budgeted

8660 Public Utilities Commission

- Denied the Governor’s requested \$1.8 million augmentation associated with pursuit of a 33-percent renewable energy/portfolio standard. Additionally, directed the PUC to cease spending funds for the purpose of developing a renewable energy standard or similar requirement absent the enactment of legislation that authorizes such activities.
- Approved one position and \$112,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to provide consultation to the CEC in the implementation of Chapter 470, Statutes of 2009 [AB 758, Skinner and Bass]. *[See related item above in the CEC.]*
- Approved 2.3 positions (including 0.3 one-year Administrative Law Judge) and \$242,000 (PUCURA) to conduct a ratemaking proceeding and ongoing program monitoring for a new Net Surplus Compensation Program, pursuant to Chapter 376, Statutes of 2009 [AB 920, Huffman], that would allow customers on Net Energy Metering tariffs to sell excess electricity to their electric utility after certain conditions are met.
- Approved one position and \$101,000 (PUCURA) to evaluate the cost effective use of advanced energy storage in support of various California policy goals, including the Renewable Portfolio Standard and AB 32.
- Approved one position and \$85,000 (PUCURA) to better evaluate the utilities’ compliance with procurement rules for electric resources. Specifically, the PUC proposes to increase audits from less than 0.5 percent of quarterly transactions to approximately one percent, with a focus on the millions of dollars spent on day-ahead and hour-ahead transactions.
- Approved reappropriation of \$1.5 from the California Teleconnect Fund to support broadband installation for community nonprofits.
- Approved four limited-term positions and \$2.4 million (American Recovery and Reinvestment Act federal funds) to support four years of broadband mapping and planning efforts.

- Approved the following requests from the Division of Ratepayer Advocate: (1) one position and \$96,000 (PUC Ratepayer Advocate Account) to ensure investor-owned utility energy efficiency programs are cost-effective for ratepayers; and (2) one position and \$95,000 (PUC Ratepayer Advocate Account) to address expanding workload on energy low income assistance programs and activities.
- Approved three positions and \$312,000 (Public Transportation Account, State Transportation Fund) for increased rail transit safety oversight, including: (1) better tracking of corrective action plans; (2) additional inspections of 12 existing rail transit systems and the dozens of new construction projects underway at any given time.
- Approved \$2.3 million (reimbursement authority) to conduct a customer satisfaction survey of limited English proficient customers of California communications utilities relative to the general English proficient population.
- Approved three limited-term positions and \$162,000 (various special funds) originally approved in FY 2008-09 be made permanent in order to continue a pilot program for centralized fines and restitution collections.
- Approved four limited-term positions and \$745,000 (federal funds) to provide four years of increased staffing to support increased workload related to American Recovery and Reinvestment Act energy funds.
- Approved \$40 million in reimbursable consultant services to bring energy efficiency program evaluation, measurement, and verification (EM&V) “on-budget.” Of the requested amount, \$3 million would be for technical expertise to help identify and develop energy efficiency program strategies and improvements to make existing IOU programs more effective; and \$37 million would be for technical assistance in developing, conducting, and monitoring EM&V.
- Approved a one-time augmentation of \$2.2 million (various special funds) to modernize seven 23-year old elevators in the PUC headquarters building.
- Approved a one-year extension of the following loans to the GF: (1) \$75 million from the California High-Cost Fund-B Administrative Committee Fund; (2) \$45 million from the Universal Lifeline Telephone Service Trust Administrative Committee Fund; and (3) \$30 million from the Deaf and Disabled Telecommunications Program Administrative Committee Fund.
- Adopted supplemental report language requiring the PUC to provide certain information regarding its enforcement efforts specific to Community Choice Aggregators.

8665 California Consumer Power and Conservation Financing Authority

- Approved as budgeted.

8770 Electricity Oversight Board

- The Board received no funding in the budget.

7300 Agricultural Labor Relations Board

- Approved as budgeted.

