



# **State Budget Highlights**

## **2006-07**



***Arnold Schwarzenegger, Governor  
State of California***

This page is purposefully blank to facilitate duplex printing.

# **Table of Contents**

Introduction . . . . .	1
The Economy . . . . .	5
Revenue Estimates . . . . .	11
Preparing for Natural and Intentional Disasters . . . . .	13
K thru 12 Education . . . . .	17
Higher Education . . . . .	33
Health and Human Services . . . . .	47
Corrections and Law Enforcement . . . . .	63
Resources and Environmental Protection . . . . .	73
Business, Transportation, and Housing . . . . .	79
Judicial Branch . . . . .	87
General Government . . . . .	91
Assistance to Local Government . . . . .	97
Summary Charts . . . . .	101
Staff Assignments . . . . .	105
The California Budget Web Site . . . . .	107

This page is purposefully blank to facilitate duplex printing.

# Introduction

**T**he 2006 Budget Act signed by Governor Schwarzenegger fulfills the two principal budget priorities he put forth in his May Revision—improving the state’s fiscal health by: (1) paying down debt and building a reserve; and (2) fully funding education—while also providing critical funding for law enforcement, disaster preparation and services for abused and neglected children.

The Budget sets aside an unprecedented amount to address the state’s debt—a combined total of more than \$4.9 billion, or 4.7 percent of total General Fund resources available, by establishing a budget reserve of \$2.1 billion and early debt repayments of \$2.8 billion (See Figure INT-01).

At the same time, the Budget provides a record level of funding for the state’s K-12 schools and community colleges, fully funding the Proposition 98 guarantee. The Budget provides \$55.1 billion in education spending under Proposition 98, an increase of \$8.1 billion, or 17 percent compared to the 2004 Budget Act, which was Governor

Figure INT-01  
**Total Budget Set Asides**  
(Dollars in Millions)

<b>Total Available Resources</b>	
General Fund Reserve	\$1,630
Budget Stabilization Account	472
Total Available Resources	<u>\$2,102</u>
<b>Debt Pre-Payments and Repayments</b>	
Proposition 42 Prepayment	\$1,415 *
Transfer to Budget Stabilization Account (to Retire ERBs)	472
Special Fund Loans Repayment and Pre-payment	347
Pre-payment and Repayment of Reimbursements to Local Governments for State Mandated Programs**	296
Proposition 98 Settle-Up Pre-payment	150
Flood Control Subventions Pre-payment	100
GO Bonds Debt Pre-payment	32
Total Debt Pre-payments and Repayments	<u>\$2,812</u>
<b>Total Budget Set Asides</b>	<u>\$4,914</u>

\* Includes \$200 million pre-payment from a special fund.

\*\* Excludes school districts.

Schwarzenegger’s first budget. This funding increases total per-pupil spending from \$9,977 in 2004-05 to \$11,264 in this Budget, an increase of \$1,287 or 13 percent. With this infusion of new funding, the Budget funds several of the Governor’s education priorities, including restoration of funding for arts and music, physical education, student counselors in grades 7-12, and a new, targeted preschool initiative.

The Budget also provides significant new resources to protect the public, as follows:

- \$256 million (\$163 million General Fund) to improve services to abused and neglected children.
- \$214 million (\$180 million General Fund) to improve the capacity of hospitals to handle disaster and epidemic related surges in demand for hospital care.

- \$196 million General Fund for law enforcement initiatives, including funding to help police departments cover the costs of booking fees, enhancements to law enforcement subventions, funding for methamphetamine eradication, funding for sexual assault felony enforcement grants to local governments, and grants to help county sheriffs and probation officers manage mentally ill offenders.

In addition, the Budget makes a substantial investment in improving California's transportation system. It provides \$1.4 billion to fully fund Proposition 42 for the second consecutive year, and it provides an additional \$1.4 billion for the early repayment of past loans from Proposition 42, for a total of \$2.8 billion. Of the \$1.4 billion repayment, \$446 million is designated for cities and counties for local road and street maintenance that would otherwise not be funded. Finally, the Budget provides \$250 million for deferred maintenance in the state park system.

Since the release of the May Revision, each of Wall Street's three main credit rating agencies has upgraded California's credit rating, citing the state's economic performance, revenue growth, and continuing progress in reducing the operating deficit. The 2006 Budget Act keeps California on a fiscally prudent path that provides a substantial reserve and pays down debt, while fully funding education and strengthening public safety.

This page is purposefully blank to facilitate duplex printing.



# The Economy

**T**he national and California economies posted solid gains again in 2005, as consumers continued to spend freely, businesses invested heavily in software and equipment, exports picked up, and residential construction increased. But the second half of the year was not as strong as the first, as natural disasters, soaring energy costs, rising interest rates, and cooling housing sectors weighed on both economies in varying degrees. National and state housing sectors continued to slow in the first five months of 2006, and by the spring, job gains were shrinking in both economies. These developments were largely anticipated in the May Revision forecast. (Figure ECO-01)

---

## The Nation

After growing briskly for most of 2005, the national economy decelerated in the months following Hurricane Katrina's destruction. The first quarter of 2006 brought a rebound in economic growth, but the pace of the expansion appears to have slowed again in the second quarter of 2006.

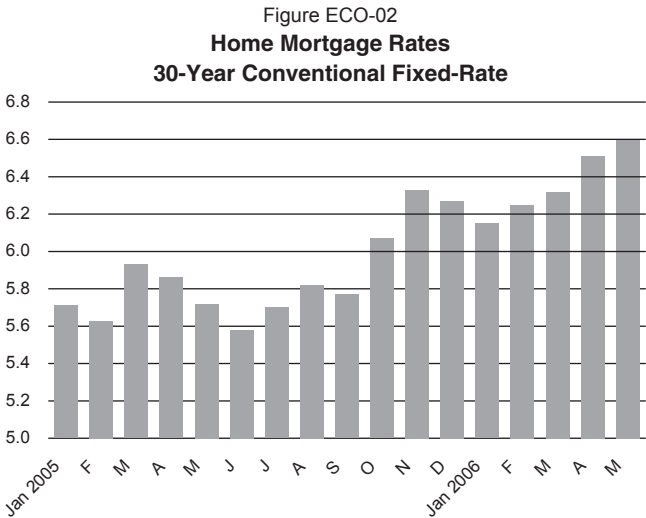
Figure ECO-01  
**Key Economic Indicators**  
**From the May Revision FY 2006-07 Forecast**  
(Annual Percent Change, except for New Housing)

	2005	Forecast	
		2006	2007
U.S. Real Gross Domestic Product	3.5	3.3	3.0
California Nonfarm Employment	1.8	1.6	1.5
California Personal Income	6.3	6.2	5.8
California Consumer Price Index	3.7	3.6	2.9
California New Housing Units (Thousands of Total Units)	209	190	175

Forecast based on data available as of April 2006.

- Inflation-adjusted gross domestic product (real GDP) grew at an annualized rate of only 1.7 percent in the fourth quarter of 2005 but then rebounded with an increase of 5.6 percent in the first quarter of 2006. Recent monthly data suggest that real GDP decelerated again in the second quarter of 2006. Rising interest rates, high energy costs, and slowing housing construction and sales have sapped some of the strength of the national economic expansion.
- Nonfarm payroll employment increased for the thirty-third consecutive month in May, but the average monthly gain so far in 2006 is smaller than the average gain in all of 2005. Smaller gains in construction employment account for about a third of the decline in the average monthly gain. Still, job gains remain widespread across major industry sectors, and the national unemployment rate has continued to decline, reaching 4.6 percent in May. A year earlier, it was 5.1 percent.

- Although new and existing home sales reached record annual highs in 2005, both have trended downward since last summer. Single-family housing starts also reached a record annual high in 2005 but have fallen by 13 percent since January 2006.
- Rising energy prices have boosted measures of general inflation in the last two years, but until recently, measures of general inflation that exclude energy prices were quite stable. Now, however, even these measures are showing signs that inflation is picking up, and the Federal Reserve seems willing to risk slowing the economy significantly to keep inflation and inflation expectations from worsening. This is the biggest risk to the economic expansion. (Figure ECO-02)

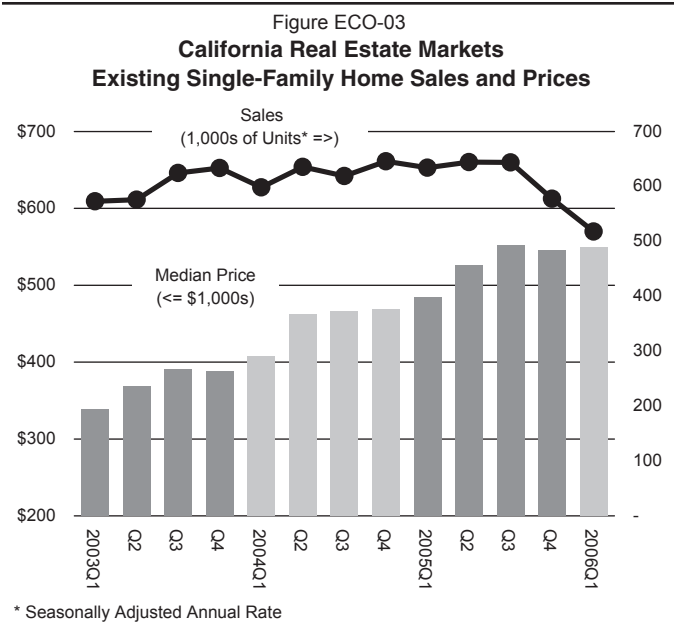


### California

Most economic statistics on the California economy released since the May Revision portray a considerably improved economy. But as with the national economy, monthly job gains have fallen in the first five months of 2006, and the housing sector has continued to slow.

- Adjusted for inflation, California economic output grew by 4.4 percent in 2005, the 15<sup>th</sup> best performance of the 50 states, and considerably higher than the 3.5 percent gain in the nation. This followed output growth of 5.2 percent in 2004, when the national economy grew by 4.2 percent.
- California personal income posted another good gain of 6.3 percent in 2005. The national gain was 5.4 percent. State personal income was 5.4 percent higher than a year earlier in the first quarter of 2006.
- California labor markets improved in 2005. Monthly jobs gains averaged 24,000, and the average level of nonfarm payroll employment was 255,000, or 1.8 percent, higher than in 2004. Nine of the 11 major industry sectors added jobs, with professional and business services; trade, transportation, and utilities; and construction leading the way. Regionally, percentage job growth was highest in the San Joaquin Valley, about the same as the state as a whole in Southern California, and less than the state in the San Francisco Bay Area. In addition, state unemployment continued to decline, ending the year at 5.1 percent.

- Average monthly job gains slowed to 9,000 in the first five months of 2006, as residential construction and home sales slowed, in part due to rainy weather. About half of the decline in monthly job gains was due to a loss of construction jobs. Percentage job growth picked up in the San Francisco Bay Area, however, matching that in Southern California.
- Made-in-California exports grew by 6.2 percent in 2005 and were 7.3 percent higher than a year earlier in the first quarter of 2006. Exports of chemicals; agricultural products; electrical equipment, appliances, and components; and fabricated metal products posted good gains in the first quarter, and high-tech exports, which declined slightly in 2005, grew for the second straight quarter. Exports to Mexico, Japan and, particularly, mainland China grew quickly. Mainland China was the fourth largest recipient of California merchandise exports in the first quarter.
- Economic statistics released since the May Revision show that California's housing sector continues to cool. Existing home sales fell for the second straight quarter in the first quarter of 2006, pushing them 18 percent below year-ago sales. At \$549,000, the median price of existing single-family homes sold in the first quarter of 2006 was essentially unchanged from the third quarter of 2005. Residential permits were down 13 percent from a year earlier in the first five months of 2006, with single-family permits off 19 percent but multifamily permits up 6 percent. Construction employment fell by 11,400 in the first five months of 2006. (Figure ECO-03)



# Revenue Estimates

**G**eneral Fund revenues and transfers are estimated to be \$92.7 billion in 2005-06 and \$93.9 billion in 2006-07.

The 2006-07 revenues and transfers reflect a transfer of \$472 million to the Budget Stabilization Account as required by Proposition 58, a one-time repayment of \$177 million to retire debts owed to special funds, and a \$200 million transfer of sales tax “spillover” funds from the General Fund to the Transportation Deferred Investment Fund. See the Summary Charts for more detailed information on revenues.

---

## Personal Income Tax

The personal income tax forecast has been increased by \$4.1 billion in 2005-06 and by \$2.2 billion in 2006-07 from the Governor’s Budget estimates. Total General Fund revenues of \$50.9 billion are forecast, representing 54.2 percent of General Fund revenues.

We believe capital gains and income from stock options are primarily responsible for the substantial increase in 2005

## Revenue Estimates

---

tax receipts. This forecast estimates that capital gains income growth in 2005 was 32 percent; this is in addition to the 60-percent growth that occurred in 2004. Capital gains income in 2006 is expected to stabilize.

The 2006-07 forecast reflects \$165 million in revenues from continued suspension of the teachers' tax credit for the 2006 tax year.

---

## Sales and Use Tax

The sales and use tax forecast has been increased by \$27 million in 2005-06 and decreased by \$181 million in the budget year from the Governor's Budget forecast. Total General Fund revenues of \$28.1 billion are expected in 2006-07, providing 29.9 percent of General Fund revenues. Revenues for 2006-07 include \$28 million from extended collection of the use tax on vehicles, vessels, and aircraft brought into the state within a year of purchase and \$25 million from additional enforcement activities by the Board of Equalization.

---

## Corporation Tax

The corporation tax forecast has been increased by \$863 million for 2005-06 and \$483 million for 2006-07 from the Governor's Budget estimate. The increase is due to stronger corporate profits and enhanced compliance experienced in 2005 and projected for the forecast period. This tax is expected to produce \$10.5 billion, or 11.2 percent of General Fund revenues.



# Preparing for Natural and Intentional Disasters

### **Natural and Intentional Disaster Prevention and Preparedness**

The Budget includes \$39.9 million (\$29.8 million General Fund and \$10.1 million other funds) and 75 positions to enhance statewide emergency preparedness, mitigation, and response activities. The state will also leverage available federal funds to increase our security. This commitment will enable the creation of rapid response medical forces, improve disease detection and response capabilities, and increase safeguards for California's food supply and agricultural industries.

