The 2010 Budget Act

The 2010 Budget Act marks the third year in a row that the Governor and the Legislature have been compelled to take unprecedented steps to bring the state Budget into balance in the midst of the ongoing effects of the worst recession that California has faced since the Great Depression. After having to close a $24.3 billion budget gap in 2008 and a gap of $60 billion in 2009, the 2010 Budget Act closes a budget gap of $19.3 billion—an extraordinary three-year period in the state’s fiscal history totaling budget solutions of $103.6 billion. The 2010 Budget Act holds General Fund spending essentially flat compared to the prior year—$86.6 billion in 2010-11 compared to $86.3 billion in 2009-10. This level of General Fund spending is substantially lower than the level of spending in 2004-05, adjusted for inflation and population growth. It is also lower than the level that would have been allowed had a spending cap been in place since 1999.

The Budget Act closes an estimated budget gap of $19.3 billion by a combination of expenditure reductions, federal funds, and other solutions. Figure INT-01 displays the solutions by category. In order to create a prudent reserve for economic uncertainties, the Governor has exercised his line-item veto authority to reduce General Fund spending by an additional $963 million, raising the reserve level from $375 million to $1.3 billion. These vetoes reflect the Governor’s continued determination to build a reserve and
reduce spending to the greatest extent possible, given constitutional, statutory, and court-ordered spending requirements. In addition, the budget agreement meets the Governor’s requirements to link budget reform and pension reform as a long-term component of the state’s current-year budget resolution.

**Budget and Pension Reform**

Beyond the necessity of closing this year’s budget gap, the Governor made clear that long-term reforms to the state’s budgeting and pension systems were essential to the state’s long-term fiscal health and stability, and were necessary components of any budget agreement.

In response, the Legislature approved a measure to place a budget reform constitutional amendment before the people at the March 2012 election. In addition, the Legislature approved a measure to roll back unsustainable pension benefits for newly hired state employees.

**Budget Reform**

California’s chronic budget crises have been driven by growing state spending commitments funded by temporary spikes in revenues. Once revenues return to their normal trend – or drop precipitously, as has been the case in this recession – the higher spending base cannot be sustained, and dramatic cuts to programs and/or tax increases have been required.

To help avoid these types of boom-and-bust budget cycles in the future, a constitutional amendment will be placed before voters to substantially strengthen the state’s Rainy Day Fund, with more stringent deposit requirements in good budget years that will provide a greater cushion for bad budget years. The amendment’s key changes to the Rainy Day Fund are outlined below.

<table>
<thead>
<tr>
<th>Solutions</th>
<th>Dollars (in Millions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure Reductions</td>
<td>$8,387.9</td>
<td>43.6%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$5,403.2</td>
<td>28.0%</td>
</tr>
<tr>
<td>Other Solutions</td>
<td>$5,483.2</td>
<td>28.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,274.3</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
Rainy Day Fund Deposits

- 3 percent of current year revenues are required to be deposited in the Rainy Day Fund every September.
  - The requirement to deposit funds can still be waived by the Governor until 2013-14.
  - The requirement to deposit funds cannot be waived after 2012-13, except:
    - When a withdrawal would be allowed, or
    - To the extent the deposit would bring the balance to over 10 percent of General Fund revenues in the year of the transfer.
  - Half of the deposited funds stay in the Rainy Day Fund and half goes into a subaccount to pay down Economic Recovery Bond Debt until a total of $5 billion has been deposited or the bonds are retired.

Unanticipated Revenues

- Unanticipated Revenues are defined as the amounts over 20-year regression (trend) of revenues after accounting for temporary tax changes.
- Unanticipated Revenues will:
  - Fund new Proposition 98 obligations created by the revenue over the trend, and
  - Fund current services budget (previous budget adjusted for population and inflation).
- Unanticipated Revenues will then be deposited into the Rainy Day Fund until the balance in the Fund equals to 10 percent of General Fund revenues.
- When the Rainy Day Fund is full then Unanticipated Revenues may be used for one time purposes.
  - Paying off budget debts shall have priority over other one-time purposes. This would include repaying Proposition 1A loans, Proposition 42 suspensions, Economic Recovery Bonds, and unfunded prior year Proposition 98 obligations.
After all budget debts are paid, other payments for other-one time purposes such as: additional transfers to the Rainy Day Fund, infrastructure, other debt reduction, tax rebates or one-time reductions, and funding liabilities for non-pension benefits for annuitants.

**Rainy Day Fund Withdrawals**

- Withdrawals from the Rainy Day Fund are permitted only when revenues are not sufficient to fund the current services budget. Withdrawal amounts are limited to the lesser of:
  - The amount that when added to available revenues would fund the current services budget.
  - Half of the balance when a withdrawal has not occurred in the previous year, or,
  - If withdrawals were made from the Rainy Day Fund in both of the previous two years, then the withdrawal amount is limited the amount that when added to available revenues would fund the current services budget.
- Withdrawals are permitted to fund the costs of responding to a declared emergency (e.g. natural disaster, civil disturbance, or war).
- Except in years when a transfer from the Rainy Day Fund to the General Fund is made, 1.5 percent of revenues is transferred from the Rainy Day Fund to an account, which must be used for reduction of debt and infrastructure spending.

Had these provisions been in place over the past decade, the state would have entered the recession with a $10 billion Rainy Day Fund, which would be helping to balance the Budget this year and next year as well. Expenditures would have grown at a much steadier pace, without the unsustainable highs that were fueled by the dot-com and housing bubble revenue. Thus, the cuts necessary to adjust to the recession would have been mitigated by: (a) the larger Rainy Day Fund and (b) starting from a significantly lower 2008-09 budget level, as illustrated in the Figure INT-02 below.

**Pension Reform**

In fiscal year 2010-11, the State of California’s employee pension contributions to the California Public Employees’ Retirement System (CalPERS) are estimated to be $3.8 billion ($2.1 billion General Fund). (The California State Teachers’ Retirement System costs the state an additional $1.3 billion General Fund this year.) CalPERS has
a large unfunded liability that results in a significant impact on employer contributions in 2010-11 and beyond. A major contributor is the increase in pension benefits granted through SB 400 (Chapter 555, Statutes of 1999). SB 400 was enacted to retroactively and prospectively boost pension benefits for any employee (existing or to be hired) who retired on or after January 1, 2000.

Comprehensive pension reform achieved through collective bargaining and legislation includes a rollback of SB 400 benefit increases for new employees, increases employee contributions towards pensions, and ends pension spiking, which will save CalPERS up to $100 billion over the years and decades to come. It also adds disclosure requirements for CalPERS to increase pension funding transparency.

Specifically, pension reform does the following:

**Retirement Formulas for New Employees**—Rolls back retirement formulas used to calculate pension payments, which increases the retirement age to achieve full benefits for most new employees. Retirement formulas are generally described by the percentage multiplier at a specified age for the employees’ number of years of service. Figure INT-03
below identifies the previous and new retirement benefits by retirement category for newly hired state employees.

### Figure INT-03

#### Employee Retirement Formulas

<table>
<thead>
<tr>
<th>Retirement Category</th>
<th>Current Retirement Formulas</th>
<th>New Retirement Formulas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous - First Tier</td>
<td>2% at Age 55</td>
<td>2% at Age 60</td>
</tr>
<tr>
<td></td>
<td>(2.5% at Age 63+)</td>
<td>(2.418% at Age 63+)</td>
</tr>
<tr>
<td>Miscellaneous - Second Tier</td>
<td>1.25% at Age 65+</td>
<td>1.25% at Age 65+</td>
</tr>
<tr>
<td>Industrial</td>
<td>2% at Age 55</td>
<td>2% at Age 60</td>
</tr>
<tr>
<td></td>
<td>(2.5% at Age 63+)</td>
<td>(2.418% at Age 63+)</td>
</tr>
<tr>
<td>State Safety</td>
<td>2.5% at Age 55+</td>
<td>2% at Age 55+</td>
</tr>
<tr>
<td>Peace Officer/Firefighter</td>
<td>3% at Age 50+(^1)</td>
<td>2.5% at Age 55+</td>
</tr>
<tr>
<td>Firefighter BU8</td>
<td>3% at Age 50+(^1)</td>
<td>3% at Age 55+</td>
</tr>
<tr>
<td>Patrol</td>
<td>3% at Age 50+(^1)</td>
<td>3% at Age 55+</td>
</tr>
</tbody>
</table>

\(^1\)SB 400 changed the formula to 3% at age 55, but 3% at age 50 was collectively bargained under the previous Administration.

**Increased Pension Contributions** — Permanently increases pension contributions for current and new employees ranging from 2 to 5 percent.

**Pension Spiking** — Prevents pension spiking by requiring pension benefits for future employees be calculated based on the highest consecutive three-year average salary, as opposed to the single highest year (for those groups still at the highest single year formula).