8570 Department of Food and Agriculture

- Approved the Governor's request to make permanent an existing pilot project (consisting of three positions and \$244,000 [\$232,000 ongoing] in reimbursement authority) in which the California Department of Food and Agriculture (CDFA) personnel at the Needles (I-40) border protection stations inspect cargo, photocopy pertinent documents, and pass along potential leads to the Board of Equalization (BOE) for collection of use tax. Additionally, approved the Governor's request for nine positions and \$706,000 (reimbursement authority) to expand the BOE/CDFA Tax Enforcement Program to three additional border protection stations (Yermo, Truckee, and Hornbrook).
- Denied three administrative positions and \$513,000 (Agriculture Fund) for the State Board of Food and Agriculture.
- Approved 38 one-year limited-term positions, 117 temporary help positions, and \$19.8 million (federal funds) to fund detection and quarantine to prevent the spread of the Asian Citrus Psyllid in California.
- Approved seven positions and \$15 million (Agriculture Fund) to implement the California Citrus Pest and Disease Prevention Committee created pursuant to Chapter 426, Statutes of 2009 [AB 281, DeLeon].
- Approved two positions and \$250,000 (Agriculture Fund) to establish a Citrus Nursery Stock Pest Cleanliness Program to protect citrus nursery source propagative trees from diseases, pests, and other risks and threats.
- Approved three positions and \$416,000 (Agriculture Fund) to monitor input material production processes at fertilizing material manufacturing facilities, consistent with Chapter 257, Statutes of 2009 [AB 856, Caballero], in order to ensure that "organic" foods are truly organic (and are not tainted by use of "non-organic" input materials in fertilizer).
- Approved \$194,000 (Municipal Shelter Spay-Neuter Fund) to distribute, consistent with Chapter 328, Statutes of 2008 [AB 2291, Mendoza], grants to eligible municipal shelters for the purposes of providing low cost or free spay-neuter services.
- Approved \$12.7 million from the federal Farm Bill of 2008.
- Approved a one-time augmentation of \$4.6 million (various funds) and an ongoing augmentation of \$116,000 to support the costs associated with the relocation of

CDFA staff that is currently located in the Annex Building at 1215 O Street and at the Westfield Downtown Plaza at 560 J Street.

- Approved a \$15 million loan from the Department of Food and Agriculture Fund to the GF.

REVENUES

SUSPEND CORPORATE TAX CUTS

- Approved TBL to suspend Net Operating Losses (NOLs) for two additional years. NOLs are being suspended in 2008 and 2009. Under the Conference Committee's proposal, corporations would be allowed to use NOLs to offset tax liability starting in 2012 and would be allowed to carry these losses forward for 20 years. Previously, corporations could only carry forward NOLs for ten years. This proposal will result in \$1.5 billion in additional GF tax revenues in the budget year and \$500 million in additional revenues in 2011-12.
- Approved TBL to delay for two years law changes enacted as part of the 2009 budget package that created an elective single sales factor for apportionment of business income to California. This tax policy change was to start in the 2011 tax year, but this action would delay the apportionment changes until the 2013 tax year. Delaying this tax cut will provide \$270 million in additional GF revenues in the budget year. The TBL would not delay the four other apportionment changes that were made as part of the 2009 budget package.
- Approved TBL to delay for two years law changes enacted as part of the 2009 budget package that will allow corporations to accumulate business tax credits and assign all or a portion of any unused credit to an affiliated corporation that is a member of the same combined reporting group. This proposal will result in \$315 million in additional GF revenues in the budget year and \$260 million in additional revenues in 2011-12.

TAX REFORM

- Approved TBL to raise federally deductible taxes (Personal Income Tax and Vehicle License Fee) and reduce the State Sales Tax that is not deductible on federal personal income tax forms. Under this tax reform proposal all income groups would, after deductibility, experience an overall net tax reduction. Total revenues raised by this tax reform would be approximately \$1.8 billion. This is slightly less than what is estimated to be returned to the taxpayers through reduced federal tax liability. The revenue is projected to grow slightly to approximately \$3.3 billion in future budget years.
- **Personal Income Tax.** Under this proposal, the Personal Income Tax rate for each bracket, except the top bracket would be increased by 1 percent. This proposal would flatten the tax structure and, on the margin, would reduce personal income tax volatility by shifting reliance away from the top income tax bracket. The current 0.25

percent surcharge would also be extended for all brackets. The Current and proposed rates are below:

current law		proposal	
2010	2011	2010	2011
1.25%	1.00%	2.25%	2.25%
2.25%	2.00%	3.25%	3.25%
4.25%	4.00%	5.25%	5.25%
6.25%	6.00%	7.25%	7.25%
8.25%	8.00%	9.25%	9.25%
9.55%	9.30%	9.55%	9.55%

Approximately \$8.7 billion in additional Personal Income Tax would be raised under this proposal in the budget year.

