

JAN 19 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 9800-001-0001, Support, Augmentation for Employee Compensation

It is requested that Item 9800-001-0001 be increased by \$46,308,000 to provide additional funding for the California Correctional Peace Officers Association CCPOA's arbiter's final award signed January 18, 2007.

On November 18, 2006, the arbiter issued his opinion and award in favor of CCPOA. The arbiter awarded CCPOA a 3.125 percent salary increase and an increase in health care contributions dating from July 1, 2005 to the present. At that time he directed the Department of Personnel Administration (DPA) to prepare a settlement proposal, the costs of which are included in the Governor's Budget. The CCPOA declined the proffered settlement and the arbiter issued a final award on January 18, 2007, the costs of which exceed the amount proposed in the Governor's Budget.

The table below presents the costs of the final award and compares the costs to the amounts included in the Governor's Budget.

Fiscal Year	Final Award	2007-08 Governor's Budget	Funding	Net Affect on 2007-08 Reserve
2005-06	\$132,447,000	\$126,383,000	Continuous Appropriation	-\$153,537,000
2006-07	\$147,473,000		Deficiency Appropriation	
2007-08	\$159,840,000	\$113,532,000	Finance Letter-CCPOA	-\$46,308,000
2007-08	N/A	N/A	Finance Letter-Savings	\$46,308,000
Totals	\$439,760,000	\$239,915,000		-\$153,537,000

The 2007-08 Governor's Budget included \$126.4 million for the current year, which was the DPA proposed settlement amount for all costs from July 1, 2005, through June 30, 2007. The arbiter's final award provides for \$200 million for all costs through December 31, 2006. Of this amount, \$132.4 million is for costs associated with 2005-06. This amount will be funded from the continuous appropriation to CDCR for that year in Chapter 217, Statutes of 2004 (SB 1110, Cedillo).

The cost of the arbiter's final award in 2006-07 is \$147.5 million, of which \$67.6 million is for costs from July 2006 through December 2006, and is included in the \$200 million. An additional \$79.8 million is the cost of the award for January 2007 through June 2007. A separate letter providing notification of the need for a supplemental deficiency appropriation of \$147.5 million to Item 9840-001-0001 in the current year has been transmitted to the Joint Legislative Budget Committee. These funds will be scheduled and allocated to Department of Corrections and Rehabilitation in the May Revision. The 2007-08 Governor's Budget recognized \$126.4 million in anticipation of the arbiter's award. The net affect of the deficiency appropriation on the reserve at the end of 2007-08, including the 2005-06 amount, is a reduction of \$153.5 million.

The ongoing cost of the award will be \$159.8 million, which is \$46.3 million more than was included in the 2007 Budget Bill. This additional cost will be offset by savings pursuant to new Control Section, Section 4.04, proposed in a separate Department of Finance Budget Amendment Letter in accordance with Budget Letter 07-01. This will ensure that there is no change to the operating surplus for the 2007-08 Budget, currently estimated to be \$20 million.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Koreen Hansen, Principal Program Budget Analyst, at (916) 445-3274.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

Attachment

cc: Honorable Tom Torlakson, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mark Leno, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Michael Machado, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Juan Arambula, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office



JAN 19 2007

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Addition to Budget Bill Control Section 4.04

It is requested that Control Section 4.04 be added to the Budget Bill to authorize the Director of Finance to reduce all General Fund items of appropriation by an amount not to exceed a total of \$46.3 million. The reduction to any department may not exceed half of the funding provided to that department for the 2007-08 General Fund price increase. Reductions shall be made only to the extent necessary to ensure there is no net operating deficit in 2007-08, as determined by the Director of Finance. This section does not apply to the Legislature, Constitutional Officers, and the Judicial Branch.

Below is the language of the proposed Control Section 4.04:

SEC. 4.04. (a) The Director of Finance is authorized to reduce all General Fund items of appropriation by an amount not to exceed a total of \$46.3 million. The reduction to any department may not exceed half of the funding provided to that department for the 2007-08 General Fund price increase. Reductions shall be made only to the extent necessary to ensure there is no net operating deficit in 2007-08, as determined by the Director of Finance. This section does not apply to the Legislature, Constitutional Officers, and the Judicial Branch.

(b) The Director of Finance shall report to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees of each house of the Legislature that consider appropriations not more than 30 days after reductions are made pursuant to this section. The report shall list each reduction by department.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Oscar F. Chaves, Principal Program Budget Analyst, at (916) 445-5332.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

Attachment

cc: Honorable Tom Torlakson, Senate Appropriations Committee
Attention: Mr. Bob Franzosa, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mark Leno, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Michael Machado, Chair, Senate Budget and Fiscal Review Committee No. 4
Honorable Juan Arambula, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office