**Transparency** — Improves transparency of the state’s pension liabilities and costs of servicing those liabilities. Specifically, it will require CalPERS, any time it adopts contribution rates, to submit a report to the Governor, Treasurer, and Legislature that in plain language describes: (1) the discount rate it uses to report pension liabilities and how those liabilities would be valued if a risk-free discount rate was used, (2) the investment return it assumes for projecting contributions and how those contributions would change if a lower investment return assumption was used, (3) the period over which it amortizes...
unfunded liabilities and how contributions would change if unfunded liabilities were amortized over a period equal to the estimated average service periods of employees covered by the contributions, and (4) the market value of its assets and how that value differs from its chosen actuarial value for those assets. It will also require the Treasurer to evaluate and provide his or her opinion of the report to the Legislature.

**Plan to Address Anticipated Cash Shortfall**

In addition to the $19.3 billion in enacted budget solutions, the budget package includes additional cash measures to assist the Controller in managing cash immediately after budget enactment. While the state is proceeding expeditiously to obtain external cash financing consistent with standard practice, these additional tools will assist the state in managing the large sum of payments not made during the budget impasse that is due upon budget enactment. Specifically, the cash management legislation included as part of the budget package provides for a short-term payment deferral for pension contribution for schools and potential deferrals to schools and higher education to assist the state in meeting its priority payments. These deferrals are in addition to deferrals that can be made under Controller’s authority.
This section provides various statewide budget charts and tables.
### Figure SUM-01

**General Fund Budget Summary**

With All Budget Solutions

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Year Balance</td>
<td>-$5,375</td>
<td>-$4,804</td>
</tr>
<tr>
<td>Revenues and Transfers</td>
<td>$86,920</td>
<td>$94,230</td>
</tr>
<tr>
<td><strong>Total Resources Available</strong></td>
<td><strong>$81,545</strong></td>
<td><strong>$89,426</strong></td>
</tr>
<tr>
<td>Non-Proposition 98 Expenditures</td>
<td>$50,572</td>
<td>$50,585</td>
</tr>
<tr>
<td>Proposition 98 Expenditures</td>
<td>$35,777</td>
<td>$35,967</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$86,349</strong></td>
<td><strong>$86,552</strong></td>
</tr>
<tr>
<td>Fund Balance</td>
<td>-$4,804</td>
<td>$2,874</td>
</tr>
<tr>
<td><strong>Budget Reserves:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for Liquidation of Encumbrances</td>
<td>$1,537</td>
<td>$1,537</td>
</tr>
<tr>
<td>Special Fund for Economic Uncertainties</td>
<td>-$6,341</td>
<td>$1,337</td>
</tr>
</tbody>
</table>

**Note:** Numbers may not add due to rounding.

### Figure-SUM-02

**2010-11 Revenue Sources**

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Special Funds</th>
<th>Total</th>
<th>Change From 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax</td>
<td>$47,127</td>
<td>$940</td>
<td>$48,067</td>
<td>$2,517</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>27,044</td>
<td>4,057</td>
<td>31,101</td>
<td>69</td>
</tr>
<tr>
<td>Corporation Tax</td>
<td>10,897</td>
<td>-</td>
<td>10,897</td>
<td>1,622</td>
</tr>
<tr>
<td>Highway Users Taxes</td>
<td>-</td>
<td>5,534</td>
<td>5,534</td>
<td>2,419</td>
</tr>
<tr>
<td>Motor Vehicle Fees</td>
<td>1,490</td>
<td>5,368</td>
<td>6,858</td>
<td>174</td>
</tr>
<tr>
<td>Insurance Tax</td>
<td>2,072</td>
<td>163</td>
<td>2,235</td>
<td>-33</td>
</tr>
<tr>
<td>Estate Taxes</td>
<td>782</td>
<td>-</td>
<td>782</td>
<td>782</td>
</tr>
<tr>
<td>Liquor Tax</td>
<td>331</td>
<td>-</td>
<td>331</td>
<td>7</td>
</tr>
<tr>
<td>Tobacco Taxes</td>
<td>94</td>
<td>796</td>
<td>890</td>
<td>-21</td>
</tr>
<tr>
<td>Other</td>
<td>4,393</td>
<td>9,064</td>
<td>13,457</td>
<td>503</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$94,230</strong></td>
<td><strong>$25,922</strong></td>
<td><strong>$120,152</strong></td>
<td><strong>$8,039</strong></td>
</tr>
</tbody>
</table>

**Note:** Numbers may not add due to rounding.
## 2010-11 Total Expenditures by Agency

### Figure-SUM-03

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Special Funds</th>
<th>Bond Funds</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative, Judicial, Executive</td>
<td>$3,149</td>
<td>$2,875</td>
<td>$434</td>
</tr>
<tr>
<td>State and Consumer Services</td>
<td>598</td>
<td>748</td>
<td>24</td>
</tr>
<tr>
<td>Business, Transportation &amp; Housing</td>
<td>905</td>
<td>7,304</td>
<td>4,294</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>2,108</td>
<td>2,427</td>
<td>849</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>77</td>
<td>1,101</td>
<td>294</td>
</tr>
<tr>
<td>Health and Human Services</td>
<td>26,346</td>
<td>11,157</td>
<td>174</td>
</tr>
<tr>
<td>Corrections and Rehabilitation</td>
<td>8,931</td>
<td>48</td>
<td>1</td>
</tr>
<tr>
<td>K-12 Education</td>
<td>36,079</td>
<td>81</td>
<td>684</td>
</tr>
<tr>
<td>Higher Education</td>
<td>11,490</td>
<td>36</td>
<td>1,095</td>
</tr>
<tr>
<td>Labor and Workforce Development</td>
<td>58</td>
<td>383</td>
<td>-</td>
</tr>
<tr>
<td>General Government</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Agency Departments</td>
<td>586</td>
<td>1,609</td>
<td>2</td>
</tr>
<tr>
<td>Tax Relief/Local Government</td>
<td>534</td>
<td>2,178</td>
<td>-</td>
</tr>
<tr>
<td>Statewide Expenditures</td>
<td>-4,309</td>
<td>904</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$86,552</td>
<td>$30,851</td>
<td>$7,851</td>
</tr>
</tbody>
</table>

Note: Numbers may not add due to rounding.

## General Fund Expenditures by Agency

### Figure SUM-04

<table>
<thead>
<tr>
<th></th>
<th>2009-10</th>
<th>2010-11</th>
<th>Dollar Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative, Judicial, Executive</td>
<td>$1,828</td>
<td>$3,149</td>
<td>$1,321</td>
<td>72.3%</td>
</tr>
<tr>
<td>State and Consumer Services</td>
<td>510</td>
<td>598</td>
<td>88</td>
<td>17.3%</td>
</tr>
<tr>
<td>Business, Transportation &amp; Housing</td>
<td>2,512</td>
<td>905</td>
<td>-1,607</td>
<td>-64.0%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>1,873</td>
<td>2,108</td>
<td>235</td>
<td>12.5%</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>71</td>
<td>77</td>
<td>6</td>
<td>8.5%</td>
</tr>
<tr>
<td>Health and Human Services</td>
<td>24,394</td>
<td>26,346</td>
<td>1,952</td>
<td>8.0%</td>
</tr>
<tr>
<td>Corrections and Rehabilitation</td>
<td>8,164</td>
<td>8,931</td>
<td>767</td>
<td>9.4%</td>
</tr>
<tr>
<td>K-12 Education</td>
<td>35,732</td>
<td>36,079</td>
<td>347</td>
<td>1.0%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>10,602</td>
<td>11,490</td>
<td>888</td>
<td>8.4%</td>
</tr>
<tr>
<td>Labor and Workforce Development</td>
<td>57</td>
<td>58</td>
<td>1</td>
<td>1.8%</td>
</tr>
<tr>
<td>General Government:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Agency Departments</td>
<td>497</td>
<td>586</td>
<td>89</td>
<td>17.9%</td>
</tr>
<tr>
<td>Tax Relief/Local Government</td>
<td>469</td>
<td>534</td>
<td>65</td>
<td>13.9%</td>
</tr>
<tr>
<td>Statewide Expenditures</td>
<td>-360</td>
<td>-4,309</td>
<td>-3,949</td>
<td>-1096.9%</td>
</tr>
<tr>
<td>Total</td>
<td>$86,349</td>
<td>$86,552</td>
<td>$203</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Note: Numbers may not add due to rounding.
<table>
<thead>
<tr>
<th>Agency</th>
<th>Legislative Spending Plan</th>
<th>General Fund Veto</th>
<th>Special Fund and Bond Fund Vetoes</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative, Judicial, Executive</td>
<td>$6,458</td>
<td>-</td>
<td>-</td>
<td>$6,458</td>
</tr>
<tr>
<td>State and Consumer Services</td>
<td>1,370</td>
<td>-</td>
<td>-</td>
<td>1,370</td>
</tr>
<tr>
<td>Business, Transportation &amp; Housing</td>
<td>12,660</td>
<td>-</td>
<td>-157</td>
<td>12,503</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>5,391</td>
<td>-2</td>
<td>-</td>
<td>5,384</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>1,472</td>
<td>-</td>
<td>-</td>
<td>1,472</td>
</tr>
<tr>
<td>Health and Human Services</td>
<td>38,246</td>
<td>-569</td>
<td>-</td>
<td>37,677</td>
</tr>
<tr>
<td>Corrections and Rehabilitation</td>
<td>8,980</td>
<td>-</td>
<td>-</td>
<td>8,980</td>
</tr>
<tr>
<td>K-12 Education</td>
<td>37,104</td>
<td>-260</td>
<td>-</td>
<td>36,844</td>
</tr>
<tr>
<td>Higher Education</td>
<td>12,621</td>
<td>-</td>
<td>-</td>
<td>12,621</td>
</tr>
<tr>
<td>Labor and Workforce Development</td>
<td>441</td>
<td>-</td>
<td>-</td>
<td>441</td>
</tr>
<tr>
<td>General Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Agency Departments</td>
<td>2,333</td>
<td>-136</td>
<td>-</td>
<td>2,197</td>
</tr>
<tr>
<td>Tax Relief/Local Government</td>
<td>2,712</td>
<td>-</td>
<td>-</td>
<td>2,712</td>
</tr>
<tr>
<td>Statewide Expenditures</td>
<td>-3,409</td>
<td>4</td>
<td>-</td>
<td>-3,405</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$126,379</strong></td>
<td><strong>-963</strong></td>
<td><strong>-162</strong></td>
<td><strong>$125,254</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not add due to rounding.
The Budget Act addresses a General Fund budget gap of $19.3 billion and provides a modest reserve of $1.3 billion.