- Vehicle License Fee.** Under this proposal, the Vehicle License Fee (VLF) would be increased from 1.15% to 1.65%. A portion of this increase would be dedicated to restructuring public safety programs that are currently funded at the state level and will now be shifted to the counties. The amount dedicated to restructuring public safety programs in 2011-12 would be approximately 0.5% of the VLF. A smaller portion of the increase will be dedicated to the counties in the budget year given the need to phase in the restructuring of the public safety programs.

current law		proposal	
2010	2011	2010	2011
1.15%	0.65%	1.65%	1.65%

Approximately \$1.5 billion in additional Vehicle License Fee would be raised under this proposal in the budget year.

- State Sales Tax.** Under this proposal, the State Sales Tax would be reduced by 1.75% in the budget year and an additional 0.75 percent in 2011-12. In total, the sales tax would be reduced a full 2.5 percent in 2011-12 when compared with the current rate. This reduction would only impact the state sales tax and would have no impact on the local sales tax. Also, the proposal would hold harmless transit funding provided in the February 2010 Fuel Tax Swap. This sales tax reduction is independent of the state sales tax reduction under the “single flip”. The reduction to the state sales tax under the “single flip” would be in addition to the sales tax reduction described below.

current law		proposal	
2010-11	2011-12	2010-11	2011-12
6.00%	5.00%	4.25%	3.50%

The State Sales Tax would be cut by approximately \$8.4 billion in the budget year.

- **Impact to Taxpayers.** Under this tax reform proposal, taxpayers across income groups could see a reduction in the overall state and federal taxes paid because the proposal would swap out taxes that are not deductible (sales tax) for taxes that are deductible when determining federal income tax owed. An average taxpayer in each tax bracket could see a tax cut that ranges from \$10 to over \$1,000 depending on their tax bracket and the percentage of their household budget spent on taxable goods.

Furthermore, the reduction in sales tax may spur additional consumer purchases and business investment in economic activity since approximately one-third of the sales tax is paid by businesses.

OIL SEVERANCE TAX/STATE SALES TAX CUT/“SINGLE FLIP”

- Approved TBL to implement an oil severance tax on all oil extracted from California wells, subject to certain limitations on small production “stripper” wells. The tax would be administered by the Board of Equalization and would raise an amount equivalent to a 0.25 reduction in the State Sales Tax. Assuming a California oil price of \$70 per barrel (\$10 per barrel less than the current West Texas Intermediate benchmark price) the tax rate would be 7.75 percent. The new tax would be imposed January 1, 2011 and would result in \$600 million in additional revenues in the budget year. These revenues would grow to approximately \$1.2 billion in 2011-12.
- Approved TBL to reduce the State Sales Tax by 0.25 effective January 1, 2011, thereby reducing taxes by \$600 million in the budget year.
- Approved TBL to, effective January 1, 2011, end the “revenue exchange period” established under the so-called “triple-flip”. This action is referred to as the “single flip” and would result in an end to the suspension of the 0.25 Bradley Burns local sales tax (the local sales tax would go up by 0.25). This would result in a shift of property taxes from local governments back to schools and would result in relieving GF expenditures on schools by about \$1.2 billion ongoing and \$600 million in the budget year given the January 1, 2011 implementation date.

TRANSPORTATION

2640 STATE TRANSIT ASSISTANCE

- As part of the Proposition 58 Special Session, added funding of \$400 million from the Public Transportation Account to restore state funding for transit agency operations.
- Augmented Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding to a total of \$1.5 billion. The Governor had proposed \$350 million, but additional projects were identified as ready for construction.