### **Health Care Surge Capacity**

While pandemic influenza or a moderate event cannot be predicted with certainty, California must be adequately prepared to respond. In an effort to address the state's needs during such an event, the Budget includes \$18.3 million General Fund and 3 positions to allow the Emergency Medical Services Authority (EMSA) to purchase and manage three

## Preparing for Natural and Intentional Disasters

mobile field hospitals that will be strategically placed around the state for rapid deployment.

The Budget also includes \$195.8 million (\$161.3 million General Fund) and 8.5 positions to enable the Department of Health Services (DHS) to increase patient care capacity. The ability of the health care system to “surge” to meet the demands of responding to an emergency event also depends on the availability of beds, supplies and equipment, and staff. In addition to supporting the development of state guidance on standards of care, licensing, reimbursement, hospital surge plan templates, and standardized training curricula and exercises for surge response, the Budget includes funding for purchase of the following:

- 3.7 million courses of antivirals purchased at a discounted price made possible by an offer of 25 percent federal matching funds in addition to the 68,000 courses provided for emergency preparedness.
- More than 50 million masks for healthcare workers as they care for patients during an influenza pandemic.
- Supplies and equipment for alternate care sites to increase the number of general medical-surgical and intensive care beds available throughout the state.
- 2,400 ventilators and durable machines, which can operate on battery power and without compressed oxygen, and will be disseminated according to local needs.

### State and Local Response

The Budget includes an increase of \$29 million (\$21.3 million General Fund) and 33 new positions to support the capacity

## **Preparing for Natural and Intentional Disasters**

---

of California's public health system to respond to natural and intentional disasters, including bioterrorism, outbreaks of infectious diseases, and other threats to public health. This funding will allow the DHS and local public health systems to strengthen responses to public health emergencies, including pandemic influenza, reinforce laboratory infrastructure and staffing, and expand disease surveillance.

### **Department of Food and Agriculture**

The Budget Act includes \$5.2 million (\$3.6 million General Fund) and 23 positions to protect the state's economy and natural resources, and rapidly detect and respond in the event of a disease outbreak or infestation. This funding includes a personal protection program for first responders to plant and animal disease outbreaks, rural-urban community outreach and disease surveillance programs to educate localities of risks and prevention, and expanded laboratory capacity for rapid testing and technical expertise.

### **Office of Emergency Services**

The Budget Act includes an increase of \$492,000 General Fund and 7 positions for the California State Warning Center, operated by the Office of Emergency Services, to ensure that the Center has sufficient staff for 24-hour coverage and can adequately perform notifications when emergencies arise.

### **Department of Fish and Game**

The Budget Act includes \$1.1 million General Fund and 14 positions in the Department of Fish and Game to detect avian influenza in wild birds in California. A particularly virulent strain of avian influenza has been detected in birds in several regions of Asia, Africa and Europe, raising concerns that the

virus could be carried to the state by migratory birds, and could mutate into a form easily transmittable among human beings.

### **Emergency Medical Services Authority**

Chapter 26, Statutes of 2006, provided \$2.3 million (\$1.6 million General Fund) for the purchase of personal protective equipment for 1,500 ambulances. This equipment will provide ambulance personnel with a greater level of protection against chemical, biological, radiological, and nuclear events and also will enable them to be deployed to offer public assistance during a disaster.

The Budget also includes \$1.8 million federal funds for the development, implementation, and administration of three emergency medical disaster response teams to be known as the California Medical Assistance Teams (CalMATs).

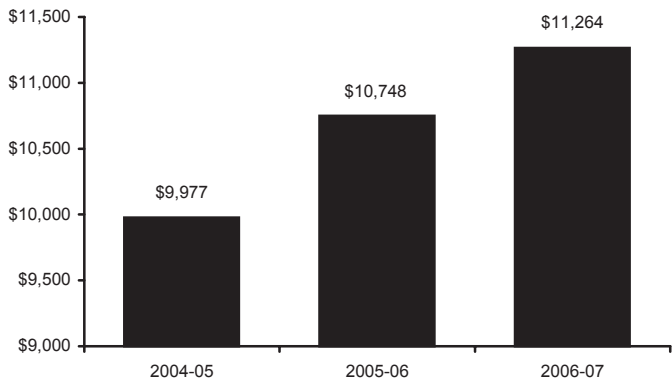
The CalMATs will consist of 360 volunteer medical personnel that will be under state control on a contingency basis, in order to provide immediate emergency medical response during and immediately after a disaster.

# **K thru 12 Education**

**T**he Budget Act of 2006 includes a significant increase in funding for California's schools. New funding provides additional resources for restoration of arts and music, physical education, career technical education, preschool expansion, after-school programs and school counselors for grades 7 through 12. The Budget also includes a significant increase in discretionary funding which allows schools to address local needs.

The total funding from all sources available to kindergarten through grade 12 (K-12) education increases by \$2.9 billion over the revised 2005 Budget bringing total funding to \$67.1 billion in the 2006-07 fiscal year. The 2005-06 revised per pupil funding of \$10,748 represents an increase of \$423 from the 2005 Budget Act level of \$10,325. Funding per pupil from all sources for 2006-07 is \$11,264, an increase of \$516 from the revised 2005-06 level. (see Figure K12-01).

Figure K12-01  
Total K-12 Funding Per Pupil



Proposition 98 Guarantee

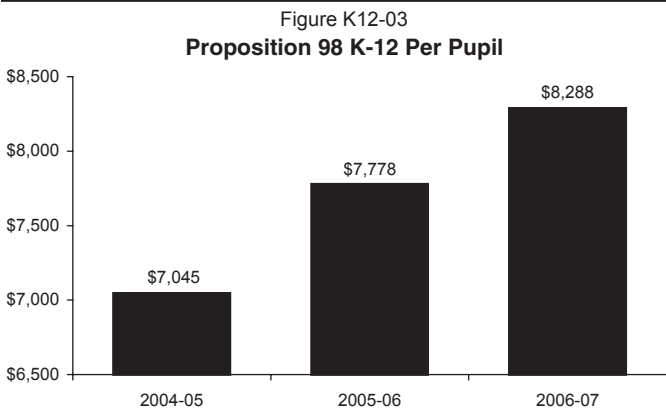
Total Proposition 98 funding in 2006-07 for K-12 and community colleges is budgeted at \$55.1 billion, which reflects a 3.3 percent increase over the revised estimate for 2005-06. The General Fund comprises approximately 75 percent of the total, or \$41.3 billion (see Figure K12-02).

Figure K12-02  
Proposition 98  
(Dollars in Thousands)

	2004-05	2005-06	2006-07
General Fund	\$34,034,274	\$38,420,035	\$41,294,823
Local Revenue	13,020,472	13,626,441	13,826,507
Total Funded Guarantee	\$47,054,746	\$52,046,476	\$55,121,330
Settlement Agreement	1,620,928	1,298,944	
Total Guarantee	\$48,675,674	\$53,345,420	\$55,121,330

The \$55.1 billion Proposition 98 funding level for 2006-07 also includes an increase of \$426 million associated with the full implementation of Proposition 49. Beginning in 2006-07, Proposition 49 will increase state funding for the After-School Education and Safety Program to \$550 million per year.

The estimated Proposition 98 per pupil funding, as shown in Figure K12-03, rises to \$8,288 in 2006-07, representing an increase of \$510 from the revised 2005-06 level. Total Proposition 98 General Fund allocations of \$37.1 billion for K-12 education are 40 percent of the General Fund budget which is subject to the state appropriations limit.



Furthermore, to resolve the pending lawsuit regarding Proposition 98 funding, the Administration has agreed to calculate the Proposition 98 guarantee consistent with the legislative intent language contained in Chapter 213, Statutes of 2004. As a result, the state will pay \$2.9 billion in settle-up funding, comprised of approximately \$1.6 billion and \$1.3 billion to count toward the Proposition 98 guarantees for 2004-05 and 2005-06, respectively. In order

## **K thru 12 Education**

---

to provide resources to offset the cost for the initial years of the settlement schedule, the Administration is proposing legislation to authorize the refinancing of the Golden State Tobacco Securitization Corporation’s 2003A bonds. This refinancing involves a new structure for using the tobacco settlement payments in a way that will generate additional proceeds of \$900 million for the state without jeopardizing payments to the existing bondholders.

---

### **Expenditure Highlights**

The Budget Act includes significant new one-time and ongoing education initiatives.

#### **Arts and Music Block Grant**

The 2006-07 Budget includes \$105 million Proposition 98 General Fund for an annual Arts and Music Block Grant program. These funds will be distributed to school districts, charter schools and county offices of education to support standards aligned instruction in kindergarten through grade twelve. The funds will be available for hiring additional staff, staff development, purchasing materials, books, supplies and equipment.

#### **Physical Education Grants**

The Budget includes \$40 million Proposition 98 General Fund for ongoing incentive grants for school districts to hire more credentialed physical education teachers in elementary and middle schools. These funds will help schools address the rising incidence of obesity and its negative effects by ensuring that schools have trained physical education experts to provide the required number of instructional minutes in physical education. These funds will be used to



hire credentialed staff to help kids develop healthy life-long exercise habits.

### **Arts, Music and Physical Education One-time Equipment Grants**

The Budget also includes \$500 million Proposition 98 General Fund on a one-time basis for the purchase of arts, music and/or physical education supplies and equipment. With these resources, schools will be able to make significant investments in items such as musical instruments, kilns, photographic equipment and multi-media design equipment. Further, this significant investment of resources will allow schools to make meaningful investments in order to improve and expand the infrastructure of physical education programs to help address the rising incidence of obesity.

### **Supplemental School Counseling Program**

The Budget includes \$200 million ongoing Proposition 98 General Fund to increase the number of school counselors that serve seventh through twelfth grade students. These funds are intended to supplement, not supplant, existing counseling resources and improve the counselor to student ratio for these grades. These new counselors will provide students with information on all educational and vocational options available to them and serve students who have failed or are at risk of failing the California High School Exit Examination, as well as students who are at risk of not graduating due to insufficient credits.

### **Targeted Preschool Initiative**

The Budget provides \$50 million Proposition 98 General Fund to expand preschool programs to serve four-year olds. This expansion will also include quality reforms designed

## K thru 12 Education

to promote family literacy. Funding for this purpose will be pursuant to legislation.

The Budget also provides an increase of \$50 million one-time Proposition 98 General Fund in the Child Care Facilities Revolving Fund to address facility needs for preschool expansion, pursuant to current law.

### **K-12/Community College Career Technical Education**

The Budget includes \$100 million for public schools and community colleges, including \$20 million in ongoing funding to support the second year of the Governor’s Career Technical Education Initiative, which is aimed at improving collaboration between the community colleges and K-12 career technical programs. The activities in this program are primarily designed to reinvigorate career education in public schools to ensure that students have greater choices and access to the skills needed for the increasingly demanding technical jobs required for the economy of today and tomorrow.

In addition to the ongoing funds, the Budget provides \$80 million in one-time funding in separate legislation to purchase state-of-the-art equipment for programs in public schools (\$40 million) and community colleges (\$40 million). Eligible K-12 entities include school districts, adult education programs, regional occupational centers and programs, as well as charter schools and county offices of education that offer appropriate programs. Of this amount, \$2.5 million is earmarked to support a targeted K-12 nursing career pathway program.

**Professional Development for Teachers of English Learners**

The Budget includes \$25 million Proposition 98 General Fund to provide ongoing additional professional development opportunities for teachers of English learners. The training will be provided through the Mathematics and Reading Professional Development Program model pursuant to legislation.

**Low-Performing School Enrichment Block Grant (Teacher and Principal Recruitment and Retention)**

The Budget includes \$50 million one-time Proposition 98 General Fund for the Low-Performing School Enrichment Block Grant to improve the recruitment and retention of teachers and principals. These funds will be available to schools in the bottom three deciles of the Academic Performance Index. The funds will be available to improve the educational environment and culture through activities including: (1) assuring a safe, clean school environment for teaching and learning; (2) providing support services for students and teachers; (3) promoting activities, including differential pay, focused on the recruitment and retention of teachers who meet the definitions of a highly qualified teacher and of highly skilled principals; (4) providing small group instruction; and (5) providing time for teachers and principals to collaborate on improving academic outcomes for students.

**Instructional Materials, School Libraries and Education Technology Grants**

The Budget includes \$100 million in one-time Proposition 98 funds for the purchase of instructional materials, school and classroom library materials and one-time technology costs. High-quality instructional materials for every student are a

fundamental building block of a strong educational program and are required under the Williams settlement. These resources will help schools fill gaps in their instructional material programs and replace lost textbooks. Further, school libraries play a vital role in promoting academic achievement and providing instructional support. The resources provided in the Budget will help to replenish and refresh both school and classroom library materials. In addition to the purchase of books and materials, these funds are available for the purchase of one-time education technology which provides schools with many options for enhancing instruction through the use of electronic multimedia materials.

### **Mathematics Teacher Pilot Program**

The Budget includes \$1.8 million Proposition 98 General Fund one-time for a pilot program to establish essential links between higher education and secondary-level math programs. The goal of the Mathematics Teacher Pilot program is to improve the level of mathematics instruction in California by both ensuring that there are quality math instructors in secondary schools to increase student proficiency in mathematics and by encouraging upper-level college math majors to enter the teaching profession in districts most in need.

---

## **Major Program Adjustments**

The Budget Act includes the following significant changes to major education programs:

### **Enrollment Growth**

The Budget provides \$112.4 million for K-12 enrollment growth increases. Because statewide K-12 enrollment growth

is projected to be negative for 2006-07, growth costs were limited to certain programs with targeted populations, such as Economic Impact Aid (\$29.3 million) and Adult Education (\$15.1 million).

### **Cost-Of-Living Adjustments**

The Budget includes over \$2.6 billion to provide a 5.92 percent cost-of-living adjustment (COLA) to K-12 programs. Included in this amount are funding for school apportionments (\$1.9 billion), special education (\$184.3 million) and K-3 class size reduction (\$182.5 million).

### **Revenue Limits**

Revenue limit funding constitutes the basic funding source for classroom instruction. The Budget provides a net increase of \$2.3 billion to school district and county office of education revenue limits, which includes the decrease due to anticipated average daily attendance declines, the increase due to the COLA factor and an adjustment to account for revised local revenues. This figure also incorporates the cost of eliminating the deficit factor and the proposed increase in equalization funding discussed below.

