



MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Item 8570-001-0111, Support, Department of Food and Agriculture

Citrus Pest and Disease Prevention Program (Issue 301)—It is requested that Item 8570-001-0111 be increased by \$2.5 million for two years to provide resources to enhance the Asian Citrus Psyllids and Huanglongbing Mitigation Project. The Asian Citrus Psyllids are the carriers for Huanglongbing disease which is fatal to citrus trees. This funding is critical to support control activities to prevent the establishment of this pest and disease, and the associated negative economic, trade, and environmental impacts.

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 Chris Lief, Assistant Program Budget Manager, at (916) 445-8913.

ANA J. MATOSANTOS
Director
By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

Attachment

cc: On following page

MAY 14 2013

-2-

cc: Honorable Kevin de León, Chair, Senate Appropriations Committee
Attention: Mr. Mark McKenzie, Staff Director
Honorable Bill Emmerson, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Bill Monning, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Richard Bloom, Chair, Assembly Budget Subcommittee No. 3
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office
Honorable Karen Ross, Secretary, Department of Food and Agriculture
Ms. Sandra Schubert, Undersecretary, Department of Food and Agriculture
Mr. Nate Dechoretz, Deputy Secretary, Administration and Finance, Department of Food and
Agriculture
Ms. Janet Glaholt, Director, Administrative Services, Department of Food and Agriculture
Ms. Jody Lusby, Budget Officer, Department of Food and Agriculture



DEPARTMENT OF
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MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Addition of Budget Bill Item 8660-490, Support, California Public Utilities Commission

Energy Crisis Litigation—Extension of Liquidation Period

It is requested that Item 8660-490 be added to extend the liquidation period for Item 8660-001-0462, Budget Act of 2009, as reappropriated by Item 8660-490, Budget Act of 2012 (see Attachment A).

The California Public Utilities Commission (PUC) is the sole state agency seeking energy crisis relief on behalf of California consumers. The PUC is challenging the unlawful rates, terms, and conditions of 57 long-term electricity contracts entered into by the Department of Water Resources during the 2000-01 energy crisis. The 2009 Budget Act authorized \$2.5 million for the assistance of outside legal counsel as well as expert economic consultants to enable the PUC to represent the interests of consumers. Because of legal delays, the cases have not been resolved. The extension of the liquidation period will allow the PUC to continue to retain its current outside legal counsel and economic consultants who have been working on these cases since their inception.

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 Jesse McGuinn, Principal Program Budget Analyst, at (916) 324-0043.

ANA J. MATOSANTOS
Director
By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

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Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Jim Beall, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Richard Bloom, Chair, Assembly Budget Subcommittee No. 3
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office
Ms. Michelle Cook, Executive Deputy Director, California Public Utilities Commission
Ms. Maria Ramirez, Budget Officer, California Public Utilities Commission

MAY 14 2013

Attachment A

8660-490—Reappropriation, Public Utilities Commission. Notwithstanding any other provision of law, the period to liquidate encumbrances of the following citations are extended to June 30, 2014.

0462—Public Utilities Commission Utilities Reimbursement Account

(1) Item 8660-001-0462, Budget Act of 2009 (Ch. 1, 2009-10 3rd Ex. Sess., as revised by Ch. 1, 2009-10 4th Ex. Sess.), as reappropriated by Item 8660-490, Budget Act of 2012 (Ch. 21, Stats. of 2012)



MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Item 8955-001-0001, Support, Department of Veterans Affairs

Conversion of Two Skilled Nursing Facility Units to Domiciliary at the West Los Angeles Veterans Home (Issue 301)—It is requested that Item 8955-001-0001 be decreased by \$3.2 million and 35.6 positions to reflect the conversion of two units at the West Los Angeles veterans home from Skilled Nursing Facility level of care to domiciliary level of care. This conversion will allow the Department of Veterans Affairs to better meet the needs of veterans in the greater Los Angeles region by providing domiciliary beds, which are currently not available in that area.

Delayed Activation of West Los Angeles Veterans Home (Issue 302)—It is requested that Item 8955-001-0001 be decreased by \$5,473,000 to reflect the delayed activation of Skilled Nursing Facility beds at the West Los Angeles veterans home. We also note a related reduction of \$12,043,000 in the current year.