2660 DEPARTMENT OF TRANSPORTATION

- Approved a total of \$4.0 billion in Prop 1B funds across multiple departments. Approved Prop 1B bond funding of \$2.1 billion for the following bond categories that are budgeted directly in the California Department of Transportation (Caltrans) budget (figures include state operations, local assistance, and capital outlay).
 - \$578 million for Corridor Mobility Improvement Account (CMIA)
 - \$525 million for the State Transportation Improvement Program (STIP)
 - \$294 million for Trade Corridors Improvement Fund
 - \$19 million for State Highway Protection and Preservation Program (SHOPP)
 - \$241 million for State Local Partnership
 - \$217 million for Grade Separation
 - \$74 million for State Route 99
 - \$8 million for Local Bridge Seismic Retrofit
 - \$182 million for Traffic Light Synchronization

Other Prop 1B bond appropriations are in the budgets of State Transit Assistance (Transit); the Office of Emergency Services (Security); and the Air Resources Board (Air Quality and School Bus Retrofit).

- Added an appropriation of \$234 million from Proposition 1A bond funds for intercity rail and connector rail that will provide connectivity to the high-speed rail system.
- Approved, as part of the Proposition 58 Special Session, the “Fuel Swap.” This legislation results in no overall net change in tax liability but raises certain taxes and decreases others. Specifically, the Fuel Swap eliminates the state sales tax on gasoline (eliminates the 6.0 percent tax), and increases the excise tax on gasoline (by 17.3 cents per gallon). Additionally, the legislation increases the sales tax on diesel (by 1.75 percent) and decreases the excise tax on diesel (by 4.4 cents per gallon). These tax changes result in an increased ability to use transportation funds for bond debt service resulting in GF relief of \$219 million in 2009-10, and \$929 million in 2010-11. At the same time, the “Proposition 42” funding level for highways and local streets and roads is fully maintained in the Fuel Swap with the new excise revenue.
- Approved a loan of \$650 million from the new “Fuel Swap” revenue to the General Fund. This amount represents new revenue in addition to that needed to backfill for Proposition 42 and for bond debt service. The loan will be repaid within three fiscal years per the requirements of Article XIX of the State Constitution.
- Approved a loan repayment deferral of \$230 million from various transportation special funds. The General Fund will repay these amounts in 2011-12 instead of 2010-11, which is still within the repayment requirements of Article XIX of the State Constitution.
- Modified the Administration’s Capital Outlay Support staffing request such that the reduction in state positions is 225 instead of 723. These staff resources will prepare additional highway projects to be ready for construction, which could result in additional construction projects going forward in this favorable bid environment.

- Rejected the \$3.5 billion appropriation requested for availability payments, which are a type of lease agreement where the private partner initially funds construction on a highway project, operates the facility over many years, and the state compensates the private partner with fixed payments over many years.
- Scored \$100 million in operations savings in each of the 2009-10 and 2010-11 budgets. This savings is generated from reduced purchases, training, travel, and other operations costs. Directed \$50 million of the savings in 2010-11 to additional pavement maintenance.

2665 HIGH SPEED RAIL AUTHORITY

- Approved total funding of \$221 million for the High-Speed Rail Authority (HSRA) from both Proposition 1A bond funds and American Recovery and Reinvestment Act (ARRA) funds, with authority to augment that amount by up to \$243 million if right-of-way purchases are ready to proceed in the budget year.
- Revised and expanded the budget act scheduling of expenditures for the HSRA to increase transparency and improve oversight.
- Approved budget bill language and trailer bill language that requires the HSRA to report to the Legislature with information on fiscal, management, and planning issues.

2670 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN

- Approved \$233,000 for one-time legal expenses, \$162,000 for one-time training costs, and \$75,000 for a new permanent Office Technician position – all special fund.

2700 OFFICE OF TRAFFIC SAFETY

- Approved a reappropriation of \$94 million in federal funds.

2720 CALIFORNIA HIGHWAY PATROL

- Approved \$17.8 million (Motor Vehicle Account) for 180 new California Highway Patrol (CHP) Officers to be established over the next two years.
- Approved \$3.9 million in federal funds to purchase license plate recognition (LPR) systems, which read car license plates and compare the plate against a list of known wanted vehicles. Adopted trailer bill language to place privacy protections in statute for the use of LPR data.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved a transfer from the Motor Vehicle Account (MVA) to the GF of \$72 million, and approved a loan from the MVA to the GF of \$250 million.