**Expenditure Reductions**

The significant expenditure reductions by agency are as follows:

**Legislative, Judicial, and Executive**

- Judicial Branch—A reduction of $55 million to the Trial Courts, all of which will be offset by the use of local and Trial Court Trust Fund reserves.

- Legislature—A reduction of $4.6 million for negative State Appropriations Limit growth.

**Natural Resources**

- Department of Fish and Game—A decrease of $8.5 million for recreational hunting and fishing programs and multiple habitat conservation and restoration activities.

- Department of Parks and Recreation—A decrease of $7 million to the state parks system. This reduction will continue the service reductions at state parks that occurred in 2009-10 and will not require closure of any state parks.
Summary of Significant Solutions by Category

Health and Human Services

Department of Aging

- A decrease of $6.4 million for Community Based Services programs. At local discretion, federal and local funds are alternatively available to support these programs.

Department of Alcohol and Drug Programs

- A decrease of $18 million from eliminating state funding for the Substance Abuse Offender Treatment Program.

Department of Health Care Services

- A decrease of $187.1 million General Fund by enrolling seniors and people with disabilities in managed care and deferring a managed care payment for two-plan and geographic managed care counties. Savings will be achieved while also providing beneficiaries with more effective services.

- A decrease of $84.5 million General Fund by freezing daily per diem hospital inpatient rates at current levels. This rate freeze is part of a transition to a new diagnosis-related payment methodology that will provide fiscal incentives for cost effective and appropriate care (similar to Medicare). The recently enacted hospital fee provides for significant supplemental payments to these hospitals above their negotiated daily rates and supports beneficiary access to services.

- A decrease of $43.9 million General Fund due to a change in the methodology used to determine the appropriate funding growth for County Administration. The historical methodology unnecessarily included duplicative adjustments for caseload growth and its impact on administrative costs.

- A decrease of $26.4 million General Fund (including associated support costs) by strengthening efforts to identify, prevent, and detect fraud in high-priority areas, such as pharmacy, physician services, transportation, and durable medical equipment.

- A decrease of $15.2 million General Fund because of a recent pharmacy settlement with AstraZeneca. This national settlement resolves/addresses whistleblower lawsuits and federal investigations into marketing practices for the schizophrenia drug Seroquel.
• A decrease of $13.6 million General Fund by reducing radiology rates to 80 percent of the corresponding Medicare rate. In some instances, the Medi-Cal rate is as high as 120 percent of the Medicare rate. The Legislature and the Governor understand and believe that access to services will be maintained with the level of funding being provided.

• A decrease of $10 million for various clinic grants. Clinics will alternatively receive increases in funding from federal health care reform, the stimulus, and significant state funding from Medi-Cal and other state programs.

• A decrease of $3.1 million General Fund by eliminating certain over-the-counter drug benefits (acetaminophen products) for adult beneficiaries.

• A decrease of $1 million General Fund by no longer paying Medicare Part B premiums for beneficiaries whose income exceeds the Medi-Cal threshold.

**Department of Public Health**

• A decrease of $52.1 million to the Office of AIDS to maintain program funding at 2009-10 budgeted levels.

• A decrease of $18 million for the Infectious Disease Branch’s Immunization Program.

• A decrease of $7.6 million in local assistance funding for the AIDS Drug Assistance Program (ADAP). Remaining funding is sufficient to fully support the ADAP in 2010-11.

**Department of Developmental Services**

• A decrease of $25 million to regional center operations and provider payments. Reductions will be increased from 3 percent to 4.25 percent.

• A decrease of $5 million to the regional centers in 2009-10. Funding for Adult Day Health Care Services (ADHC) will be reverted because the ADHC reductions were enjoined by the court.

**Department of Mental Health**

• A decrease of $52 million from eliminating state funding for the AB 3632 mandates. This is related to the mandate suspension issue included in the General Government and Statewide Issues section.
Summary of Significant Solutions by Category

- A decrease of $30.4 million and 144.4 positions to the state hospitals related to an estimated decrease in 2010-11 caseload and the implementation of cost containment measures.

Department of Social Services
- A decrease of $365.9 million from utilizing an advance of Temporary Assistance for Needy Families Block Grant funds for the quarter ending June 30, 2011 in lieu of General Fund. This will provide one-time General Fund relief without any adverse program impacts.
- A decrease of $300 million in the In-Home Supportive Services (IHSS) program, comprised of (1) using IHSS provider-generated revenue to draw down additional federal funds and offset General Fund expenditures in the program ($190 million), (2) imposing a 3.6-percent across-the-board reduction to the hours assessed for IHSS recipients ($35 million), and (3) reflecting an updated caseload estimate based on an actual decline in recipients as compared to the previous caseload projection ($75 million).
- A decrease of $80 million to maintain the level of funding in the Child Welfare Services program that was included in the 2009-10 Budget.
- A one-time decrease of $70 million from eliminating state funding for the Seriously Emotionally Disturbed portion of the Foster Care program. This is related to the mandate suspension issue included in the General Government and Statewide Issues section.
- A decrease of $12.4 million from reducing the reimbursement rates for license-exempt child care providers. This reduction saves federal funds in the Department of Social Services budget, which can be transferred to the Department of Developmental Services budget for use in lieu of General Fund.

Corrections and Rehabilitation
- A decrease of $820 million to the Receiver’s Medical Services Program budget to reduce per-inmate medical costs to a level comparable to other states’ correctional health care programs. In 2008-09, California spent an average of $11,627 per inmate. Currently, New York spends approximately $5,757 per inmate per year on health care. This reduction will bring California’s per-inmate medical costs in line with New York’s costs and can be achieved without adversely impacting inmate care.
The Receiver is taking the following steps to achieve this reduction:

- Implementing a Utilization Management Program to reduce the reliance on costly outside medical care.
- Utilizing telemedicine to the extent feasible.
- Centralizing pharmacy operations while also exploring options to further control pharmaceutical costs.
- Contracting with a provider network that will ultimately help control costs of outside medical and specialty care.
- Contracting with a third party administrator for the payment of medical claims submitted by contracted health care providers.
- Beginning the process to release the sickest inmates on medical parole.

These steps will provide efficiencies within the Medical Services Program to ensure that appropriate inmate medical care is provided in the most cost-effective manner. In addition to these measures, the Receiver should consider reducing clinician salaries and reevaluating the classifications used to provide medical services to inmates.

- A decrease of $46.3 million to align payments to local governments for the costs of incarcerating parole violators with the way in which local mandates are funded.

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**K-12 Education-Non Proposition 98 Programs**

- Department of Education—A decrease of $2.6 million and 22.0 positions associated with administering categorical programs. School districts have recently been granted flexibility to shift funds among and away from approximately 40 categorical programs, resulting in less workload for departmental administration and oversight.

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**Proposition 98**

In order to balance the 2010-11 Budget, it was necessary to suspend the Proposition 98 Guarantee by $4.1 billion. Even with the suspension, the Guarantee funding level for K-14 education remains the same as 2009-10 in an effort to protect education; and with federal funding increases, it improves year over year. The Proposition 98 Guarantee is reduced from the estimated minimum funding level of $53.8 billion down to a level of $49.5 billion.
In addition, a repayment of $300 million in settle-up payments is provided to pay for mandated costs. The following bullets describe the actions necessary to reduce the level of appropriations in 2010-11 to match the desired appropriations level:

**Department of Education**

- A decrease of $1.7 billion, in Proposition 98 General Fund in 2010-11 to reflect a deferral of revenue limit apportionments for K-12 school districts, county offices of education and charter schools, to be repaid in the 2011-12 fiscal year.

- A decrease of $700 million in unallocated ending balances as of June 30, 2010 from a variety of K-12 categorical programs. Of these unallocated funds, $360 million are as a result of program savings; the balance of $340 million is attributable to Special Education, all of which will be repaid with one-time 2009-10 savings from the Class Size Reduction program.