### **Deficit Reduction**

The Budget includes \$308.6 million to completely eliminate the deficit factor for school district and county offices of education revenue limits. This funding compensates local education agencies for reduced COLAs and other reductions enacted in prior years and provides an ongoing source of general purpose funding.

### **Equalization**

The Budget includes \$350 million for school district revenue limit equalization to address the disparity in base

## **K thru 12 Education**

---

general-purpose funding levels across all school districts. These funding disparities are rooted in historical changes to property tax law and result in less funding being provided to some districts than is provided to other, equally situated school districts. The \$350 million proposed for 2006-07 will erase close to three-quarters of the remaining disparity.

### **K-12 Education Mandates**

The Budget provides approximately \$957 million in Proposition 98 General Fund to fund K-12 mandate costs. Of that amount, \$927 million is for the purpose of paying off prior year claims. This largely eliminates the accumulated debt the state has incurred from deferring mandate payments.

### **Charter Schools**

The Budget provides a \$32.9 million increase for the charter school categorical block grant to fully fund the provisions of Chapter 359, Statutes of 2005. Charter schools will also receive \$9 million to fund facility leasing costs for schools that serve low-income student populations.

### **Economic Impact Aid**

The Budget includes a \$350 million Proposition 98 General Fund augmentation to the Economic Impact Aid Program to help close the achievement gap of English learner and economically disadvantaged students. The funds will support additional programs and services for these students.

### **School Nutrition Program**

The Budget includes \$3 million one-time Proposition 98 General Fund to meet an increased demand for School Breakfast Program startup and expansion grants. These grants will allow more schools to participate in the School Breakfast Program and the California Fresh Start Pilot Program, which

will result in more students receiving nutritious breakfasts that include more fruit and vegetable choices.

### **Child Care Programs**

The Budget provides an increase of \$67 million Proposition 98 General Fund to offset increased caseload costs associated with adjusting the income eligibility ceiling for child care services to reflect 75 percent of the current state median income. Corresponding legislation would require the State Department of Education to update the existing family fee schedule for families that are newly eligible to receive, or will continue to receive, child care services under the adjusted income eligibility ceiling. This legislation would also require that fees not exceed 10 percent of a family's monthly income.

### **After-School Programs**

In 2002, California voters approved Proposition 49, significantly expanding access to before and after-school programs. Proposition 49 also established funding priorities and expanded program activities to include computer training, fine arts and physical fitness. In 2005-06, the state After-School Education and Safety (ASES) Program was funded at \$121.6 million, serving more than 100,000 children annually. Beginning in 2006-07, Proposition 49 will provide an increase of \$428 million over that funding level.

---

## **Other Major Budget Adjustments**

The Budget Act includes other major budget adjustments outlined below.

**One-Time Discretionary Block Grant**

The Budget includes \$533.5 million one-time Proposition 98 General Fund for a discretionary block grant, of which 75 percent is for school site programs and the remaining 25 percent can be used to address district wide issues. School site councils can use their portion of the funds for programs including, but not limited to, the following: instructional materials, classroom and lab supplies, arts and music supplies, physical education equipment, school and library materials, education technology, deferred maintenance, professional development and efforts to close the achievement gap. School districts may also put their portion of these funds to uses such as home-to-school transportation or outstanding one-time fiscal obligations, as well as most of the programs indicated above.

**English Learner Supplemental Instructional Materials**

The Budget includes \$30 million one-time Proposition 98 General Fund to provide supplemental instructional materials for English learners in grades kindergarten through twelve. Schools must use the funds to purchase supplemental materials that will accelerate pupils as rapidly as possible to grade level proficiency in speaking, reading and writing English.

**District Fiscal Solvency Plans**

The Budget provides \$10 million for local education agencies with outstanding obligations to create a plan for meeting those obligations. These plans would be reviewed by county superintendents of schools as part of the budget development process and help ensure the long-term solvency of school districts.



**CALPADS-CSIS Transition**

The Budget includes \$31 million (\$20 million from the Educational Telecommunication Fund and \$11 million one-time Proposition 98 General Fund) to prepare schools for the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). These funds are available for three years so that all districts may upgrade hardware and software to improve their ability to collect and analyze pupil data to help ensure data integrity and a smooth, effective transition to the new statewide longitudinal student data base. The Budget also includes \$2.6 million over three years for the California School Information Services (CSIS) to support districts in their transition to CALPADS.

**Teacher Database System**

The Budget includes \$938,000 from federal Title II Improving Teacher Quality carryover funds for development of the statewide Teacher Database System. The amount proposed will allow the Department of Education and the Commission on Teacher Credentialing to begin development of the system by issuing a request for proposals and by beginning initial data management activities necessary for successful implementation of the database.

**California High School Exit Exam**

The Budget includes \$5.1 million Proposition 98 General Fund to develop two additional administrations of the California High School Exit Examination (CAHSEE) to accommodate students who attend school at non-traditional times, such as evenings and weekends, and provide students with additional opportunities to pass the examination.

## **K thru 12 Education**

The Budget also includes \$75.1 million Proposition 98 General Fund for the CAHSEE Supplemental Instruction Program to provide additional supplemental instruction to pupils who have failed or are at risk of failing the CAHSEE. Funds will be used for services such as hiring additional teachers and purchasing, scoring and reviewing diagnostic assessments. Of the funds provided, \$5.5 million will be available on a one-time basis to purchase intervention materials tailored to the individual needs of students.

### **Foster Youth Services**

The Budget includes an \$8.2 million Proposition 98 General Fund augmentation for the Foster Youth Services Program. The additional funding will be available to school districts for services such as mentoring, tutoring, transitional services, vocational training and other services designed to enhance the educational prospects of foster children.

### **Oral Health Assessment for Kindergartners**

The Budget includes \$4.4 million Proposition 98 General Fund for schools to administer a new requirement that children entering kindergarten receive an oral health assessment to determine their current oral health and to instill good dental hygiene practices. Specifically, parents with children entering kindergarten will be required to present proof that their child has received an oral health assessment by a licensed dentist or other licensed or registered oral health professional.

### **School Gardens**

The Budget includes \$15 million Proposition 98 Reversion Account to revitalize the School Garden Program so that

students can experience the important educational benefits that come from growing fruits, vegetables and plants.

### **English Learner Research on Best Practices**

The Budget provides \$20 million one-time Proposition 98 General Fund to research best practices for English learners. The funding would be used for a three-year pilot project to identify existing best practices regarding curriculum, instruction and staff development for teachers of English language learners and for promoting English acquisition and development.

## **Other K-12 Agencies**

The Budget Act also includes adjustments to the following education related agencies.

### **California State Library**

The Budget provides a \$7 million General Fund increase to the Public Library Foundation (PLF) program and an additional \$7 million General Fund increase for the transaction-based Interlibrary Loan and Direct Loan Program. These augmentations will allow local libraries to extend hours of operation and purchase more books, and will encourage efficient resource allocation among local library systems.

### **California Commission on Teacher Credentialing and Other Credentialing Reforms**

The Budget includes \$1.3 million Proposition 98 General Fund to provide for a rate increase for the Paraprofessional Teacher Training Program. Funding for each paraprofessional seeking a teaching credential will increase from \$3,000 to \$3,500. This program helps increase the number of highly qualified

teachers in our classrooms by helping to offset the costs of tuition, fees and books for paraprofessionals who have agreed to complete a teacher preparation program and work in a California classroom. The rate has not been increased since 1997.

Further, \$18 million Proposition 98 General Fund is included to establish a new Certificated Mentor Teacher Program to encourage successful, experienced teachers to mentor and support new teachers just entering the field, to increase the duration and intensity of the Alternative Certification (Intern) Program and to increase the Intern per participant rate from \$2,500 to \$4,000. An additional \$1.7 million in federal Title II grant funding is available for evaluations of the Intern program, beginning teacher induction programs and special education teacher preparation credentialing. The combined use of these funds will help the state move toward a more efficient and streamlined teacher credentialing process to ensure we reach the goal of a fully credentialed, highly qualified teacher in every classroom.

# Higher Education

### Total Funding

The Budget continues to recognize the significant contributions and benefits to society from broad access to higher education at the University of California (UC), the California State University (CSU), and California's Community Colleges (CCC). The 2006-07 Budget marks the second year of funding for UC and CSU under the terms of the Higher Education Compact with the Administration.

The Budget provides for total Higher Education funding of \$19.1 billion from all revenue sources. UC funding totals \$5.1 billion, including \$3.1 billion General Fund. (See Figure HED-01). The amount budgeted from the General Fund reflects an 8.4 percent increase from the 2005-06 budget. CSU funding totals approximately \$4.0 billion, including \$2.8 billion General Fund. The amount budgeted from General Fund for CSU is 7.4 percent above the 2005-06 budget. Community College funding totals over \$8.7 billion, including approximately \$6.2 billion from General Fund and Proposition 98 sources, of which more

than \$4.3 billion is from the General Fund alone. The amount budgeted from General Fund and Proposition 98 for CCC is 12.8 percent above the 2005 Budget Act.

---

### Higher Education Compact Funding Levels

In accordance with the Higher Education Compact, the Budget provides stable funding to UC and CSU for enrollment growth and basic support. In addition, the budget buys out the scheduled fee increases to ease the financial burden on students and their families. In particular, the Budget reflects the following:

- **Fee Levels**—Given the improved revenue picture, the budget buys out the scheduled fee increases to maintain fees at the 2005-06 level. Undergraduate fees will remain at \$6,141 for UC and \$2,520 for CSU. Fees for UC graduate students will remain at \$6,897. Fees for CSU teacher preparation students will remain at \$2,922 and fees for all other CSU graduate students will remain at \$3,102. Accordingly, the Budget backfills the potential loss of new fee revenue to the public higher education segments by including \$75 million in additional funding for UC, \$54.4 million for CSU, and \$1.4 million for Hastings College of the Law.
- **Enrollment Growth**—The Budget provides funding for enrollment growth of 2.5 percent per year at the marginal cost of instruction. For UC, this growth rate represents an increase of 5,149 students. For CSU, the increase is 8,490 students.

- **Basic Budget Support**—The Budget provides a 3 percent general increase to help preserve and enhance the quality of university instruction by addressing competitive faculty and staff salaries, health benefits, maintenance, inflation, and other cost increases.

## Community Colleges

The Budget continues to recognize the extraordinary role of the Community Colleges in addressing the economic well-being of California. For the third year in a row, the Budget provides historic new investments in this higher education segment, including funding for substantial enrollment growth, a large cost-of-living adjustment, a mid-year fee reduction, expansion of many programs on a one-time basis made possible by an increase in the current year Proposition 98 guarantee, and major ongoing investments that include fully funding equalization and increasing non-credit funding for programs that prepare adults who lack basic skills to advance in the workforce and prepare for technical careers. The equalization and non-credit increases are the subjects of pending legislation in the 2005-06 legislative session. In total, this Budget provides General Fund and Proposition 98 related increases of over \$700 million compared to the 2005-06 Budget Act, consisting of approximately \$261 million in one-time resources primarily from the revised current year Proposition 98 guarantee and a \$440 million increase in 2006-07 over the revised current year level. These increases are detailed in the traditional highlights for the Community Colleges below.

Student fees at CCC will be reduced in 2006-07 from \$26 per unit to \$20 per unit, effective with the Spring 2007 semester.

## Higher Education

---

At \$20 per unit, CCC fees will continue to be the lowest in the nation, just 24 percent of the national average.

---

### Career Technical Education Initiative

The Budget continues substantial investments in career technical education, consistent with the Governor’s initiative begun last year. The Budget provides \$100 million consisting of \$20 million in ongoing funds for the Community Colleges, \$40 million in one time funds for new career technical education equipment for Community Colleges, and similarly, \$40 million for new equipment for public high schools as reflected in the K-12 Education section. The ongoing funds seek to systematically reinvigorate high school vocational programs through curriculum enhancements, course sequencing and articulation between K-12 tech-prep programs and community college economic development programs. Funding may be targeted in areas such as tech-prep faculty and counselor in-service projects, career advancement academies for young adults without high school diplomas, tech-prep teacher pipeline pilot projects, and other investments focused on ensuring that students have access to programs that provide the necessary technical training and skills for emerging industries. The one-time funds will complement the ongoing resources by ensuring students in both segments will have state-of-the-art equipment necessary for developing skills needed in the workplace of today and tomorrow.



### **Nurse Education Initiative**

The Budget continues to provide new investments to address the statewide nursing shortage in all three higher education segments and financial aid programs. Included are augmentations to address faculty recruitment to support previously funded nursing expansions in the Community Colleges and four year segments, additional increases for undergraduate nursing slots in the budget year and start-up costs for a significant increase in undergraduate nursing programs at CSU for the following fiscal year, additional resources for Community Colleges to address nursing program attrition as well as funding to establish on-line nursing faculty and clinical placement registries, and recruitment incentives for nursing graduates needed to help meet clinical nursing position needs for state agencies administered by the Student Aid Commission, contingent on enactment of legislation. These additions are further detailed in the respective traditional highlights for each segment or agency. Finally, it is noted that \$2.5 million of the ongoing career technical education funding addressed above is specifically reserved to support a K-12 nursing career pathway program for school districts to develop sequenced, standards-based curriculum and related costs for nursing career programs.

### **University of California**

The Budget provides total funding from all sources of \$5.1 billion for UC, an increase of \$280.3 million or 5.8 percent above the 2005-06 level. This funding level includes \$3.1 billion General Fund, reflecting an increase of \$238.0 million or 8.4 percent above the 2005-06 level.

# Higher Education

The Budget includes the following significant General Fund adjustments for UC:

- \$80.5 million increase (3 percent) for basic budget support.
- \$51.0 million increase (2.5 percent) for enrollment growth.
- \$75 million increase to backfill the governing board's proposed student fee increases of 8 percent for undergraduate, 10 percent for graduate, and an average of 5 percent for professional students.
- \$19.3 million to continue funding for Student Academic Preparation and Education Programs.
- \$6 million for labor research and education.
- \$4 million for substance abuse research.
- \$14 million in one-time funds for costs associated with sustaining UC Merced operations in 2006-07 for a total funding level of \$24 million.
- \$963,000 for the expansion of entry-level master's degree programs and traditional master's degree programs in nursing.
- \$375,000 increase to expand the Science and Math Teacher Initiative initiated in the 2005 Budget to the remaining three campuses.
- \$180,000 increase for a new cohort of 12 students for the PRIME Program which targets prospective medical doctors for underserved populations.
- The Budget reflects a current year reduction of \$3.8 million related to a shortfall in enrollments due

primarily to reductions in the number of non-resident students, pursuant to legislative provisional language in the 2005 Budget Act that requires the Director of Finance to revert enrollment growth funding to the General Fund if enrollment targets are not met.