Adjustment to Federal Per Diem for Veterans Homes (Issue 300)—Adjustments will also be made to the federal funding per diem that is paid to the Department of Veterans Affairs. General Fund expenditures will be decreased by \$625,000 and federal funds will be increased by a like amount to reflect reduced General Fund costs which result from an increase in federal fund reimbursements. The federal government pays a per diem rate for every resident that is housed in the state's veterans homes. This \$625,000 augmentation is the net change to federal reimbursements resulting from a decrease in the projected number of residents housed in the state's veterans homes in fiscal year 2013-14 and an increase in the per diem rate.

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

MAY 14 2013

If you have any questions or need additional information regarding this matter, please call Chris Lief, Assistant Program Budget Manager, at (916) 445-8913.

ANA J. MATOSANTOS

Director

By:

/s/ Michael Cohen

MICHAEL COHEN

Chief Deputy Director

Attachment

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Attention: Mr. Mark McKenzie, Staff Director
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Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Richard Roth, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Tom Daly, Chair, Assembly Budget Subcommittee No. 4
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office
Honorable Peter Gravett, Secretary, Department of Veterans Affairs
Mr. Michael Wells, Undersecretary, Operations, Department of Veterans Affairs
Ms. Patty Ingram, Budget Officer, Department of Veterans Affairs



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Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Item 9210-110-0001, Local Assistance, Local Government Financing

It is requested that Item 9210-110-0001 be increased by \$74,000 to supplement insufficient fiscal year 2011-12 Education Revenue Augmentation Funds (ERAF), in the counties of Amador, San Mateo, and Alpine, which are necessary to fully fund the Vehicle License Fee (VLF) Swap and Triple-Flip reimbursements in these three counties. The Governor's Budget included \$1.8 million to supplement insufficient 2011-12 ERAF; however an additional need of \$74,000 was determined based on final 2011-12 property tax revenues. It is also requested that additional provisional language be added to Item 9210-110-0001 (Attachment I) to specify the amount of funding allowable for each of the three counties with insufficient ERAF.

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 Chris Hill, Principal Program Budget Analyst, at (916) 322-2263.

ANA J. MATOSANTOS
Director
By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

Attachment

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Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Richard Roth, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Tom Daly, Chair, Assembly Budget Subcommittee No. 4
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office

**Proposed Budget Bill Language
Item 9210-110-0001**

"9210-110-0001—For local assistance, Local Government Financing, to be allocated by the Controller1,800,000-1,874,000
Provisions:

1. The amount appropriated in this item is to reimburse the Counties of Amador, ~~and~~ San Mateo, and Alpine, and the cities located therein, for shortfalls incurred in the 2011-12 fiscal year related to the Sales and Use Tax Countywide Adjustment Amount authorized by Section 97.68 of the Revenue and Taxation Code, and the Vehicle License Fee Adjustment Amount authorized by Section 97.70 of the Revenue and Taxation Code.
2. No later than October 1, 2013, ~~each~~ the county shall submit to the Department of Finance a countywide claim detailing the shortfall incurred in the 2011-12 fiscal year by the county, and by each city located therein, in relation to each of the specified Revenue and Taxation Code sections. The Department of Finance shall review the claims for accuracy, and upon determining the claims are accurate and complete, shall forward it to the Controller for payment.
3. ~~The amount provided to Amador and San Mateo Counties and the cities located therein, shall not exceed \$1,800,000. If this amount is insufficient to fully backfill the shortfalls incurred by the eligible claimants, the Controller shall prorate the amount provided to each claimant pursuant to Provision 2.~~
The amount provided to Amador County and the cities located therein shall not exceed \$1,392,000, the amount provided to San Mateo County and the cities located therein shall not exceed \$293,000, and the amount provided to Alpine County shall not exceed \$189,000. If this amount is insufficient to fully backfill the shortfalls incurred by the eligible claimants, the Controller shall prorate the amount provided to each claimant pursuant to Provision 2.



MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to General Obligation Bonds and Commercial Paper Debt Service

This is an informational letter only. The payment of General Obligation (GO) Bond debt service is a constitutional appropriation.

The General Fund GO Bond debt service cost for fiscal year 2012-13 is revised to \$3,999,576,000, a net decrease of \$292,130,000. This reduction is primarily attributed to increased premium from spring bond sales (\$226,401,000), savings related to bond refinancing in the spring (\$24,228,000), additional transportation offsets (\$39,812,000), other miscellaneous savings (\$14,089,000), and reduced Build America Bond offsets (-\$12,400,000) due to the federal government sequester.