- Class Size Reduction Program Savings—A reduction of $550 million to reflect projected savings in the K-3 Class Size Reduction program in 2010-11. Since the penalties for exceeding class size limits were significantly reduced in 2009-10, program savings due to schools increasing class sizes are anticipated.

- Class Size Reduction Program Savings—A reduction of $340 million to reflect projected savings in the K-3 Class Size Reduction program in 2009-10. Since the penalties for exceeding class size limits were significantly reduced in 2009-10, program savings due to schools increasing class sizes are anticipated.

**California Community Colleges**

- A decrease of $129 million to reflect a deferral of $129 million in apportionments at the rate of $21.5 million per month for the last six months of the fiscal year, to be repaid in the 2011-12 fiscal year.

**Child Care**

- A decrease of $83.1 million on a one-time basis by requiring contractors to utilize accumulated reserves to offset contract amounts.

- A decrease of $18.7 million to reflect a reduction of license-exempt provider reimbursement rate limits from 90 percent of the licensed provider limits to 80 percent. This solution also saves $12.4 million General Fund in the Department of Social Services Stage 1 Child Care program budget. This is an ongoing solution that will save additional amounts in out-years when annualized.
• A decrease of $17.1 million to reflect a reduction in the administrative and support services cost allowance for voucher-based contractors from 19 percent of the contract amount to 17.5 percent.

• A decrease of $256 million to reflect the elimination of remaining funding for CalWORKs Stage 3 effective November 1, 2010.

GENERAL GOVERNMENT AND STATEWIDE ISSUES

• Commission on State Mandates—A one-time reduction of $365 million by suspending most mandates not related to elections, law enforcement, and property taxes.

• Lease Revenue Bond Debt Service Adjustments—A reduction of $75.6 million General Fund, $83.7 million all funds, to reflect updated lease revenue bond debt service estimates.

• Shared Revenues—A decrease of $11.9 million General Fund by eliminating backfills for Vehicle License Fee revenues local governments lost when the state changed the manner in which fees are assessed for commercial truck trailers. These funds were used by counties for non-realignment-related mental health, public health, and social services activities.

• Employee Compensation—A reduction of $1.557 billion in General and special funds achieved through: (1) six ratified memoranda of understanding and a pending agreement with the Service Employees Internation Union, Local 1000 representing nine bargaining units, that include savings resulting from increased employee pension contributions and unpaid personal leave days, (2) subsequent labor agreements containing similar provisions, and (3) other administrative actions to reduce employee compensation costs, including but not limited to, past and future furloughs authorized by section 3.91 of the Budget Act.

• Workforce Cap—A reduction of $449.6 million achieved through a five-percent workforce reduction. Executive Order S-01-10 required Agency Secretaries and Department Directors to implement changes necessary to achieve an ongoing five-percent workforce reduction beginning in fiscal year 2010-11. The Budget also includes $130 million in associated operating expenses and equipment savings. Constitutional offices are not included in the workforce cap because the fiscal year 2009-10 budget for each of those officers included a permanent reduction that achieves savings to the level of the workforce cap or a higher amount.
**Federal Funds**

A total of $1.4 billion in federal funds has already been achieved and is reflected in the workload budget as follows:

- A decrease of $584 million General Fund in 2009-10 and $933 million in 2010-11 by successfully working with the federal government to apply enhanced funding to Safety Net Care Pool and Medicare Part D drug payments, making prior year Section 1115 waiver funds available, and reducing the discount factor for state-only services in the Family Planning program.

A total of $5.4 billion federal fund solutions as follows:

- A decrease of $1.3 billion General Fund statewide resulting from the federally approved extension of enhanced Medicaid funding.

- Department of Health Care Services—A decrease of $29 million General Fund resulting from the federally approved two-month extension of the current Hospital Financing Waiver. This policy will allow the state to claim additional federal funds for supporting health services.

- Department of Health Care Services—A decrease of $5 million General Fund by changing the Family Planning Program from a waiver to a state plan program authorized by federal health care reform (and thus, making more services eligible for enhanced federal funding).

- Department of Health Care Services—An increase of $45.4 million General Fund to technically account for the impact of federal stimulus funds from state budget policy.

- Department of Developmental Services—A decrease of $32.9 million to the regional centers due to an estimated extension through 2010-11, of the American Recovery and Reinvestment Act increase for the Individuals with Disabilities Education Act, Part C.

- Department of Developmental Services—A decrease of $14.5 million to the regional centers due to increased federal financial participation for day treatment and transportation services provided to residents of Intermediate Care Facilities – Developmentally Disabled. This increase also resulted in total prior years’ savings of $39 million for 2007-08, 2008-09, and 2009-10.
• Department of Child Support Services—A decrease of $18.9 million from the federal government continuing to allow California to use incentive funds to match federal funds through June 30, 2011.

• Department of Social Services—A decrease of $9.9 million resulting from the federally approved extension of enhanced funding for the Foster Care and Adoption Assistance programs.

• Department of Social Services—A decrease of $395.4 million from the federal government continuing through 2010-11 the Temporary Assistance for Needy Families Emergency Contingency Funding.

• Student Aid Commission—A decrease of $7.2 million reflecting a shift of costs for the Assumption Program of Loans for Education (APLE) program to the federal College Access Challenge Grant.

• University of California—A decrease of $106 million reflecting a shift of costs on a one-time basis to the federal American Recovery and Reinvestment Act State Fiscal Stabilization Fund.

• California State University—A decrease of $106 million reflecting a shift of costs on a one-time basis to the federal American Recovery and Reinvestment Act State Fiscal Stabilization Fund.

• Department of Education—A decrease of $775,000 and the elimination of the Alternative Schools Accountability Model Program.

• Department of Education—An anticipated increase of $1 billion in federal funding for Special Education.

• A decrease of $3.6 billion General Fund by obtaining additional federal funds in a number of targeted areas, including federal reimbursement for the cost of incarcerating undocumented immigrant felons, special education, an increase in the state’s Federal Medical Assistance Percentage, monies owed to the state for incorrect Medicare disability determinations, and recalculation of state Medicare Part D clawback payments after taking into consideration aggressive state rebates (which would reduce clawback costs to California if these benefits were still provided through Medi-Cal), as well as possible General Fund relief through the new comprehensive Section 1115 Medi-Cal Financing Waiver. Additional options include seeking federal support on court cases currently preventing the state from implementing previously enacted program changes to Health and Human Services.
programs or increasing the income standard to receive federal funds in the Foster Care program.

**OTHER SOLUTIONS**

A total of $5.5 billion, including:

- **Legislative Analyst’s Office (LAO) Revenue Forecast**—The Budget Act assumes the LAO’s revenue forecast, which increases revenues by $399 million in 2009-10 and by $961 million in 2010-11.

- **Extension of Net Operating Loss (NOL) Suspension and Delay of Carrybacks**—Except for taxpayers with income that is less than or equal to $300,000, NOL deductions are suspended for tax years 2010 and 2011. The suspension exempts over 90 percent of all corporations. In addition, the ability to carry back losses for two years will be delayed until 2013. Carrybacks will be limited to 50 percent of losses for tax years beginning in 2013, 75 percent of losses for tax years beginning in 2014 and 100 percent of NOLs will be allowed to be carried back for tax years beginning tax year 2015 and later. This tax law change is expected to increase revenues by $1.2 billion in 2010-11.

- **Cost of Performance Sales Location Rule**—For taxpayers that do not elect single sales factor apportionment of income between states, the sale will be deemed to have occurred where the cost of performance has been incurred instead of where the sale occurs. This tax law change is expected to decrease revenues by $28 million in 2010-11 and an additional reduction of $2.6 million is due to the interaction between this provision and the NOL suspension.

- **Safe Harbor For Large Corporate Understatement Penalty**—This provision exempts corporations from the penalty of 20 percent of their tax understatement if the understatement is less than 20 percent of the tax shown on the original or amended return filed by the due date for the taxable year. This provision applies to tax years beginning 2010, and is expected to reduce revenues by $105 million in 2010-11. The interaction between this provision and the NOL suspension is estimated to result in an additional reduction of $12 million in 2010-11.

- **Make Permanent the Use Tax Reporting Line on Income Tax Returns**—Eliminate the sunset date for the separate line on the Franchise Tax Board income tax returns for use tax reporting. This provision is expected to increase annual General Fund revenues by $6.7 million in 2010-11.
• Board of Equalization (BOE) Enhanced Tax Compliance—Provide additional resources to the BOE to address the growing number of audit leads and collection cases currently not addressed, enhance collection and enforcement efforts through the participation in the Higher Intensity Financial Crimes Area task force, and address significant increases in the settlement and appeals inventory of cases. This is expected to increase General Fund compliance revenues by $13.6 million in 2010-11.

• Exception to 2008 NOL Tax Year Suspension—Permit NOL deductions for corporations undergoing specified bankruptcy/re-organization. The revenue impact is unknown but it is expected that relatively few companies would be affected by this provision.

• Judicial Branch—A redevelopment agency fund shift of $350 million to offset trial court costs.