### California State University

The Budget provides total funding from all sources of \$4.0 billion for CSU, an increase of \$194.2 million or 5 percent above the 2005-06 level. This funding level includes \$2.8 billion General Fund, an increase of \$191.4 million or 7.4 percent above the 2005-06 level.

The Budget includes the following significant General Fund adjustments for CSU:

- \$75.7 million increase (3 percent) for basic budget support consistent with the Compact.
- \$61.3 million increase (2.5 percent) for enrollment growth consistent with the Compact.
- \$54.4 million increase to backfill the governing board's proposed student fee increases of 8 percent for undergraduates and credential candidates, and 10 percent for graduate students.
- \$7 million to continue funding for student academic preparation and student support services programs.
- \$2 million increase on a one-time basis for faculty recruitment and start-up costs associated with the expansion of nursing programs.

## Higher Education

---

- \$1.7 million to continue funding for expansion of entry-level master's nursing programs pursuant to Chapter 592, Statutes of 2005.
- \$1.1 million increase, including \$652,000 one-time, for the Science and Math Teacher Initiative that was initiated through the 2005 Budget.
- \$371,000 to fund a 35 student expansion of undergraduate nursing enrollments.
- \$184,000 increase for the Capital Fellows Program reflecting a 3 percent Compact increase plus a \$100,000 legislative augmentation.
- \$22.5 million reduction for retirement costs.
- \$5 million reduction to offset the estimated loss of General Fund interest earnings as a result of a shift of CSU student fees from deposit in the General Fund to the CSU Trust Fund. This technical proposal is revenue neutral to the state and puts CSU on an equal footing with UC and the CCC's with respect to financial management of fee revenues.

---

## California Community Colleges

### Current Year

The Budget augments the 2005-06 Budget Act by approximately \$261 million General Fund and Proposition 98 sources for the California Community Colleges (CCC), including the following one-time current-year adjustments contained in separate trailer bill legislation:

- \$94.1 million for deferred maintenance, instructional equipment, and hazardous substance abatement to address backlogs in core operational needs beneficial to student learning.
- \$77.7 million for a general purpose block grant, distributed on a full-time equivalent students (FTES) basis, to address other local priorities. \$22.3 million for this purpose is also provided from the Proposition 98 Reversion Account for a total of \$100 million.
- \$40 million for career technical education equipment and associated facility reconfigurations to help ensure student access to state-of-the-art equipment necessary for developing relevant career technical skills needed in the workplace of today and tomorrow.
- \$15 million in current year Proposition 98 resources, plus \$25 million in prior-year Proposition 98 "settle-up" funds, to provide a total of \$40 million for payment of prior-year amounts owed for mandated cost claims that have been audited.
- \$19.7 million for one-time costs associated with implementation of a new funding formula for Community Colleges proposed in pending legislation.
- \$2.5 million to fund a three-year pilot program that would provide stipends to recruit and retain full-time nursing faculty.
- \$1.4 million to extend high-speed internet services to all remaining colleges and offsite centers.

## Higher Education

- \$500,000 for the expansion of Nursing Student Clinical Placement Registries in all regions of the state and to establish an on-line CCC Nursing Faculty Registry.

### Budget Year

The Budget proposes a number of major, ongoing adjustments for CCC in 2006-07, which will increase total General Fund and Proposition 98 funding by a net \$439.7 million or 7.6 percent above the revised 2005-06 level. Major ongoing Proposition 98 General Fund adjustments for the CCC include the following:

- \$294.4 million increase to provide a 5.92 percent COLA for general-purpose apportionments for all districts.
- \$159.4 million for community college equalization. This provides the third, and final, increment of CCC equalization funding to ensure that all districts are equalized to the 90<sup>th</sup> percentile.
- \$97.5 million increase to provide two-percent growth in apportionments sufficient to support an additional 23,000 FTES, which complements existing base resources of that are sufficient to fund an additional 24,000 FTES.
- \$40 million increase to backfill a reduction in student fees from \$26 per unit to \$20 per unit, holding colleges harmless for the loss in fee revenue.
- \$30 million to enhance funding for specified community college non-credit courses. Courses eligible for this increase will be those that are more advanced and rigorous in nature, and linked with other courses leading to degrees and certificates as well as improved job placement and employability for adults lacking in

basic skills. This funding, like equalization, is subject to and contingent upon pending legislation in the 2005-06 legislative session.

- \$24 million increase for matriculation, providing colleges with additional resources to assist students' progress towards their educational goals.
- \$23.1 million increase for growth (\$5.1 million) and COLA (\$18 million) for community college categorical programs that provide services to special populations.
- \$15 million increase for the Economic Development program to expand targeted training services aligned with California business needs and to improve career technical education for both K-12 and the colleges.
- \$10 million increase in apportionments to support remediation programs at Community Colleges for high school students who failed to pass the California High School Exit Exam (CAHSEE) this Spring.
- \$9 million increase for the Special Services for CalWORKs Recipients Program to fund additional work-study and campus job development opportunities that will assist California's efforts to meet new federal work participation targets required under the federal Temporary Aid to Needy Families Program (TANF).
- \$4 million increase for ongoing claims on current reimbursable mandated programs.
- \$2.9 million increase to support additional diagnostic and assessment services for nursing students to address issues of attrition and promote greater retention and persistence in these programs. These funds will

## Higher Education

---

augment \$14 million previously provided for expansion of nursing enrollments.

- \$2.5 million increase for apprenticeship instructional program support to address increasing demand from industry for trained workers.
- \$1.3 million increase for the Telecommunications and Technology Services program including \$800,000 for increased costs of high-speed internet service delivery and an augmentation of \$500,000 for the California Partnership for Achieving Student Success (CalPASS) that will fully fund the resources necessary to expand the program statewide.

As mentioned, \$22.3 million from the Proposition 98 Reversion account is provided for the same purposes as the General Purpose Block Grant described previously.

Finally, the Budget sets aside \$30 million General Fund for pending legislation to provide a one-time loan to the Compton Community College District to address fiscal solvency and the anticipated loss of program accreditation.

---

## Hastings College of the Law

The Budget provides total funding from all sources of \$37.9 million, an increase of \$2.2 million or 6.1 percent above the 2005-06 level. This funding includes \$10.7 million General Fund, reflecting an increase of \$2.3 million or 27.6 percent above the 2005-06 level.



The Budget includes the following significant General Fund adjustments for Hastings College of the Law:

- \$1.4 million increase to backfill Hastings' proposed student fee increase of 8 percent.
- \$253,000 increase for basic budget support.
- \$523,000 increase on a one-time basis for relocation costs related to a capital outlay project to correct code deficiencies in an academic facility.

## Student Aid Commission

The Budget provides total funding from all sources of \$882.3 million, an increase of \$57.5 million or 7 percent above the revised 2005-06 level. This funding includes \$846.8 million General Fund, reflecting an increase of \$108.4 million or 14.7 percent above the revised 2005-06 level.

The Budget includes the following significant adjustments for the Student Aid Commission:

- \$51 million to replace the use of one-time surplus monies from the Student Loan Operating Fund (SLOF) that were used to support financial aid programs in 2005-06.
- \$38.8 million net increase for anticipated growth in costs in the Cal Grant Program.
- \$11.9 million to increase the maximum Cal Grant for new recipients at non-public colleges and universities from \$8,322 to \$9,708.
- \$6.8 million increase for anticipated growth in costs for the Assumption Program of Loans for Education (APLE).

# Higher Education

---

- Authorization for 100 new warrants for the National Guard APLE program.
- Authorization for 100 new warrants for the State Nursing APLE.
- Authorization for 40 new warrants for the Nurses in State Facilities APLE, pursuant to legislation.

The Budget also recognizes \$14.0 million in 2005-06 savings in Cal Grant awards based on revised estimates.

# Health and Human Services

**H**ealth and human services programs provide essential medical, dental, mental health and social services to many of California's most vulnerable and at-risk residents. The Budget reflects the Administration's efforts to maintain a strong and responsible safety net for California's residents, guided by an overall vision which ensures that residents are protected against and prepared for natural and intentional disasters, that Californians have access to affordable health care coverage, that children are raised in safer, more stable, and permanent homes, that persons with developmental disabilities are given opportunity to work in the community, and that seniors and persons with disabilities live in the most integrated and appropriate community setting.

---

## Department of Aging

### Multipurpose Senior Services Program

The Budget includes a total of \$50.5 million (\$25.3 million General Fund) for the Multipurpose Senior Services Program

## Health and Human Services

---

(MSSP). This reflects an increase of \$6 million (\$3 million General Fund), or 13.5 percent, over the revised 2005 Budget Act level. The MSSP serves approximately 12,000 frail elderly clients. The program is designed to arrange for and monitor social and health care services in order to support individuals living in the community. The MSSP must meet cost-neutrality provisions requiring that program costs not exceed the costs of institutional care.

---

### Department of Health Services / Medi-Cal

The Budget includes total Medi-Cal expenditures of \$35.1 billion (\$13.8 billion General Fund), an increase of \$1.8 billion (\$946 million General Fund) over the revised 2005 Budget Act level. The average monthly Medi-Cal caseload is expected to be 6,664,700 beneficiaries in 2006-07. This represents an increase of 1.29 percent above the revised 2005 Budget Act level.

#### Funding for Outreach Activities

The Budget includes \$22.6 million (\$9.3 million General Fund) for counties to perform outreach and enrollment activities targeted at the approximately 428,000 children who are eligible for Medi-Cal or the Healthy Families Program, but are not enrolled.

#### Managed Care Plan Payments

The Budget contains \$65.4 million (\$32.7 million General Fund) for half-year costs beginning January 1, 2007, to eliminate the 5 percent provider payment reduction on Medi-Cal managed care plans that was imposed by the Legislature and prior Administration pursuant to Chapter 230, Statutes

of 2003 (AB 1762). Increasing provider payments will ensure that providers continue to serve the 3.2 million Medi-Cal beneficiaries enrolled in managed care plans.

### **Other Medi-Cal Managed Care Rates**

The Budget contains \$78.1 million (\$39 million General Fund) to fund rate increases for Central Coast Alliance for Health, Community Health Group, Contra Costa Health Plan, Health Plan of San Mateo, Partnership Health Plan of California, and Santa Barbara Regional Health Authority. Rate increases for these managed care plans were based upon a financial review of all Medi-Cal managed care plans that DHS conducted to ensure that health plans would have sufficient resources to provide quality care to Medi-Cal beneficiaries through 2006-07. Increasing managed care plan rates also will ensure that these providers continue to serve Medi-Cal beneficiaries.

### **Rate Reimbursements for Long-Term Care Facilities**

The Budget includes \$174.5 million (\$87.3 million General Fund) for a 5.4 percent rate increase to nursing homes and adult sub-acute care facilities that provide long-term care to Medi-Cal beneficiaries.

### **Licensing and Certification**

The Budget includes \$20.8 million (-\$28.1 million General Fund) and 155.5 positions for increased licensing and certification workload to protect California's citizens, improve access to necessary services, and meet current statutory requirements. The Budget also establishes a fee structure that is more closely tied to workload activities and begins to phase-out the General Fund subsidy of licensing and certification activities. To better track fees and expenditures

related to the program, the budget establishes a special fund for all Licensing and Certification Program activities.

---

## **Department of Health Services / Public Health**

### **Newborn Screening Program Expansion**

The Budget includes \$8.5 million from the Genetic Disease Testing Fund to add Cystic Fibrosis and Biotinidase to the Newborn Screening Program. The current program, serving over 99 percent of all newborns, screens for 73 genetic disorders. Detection of these diseases allows for early treatment, which can help prevent or minimize severe health problems. It is anticipated that this expansion will also result in future cost avoidance in Medi-Cal and other health care programs.

### **Infectious Diseases**

The Budget includes \$3 million General Fund to support local mosquito control efforts across the state. This funding will be directed to West Nile Virus high-risk areas and “hot spots” to supplement local mosquito control efforts.

The Budget also includes a \$1 million augmentation to mitigate the effects of Valley Fever, including research and development activities for a vaccine. This fungus infects the lungs of as many as 35,000 Californians each year, after breathing air containing contaminated soil that has been disturbed by construction, natural disasters, or wind.

### **HIV Education and Prevention Program**

The Budget includes total funding of approximately \$37.8 million (\$30.5 million General Fund, including

\$5.6 million in one-time funding) to provide HIV Prevention and Education funding for various local health jurisdictions. Local health programs develop plans tailored to the specific needs of the individuals, including outreach, counseling, and testing activities.

### **AIDS Drug Assistance Program**

The Budget includes total funding of approximately \$299.4 million (\$107.7 million General Fund) to fully fund the projected caseload for the AIDS Drug Assistance Program (ADAP) in 2006-07. ADAP provides life-saving medications to low-income persons living with HIV / AIDS. Drugs provided by ADAP have been shown to prolong quality of life and delay the deterioration of health among individuals living with HIV. A total of more than 31,500 clients will be served in 2006-07.

---

## **Managed Risk Medical Insurance Board**

### **Healthy Families Program**

The Budget includes Healthy Families Program (HFP) expenditures of \$1 billion (\$368 million General Fund), an increase of \$129.4 million (\$47.4 million General Fund) above the revised 2005 Budget Act level. Year-end caseload is expected to reach 858,900 children, an increase of 78,200 children over 2005-06.

### **Enrollment in Children's Health Programs**

The Budget includes \$9.6 million (\$3.5 million General Fund) to simplify the enrollment of children into the HFP. This program change will encourage the use of the electronic application (known as "Health-e-App"), enhance enrollment, retain current eligible children, and ease administrative duties.

## Health and Human Services

---

The Budget also includes \$2.2 million (\$843,000 General Fund) to provide incentive payments to Certified Application Assistants to encourage the enrollment of more children in Medi-Cal and HFP.

---

### Department of Alcohol and Drug Programs

The Budget includes \$667.6 million (\$289.6 million General Fund) for the Department of Alcohol and Drug Programs, an increase of \$52.8 million (\$47.2 million General Fund) from the revised 2005 Budget Act level.