The General Fund GO Bond debt service cost for fiscal year 2013-14 is revised to \$4,926,861,000, a net decrease of \$144,549,000. This reduction is primarily attributed to a reduction in debt service costs due to a smaller spring sale (\$94,918,000), projected premium generated from future bond sales in the budget year (\$50,000,000), refunding savings (\$43,932,000), other miscellaneous costs (-\$13,601,000), and reduced Build America Bond offsets (-\$30,700,000) due to the federal government sequester. The 2013-14 GO Bond debt service includes \$398,371,000 funded through the Administration's Higher Education Funding Plan.

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 Brian Dewey, Principal Program Budget Analyst, at (916) 445-9694.

ANA J. MATOSANTOS
Director
By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

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Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Richard Roth, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Tom Daly, Chair, Assembly Budget Subcommittee No. 4
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office



MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Item 9620-001-0001, Support, Cash Management and Budgetary Loans

It is requested that Item 9620-001-0001 be decreased by \$10 million General Fund (from \$50 million to \$40 million) due to projected lower internal cash flow borrowing costs.

Additionally, the General Fund external borrowing cost is projected to decrease by \$40 million (from \$100 million to \$60 million) in fiscal year 2013-14 due to the expectation of lower interest rates and size of borrowing from the financial markets.

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 Greg Bruss, Principal Program Budget Analyst, at (916) 445-5332.

ANA J. MATOSANTOS
Director
By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

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Attention: Mr. Seren Taylor, Staff Director
Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Richard Roth, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Tom Daly, Chair, Assembly Budget Subcommittee No. 4
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office



**DEPARTMENT OF
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MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Items 9800-001-0001, 9800-001-0494, and 9800-001-0988,
Support, Augmentation for Employee Compensation**

It is requested that Item 9800-001-0001 be increased by \$3,509,000, Item 9800-001-0494 be increased by \$983,000, and Item 9800-001-0988 be increased by \$484,000 to reflect revised estimates as a result of updates to health care enrollment figures, other post-employment benefit contributions for the California Association of Highway Patrolmen (Bargaining Unit 5), and previously-committed top-step increases. Final health rates are not expected to be established until June 2013.

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 Martone, Principal Program Budget Analyst, at (916) 445-3274.

ANA J. MATOSANTOS
Director
By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

Attachment

cc: On following page

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cc: Honorable Kevin de León, Chair, Senate Appropriations Committee
Attention: Mr. Mark McKenzie, Staff Director
Honorable Bill Emmerson, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Loni Hancock, Chair, Senate Budget and Fiscal Review Subcommittee No. 5
Honorable Tom Daly, Chair, Assembly Budget Subcommittee No. 4
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office
Ms. Alene Shimazu, Chief, Office of Financial Management and Economic Research, Department
of Human Resources
Mr. Dave Ide, Chief, Costing Unit, Department of Human Resources



MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Addition of Budget Bill Control Section 8.56, Reductions to Funding and Positions Related to the Federal Government Sequestration and Other Related Federal Actions

It is requested that Control Section 8.56 be added to authorize the Director of Finance to reduce items of appropriation and associated positions related to federal government sequestration or other related federal reductions.

While the federal sequester has started for federal fiscal year 2013, the exact funding implications on individual programs at the state level is still not clear. Federal agencies have not issued all necessary guidelines and the affected state departments are in the process of putting in place measures to minimize the impact on the recipients and on the economy. Additionally, the federal government budget for 2014 is in its early stage of negotiation. Given the uncertainty of the exact program reductions and the interaction between federal fiscal years and the state fiscal years, Control Section 8.56 will provide flexibility to decrease spending authority and associated positions resulting from the sequester and any other related federal actions once the details are determined.

The proposed Budget Bill language is provided below:

SEC. 8.56. (a) Notwithstanding any provision of law, the Director of Finance may reduce items of appropriation and associated positions to reflect funding consistent with the federal government sequestration and other related federal reductions.

(b) For any adjustments made under the authority of this section, the Director of Finance shall provide notification in writing to the chairpersons of the committees in each house of the Legislature who consider appropriations, the chairpersons of the committees and the appropriate subcommittees in each house of the Legislature who consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee, not less than 30 days prior to the effective date of the adjustment, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine. The notification shall include the amount of the proposed appropriation adjustment, the program affected, and a description of the assumptions used in making the adjustment. Notification under the authority of this Section shall be in lieu of Sections 8.50 and 28.00.