• Sale Leaseback of 11 State Office Buildings—Additional one-time revenues of $1.2 billion General Fund to reflect the sale of 11 state office buildings. The state would leaseback these properties for a period of 20 years with first right of refusal if the properties are put up for sale. The purchaser will be fully responsible for the maintenance and management of all facilities, with the exception of the CalEMA facility. In addition, the state will continue to pay for utilities. It is the intent that current cafeteria and day care facilities in the buildings will continue to operate as they do today.

• Department of Health Care Services—A decrease of $240 million General Fund by using funds available from the authorized hospital fee (AB 1383) to offset Medi-Cal costs for services provided to children. The fees also match federal funds to provide supplemental payments to hospitals.

• Department of Health Care Services—A decrease of $47.2 million General Fund by authorizing Proposition 99 funds to support specific Medi-Cal costs.

• Managed Risk Medical Insurance Board—A decrease of $11 million General Fund due to a similar increase in the Children’s Health and Human Services Special Fund resulting from higher than anticipated revenues from the enactment of Chapter 157, Statutes of 2009 (AB 1422).

• Student Aid Commission—A decrease of $100 million to the Student Aid Commission to shift a portion of Cal Grant Program costs on a one-time basis to the Student Loan Operating Fund.
Summary of Significant Solutions by Category

- Department of Justice—A $15.7 million loan from the False Claims Act Fund to the General Fund.

- California Tax Credit Allocation Committee—A revenue increase of $70 million from two loan repayment extensions and two new loans from special funds to the General Fund.

- Department of Consumer Affairs—Loans of $10 million from the Accountancy Fund and $60 million from the Enhanced Fleet Modernization Subaccount, High Polluter Repair or Removal Account to the General Fund.

- Highway Users Tax Account—Loans $762 million to the General Fund. This includes $650 million in fuel excise tax revenues that were set aside as part of the special session tax swap. It also includes a loan of $112 million in fuel excise tax revenues that had been part of an appropriation made in special session to reimburse the General Fund for debt service costs on highway bonds. Due to lower-than-anticipated debt service costs on highway bonds, these additional resources are available to be loaned to the General Fund.

- Department of Transportation—Loan of $29 million from the Public Transportation Account to the General Fund. These funds were also part of special session appropriation providing General Fund relief through reimbursement of debt service costs. Due to lower-than-anticipated debt service costs on transit bonds, the amount needed for General Fund relief has been reduced, freeing up these additional resources to be loaned to the General Fund.

- Department of Transportation—Loan of $80 million from the State Highway Account fund balance to the General Fund. These funds were made available through efficiencies and savings achieved by the Department of Transportation.

- Department of Transportation—Extends the repayment date of $231 million in loans which were made to the General Fund from the State Highway Account and other transportation funds in the 2008 Budget Act by an additional year, until June 30, 2012.

- Department of Motor Vehicles—Loan of up to $180 million from the Motor Vehicle Account. These funds were made available as a result of furloughs and associated reductions to operating expenses, as well as a procurement savings for California Highway Patrol Enhanced Radio System project equipment.
• Department of Motor Vehicles—Transfer of $72.2 million of non-Article XIX revenue from the Motor Vehicle Account to the General Fund.

• Department of Resources Recycling and Recovery—An $80 million loan to the General Fund from the Electronic Waste Recovery and Recycling Account. The loan will be repaid by July 1, 2012.

• California Energy Commission—A deferral of $35 million in General Fund loan repayments to the Renewable Resources Trust Fund (RRTF), and a newly authorized $25 million RRTF loan to the General Fund. The loans will be repaid by June 30, 2012 and June 30, 2013 respectively.

• Office of Statewide Health Planning and Development—A decrease of $32 million General Fund due to a delay in loan repayments to the California Health Data and Planning Fund and the Hospital Building Fund.

• Department of Public Health—A decrease of $2.7 million due to a delay in loan repayments to the Occupational Lead Poisoning Prevention Account and the Drinking Water Operator Certification Special Account.

• School Facilities Aid Program—A transfer of $10 million in surplus revenues from the School Building Aid Fund to the General Fund.

• Public Utilities Commission (PUC)—A deferral of $150 million in anticipated loan repayments from the General Fund to various PUC special funds. The loans were originally authorized in the 2008 Budget Act and will be repaid by June 30, 2012.
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I object to the following appropriations contained in Senate Bill 870.

Item 0690-102-0890—For local assistance, California Emergency Management Agency. I revise this item by deleting Provision 2.

I am deleting Provision 2, which requires the California Emergency Management Agency to distribute federal Edward Byrne Memorial Justice Assistance Grant funding according to a specific methodology. These grant awards have already been allocated for fiscal year 2010-11, the grantees have incorporated these allocations into their respective expenditure plans, and any changes would create additional state costs.

Item 1100-001-0001—For support of California Science Center. I revise this item by deleting Provision 1.

I am deleting Provision 1, which would require the California Science Center to report to the Legislature on short- and long-term alternatives for restructuring the California Science Center's financing and governance.

This reporting requirement would result in an expenditure increase without regard to the availability of revenues. Consequently, I am vetoing this language. Nevertheless, in recognition of the Legislature's desire to obtain this information, it will be addressed as though the request had been included in Supplemental Report language. Therefore, I am instructing the Chief Executive Officer of the California Science Center to comply with this legislative request for this report to the extent compliance can be achieved using existing resources and without impairing the California Science Center's ability to perform its essential functions.

Item 2660-001-0042—For support of Department of Transportation, payable from the State Highway Account, State Transportation Fund. I reduce this item from $2,622,616,000 to $2,599,061,000 by reducing:

(2) 20.10-Highway Transportation-Capital Outlay Support from $1,753,604,000 to $1,733,297,000,

(9) 40-Transportation Planning from $105,684,000 to $98,246,000, and

(17) Amount payable from the Federal Trust Fund (Item 2660-001-0890) from -$596,673,000 to -$592,483,000.

Consistent with my May Revision proposal, I am eliminating the legislative augmentation of $20,307,000 ($16,117,000 State Highway Account, and $4,190,000 Federal Trust Fund) and 296.0 personnel years for engineering, design, environmental studies, and other work done by the capital outlay support program. In view of diminishing long-term workload it is prudent to limit program expansion to a level that is consistent with anticipated project
funding levels in order to help bring ongoing expenditures in line with resources. While the Department continues to work on better techniques for estimating workload, and accurately assessing its staffing needs, I am concerned that estimated staffing needs have been higher historically than the actual workload that materialized. I am also concerned that increased productivity of state staff has not been adequately taken into account. In the May Revision I also proposed to use an increased share of contractual services, consistent with the provisions of Proposition 35 approved by the voters in 2000, but the Legislature instead funded 90 percent state staff and 10 percent contract staff. Because it will take a year or more to hire and train state staff as existing staff leave, I am very concerned that this action will delay projects and cost more than using contractual services. Moreover, because the funding from Proposition 1B is one-time and will be exhausted over the next three years, the hiring of new permanent state staff could result in the need for future layoffs. An appropriate balance between state staff and contract staff will enable the state to improve its highways, roads, bridges, and railroad crossings immediately. Therefore, I am instructing the Director of the Department of Transportation to take all steps necessary to deliver projects as quickly as possible, including an increased use of contractual services within the funding level the Legislature has provided. With these reductions, $1,733,297,000 still remains to support the Capital Outlay Support Program.

I am reducing this item by $7,438,000 and 63.7 personnel years because state funds should not be committed to the development of project initiation documents for locally-funded projects that are not on a state highway corridor or do not have funding identified to fund the project. I propose instead that local agencies fund these costs for their projects.

Item 2660-001-0890—For support of Department of Transportation. I reduce this item from $596,673,000 to $592,483,000.

I am reducing this item by $4,190,000 to conform to the action I have taken in Item 2660-001-0042.

Item 2660-011-0062—For transfer by the Controller, upon order of the Director of Finance, from the Highway Users Tax Account, Transportation Tax Fund, to the General Fund. I revise this item by deleting Provision 2.

Provision 2 provides that the funds from the repayment of this loan shall be allocated by the formula set forth in paragraph (3) of subdivision (a) of Section 2103 of the Streets and Highways Code. Use of these funds for the State Highway Operation and Protection Program (SHOPP) for critical highway maintenance and safety projects is a higher priority given the extraordinary backlog and needs in this program.

Item 2660-104-6043—For local assistance, Department of Transportation, non-State Transportation Improvement Program (STIP), payable from the High-Speed Passenger Train Bond Fund. I reduce this item from $146,126,000 to $38,500,000 by reducing:

(1) 30.10-Mass Transportation from $146,126,000 to $38,500,000.

While I am sustaining $38,500,000 to fund the implementation of positive train control safety projects in various local rail corridors, I am reducing this item by $107,626,000. These funds are available from Proposition 1A bond proceeds for the purpose of enhancing local transit lines as feeder routes to the high-speed rail system. The High-Speed Rail Authority, the Department of Transportation, and local jurisdictions should work together to
develop a statewide strategy and an associated list of projects that will best accomplish the
goal of moving passengers between destinations around the state in the quickest, most
efficient and cost effective way, by utilizing these funds to advance the construction of
facilities for joint use where possible and by providing better connectivity to the future
high-speed rail system.