#### Reforming Substance Abuse Treatment for Drug Offenders

Proposition 36, the Substance Abuse and Crime Prevention Act of 2000 (SACPA), was approved by the voters on November 7, 2000. Under SACPA, first or second time non-violent adult drug offenders who use, possess, or transport illegal drugs for personal use receive drug treatment rather than prison time.

In addition to reflecting various reforms to the program to increase accountability and improve treatment entry and completion rates, the Budget maintains the General Fund transfer to the Substance Abuse Treatment Trust Fund at \$120 million for 2006-07, including 29.7 positions to support state-level and local SACPA-related activities. The Budget also includes \$25 million General Fund for the new Substance Abuse Offender Treatment Program. Eligible expenditures include residential treatment, narcotic replacement therapy, drug testing, drug court model court costs, and other



services approved by the department after consultation with stakeholders.

### **Methamphetamine Prevention**

The Budget includes \$10 million General Fund to develop and implement a three-year methamphetamine prevention campaign using media, community involvement, and public relations to reach targeted high risk audiences.

---

## **Department of Developmental Services**

The Budget includes \$4.0 billion (\$2.5 billion General Fund) for the Department of Developmental Services (DDS), an increase of \$331 million (\$245.7 million General Fund) above the revised 2005 Budget Act level. Total caseload is expected to reach 215,000 consumers in 2006-07, compared to 207,000 in 2005-06.

### **Developmental Centers**

The Budget provides \$702.7 million (\$385 million General Fund) for the developmental centers, a net decrease of \$4.4 million (\$697,000 General Fund) from the revised 2005 Budget Act level, primarily due to a decreasing population resulting from consumers being referred to community placements rather than being placed in a developmental center. The Budget supports a population of 2,800, a decrease of approximately 200 consumers from 2005-06.

### **Agnews Developmental Center Closure**

The closure of Agnews Developmental Center (Agnews) will be delayed from June 30, 2007 to June 30, 2008, in order

## Health and Human Services

to ensure adequate community supports are available to Agnews consumers once they transition into the community. The Budget reflects a net increase of \$19.0 million (\$9.7 million General Fund) compared to the revised 2005 Budget Act level for the planned closure of Agnews Developmental Center.

### **Regional Centers**

The Budget includes \$3.2 billion (\$2.1 billion General Fund) for regional centers, a net increase of \$333.2 million (\$244.2 million General Fund) above the revised 2005 Budget Act level. The Budget supports a population of 212,000, an increase of 8,400 consumers above 2005-06.

### **Developmental Disability Service Provider Rate Increases**

The Budget reflects an increase of \$68.4 million (\$46.6 million General Fund) for a 3 percent cost-of-living increase to programs that have been subject to the provider rate freezes that have been necessary during the last three years. These include programs for which the DDS sets rates, including community care facilities, community-based day programs, habilitation service programs, respite agencies, and vouchered respite. Additionally, the rate increases apply to specified contract-services programs, such as supported living, transportation, and look-alike day programs.

### **Employment Support for Persons with Developmental Disabilities**

The Budget includes \$180.2 million (\$100.2 million General Fund) for the DDS and the Department of Rehabilitation (DOR) to provide employment services for persons with developmental disabilities through the Supported Employment Program (SEP) and the Work Activity Programs (WAP). This funding level reflects a 24 percent rate increase

for on-the-job training, a doubling of individual and group job placement fees within the SEP Program, and a 3 percent provider rate increase within the WAP program. In addition, the Budget includes an increase of \$19.1 million (\$13.3 million General Fund) to provide additional wage enhancements for direct care providers in WAP and day programs. This increased funding is designed to result in savings in costlier alternative programs, such as day service programs. It will also make it possible for more people with developmental disabilities to find work and earn an income.

---

### Department of Mental Health

The Budget includes \$3.6 billion (\$1.7 billion General Fund) for the Department of Mental Health (DMH), a decrease of \$19.2 million (an increase of \$445.2 million General Fund) from the revised 2005 Budget Act level. The General Fund increase is due primarily to a permanent transfer of \$333.5 million for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program from the DHS budget.

#### State Hospitals

The Budget includes \$951.5 million (\$879.4 million General Fund) for state hospitals, a net increase of \$81.3 million (\$96 million General Fund). This funding will support a total population of 5,805 patients, an increase of approximately 430 patients from the revised 2005-06 population level. The state hospital budget reflects an augmentation of \$12.2 million General Fund to comply with the Coleman court order to increase the number of Mental Health Crises and Intermediate Care Facility beds and associated

## Health and Human Services

---

staffing pursuant to the Short-Term Bed Plan at the Salinas Valley and Vacaville Psychiatric Programs.

### **Mental Health Services to Special Education Pupils (AB 3632)**

The Budget includes \$118 million for special education mental health services, and proposes modest changes to the AB 3632 mental health services program to improve fiscal and programmatic accountability and introduce greater efficiency, while ensuring that mental health services to special education pupils continue. This reflects \$66 million one-time General Fund in the DMH budget to fund counties for providing services under the AB 3632 state mandate (\$33 million for 2004-05 costs and \$33 million for 2005-06 costs), and \$52 million in categorical funding for 2006-07. It also reflects \$100 million in special education funding in the Department of Education budget for services required by the Federal Individuals with Disabilities Education Act (IDEA).

---

## Department of Child Support Services

### **Performance-Based Funding for Local Child Support Agencies**

The Department of Child Support Services (DCSS), in collaboration with local child support agencies (LCSA), is in the process of developing a new allocation methodology intended to improve the state's performance on federal and state child support program measures. The Budget includes a one-time augmentation of \$12 million (\$4 million General Fund) to be distributed among LCSAs according to this performance-based allocation methodology. If this augmentation and associated allocation methodology proves

to directly improve program performance, then the DCSS will consider utilizing a performance-based methodology on a broader scale.

---

## Department of Social Services

### **Foster Care and Child Welfare Services Improvements**

The Budget builds upon existing foster care reforms which will help advance the Administration's goal for child welfare: every child will live in a safe, stable, permanent home, nurtured by healthy families and strong communities. It reflects an unprecedented commitment to California's continuum of services to protect children from abuse or neglect.

Reflecting key reforms enacted in recent years, California's Child Welfare Services program is undergoing a fundamental restructuring. A cornerstone of this effort is a commitment to link reforms at the state and county level to improved outcomes for youth in foster care, which has resulted in a new outcome and accountability system for child welfare services. Additionally, an outcome improvement project funds counties' local plans aimed at bettering the lives of children. Newly secured federal authorities provide counties with the flexibility to use federal funds on preventive services to families in crisis to keep children in safe and stable homes, and to reduce the need for foster care placement.

With bipartisan support and the commitment of the Legislature and the Governor to improve the lives of California's children, California will invest over \$255 million (\$160 million General Fund) to improve the safety, permanency and

## Health and Human Services

well-being of youth in foster care. Specifically, the Budget contains the following investments:

- \$111.5 million (\$72 million General Fund) to support and strengthen the Outcomes and Accountability System (Chapter 678, Statutes of 2001 [AB 636]) to improve safety, permanency and well-being outcomes for children and youth in foster care or risk of foster care placement.
- \$35.5 million (\$10 million General Fund) to implement a first-of-its-kind waiver that provides flexibility in the use of federal funds, and will enable strategies that prevent or reduce the need for foster care.
- \$9.9 million General Fund to promote the successful transition of foster youth to adulthood by expanding Transitional Housing programs and scholarships for higher education.
- \$8.2 million General Fund to improve the coordination and delivery of educational services for children and youth in foster care.
- \$8 million General Fund in 2006-07 to enhance the ability of relatives to care for foster children by expanding the Kin-GAP program and ensuring relatives who become guardians for youths with special needs receive comparable financial support as that received by foster parents and homes.
- \$7.9 million (\$4 million General Fund) to increase adoptions of children and youth in foster care, with a specific focus on encouraging adoption of older and hard-to-place youth.

### **California Work Opportunity and Responsibility to Kids**

The Budget includes total California Work Opportunity and Responsibility to Kids (CalWORKs) expenditures of \$7.1 billion. Caseload is projected to decrease by a modest amount after many consecutive years of decline. The revised caseload projections are 478,000 cases in 2005-06, and 472,000 cases in 2006-07.

In response to the federal Deficit Reduction Act of 2005 (DRA), which reauthorized the federal Temporary Assistance for Needy Families program, the CalWORKs program includes several new components designed to improve work participation rates while continuing to assist CalWORKs families in achieving self-sufficiency. Major investments include:

- **CalWORKs Improvement Initiative**—The Budget includes \$90 million for counties to implement strategies to improve work participation rates based on local needs assessments. Counties are required to develop comprehensive plans that identify specific activities to engage recipients early, re-engage noncompliant or sanctioned families, or increase participation among recipients that are partially participating or are between activities.
- **Pay for Performance**—The Budget reflects CalWORKs grant savings of \$1.8 million from implementation of an incentive program that rewards counties that meet specific CalWORKs program outcomes. Pay for Performance will enhance the program's focus on work and target county efforts to assist recipients in securing and retaining employment as a pathway to

self-sufficiency. The program is expected to generate greater savings in 2007-08 and beyond. Funding for incentive payments, which is scheduled to begin in 2007-08, is initially to be provided with \$40 million set aside in the CalWORKs reserve.

- **County Administration Augmentation**—In recognition of the need for counties to dedicate more resources to case management, transportation, and employment services in order to increase work participation rates, \$140 million is included in the Budget. This augmentation was based on current county expenditures as reported by counties. However, the Budget also includes requirements to more accurately measure the cost of doing business and assess how state policies and county implementation affect costs.
- **Reserve for Future CalWORKs Improvements**—The Budget includes a \$15 million reserve and limited flexibility to address future changes or improvements to the program that would continue the “work first” approach and lead to increased work participation rates, pending analysis of the federal regulations implementing the DRA.

### **Supplemental Security Income / State Supplementary Payment Program**

Total General Fund expenditures for the Supplemental Security Income / State Supplementary Payment (SSI / SSP) program are projected to be \$3.6 billion in 2006-07, an increase of \$141.6 million from the revised 2005 Budget Act level. The average monthly caseload in this program is estimated to increase to 1.2 million recipients, a 2.5 percent increase over the 2005-06 projected level.



The three-month delay of the January 2007 federal SSI cost-of-living adjustment included in the 2005 Budget Act is rescinded in the Budget. Effective January 1, 2007, the federal SSI payment will increase by an estimated 2.1 percent.

This page is purposefully blank to facilitate duplex printing.

# Corrections and Law Enforcement

The following represents the significant funding issues included in the 2006 Budget Act for various public safety departments.

---

## Enhancing Public Safety

This Administration is strongly committed to protecting the safety of the public and has demonstrated this commitment by providing additional resources for state and local law enforcement agencies. The Budget includes an additional \$196 million to support various law enforcement efforts, including those discussed below.

### **Mentally Ill Offender Crime Reduction Grants—**

The Budget includes \$45 million to award competitive grants for the implementation and assessment of multi-agency projects designed to curb recidivism among mentally ill offenders.

## Corrections and Law Enforcement

### **Standards and Training for Local Correctional Staff—**

The Budget reflects \$19.5 million to offset the costs of training local sheriffs' deputies and probation officers who work in jails and juvenile halls.

**Booking Fees Reimbursements—**The Budget includes \$35 million to reimburse the fees that local law enforcement agencies paid to book arrestees into county jails in 2005-06. Cities will continue to pay booking fees in 2006-07. Beginning in 2007-08, counties are eligible for \$35 million per year in state funding to replace the booking fees they charged to local law enforcement agencies in 2006-07. In subsequent years, if less than the full \$35 million is included in the state Budget, counties may charge booking fees proportionate to the amount of funding that is not provided.

### **Citizens' Options for Public Safety/Juvenile Justice**

**Crime Prevention Act—**The Budget provides \$238 million (\$119 million for the Citizens' Options for Public Safety (COPS) and \$119 for the Juvenile Justice Crime Prevention Act (JJCPA)), which reflects an increase of \$38 million compared to the 2005 Budget Act level. With respect to COPS, these resources will fund additional police officers and sheriffs deputies, as well as support for jail operations and district attorneys. The JJCPA funding will expand community-based programs that have proven effective in reducing crime and delinquency among at-risk youth and juvenile offenders.

**Sexual Assault Felony Enforcement Teams—**Under existing law, local agencies have established regional Sexual Assault Felony Enforcement (SAFE) teams throughout the state. The mission of these teams is to reduce violent

sexual assault offenses through proactive surveillance and arrest of habitual sexual offenders. The Budget reflects a setaside of \$6 million to fund pending legislation to support the activities of SAFE teams statewide.

### **California Multijurisdictional Methamphetamine Enforcement Team Program**—The California

Multijurisdictional Methamphetamine Enforcement Team (CAL-MMET) Program currently works in conjunction with the federally funded Central Valley High Intensity Drug Trafficking Area program to intensify the current methamphetamine eradication efforts of participating law enforcement agencies by providing additional resources for investigators and prosecutors specializing in methamphetamine offenses, as well as support staff, equipment, training, and facilities. The Budget strengthens methamphetamine eradication across the state by providing an additional \$20 million for allocation on a regional basis.

**Vertical Prosecution**—The Budget includes \$16.2 million, which reflects an \$8 million increase over the current funding level, to fund vertical prosecution units to dedicate specialized prosecutors, investigators, and/or victims advocates to follow specific heinous cases such as child and elder abuse, rape, and stalking through the entire judicial process.

**Gang Suppression Enforcement Teams**—The Budget reflects an increase of \$6.5 million to allow the Department of Justice (DOJ) to add four new Gang Suppression Enforcement Teams (GSETs), on a two-year limited-term basis, to the one team already in place. These teams provide a dedicated force with specialized knowledge of gang activities across multiple jurisdictions.

# Corrections and Law Enforcement

---

## **California Methamphetamine Strategy Program—**

The Budget provides \$6 million to create three new teams within the DOJ to augment the three California Methamphetamine Strategy (CALMS) Program teams currently in place. These teams have specialized training which, coupled with multijurisdictional law enforcement partnerships, uniquely qualify them to coordinate investigations and lab seizures.