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

MAY 14 2013

-2-

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

ANA J. MATOSANTOS

Director

By:

/s/ Michael Cohen

MICHAEL COHEN

Chief Deputy Director

Attachment

cc: Honorable Kevin de León, Chair, Senate Appropriations Committee
Attention: Mr. Mark McKenzie, Staff Director
Honorable Bill Emmerson, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Richard Roth, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Tom Daly, Chair, Assembly Budget Subcommittee No. 4
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office



MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Addition of Trailer Bill Language, Major Revenues

Clarify Sales Tax on Software—It is requested that trailer bill language be added to clarify that software delivered on media is tangible physical property subject to sales tax provisions (see Attachment A).

Job Creation and Economic Development—It is requested that trailer bill language be added to modernize the state's job creation and economic development incentives. This proposal is revenue neutral and focuses on improving the performance of those dollars already spent to better stimulate economic growth and the creation of new jobs. Language will follow shortly.

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 Jay Chamberlain, Assistant Program Budget Manager, at (916) 322-2263.

ANA J. MATOSANTOS
Director
By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

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Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office
Ms. Cynthia Bridges, Executive Director, Board of Equalization
Ms. Liz Houser, Deputy Director, Administration, Board of Equalization
Ms. Selvi Stanislaus, Executive Director, Franchise Tax Board
Ms. Jeanne Harriman, Financial Management Bureau, Franchise Tax Board

Attachment A

415 SOFTWARE ON MEDIA IS TANGIBLE PERSONAL PROPERTY

Section 1:

Amend subdivision (a) of Revenue and Taxation Code section 6010.9 as follows:

- (a) "Storage media" includes, but is not limited to, punched cards, tapes, discs, diskettes, or drums on which computer programs may be embodied or stored. Notwithstanding any other provision of this part, a computer program embodied or stored on storage media is tangible personal property.

Section 2:

Non-codified language to accompany the bill, to establish that these amendments are a statement of existing law:

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use or other consumption in this state of, tangible personal property and provides various exemptions or exclusions from that tax. Revenue and Taxation Code section 6010.9 provides, among other things, an exclusion, under specified conditions, from the term "sale" or "purchase" for a custom program, other than a basic operational program (as defined in Revenue and Taxation Code section 995.2), either in the form of written procedures or in the form of storage media on which, or in which, the program is recorded. Although not explicitly stated within the statute, it is implicit that, for purposes of the Sales and Use Tax Law, a computer program is tangible personal property when transferred on storage media. If this is not true, there would be no need for the exclusion provided by section 6010.9. This amendment will make clear this necessary fact.

Accordingly, it is the intent of the Legislature, by amending the definition of "storage media" in Revenue and Taxation Code section 6010.9 to clarify existing law and ensure that retail sales of non-custom computer programs on storage media are taxed consistent with the Court of Appeal decision in *Microsoft Corporation v. Franchise Tax Board* (2012) 212 Cal.App.4th 78, and with the California Supreme Court decision in *Navistar Internat. Transportation Corp. v. State Bd. of Equalization* (1994) 8 Cal.4th 868. The Legislature further finds and declares Section 1 of this act is declaratory of, and not a change in, existing law. It is the intent of the Legislature in enacting this act to clarify the existing law and to affect all pending proceedings to which this clarification is applicable.



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Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Control Section 12.00 (State Appropriations Limit)

It is requested that Control Section 12.00 be amended to revise the State Appropriations Limit (SAL). Pursuant to Article XIII B of the California Constitution, the 2013-14 SAL is estimated to be \$89.716 billion at May Revision. The revised limit is the result of applying the growth factor of 5.8 percent. The revised 2013-14 limit is \$16 million above the \$89.7 billion estimated in January. Control Section 12.00 is proposed to be amended as follows:

"SEC. 12.00. For the purposes of Article XIII B of the California Constitution, there is hereby established a state "appropriations limit" of ~~\$89,700,000,000~~ \$89,716,000,000 for the 2013-14 fiscal year.

Any judicial action or proceeding to attack, review, set aside, void, or annul the "appropriations limit" for the 2013-14 fiscal year shall be commenced within 45 days of the effective date of this act."

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 Chaves, Principal Program Budget Analyst, at (916) 445-5332.

ANA J. MATOSANTOS
Director
By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

Attachment

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