Item 2660-304-6043—For capital outlay, Department of Transportation, non-State
Transportation Improvement Program (STIP), payable from the High-Speed Passenger
Train Bond Fund. I reduce this item from $88,302,000 to $62,490,000 by reducing:

1) 30-Mass Transportation from $88,302,000 to $62,490,000.

While I am sustaining $62,490,000 to fund the implementation of positive train control
technology on various state intercity rail corridors, I am reducing this item by $25,812,000,
to conform to the action I have taken in Item 2660-104-6043.

Item 2665-004-6043—For support of High-Speed Rail Authority, payable in accordance
with and from the proceeds of the Safe, Reliable High-Speed Train Bond Act for the
21st Century, payable from the High-Speed Passenger Train Bond Fund. I delete
Provision 2.

Provision 2 provides that $55,320,000 appropriated in this item and Items 2665-304-0890,
2665-304-6043, 2665-305-0890, and 2665-305-6043 is available only upon submittal of a
report to the Joint Legislative Budget Committee and a 60-day review period. The report is
to include a legal analysis of any revenue guarantee, a summary of contract expenditures
for community outreach, a financial plan with alternative funding scenarios, a copy of the
strategic plan, a report on the performance of the Program Management Contractor, and a
report on how the Authority has addressed other recommendations of the Bureau of State
Audits not otherwise covered by this provision. While the Administration supports these
reporting requirements, making the appropriation contingent upon receipt and approval of
this report by the Legislature could result in project delays, jeopardize the Authority's ability
to meet already tight federal deadlines and result in increased state costs.

Item 2665-304-0890—For capital outlay, High-Speed Rail Authority. I revise this item by
revising Provision 1.

I am revising Provision 1 to conform to the action I have taken in Item 2665-004-6043 as
follows:

"1. Provision 2 of Item 2665-004-6043 and Provision 1 and 1.6 of Item 2665-304-6043 shall
apply to this item."

Item 2665-304-6043—For capital outlay, High-Speed Rail Authority. I revise this item by
deleting Provisions 1.5 and 1.6.

I am deleting Provisions 1.5 and 1.6 to conform to the action I have taken in
Item 2665-004-6043.
Item 2665-305-0890—For capital outlay, High-Speed Rail Authority.  I revise this item by revising Provision 1.

I am revising Provision 1 to conform to the action I have taken in Item 2665-004-6043 as follows:

“1. Provision 2 of Item 2665-004-6043 and Provision 3 of Item 2665-305-6043 shall apply to this item.”

Item 2665-305-6043—For capital outlay, High-Speed Rail Authority.  I revise this item by deleting Provision 1.5.

I am deleting Provision 1.5 to conform to the action I have taken in Item 2665-004-6043.

Item 3600-001-0001—For support of Department of Fish and Game.  I reduce this item from $66,318,000 to $64,818,000 by reducing:

(1)  20-Biodiversity Conservation Program from $128,915,000 to $127,415,000.

Of the $3,000,000 legislative augmentation for the Department of Fish and Game’s (DFG) Habitat Conservation Programs, I am sustaining $1,500,000 for Marine Life Protection Act projects and deleting $1,500,000 for Timber Harvest Plan (THP) review.  The reduction in funding to the Department’s Habitat Conservation Programs is necessary to achieve additional General Fund savings.  Additionally, appropriate levels of funding still remain for THP review and the DFG should focus these remaining resources on the highest priority projects.

Item 3600-001-0200—For support of Department of Fish and Game.  I revise this item by deleting Provision 2.

I am deleting Provision 2 requiring the Department of Fish and Game (DFG) to submit a report to the Legislature regarding all incidents in which a taser was used.  This provision would create a new reporting requirement for the DFG without providing funding source for the cost of producing the report.

Item 3860-001-0001—For support of Department of Water Resources.  I revise this item by reducing:

(3)  30-Public Safety and Prevention of Damage from $140,265,000 to $139,765,000, and

(32)  Amount payable from the Disaster Preparedness and Flood Prevention Bond Fund of 2006 (Item 3860-001-6052) from -$72,398,000 to -$71,898,000.

I am revising this item to conform to the action I have taken in Item 3860-001-6052 and Item 3860-101-6052.
Item 3860-001-6052—For support of Department of Water Resources. I reduce this item from $72,398,000 to $71,898,000.

I am reducing this item by $500,000 to conform to the action I have taken in Item 3860-001-0001 and Item 3860-101-6052 related to agricultural easements.

Item 3860-101-6052—For local assistance, Department of Water Resources. I reduce this item from $129,750,000 to $125,250,000 and delete Provision 2.

I am deleting the $4,500,000 legislative augmentation for agricultural easements. Acquiring agricultural easements may be a permissible component of a multi-benefit flood control project, but the primary purpose of Proposition 1E funding is to enhance flood protection throughout the state. This earmark for agricultural easements undermines the state’s ability to allocate limited bond funds to projects with the highest flood control benefits and would increase state costs.

I am deleting Provision 2 to conform to this action.

Item 4170-001-0001—For support of Department of Aging. I reduce this item from $4,131,000 to $3,991,000 by reducing:

(4) 40-Special Projects from $6,777,000 to $6,637,000,

and by deleting Provision 1.

I am deleting the legislative augmentation of $140,000 and 0.9 personnel years for support of Community Based Services programs.

I am deleting Provision 1 to conform to the action I have taken in Item 4170-101-0001.

Item 4170-101-0001—For local assistance, Department of Aging. I reduce this item from $35,343,000 to $29,083,000 by reducing:

(4) 40-Special Projects from $18,051,000 to $11,791,000,

and by deleting Provision 3.

I am deleting the $6,260,000 legislative augmentation to Community Based Services programs. This reduction is necessary to help bring ongoing expenditures in line with existing resources and to build a prudent reserve.

I am deleting Provision 3 to conform to this action.
Item 4200-001-0001—For support of Department of Alcohol and Drug Programs. 
I reduce this item from $4,628,000 to $4,353,000 by reducing:

(1) 15-Alcohol and Other Drug Services Program from $45,311,000 to $45,036,000.

I am reducing this item by $275,000 and 3.0 positions to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. This eliminates funding for the Offender Treatment Program, consistent with my proposed Budget. I am reducing a total of $18,000,000 for this purpose: $275,000 from this item and $17,725,000 from Item 4200-101-0001.

Item 4200-101-0001—For local assistance, Department of Alcohol and Drug Programs. 
I reduce this item from $83,665,000 to $65,940,000 by reducing:

(1) 15-Alcohol and Other Drug Services Program from $332,191,000 to $314,466,000.

I am reducing this item by $17,725,000 to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. This eliminates state funding for the Offender Treatment Program consistent with my proposed Budget. I am reducing a total of $18,000,000 for this purpose: $17,725,000 from this item and $275,000 from Item 4200-001-0001.

Item 4200-104-0001—For local assistance, Department of Alcohol and Drug Programs. 
I reduce this item from $21,111,000 to $20,448,000 by reducing:

(1) 15-Alcohol and Other Drug Services Program from $38,165,000 to $37,502,000, and by revising Provision 2.

I am reducing this item by $663,000 to help bring ongoing expenditures in line with existing resources and to support the eight existing Residential Perinatal Treatment Programs, a funding level consistent with last year’s funding level for each of the remaining centers.

I am revising Provision 2 to conform to this action as follows:

“2. Of the funds appropriated in this item, $5,104,000 shall be used to fund existing residential perinatal treatment programs that were begun through the federal Center for Substance Abuse Treatment grants, but whose grants have since expired and currently are constituted as Women and Children's Residential Treatment Services. For counties in which there is such a provider, the State Department of Alcohol and Drug Programs shall include language in those counties' allocation letters that indicates the amount of the allocation designated for the provider during the fiscal year. Pursuant to Section 11840.1 of the Health and Safety Code, the treatment programs that were established through the federal Center for Substance Abuse Treatment grants are not subject to the county 10-percent match. All of the funds allocated for programs shall be passed through those counties directly to the designated residential treatment programs in each county, respectively.”
Item 4260-101-0001—For local assistance, Department of Health Care Services. I reduce this item from $13,285,305,000 to $13,263,331,000 by reducing:

(1) 20.10.010—Eligibility (County Administration) from $2,893,028,000 to $2,849,080,000, and

(9) Amount payable from the Federal Trust Fund (Item 4260-101-0890) from -$28,849,145,000 to -$28,827,171,000.

I am deleting the $21,974,000 legislative General Fund augmentation for County Administration. This reduction is necessary to bring expenditures in line with existing resources and to build a prudent reserve.

Item 4260-101-0890—For local assistance, Department of Health Care Services. I reduce this item from $28,849,145,000 to $28,827,171,000.

I am reducing this item by $21,974,000 to conform to my action in Item 4260-101-0001.

Item 4260-111-0001—For local assistance, Department of Health Care Services. I reduce this item from $200,496,000 to $190,496,000 by reducing:

(1) 20.35-Primary and Rural Health from $11,054,000 to $1,054,000.