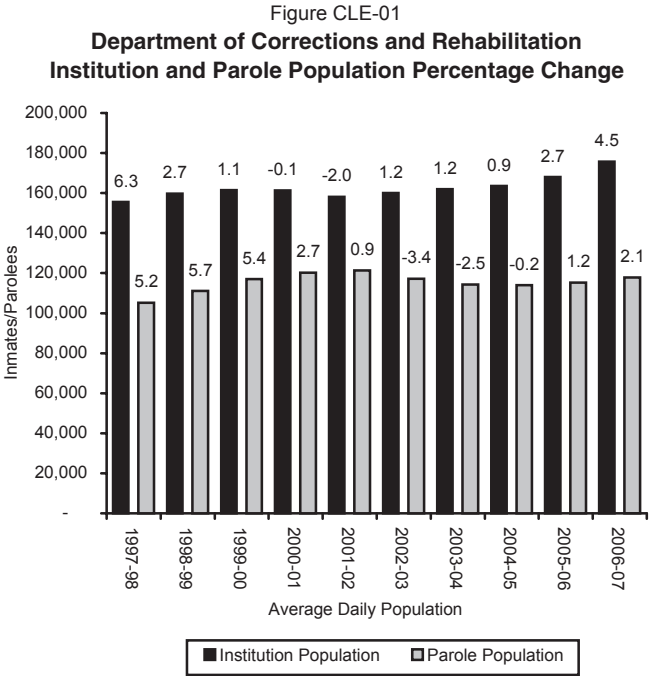
**Special Crimes Unit—**The Budget provides \$1.3 million to increase investigation activities within the DOJ Special Crimes Unit to aggressively investigate and prosecute individuals and businesses that participate in complex financial and identity theft crimes. The DOJ currently has \$2.2 million to carry out these investigations.

---

## Department of Corrections and Rehabilitation

**Adult Prison Population—**Adult prison inmate average daily population is projected to increase from 168,018 in 2005-06 to 175,627 in 2006-07, an increase of 7,609 inmates, or 4.5 percent. In 2006-07, incarceration services will be provided through 33 institutions, 12 reception centers, 40 camps, and 12 community correctional facilities (See Figure CLE-01).

**Adult Parole Population—**Adult parolee average daily parole population is projected to increase from 115,290 in 2005-06 to 117,754 in 2006-07, an increase of 2,464 or 2.1 percent (See Figure CLE-01).



**Local Assistance**—The Budget provides an additional \$21.8 million to fairly reimburse local jurisdictions for the cost of prosecuting crimes committed in state prisons by adult inmates and for housing parole violators.

**Juvenile Institution and Parole Population**—The projected ward institution population will be 2,660 on June 30, 2007, which is a decrease of 145 wards from the population of 2,805 on June 30, 2006. The parole caseload is projected to be 2,935 by June 30, 2007, which is a decrease of 470 cases from a caseload of 3,260 on June 30, 2006.

**Recidivism Reduction Strategies**—The Administration is committed to improve public safety through the

## Corrections and Law Enforcement

implementation of expanded evidence-based programs that improve public safety and reduce victimization by reducing recidivism and preparing inmates to transition back into the community. The Budget provides \$52.8 million for inmate education programs, community partnerships, parolee services, institutions rehabilitative and treatment programs, and research and support services. This funding represents a comprehensive approach to inmate and parolee programming by providing program enhancements and community services to both male and female inmates, and parolees.

**Juvenile Justice Community Reentry Challenge Grant Program**—The Budget reflects \$10 million to establish the Juvenile Justice Community Reentry Challenge Grant Program. This program will award grants, on a competitive basis, to counties and non-profit organizations to provide a variety of services to juvenile parolees. The types of services that may be provided include transitional housing, occupational training and job placement, substance abuse treatment, life skills counseling, and education.

**Global Positioning System Expansion**—The Budget includes \$5.1 million to add 500 Global Positioning System (GPS) devices to track and monitor the parolees who pose the highest risk to public safety. This is part of a four-year plan to add 2,000 GPS units (500 units per year), bringing the total number of GPS units available for parolee monitoring up to 2,500 by 2009-10.

**District Attorney Representation at Parole Revocation Hearings**—Currently, only parolees have legal representation at a parole revocation hearing. To address this inequity, the California Department of Corrections and Rehabilitation



(CDCR) will implement a program to provide legal representation at parole revocation hearings where a witness has been subpoenaed to testify on behalf of the state. This program will enable District Attorneys to provide representation for witnesses of parolee crimes consistent with the representation provided for parolees. In addition, the Budget includes \$1.1 million Victim/Witness Assistance Fund for grants to victim-witness service centers to coordinate victim and witness attendance in parole revocation hearings, provide counseling referrals to victims, and assist victims in obtaining benefits. These funds will be distributed by the Office of Emergency Services.

**Cadet Needs**—The Budget includes \$54.5 million to help the CDCR hire and train the number of cadets necessary to safely operate its institutions by expanding the training academies to address the projected need for additional adult Correctional Officers, Youth Correctional Officers/Counselors, and parole agents. This includes using the Northern California Women’s Prison (NCWF) as a second training academy.

**Implementation of *Farrell v. Tilton* Remedial Plans**—The Budget includes \$77.7 million to implement the following:

- **Safety and Welfare Remedial Plan**—

In November 2005, the CDCR submitted the Safety and Welfare Remedial Plan to the court which addresses the most fundamental deficiencies identified in the operation of the housing units and treatment programs in the state’s juvenile institutions. The plan will be implemented on a phased-in basis over five years. In order to implement this plan, the Budget provides \$42.9 million in 2006-07.

## Corrections and Law Enforcement

- **Healthcare Remedial Plan**—This plan, which was submitted to the court in September 2005, will improve the delivery of healthcare services to youthful offenders in the CDCR’s juvenile institutions. The Budget includes an increase of \$7.5 million to fund the staffing and activities needed to implement this plan.
- **Mental Health Remedial Plan**—The Budget reflects an increase of \$14.8 million to implement the Mental Health Remedial Plan, which was submitted to the court on November 30, 2005.
- **Space Needs**—The Budget provides \$12.5 million to purchase modular buildings and make related facility improvements in order to ensure there is sufficient program and educational space available to implement the programmatic changes required by the lawsuit.

**Separate Health Care Item**—In order to allow the state to quickly respond to the fiscal needs of the Receiver in the *Plata v. Schwarzenegger* lawsuit, the Budget includes a stand-alone item where the funding for the correctional health care programs is placed, distinct from the rest of the CDCR budget. It also includes a \$100 million appropriation that can be moved to the appropriate program, upon the request of the Receiver, to address the Receiver’s needs on an expedited basis.

**Contract Medical and Medical Guarding**—The Budget reflects an increase of \$250.5 million to adjust the base funding available to pay the increased costs of medical contracts, pharmaceuticals, and medical guarding.

**Protective Vests**—The Budget provides \$4.1 million to expand the distribution and replacement of protective vests to peace officer staff as well as non-peace officer staff who must enter and perform their duties in high-risk conditions, consistent with the Department’s comprehensive Protective Vest Procedures.

**Madrid v. Tilton Compliance** —The Budget includes \$6.6 million to support the Department’s efforts to comply with the requirements of the Madrid court case. The required changes to the employee discipline process include implementation of a centralized case initiation and investigation process and expansion of a vertical advocacy model. Additionally, recent court orders have mandated staffing increases to the Madrid Patient Information Management System and the enhanced mental health services program in Administrative Segregation Units at Pelican Bay State Prison.

**Rutherford v. Schwarzenegger, Life Prisoner Parole Hearing Staffing**—The Budget reflects \$7.2 million to comply with the requirements of the Rutherford class action lawsuit and to provide the Department with the resources necessary to eliminate the backlog of life prisoner parole hearings within 18 months.

---

### Incarceration of Undocumented Felons

The Administration has worked closely with the federal government to increase the reimbursements that the state receives for incarcerating undocumented felons. As a result, it is estimated that California will receive approximately \$114.1 million in federal State Criminal Alien Assistance Program funding in 2006-07. The CDCR’s costs in 2006-07

# Corrections and Law Enforcement

are estimated to increase to \$722.7 million, an increase of 9.1 percent over the 2005-06 level. As such, the state will be reimbursed for only 15.8 percent of the costs associated with the incarceration, including related debt service, of the undocumented felon population, with \$608.6 million in costs in excess of the level of federal reimbursements.

The Administration will continue to aggressively pursue all strategies designed to maximize federal funding for incarceration of undocumented felons.

# Resources and Environmental Protection

---

## Resources

The Budget provides significant funding for programs that protect and preserve California's natural resources and environment. These programs are carried out by the Department of Fish and Game, Department of Parks and Recreation, Department of Forestry and Fire Protection, Department of Water Resources, and more than two dozen other departments, boards, commissions, and conservancies. The Budget includes funding for the following new programs:

### Flood Control

On February 24, 2006, the Governor proclaimed a state of emergency for California's levee system and directed the immediate repair of 29 critical levee erosion sites. The Governor gained federal support for expediting federal permits for the projects so they can be completed by November 2006. The repairs will cost an estimated \$150 million. These costs will be funded from Chapter 34, Statutes of 2006, which appropriated \$500 million

## Resources and Environmental Protection

General Fund for levee evaluation and related work, and flood control system improvements. This funding will allow the department to jump-start critical flood control activities immediately, without waiting for funding from a proposed \$4.1 billion bond measure on the November 2006 ballot.

To further diminish threats from levee failure and flooding, the Budget also includes \$35 million General Fund and 30 new positions in the Department of Water Resources to improve and maintain the flood control system, and \$41.3 million General Fund for six new or continuing flood control capital projects: Folsom Dam Modifications, American River Common Features, Sacramento River Bank Protection, Folsom Dam Raise, American River Natomas Features, and Upper Sacramento River Levee Restoration.

In addition, state law provides for reimbursement by the state on a cost-sharing basis to local flood control agencies for all rights-of-way and relocation costs of channel improvement and levee projects. The Budget proposes \$100 million General Fund to reimburse local agencies.

Flood control is also being addressed by the Department of Fish and Game. A severe storm in late December 2005 and early January 2006 caused damage to various levees and other infrastructure belonging to the Department. The Budget includes \$8.8 million General Fund in order to repair or prevent damage to levees, habitat, utility lines, roads, private residences, and other property in counties that have been declared eligible for federal emergency funding. Up to 75 percent of the state funding will be eligible for federal reimbursement.

### Reorganization of the CALFED Program

The Budget addresses some of the most important recommendations produced from recent programmatic and fiscal reviews of the CALFED program. The Bay-Delta Authority's administrative activities have been transferred to the Secretary for Resources. This will add transparency, visibility, accountability, and decision-making authority to the CALFED administrative function. In addition, the Authority will focus its efforts exclusively on coordination, tracking program progress, science, and strategic planning.

The program duties previously carried out by the Bay-Delta Authority have been transferred to the departments that have primary operational responsibility for each area. Program activities that had been implemented by more than one entity will now be centralized in a single department, improving efficiency and communication. For example, the Department of Fish and Game will operate the Ecosystem Restoration Program as a single unit, combining efforts previously diffused among the Bay-Delta Authority, Department of Water Resources, Fish and Game, and the Secretary for Resources.

### Marine Programs

The Budget includes \$19 million General Fund to strengthen programs that protect and manage ocean resources. Specifically, a total of \$4 million ongoing and \$10 million in one-time funding is provided for implementation of the Marine Life Protection Act and the Marine Life Management Act. An additional \$5 million in ongoing funding is included for activities related to the regulation of aquaculture and bottom trawling. In total, 55 positions have been provided to implement these expansions.

## **Resources and Environmental Protection**

### **All-American Canal**

Funding of \$84 million General Fund is provided to continue lining the All-American and Coachella canals in accordance with the Quantification Settlement Agreement, under which California has agreed to reduce its use of Colorado River water. The canal lining projects are expected to save approximately 100,000 acre-feet of water annually. This funding represents the expenditure of monies originally appropriated for this purpose in Chapter 813, Statutes of 1998.

### **Funding for the State Park System**

The Budget includes \$250 million General Fund in one-time funding to reduce a growing backlog of deferred maintenance projects. An additional \$16.4 million General Fund in ongoing funding is included to fund operations in new and existing park facilities and to increase ongoing maintenance efforts. To address remediation of toxic materials at the Empire Mine State Historical Park, \$5 million General Fund in one-time funding is provided. The Budget also includes \$11.8 million General Fund to continue bringing the state parks into compliance with the Americans with Disabilities Act.

### **Augmentations for the Department of Fish and Game**

Significant augmentations to correct fiscal problems and expand programs at the Department of Fish and Game have been provided, in addition to amounts provided for the marine programs and CALFED reorganization mentioned previously. The Budget includes \$14.9 million ongoing and \$19.9 million one-time to address shortfalls in the Fish and Game Preservation Fund and the repayment of previous borrowing from dedicated accounts within the Fund. Augmentations of



## **Resources and Environmental Protection**

---

\$10 million General Fund one-time and \$4 million General Fund ongoing are provided for the Salmon and Steelhead Restoration program. Ongoing augmentations of \$1.1 million General Fund to monitor wildfowl for avian influenza and \$1.5 million General Fund for conservation planning and resource assessment were also included. The Budget provides additional one-time appropriations of \$8.8 million General Fund for emergency work to repair storm damage on department lands, \$10 million General Fund for management of nongame fish and wildlife, and \$5 million General Fund for management of coastal wetlands.

---

### **California Environmental Protection Agency**

#### **Climate Change Initiative**

Greenhouse gas emissions, which trap heat in the earth's atmosphere, create global warming and threaten public health, water supplies, and natural ecosystems in California. In response to this threat, the Budget provides \$30.4 million (\$1.1 million General Fund and \$29.3 million special funds) and 30.5 positions for a coordinated, multi-agency effort to reduce greenhouse gas emissions and promote alternative transportation fuels.

#### **Hydrogen Highway**

The Budget includes \$6.5 million from the Motor Vehicle Account (MVA) for the Governor's Hydrogen Highway Initiative, which promotes the use of hydrogen as a means of diversifying California's sources of transportation energy. The initiative defines a plan for 250 hydrogen fueling stations and 20,000 hydrogen-fueled vehicles. The use of hydrogen

## Resources and Environmental Protection

technologies can significantly reduce air pollution and reduce energy dependence on fossil fuels. This funding will provide matching funds for three publicly accessible hydrogen fueling stations, and will enable the state to leverage federal matching funds for five fuel cell buses to be used in public transit fleets.

### Low Emission School Buses

The Budget provides an additional \$25 million MVA to replace pre-1977 school buses with new clean school buses that meet the latest federal safety standards in order to reduce children's exposure to diesel exhaust. If the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act is approved in November, the bond will provide \$200 million for school bus replacement. In this instance, the Budget funds will instead be redirected to provide grants to public agencies to purchase low-polluting construction equipment.

### Environmental Enforcement

The Budget provides \$6.2 million special funds and 41.5 positions to strengthen enforcement efforts in various environmental programs, including heavy-duty diesel regulations and the electronic waste recycling program. Enforcement of environmental laws helps protect Californians from the adverse effects of environmental pollution. Furthermore, strict environmental enforcement prevents polluters from achieving an unfair competitive advantage over competitors that comply with environmental laws.

# **Business, Transportation, and Housing**

**T**he Budget includes expenditures of approximately \$16.7 billion in 2006-07 for roads, highways, mass transit and intercity rail, vehicle licensing and registration, highway law enforcement, housing, and regulation of businesses.

---

## **Office of the Secretary of Business, Transportation, and Housing**

### **California Small Business Loan Guarantee Program Loan Repayment**

The Budget includes a General Fund loan repayment of \$10.7 million that will augment the trust fund of the Small Business Loan Guarantee Program and enable the program to originate approximately 200 additional guarantees.

### **San Joaquin Valley Partnership**

The Budget includes one-time funding of \$5 million General Fund and 2.0 two-year limited-term positions to implement the San Joaquin Valley Strategic Action Proposal.

## **Business, Transportation, and Housing**

Established by Governor's Executive Order (S-5-05) on June 24, 2005, the California Partnership for the San Joaquin Valley has been working with many local agencies and stakeholders to address the economic challenges in the eight counties that comprise the San Joaquin Valley region (Kern, Tulare, Kings, Fresno, Madera, Merced, Stanislaus, and San Joaquin Counties). The Governor's Executive Order requires preparation of a Strategic Action Proposal by October 2006 to improve the economic well-being and quality of life in the San Joaquin Valley.

### **Department of Transportation (CalTrans)**

Of the estimated \$20 billion statewide that will be spent on transportation in 2006-07, \$13.3 billion is reflected in the transportation budgets in the Business, Transportation, and Housing Agency. Overall, state transportation revenues have increased by \$2.7 billion over revised 2005-06 levels.

#### **Proposition 42**

The 2006-07 Proposition 42 transfer is fully funded at an estimated \$1.4 billion and an additional \$1.4 billion in General Fund debt for the 2003-04 and 2004-05 Proposition 42 suspension loans will be repaid in 2006-07. Tribal gaming bond revenues are estimated to be \$849 million in 2006-07, with \$151 million being used to repay loans to the State Highway Account in 2005-06 with tribal gaming revenues that had already been received. In total, these three funding sources will provide additional resources for the following programs: \$1.3 billion for the Traffic Congestion

## **Business, Transportation, and Housing**

Relief Program, \$1.4 billion for the State Transportation Improvement Program, and \$593 million for transit.

In addition to the funding included in the Business, Transportation, and Housing portion of the Budget, \$446 million in funding for local streets and roads is included in the General Government portion of the Budget. These funds are part of the \$1.415 billion partial loan repayment of the 2003-04 and 2004-05 Proposition 42 suspensions.

### **Transit and Intercity Rail Funding**

Revenues allocated to transit in 2006-07 include \$394 million from sales tax on diesel and Proposition 111 sales tax on gas, \$601 million from Proposition 42 (including Tribal Gaming bond proceeds), and \$331 million from “spillover” sales tax revenues. This \$1.3 billion total represents an increase of \$865 million or 282 percent above the 2005-06 funding for transit.

Existing law provides that when revenues from the sales tax on gasoline are more than what one-quarter cent of sales tax on other items produces, “spillover” revenues are created. The Budget provides for \$669 million in estimated 2006-07 “spillover” revenues to be used as follows:

- \$249 million will go to local transit agencies to help pay for operating costs. This increase and other funding provide a total of \$624 million for this program, a 202 percent increase over the 2005-06 level.
- \$200 million will be used to pay a portion of the 2004-05 Proposition 42 loan suspension.
- \$125 million to the Bay Area Transportation Authority for bridge seismic work.

## **Business, Transportation, and Housing**

- \$20 million will be used to fund a new local grant program to provide vanpooling for agricultural workers.
- \$13 million will be used to begin funding engineering, right-of-way acquisition, and grade separations for the high-speed rail project that is scheduled to be on the November 2008 ballot.
- \$62 million is available to fund transit and intercity rail capital projects.

### **State Highway Operation and Protection Program**

The Budget provides \$2.5 billion to fund projects in the State Highway Operation and Protection Program that reduce collisions and hazards to motorists, preserve and rehabilitate bridges and roadways, enhance and protect roadsides, and improve operation of the state highway system.

### **Maintenance**

The Budget provides \$968 million for maintenance of approximately 15,000 centerline miles of highway, over 230,000 right-of-way acres, and over 12,000 state highway bridges.

### **Rail Operations**

The Budget provides \$112 million to manage and coordinate intercity rail passenger services and local transit projects that provide commuters with a range of transportation options, help to improve the state's air quality, and reduce highway congestion and fuel consumption. Caltrans manages two state-supported routes operated by Amtrak, and financially supports a third.

### **Short-term Congestion Relief Projects**

The Budget also includes \$40.3 million to complete a number of specified projects that are intended to provide immediate congestion relief in selected locations on the state highway system. These projects will be completed in 18 months or less and include the development and implementation of corridor management on the I-210 corridor, the repair of loop detectors and detector communication stations, and an expansion of freeway service patrol routes.

### **Transportation Bonds**

Chapter 25, Statutes of 2006, put the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 on the November 2006 ballot. If passed by the voters, this measure would provide almost \$20 billion in additional funding for a broad range of transportation priorities. The 2006-07 Budget Act does not include these revenues or any related expenditures.

---

## **High Speed Rail Authority**

The budget provides \$14.3 million to begin implementation of the high-speed rail project. Activities funded in 2006-07 include: completion of a financial plan, project management, identification of critical right of way acquisitions, development of a simulator for planning system operation and public information, and \$9 million for the beginning of detailed project design and related environmental studies. This funding will enable the High-Speed Rail Authority to move forward with key aspects of the project. However, bond funding for the project must still be authorized by voters in 2008, under the provisions of Chapter 44, Statutes of 2006.

### **California Highway Patrol**

#### **Patrol Staffing Expansion**

The Budget includes \$30.5 million and 197 uniformed and 38 nonuniformed positions to address workload growth associated with population growth. By the end of the year, 240 officers, 32 supervising officers, and 38 support staff will be added. The full year cost for this staff is \$41.9 million. These positions are provided to support the CHP's mission while they face increasing workload associated with the recent and future substantial growth in California's population; increasing number of licensed drivers; increasing development of new communities; and the resulting increased traffic congestion and collisions.

#### **Replacement of CHP Radio System**

The Budget includes \$56.4 million and 10 positions to begin the replacement of the existing CHP radio system. The project will take five years and will cost approximately \$491 million. The CHP's current radio system is antiquated, was not designed for tactical operations, special events, emergency incidents, or expanded responsibilities and is no longer supported by the manufacturer. Along with items purchased with funds from the U.S. Department of Homeland Security, the new system will increase the range of communication so officers can communicate without using intermediaries, provide the ability to "piggyback" onto other state departments' frequencies, enhance interoperability with many local public safety agencies, and increase the number of tactical channels to provide flexibility.



### **Wireless 9-1-1 Staffing**

The Budget increases staffing in the CHP communication centers by 94 positions and \$6.4 million to answer 9-1-1 calls more expeditiously. By the end of the year, 173 staff will be added. The full-year cost of this staffing increase is \$10.5 million. Due to exponential growth in the number of wireless 9-1-1 calls, which comprise approximately 80 percent of the calls handled, CHP needs additional staff to answer calls within their ten-second goal.

## **Department of Motor Vehicles**

### **Preparation for Real ID Act**

The Budget includes \$18.8 and 36.4 positions to begin the planning, programming, and infrastructure development necessary to prepare to implement the federal Real ID Act. The Act sets minimum standards for the creation and issuance of driver license and identification cards that will be acceptable for official federal purposes, such as air travel and entering federal buildings. The Act has significant workload and cost implications because it requires 24 million licensed drivers and identification card holders in California to return to Department of Motor Vehicle (DMV) offices to establish identity and obtain compliant cards when many of these individuals otherwise would have been able to conduct these transactions through the mail or internet. Provisions of the Act must be implemented by May 11, 2008; however, federal regulations concerning implementation of the Act are still under development.

These resources will enable the DMV to implement a web-based infrastructure that enables it to shift over

## **Business, Transportation, and Housing**

4.2 million transactions annually out of the field offices, when fully implemented, to help make room for the additional field office visits from persons applying for Real IDs. This augmentation also allows DMV to establish a REAL ID organizational unit comprised of 21 positions that will be responsible for overall project and policy development.

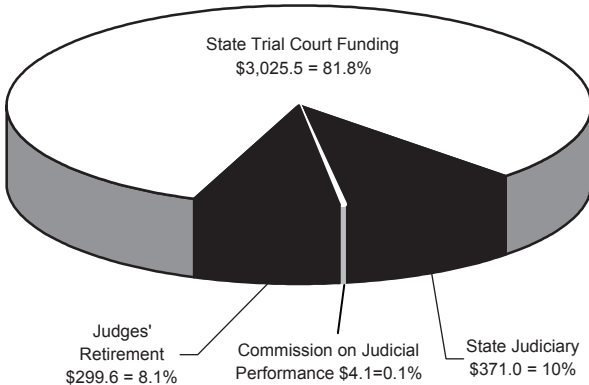
### **Information Technology Modernization**

The Budget adds \$2.1 million to begin the modernization of DMV's aging core information technology systems used to support its licensing and registration programs. The DMV's current systems have been managed well beyond their expected useful lives, have become increasingly complex and inflexible, and have been stretched to their limits in order to continue to respond to an increasing number of state and federal mandates. This project, estimated at \$242.2 million, will incrementally upgrade DMV's core systems over a seven-year period by utilizing current programming languages to improve efficiency, reliability, flexibility, effectiveness, and productivity.

# Judicial Branch

The 2006-07 Budget Act includes a total of \$3.7 billion (\$2.1 billion General Fund) for the Judicial Branch (See Figure JUD-01).

Figure JUD-01  
**Total Judicial Branch Expenditures for 2006-07**  
**All Funds**  
 (Dollars in Millions)



## Judicial Branch

Specifically, the Judicial Branch's budget includes the following adjustments:

**Growth Factor Increase**—Consistent with the statutory requirement, an increase of \$113 million has been included in the Budget for the trial courts. This is the second year the State Trial Court Funding budget has been increased by the State Appropriations Limit growth factor as opposed to submission of individual Budget Change Proposals. The Budget includes an additional \$4.1 million for the inclusion of the Judicial Administration Efficiency and Modernization Fund, the Equal Access Fund, and the operational costs included in the Trial Court Improvement Fund (\$31.6 million) to the base upon which the growth factor adjustment is calculated. This new methodology grants budgetary independence appropriate for a separate branch of government.

**Security Baseline Funding**—The Budget includes \$18.7 million to address deficiencies in court security. These resources will allow the Trial Courts to add 97 new entrance screening stations and will establish a five-year replacement schedule for entrance screening equipment.

**New Judgeships and Conversion of Subordinate Judicial Officers**—The Budget includes \$5.5 million to support facilities, staff, salaries, and benefits for 50 new judgeships beginning in April 2007. The expenditure of these funds is restricted until legislation authorizing new judgeships is enacted. If contained within the legislation, the Judicial Branch may also convert up to 161 judicial officers to judgeships as the positions become vacant.

**Salary Increase for Judges**—The Budget includes \$14.7 million to provide an 8.5 percent increase to judges' salaries effective January 1, 2007.

This page is purposefully blank to facilitate duplex printing.

# **General Government**

---

## **Department of Consumer Affairs**

### **iLicensing System**

The Budget includes an increase of \$1.3 million (various special funds) to establish an iLicensing System that will make online services available to the consumers of all programs overseen by the Department. This system will provide increased consumer accessibility and convenience to the 2.3 million licensees and applicants of the Department.

### **Consumer Assistance Programs**

The Budget includes \$7.5 million High Polluter Repair or Removal Account, to expand eligibility for participation in the Consumer Assistance Programs operated by the Bureau of Automotive Repair. Of this amount, \$3.8 million will be used to implement Chapter 565, Statutes of 2005, which expanded the income eligibility levels needed to qualify for financial assistance under the Repair Assistance Program. The remaining \$3.7 million would augment the funds

# General Government

---

available under the Vehicle Retirement Program, which compensates vehicle owners that agree to destroy their high-polluting automobiles.

---

## Department of Fair Employment and Housing

### Employment Discrimination Caseload

The Budget provides \$1 million General Fund for additional employment discrimination enforcement. This augmentation will reduce the average caseload of enforcement consultants to between 60-70 cases, which will shorten waiting time for appointments and enhance the ability of the Department to fulfill its mission.

---

## Employment Training Panel

### Employment Training Contracts

The Budget provides \$53.3 million for the Employment Training Panel, which includes a \$17.9 million augmentation for its employment training contract program. The Employment Training Panel supports the California economy by ensuring that employers, primarily small businesses, have the trained workers they need to compete in the global economy while providing workers with reasonable wages and secure employment. The Panel prioritizes special economic development initiatives with the objective of retaining and creating high-skilled, high-paying jobs throughout the state.



---

## **California Gambling Control Commission**

### **Licensing Workload**

The Budget includes an increase of \$528,000 (\$132,000 Indian Gaming Special Distribution Fund and \$396,000 Gambling Control Fund) to allow the California Gambling Control Commission (Commission) to address ongoing licensing workload related to Indian gaming and cardrooms.

### **Field Inspection Workload**

The Budget includes \$335,000 Indian Gaming Special Distribution Fund, on a two-year limited-term basis, to allow the Commission to implement a new Field Inspection Program that will randomly inspect gaming devices pursuant to the new and amended Tribal-State Gaming Compacts.