I am deleting the $10,000,000 legislative augmentation for various discretionary clinic grants. This reduction is necessary to bring expenditures in line with existing resources and to build a prudent reserve. Federal Health Care Reform alternatively provides $1.4 billion of increased funds over five years to clinics, in addition to substantial increases from the American Recovery and Reinvestment Act. Most of these clinics will continue to receive significant state funding from Medi-Cal and other programs.

Item 4265-001-0001—For support of Department of Public Health. I reduce this item from $77,997,000 to $76,997,000 by reducing:

(2) 20-Public and Environmental Health from $395,074,000 to $394,074,000.

I am deleting the legislative augmentation of $1,000,000 General Fund for the Prostate Cancer Treatment Program. These reductions are necessary to limit program expansions, to help bring ongoing expenditures in line with existing resources, and to build a prudent reserve. With this reduction, $3,100,000 still remains to support the Prostate Cancer Treatment Program.
Item 4265-111-0001—For local assistance, Department of Public Health. I reduce this item from $239,617,000 to $174,884,000 by reducing:

(3) 20.20-Infectious Disease from $390,613,000 to $330,880,000; and

(4) 20.30-Family Health from $1,610,589,000 to $1,605,589,000.

I am reducing this item by $57,133,000 by reducing funding to local entities for the following programs:

- $52,133,000 for Office of AIDS local assistance programs, and
- $5,000,000 for the Maternal, Child and Adolescent Health Program.

These reductions are necessary to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With these reductions, $55,109,000 still remains to support the Maternal, Child, and Adolescent Health Program, and $55,412,000 still remains to support Office of AIDS local assistance programs.

I am also reducing this item by $7,600,000 General Fund by reducing funding to local entities for the AIDS Drug Assistance Program (ADAP). The Department of Public Health may utilize funding from the ADAP Rebate Fund, which is continuously appropriated, to maintain services, if necessary. This reduction is necessary to provide for a prudent General Fund reserve. With this reduction, $434,013,000 still remains to support the ADAP.

Item 5180-101-0001—For local assistance, Department of Social Services. I reduce this item from $3,614,352,000 to $3,248,452,000 by adding:

Unallocated Reduction -$365,900,000.

I am reducing this item by $365,900,000 and am instructing the Director of the Department of Social Services to request a corresponding advance of Temporary Assistance for Needy Families Block Grant funds from the federal government for the quarter ending June 30, 2011. This will provide one-time General Fund relief without any adverse program impacts.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from $740,599,000 to $679,718,000 by reducing:

(1) 25.30-Children and Adult Services and Licensing from $2,178,571,000 to $2,117,690,000.

I am reducing this item by $60,881,000 to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With this reduction $2,117,690,000 still remains to support the Children and Adult Services and Licensing Program. This maintains the level of funding for the Child Welfare Services Program that was in effect in fiscal year 2009-10. I am reducing a total of $79,956,000 for this purpose: $60,881,000 from this item and $19,075,000 from Item 5180-153-0001.
Item 5180-153-0001—For local assistance, Department of Social Services. I reduce this item from $359,729,000 to $340,654,000 by reducing:

(1) 26-Title IV-E Waiver from $914,352,000 to $895,277,000.

I am reducing this item by $19,075,000 to help bring ongoing expenditures in line with existing resources. With this reduction $895,277,000 still remains to support the Title IV-E Program. This maintains the level of funding for the Child Welfare Services Program that was in effect in fiscal year 2009-10. I am reducing a total of $79,956,000 for this purpose: $19,075,000 from this item and $60,881,000 from Item 5180-151-0001.

Item 5225-001-0001—For support of California Department of Corrections and Rehabilitation. I revise this item by deleting Provision 7.

I am deleting Provision 7, which would restrict the California Department of Corrections and Rehabilitation (CDCR) from using the Inmate Activation Schedule for purposes of budgeting and to instead use a ratio of one staff for every 5.6 inmates. This methodology change would result in additional workload without regard to the availability of resources. Consequently, I am vetoing this language. Nevertheless, I am instructing the CDCR to continue to work with the Department of Finance and the Legislature to develop and implement changes to their population budgeting process that would result in more transparency, provided they are able to do so using existing resources and without impairing the CDCR’s ability to perform its essential functions.

Item 6110-001-0001—For support of Department of Education. I revise this item from $34,031,000 to $34,030,000 by reducing:

(2) 20-Instructional Support from $139,361,000 to $132,914,000;

(3) 30-Special Programs from $53,845,000 to $53,342,000;

(8) Reimbursements from -$17,293,000 to -$16,790,000;

(9) Amount payable from Federal Trust Fund (Item 6110-001-0890) from -$148,290,000 to -$141,844,000; and by

revising Provision 22; and

deleting Provision 25.

I am deleting the legislative augmentation of $385,000 in reimbursement authority and 2.0 limited-term positions for support of the State Advisory Council on Early Childhood Education and Care (ELAC) because the increase in workload has not been justified. Further, I am vetoing $118,000 in reimbursement authority proposed in the May Revision for one redirected position given that the Sacramento County Office of Education will assume the responsibility for coordinating the activities of the ELAC. The Budget continues to provide authority for 2.0 limited-term positions for the Department to provide additional support for the ELAC’s work, which should be sufficient.
I am revising Provision 22 to conform to this action as follows:

“22. (a) Of the reimbursements appropriated in Schedule (8), $439,000 and 2.0 limited-term positions until July 1, 2013, pursuant to an agreement with the California Children and Families Commission, shall be available to the State Department of Education to support the activities of the Early Learning Quality Improvement System Advisory Committee established by Chapter 307 of the Statutes of 2008, and the Advisory Council on Early Childhood Education and Care (ELAC) pursuant to Executive Order S-23-09.

(b) Of the reimbursement funds appropriated in Schedule (8), $503,000 is provided for 1.0 redirected position, 2.0 new limited-term positions until July 1, 2013, and associated committee expenses to support the activities of the ELAC, pursuant to an agreement with the California Children and Families Commission.”

I am reducing the legislative augmentation of $144,000 General Fund by $1,000 and deleting the provisional language specifying that the Curriculum Development and Supplemental Materials Commission (Commission) is to complete the History/Social Science and Science frameworks. Instead, it is my intent that the remaining $143,000 be used for higher priority activities related to the California Common Core Standards, as directed by the State Board of Education.

I am also deleting Provision 25 to conform to this action.

Finally, I am revising this item to conform to the actions taken in Item 6110-001-0890.

Item 6110-001-0890—For support of Department of Education. I revise this item by: reducing this item from $148,790,000 to $142,344,000, revising language in this item, and by deleting Provision 17.5 and Provision 39.

I am reducing $2,946,000 Federal Trust Funds that would otherwise be available for the development and support of the California Longitudinal Pupil Achievement Data System (CALPADS). I am concerned that the resources allocated for this purpose lack necessary accountability to ensure the citizens of California receive a high quality longitudinal educational data system that can be used to enable our students to improve academically, consistent with my long standing goal for improved transparency to the public. With this reduction, $2,946,000 remains to provide for costs incurred through December 6, 2010. In addition, I have reduced expenditure authority for support of the California School Information Services administrative activities for the CALPADS project in Item 6110-485 from $5,244,000 to $1,362,000 to conform to this action. It is my intent that this reduced funding be set aside for future legislation that appropriates funds for an appropriate entity to complete the project and provide a data system that will successfully supply student-level achievement data to assist teachers, district administrators, and policy makers with reliable information.

While California has struggled with this project for over seven years and spent over $150 million since 1997 on longitudinal data systems, other states have allocated far less funding and achieved their databases in much less time. For example, Virginia and Texas each have spent approximately $20 million to develop their systems; Virginia has an in-house system; and Texas developed an integrated data warehouse system over a two-year period.
It is critical to have a statewide longitudinal data system to measure overall effectiveness of teachers, principals, and schools. Without this data, reform efforts in our lowest achieving schools are paralyzed. We owe it to the children in those struggling schools to make certain we get this right. The absence of a good statewide data system frustrates the efforts of our great school district leaders who need this data to learn from other high performing school districts across the state and improve school achievement in their classrooms. Finally, the lack of this data system was a significant factor in California’s loss of federal Race to the Top funding. Enough is enough.

I am revising Provision 17 to conform to this action as follows:

“17. The following funds appropriated in this item are for the development of a comprehensive strategy to address data reporting requirements and the development of the California Longitudinal Pupil Achievement Data System (CALPADS) to meet the requirements of the federal No Child Left Behind Act of 2001 (P.L. 107-110) and Chapter 1002 of the Statutes of 2002:

(a) $730,000 $ 287,500 and 5.0 positions to support state operations for a comprehensive strategy to address data reporting requirements.
(b) $4,430,000 $48,500 and 1.0 position to support state operations related to the development of CALPADS.
(c) $115,000 and 1.0 position to support workload associated with coordinating data collection and sharing for CALPADS and for the federal Education Data Exchange Network.
(d) $2,457,000 to support Department of Technology Services costs associated with storage and maintenance of CALPADS servers and data.
(e) $38,000 for software maintenance and licenses necessary to ensure consistent matching of Statewide Student Identifiers.”