### **Technical Services Program**

The Budget includes \$732,000 Indian Gaming Special Distribution Fund, on a two-year limited-term basis, to allow the Commission to implement a new Technical Services Program that will provide technical support to the Field Inspection Program, and respond to issues identified as a result of audit and compliance activities of the Commission, as well as investigation activities of the Division of Gambling Control within the Department of Justice.

---

## **Department of Food and Agriculture**

### **Private Vehicle Inspections**

The Budget provides \$380,000 General Fund and 4.8 positions for a one-year pilot project to inspect private vehicles at the

# General Government

---

Needles Agriculture Station. The Department will collect data related to the frequency of private vehicles carrying pests into California.

## Weed Management Areas Program

The Budget provides \$1.5 million General Fund for County Agricultural Commissioners to leverage local and federal funds for activities to control the spread and impact of invasive weeds.

## High Risk Pest Exclusion

The Budget provides \$3 million General Fund for County Agricultural Commissioners for activities to detect and exclude new pests and diseases from California’s agriculture and natural environment.

---

# Commission on State Mandates

## Mandates Funding (Non-Proposition 98)

The Budget provides \$90.3 million for the unfunded cost of 2005-06 mandate claims (required to be budgeted by Proposition 1A), \$16.6 million for the 2005-06 costs for the Peace Officers Bill of Rights (POBOR), and \$83 million for the first year of the 15-year payback for mandates which were deferred prior to 2004-05 (as required under Proposition 1A).

The Budget also includes language requiring the State Controller to recoup the amount of any unallowable mandate claim costs determined by desk or field audits of the claims with an estimated \$44 million General Fund savings.

The Budget also provides \$125.6 million (including \$16.6 million for POBOR) to prepay the 2007-08 obligation for

claims filed in 2006-07 and \$86.9 million to prepay the second year of the 15-year payback for mandates.

## Military Department

### Armory Maintenance and Repair Augmentation

The Budget includes \$3.5 million (\$3 million General Fund and \$500,000 federal funds) for maintenance and repairs at armories statewide. The proposed funding will allow the Department to make needed repairs, modernize its armory infrastructure, and ensure compliance with environmental laws and building codes at various armories on a priority basis.

### Youth Challenge Program

The Budget includes \$3.9 million (\$900,000 General Fund and \$3 million federal funds), of which \$1.7 million is one-time funding for facilities improvements, to establish a second Youth Challenge Program to serve at-risk high school students who have dropped out or who are in danger of dropping out of school.

## Department of Veterans Affairs

### New Alzheimer's/Dementia Unit at Yountville

The Budget provides \$3.8 million (\$3.4 million General Fund and \$474,000 federal funds) and 73.9 positions to operate the new Yountville Alzheimer's/Dementia Unit. This facility is designed to serve 75 patients and address the unique needs of Alzheimer's and Dementia patients. Phase 1 will consist of the 40 patients with Alzheimer's/Dementia already at Yountville.

# General Government

An additional 35 beds will be phased in with patients from throughout the state in the spring of 2007.

## Veterans Benefits Outreach Programs

The Budget provides \$250,000 General Fund and 0.9 positions in Headquarters for an outreach campaign to increase the number of veterans receiving compensation and pensions from the United States Department of Veterans' Affairs. This program will help California veterans sign up for federal benefits they are entitled to receive.

Additionally, to increase the number of veterans receiving benefits, the Budget includes \$250,000 for County Veterans' Services Offices for new and expanded outreach efforts and \$50,000 to provide outreach and benefits training and materials to local Veterans Services Offices.

# Assistance to Local Government

---

## Local Government Financing

The 2006 Budget Act includes more than \$2.1 billion in funding growth for local governments over the 2005-06 Budget.

This includes \$1.3 billion in property tax revenues that local governments are no longer required to shift to the Educational Revenue Augmentation Fund (ERAF) pursuant to the provisions of Proposition 1A, \$417 million for transit, \$175 million for local street and road maintenance, \$145 million for substance abuse treatment programs, \$35 million for county jail booking fee subventions, \$38 million for various juvenile justice and local law enforcement activities, and \$1.6 million in disaster relief funds.

Additionally, while not reflected in state budget totals, the replacement of city and county vehicle license fee revenues with property tax has resulted in \$700 million in growth of these new local revenues compared to what they would have been in 2006-07, had this revenue swap not occurred.

## Assistance to Local Government

**Elimination of Temporary ERAF Payments**—The statutorily required termination of ERAF III payments will allow local governments to retain an additional \$1.3 billion in property tax revenues in 2006-07 that local governments did not receive in 2004-05 and 2005-06. While this is not new funding, the restoration of these revenues to local governments will nevertheless allow them to better meet their service demands.

**Local Transit Funding**—Due to the availability of “spillover” sales tax revenues and repayment of Proposition 42 loans, state transit assistance formula grants will increase by \$417 million to \$624 million in 2006-07. Additionally, \$20 million is provided to local transit agencies for agricultural worker transportation.

**Streets and Roads Maintenance**—The 2006 Budget Act provides a total of \$446 million for local streets and roads maintenance. The funds are part of a \$1.4 billion partial loan repayment of the 2003-04 and 2004-05 Proposition 42 suspensions.

**Proposition 36 Substance Abuse Treatment**—The 2006 Budget Act provides \$120 million in one-time funds to continue providing substance abuse treatment services in 2006-07 to persons convicted of drug-related crimes, in the same amount as provided through Proposition 36. The funding provided by the Proposition itself sunsets on June 30, 2006.

**Substance Abuse Offender Treatment Program**—The 2006 Budget Act provides \$25 million for the new Substance Abuse Offender Treatment Program. Local governments may use these funds for purposes including residential treatment, narcotic replacement therapy, drug testing, drug court model court costs, and other services

approved by the Department of Alcohol and Drug Programs after consultation with stakeholders.

**Booking Fee Subventions**—The 2006 Budget Act provides \$35 million to reimburse the fees that cities and special districts paid in 2005-06 to book suspects into county jails. Before 2005-06, the state provided counties with funding to cover the costs they incur when other local governments book suspects into county jails. This funding was eliminated in the 2005 Budget Act, due to funding constraints. Consequently, counties charged booking fees to other local governments in 2005-06. However, counties were authorized to levy these fees at only 50 percent of the actual cost.

Cities and special districts will continue to pay the reduced booking fees in 2006-07. Beginning in 2007-08, legislation passed in conjunction with the 2006 Budget Act creates a mechanism for the state to fund county booking expenses on an on-going basis. Under this mechanism, counties are eligible for \$35 million per year. In every year when the full amount is provided in the state Budget, counties may not charge booking fees. When less than the full amount is provided, counties may charge booking fees proportionate to the amount of funding that was not provided.

Beginning in 2007-08, counties also will be allowed to charge a “jail access fee”. This fee may only be charged when a local law enforcement agency’s bookings for infractions, and for specified types of misdemeanors, exceed the agency’s average number of bookings for those crimes, as calculated over the previous three years.

**Citizens’ Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA)**—The 2006-07

# Assistance to Local Government

Governor’s Budget proposed \$200 million for these programs, to be equally divided between the two. The 2006 Budget Act increases funding for each program by \$19 million, bringing total funding to \$238 million.

Twenty percent of COPS monies are reserved for district attorney and county jail operations. The remaining 80 percent may be used for a variety of discretionary local law enforcement activities. JJCPA monies are available for countywide efforts to address juvenile crime issues.

**Disaster Relief—**\$1.6 million is provided for disaster relief, in accordance with Chapters 622, 623, and 624, Statutes of 2005. These funds will backfill property tax revenues lost by local governments due to specified natural disasters.



# Summary Charts

**T**his section provides various statewide budget charts and tables.

# Summary Charts

General Fund Budget Summary		
(Dollars in Millions)		
	2005-06	2006-07
Prior Year Balance	\$9,511	\$9,530
Revenues and Transfers	\$92,749	\$93,882 <sup>1/</sup>
Total Resources Available	\$102,260	\$103,412
Non-Proposition 98 Expenditures	\$54,310	\$59,966 <sup>1/</sup>
Proposition 98 Expenditures	\$38,420	\$41,295
Total Expenditures	\$92,730	\$101,261
Fund Balance	\$9,530	\$2,151
Reserve for Liquidation of Encumbrances	\$521	\$521
Special Fund for Economic Uncertainties	\$9,009	\$1,630
Budget Stabilization Account		\$472
Total Available Reserve	\$9,009	\$2,102

1/ A total of \$944 million will be transferred to the Budget Stabilization Account pursuant to Proposition 58. Half will remain in the Account for future purposes (displayed as a reduction in revenues). The other half will be further transferred for the purpose of early retirement of Economic Recovery Bonds (displayed as an increase in expenditures).

## Summary Charts

### 2006-07 Revenue Sources (Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2005-06
Personal Income Tax	\$50,885	\$1,255	\$52,140	\$1,400
Sales Tax	28,114	5,410	33,524	1,802
Corporation Tax	10,507	-	10,507	23
Highway Users Taxes	-	3,483	3,483	85
Motor Vehicle Fees	22	5,243	5,265	174
Insurance Tax	2,340	-	2,340	93
Liquor Tax	316	-	316	1
Tobacco Taxes	118	978	1,096	30
Other	1,580	11,387	12,967	1,054
<b>Total</b>	<b>\$93,882</b>	<b>\$27,756</b>	<b>\$121,638</b>	<b>\$4,662</b>

Note: Numbers may not add due to rounding.

### 2006-07 Total Expenditures by Agency (Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$3,417	\$1,988	\$212	\$5,617
State and Consumer Services	576	752	14	1,342
Business, Transportation & Housing Resources	3,029	7,654	38	10,721
Environmental Protection	1,826	1,650	723	4,199
Health and Human Services	88	1,016	69	1,173
Corrections and Rehabilitation	29,304	6,766	111	36,181
K-12 Education	8,751	22	2	8,775
Higher Education	40,510	78	79	40,667
Labor and Workforce Development	11,368	1,265	2,269	14,902
General Government	99	308	-	407
<b>Total</b>	<b>2,293</b>	<b>5,093</b>	<b>33</b>	<b>7,419</b>
<b>Total</b>	<b>\$101,261</b>	<b>\$26,592</b>	<b>\$3,550</b>	<b>\$131,403</b>

Note: Numbers may not add due to rounding.

# Summary Charts

## General Fund Expenditures by Agency (Dollars in Millions)

	2005-06	2006-07	Change	%
Legislative, Judicial, Executive	\$3,093	\$3,417	\$324	10.5%
State and Consumer Services	576	576	-	0.0%
Business, Transportation & Housing	1,723	3,029	1,306	75.8%
Resources	1,885	1,826	-59	-3.1%
Environmental Protection	73	88	15	20.5%
Health and Human Services	26,965	29,304	2,339	8.7%
Corrections and Rehabilitation	7,838	8,751	913	11.6%
K-12 Education	37,855	40,510	2,655	7.0%
Higher Education	10,395	11,368	973	9.4%
Labor and Workforce Development	89	99	10	11.2%
General Government	2,238	2,293	55	2.5%
<b>Total</b>	<b>\$92,730</b>	<b>\$101,261</b>	<b>\$8,531</b>	<b>9.2%</b>

Note: Numbers may not add due to rounding.

### Executive Office

**Michael C. Genest**

Director of Finance  
(916) 445-4141

**Vince Brown**

Chief Deputy Director, Budget  
(916) 445-9862

**H.D. Palmer**

Deputy Director, External Affairs  
(916) 323-0648

**Anne Sheehan**

Chief Deputy Director, Policy  
(916) 445-8582

**John Lloyd**

Deputy Director, Legislation  
(916) 445-8610

**Steve Kessler**

Chief Operating Officer  
(916) 445-4923

**Molly Arnold**

Chief Counsel  
(916) 324-4856

### Budget Program Areas

Revenue Forecasting; Economic  
Projections; Demographic Data;  
Business, Transportation, and  
Housing; Local Government . . . . . **Mark Hill, PBM\*** (916) 322-2263

Education . . . . . **Jeannie Oropeza, PBM** (916) 445-0328

Health and Human Services . . . . . **Sue Bost, PBM** (916) 445-6423

Corrections and Rehabilitation, Judicial,  
Justice, General Government,  
State and Consumer Services . . . **Todd Jerue, PBM** (916) 445-8913

Resources, Energy, Environment,  
Capital Outlay, Technology Investment  
Review, Technology Oversight  
and Security . . . . . **Fred Klass, PBM** (916) 324-0043

Employee Relations,  
Retirement Systems,  
Departmental Administration,  
Audits & Evaluations . . . . . **Tom Dithridge, PBM** (916) 445-3274

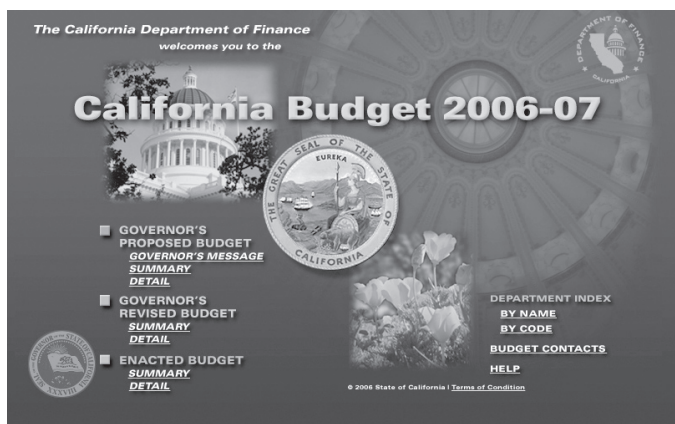
Budget Planning and Preparation,  
Cash Management,  
Statewide Issues,  
CALSTARS, FSCU . . . . **Veronica Chung-Ng, PBM** (916) 445-5332

Budget Systems  
Development Unit . . . . . **Randy Baker, PBM** (916) 445-1777

\*Program Budget Manager



# The California Budget Web Site



**The 2006-07 Enacted State Budget is available on the Internet at: [www.ebudget.ca.gov](http://www.ebudget.ca.gov).**

This web site provides access to the enacted State Budget for 2006-07 as well as to both the Governor's Proposed Budget issued in January 2006, and the Governor's Revised Budget proposal issued in May 2006. Summary and detail information are provided.

This page is purposefully blank to facilitate duplex printing.