I am also deleting Provision 17.5 to conform to this action.

Further, I am deleting $3,500,000 in federal Title II and federal Statewide Longitudinal Data System funds for the California Teachers Integration Data System (CALTIDES) to conform to my actions on the California Longitudinal Pupil Advancement Data System (CALPADS) and because CALTIDES was to be developed within the CALPADS infrastructure. With this reduction, $563,000 remains to provide for costs incurred through December 6, 2010. It is my intent that these funds be set aside for future legislation that would appropriate funds for an appropriate entity to complete the project and provide a data system that will successfully provide teacher and student-level achievement data to assist teachers, district administrators, and policy makers with reliable information.

I am also revising Provision 31 to conform to this action as follows:

“31. Of the funds appropriated in this item, $3,000,000 $560,000 is provided from federal Statewide Longitudinal Data System funds and $1,060,000 is provided from federal Title II funds, of which $200,000 is one-time carryover. The funding shall support 3.0 limited-term positions and 2.0 existing positions and other development costs for the California Longitudinal Teacher Integrated Data Education System (CALTIDES). The one-time carryover funds are available for CALTIDES or the California Longitudinal Pupil Achievement Data System (CALPADS) support, which may include a Data Processing Manager III position. No funds may be expended until the California Longitudinal Pupil
Achievement Data System (CALPADS) has been determined to receive and transfer data reliably and upon the written approval of the Department of Finance and the office of the State Chief Information Officer. The 3.0 limited-term positions shall expire on June 30, 2012."

Finally, I am deleting Provision 39 which states legislative intent language that a portion of the grant under the American Recovery and Reinvestment Act for the State Advisory Council on Early Childhood Education and Care (ELAC) be used to study the feasibility of implementing a data system containing information on children five years of age or younger. This language is inconsistent with the approved grant application for these funds which contains funding to contract for a needs assessment that will explore expanding existing data systems for this purpose.

Item 6110-113-0890—For local assistance, Department of Education. I reduce this item from $28,742,000 to $27,967,000 by deleting:

(1) 20.60.030.030-Instructional Support: Alternative Schools Accountability Model ($775,000),

and Provision 1.

I am reducing this item by $775,000 to eliminate the Alternative Schools Accountability Model consistent with my April 1st proposal. The Department of Education and the State Board of Education have begun phasing out the external contractor in favor of the Department of Education staff compiling data from existing sources making these funds unnecessary. In addition, because the state funds testing and accountability programs interchangeably with federal funds and Proposition 98 General Fund, this reduction will generate Proposition 98 General Fund savings.

Item 6110-161-0890—For local assistance, Department of Education. I reduce this item from $1,232,519,000 to $1,232,518,000 by reducing:

(4) 10.60.050.021-IDEA, State Level Activities from $81,914,000 to $81,913,000, and by deleting Provision 9 to conform to the action I have taken in Item 8885-295-0001.

Item 6110-196-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from $1,508,848,000 to $1,252,848,000 by reducing:

(1.5) 30.10.020-Child Care Services from $1,683,503,000 to $1,427,503,000

(f) 30.10.020.012-Special Program, Child Development, Alternative Payment Program—Stage 3 Setaside from $365,918,000 to $109,918,000.

I am reducing $256,000,000 from CalWORKs Stage 3 child care. This action is necessary to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With this reduction, $128,823,000 in federal funds remains to support existing Stage 3 child care services through October 2010.
Item 6110-485—For local assistance, Department of Education. I revise this item to conform to the actions related to the support and development of the California Longitudinal Pupil Achievement Data System I have taken in Item 6110-001-0890 as follows:

“Reappropriation (Proposition 98), Department of Education. The sum of $5,224,000 $1,362,000 is hereby reappropriated from the Proposition 98 Reversion Account for the following purposes:

0001—General Fund
(2) The sum of $5,224,000 $1,362,000 to support California School Information Services administration activities authorized pursuant to Schedule (2) of Item 6110-140-0001."

Item 6440-001-0001—For support of University of California. I revise this item by deleting Provision 17.

I am vetoing the provisional language that would require the University of California (UC) to report on its proposal for long-term state funding for the UC Retirement Plan (UCRP), including any alternative funding plans that might be proposed. This language is unnecessary, as forwarding every proposal received from any person or entity is unwarranted. Further, the UC Office of the President is committed to reporting on its UCRP proposals and has indicated that it would provide detailed reports on the long-term funding of the UCRP without the adoption of this language.

I am deleting Provision 17 to conform to this action.

Item 7350-001-0001—For support of Department of Industrial Relations. I revise this item by deleting Provision 2.

I am deleting Provision 2, which prohibits the Department of Industrial Relations (DIR) from implementing the prevailing wage survey in the Central Valley agreed to during 2009-10 budget negotiations. In an effort to build a prudent reserve, I have agreed that no General Fund will be added to this budget to support this activity. However, I am instructing the Director of the DIR to utilize existing resources to complete this critical study as the disparity between commercial and residential rates is significant within the Central Valley. Failure to conduct this survey would prevent the DIR from meeting its statutory responsibilities to ensure wages paid within residential construction are appropriate. In the absence of this study, the prohibition could result in future construction costs that are $25 to $50 million greater than would otherwise be required for completion of $1 billion in public works projects.

Item 7980-001-0001—For support of Student Aid Commission. I reduce this item from $11,711,000 to $11,236,000 by reducing:

(1) 15-Financial Aid Grants Program from $12,550,000 to $12,075,000;

(1.5) 50-California Loan Program from $514,000 to $257,000;

(4.5) Amount payable from the Student Loan Operating Fund (Item 7980-001-0784); from -$514,000 to -$257,000

and by revising Provisions 4 and 5.
I am reducing Schedule (1) to delete legislative augmentations totaling $475,000 General Fund and 1.0 position for publication of a periodical and for additional information technology staff and equipment. This reduction is necessary to limit program expansion and to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With this reduction, $11,236,000 still remains to support programs, including $1.2 million for restoring essential services performed by EdFund.

I am reducing Schedule (1.5) by $257,000 Student Loan Operating Fund and 3.0 net personnel years to reflect the phase-out of workload associated with oversight of EdFund resulting from recent federal legislation ending the Federal Family Education Loan Program and the U.S. Department of Education’s decision to terminate the Student Aid Commission’s guaranty agency agreement. It is anticipated that these federal decisions will end all Federal Policy and Program Division workload by January 1, 2011. Over $250,000 remains available to fund this activity for the first six months of this fiscal year.

Similarly, I am reducing the amount authorized in Schedule (4.5), the amount payable from the Student Loan Operating Fund, by $257,000.

I am revising Provisions 4 and 5 to conform to these actions.

“4. This item reflects $514,000 $257,000 payable from the Student Loan Operating Fund for the purpose of funding, on a limited-term basis, 6.0 positions in the Federal Policy and Programs Division. Those positions shall be continued until a sale or other authorized transaction is completed pursuant to Chapter 182 of the Statutes of 2007, which is anticipated to occur no later than the 2010-11 fiscal year.”

“5. Of the funds appropriated in Schedule (1), up to $1,151,000 $676,000 is available for any expenses that may be necessary or convenient for the Student Aid Commission to assume activities currently provided by EdFund in order to further the intent of the sale, or other authorized transaction, of EdFund pursuant to Chapter 182 of the Statutes of 2007. These funds shall not be expended unless first approved in writing by the Department of Finance.”

Item 7980-001-0784—For support of Student Aid Commission. I reduce this item from $514,000 to $257,000 and delete Provision 1.

I am reducing this item by $257,000 to conform to the action I have taken in Item 7980-001-0001.

I am deleting Provision 1 to conform to this action.
Item 8885-295-0001—For local assistance for reimbursement, in accordance with the provisions of Section 6 of Article XIIIIB of the California Constitution or Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, for disbursement by the Controller for claims for costs incurred during the specified periods. I reduce this item from $216,336,000 to $80,400,000 by reducing:

(1) For payment of the following mandate claims for costs incurred in the 2004-05 through 2008-09 fiscal years from $216,336,000 to $80,400,000.

My policy is to suspend mandates not related to elections, law enforcement, or property taxes in order to maintain a prudent General Fund reserve.

I am reducing this item by $132,941,000 by deleting Schedule (1) (oo) Handicapped and Disabled Students I and II, and Seriously Emotionally Disturbed Pupils: Out of State Mental Health Services (AB 3632) (Ch.1747, Stats. 1984; Ch. 1128, Stats. 1994; Ch. 654, Stats. 1996) (CSM-4282; 02-TC-40; 02-TC-49; 97-TC-05). This mandate is suspended.

I am also reducing this item by $2,995,000 by deleting Schedule (1) (pp) Local Recreational Background Checks (Ch. 777, Stats. 2001). This mandate is suspended. However, I will support legislation that grants local entities fee authority to recoup the costs of the background screenings for employees and volunteers at locally operated parks, playgrounds, recreational centers, or beaches used for recreational purposes.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 870.

/s/ Arnold Schwarzenegger

ARNOLD SCHWARZENEGGER