

San Joaquin Valley Strategic Action Proposal

The May Revision proposes \$5 million General Fund on a one-time basis to support implementation of the San Joaquin Valley Strategic Action Proposal. Established by Executive Order on June 24, 2005, the California Partnership for the San Joaquin Valley is 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 Executive Order requires preparation of a Strategic Action Proposal to improve the economic well-being and quality of life in the San Joaquin Valley.

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General Government

The General Government Section includes departments, commissions and offices responsible for oversight of distinct policy areas that are not easily consolidated into other oversight areas. These policy areas include ensuring peace officer competency, seismic safety, reasonable public utility rates, food and agriculture, and services to veterans. Additionally, this Section includes issues that are statewide in nature such as lease/revenue issues, bonds, and local government.

Board of Equalization

- 2005-06 -\$7.9 million General Fund, \$1.7 million special funds
- 2006-07 No Change

Workers' Compensation Savings

- The May Revision proposes a decrease of \$108,000 General Fund in 2005-06 to capture anticipated workers' compensation savings.

Window Repairs at BOE Headquarters

- The May Revision proposes a decrease of \$7.8 million General Fund and an increase of \$1.7 million from various special funds for current-year costs associated with repair of the window gaskets on the Board's Sacramento headquarters building. The 2006-07 Governor's Budget proposed \$20 million in current-year funding for the repairs. Upon evaluating the Administration's proposal, the Legislature granted expenditure

authority of \$13.9 million. This adjustment accounts for the difference between the proposed level of funding and the amount approved.

Franchise Tax Board

- 2005-06 \$3.1 million General Fund, and \$5.5 million reimbursements
- 2006-07 No Change

Workers' Compensation Savings

- The May Revision proposes a decrease of \$124,000 General Fund in 2005-06 to capture anticipated workers' compensation savings.

California Child Support Automation System (CCSAS) Carryover Adjustment

- The May Revision proposes an increase of \$3.1 million General Fund and \$5.5 million in reimbursements for the CCSAS project in the current year. This reflects the availability of a like amount of carryover funds from 2004-05. These funds are necessary to ensure the project is completed on a timely basis, and are reflected in previously approved budget documents.

Commission on State Mandates

- 2005-06 No Change
- 2006-07 \$26.142 million General Fund

The May Revision proposes the following adjustments:

Reform State Mandate Reimbursement Process

The May Revision includes an increase of \$270,000 General Fund for a facilitator to lead discussions with state and local officials to reform the state mandate reimbursement process.

Payment for Specified Mandate Claims

An increase of \$4.1 million General Fund and redirection of funds proposed for mandates in the Governor's Budget to:

- Provide \$90.3 million for payment of 2005-06 estimated claims for specified mandates.

- Provide \$5.7 million for newly determined mandates based on updated information.
- Identify, based on the requirements of Proposition 1A, those mandates to be implemented in 2006-07 and funded in 2007-08.

Transfer Funds for Mental Health Services to Special Education Pupils

Transfer \$50 million General Fund to the Department of Mental Health to provide mental health services to special education pupils in the 2006-07 fiscal year.

Repayment of Past Mandate Debt

A net increase of \$71.8 million to reflect a reduction of \$15.1 million to the first year of the 15-year repayment of past mandate debt based on updated information and an increase of \$86.9 million to pay the 2007-08 mandate debt in advance of the required timeline.

Department of Veterans Affairs

- 2005-06 No Change
- 2006-07 \$421,000

The May Revision proposes \$421,000 General Fund to prepare a feasibility report focused on replacing the Veterans Home Information System to better support member care and update technology infrastructure throughout the homes and the Department.

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Assistance to Local Government

The 2006-07 Governor's Budget Summary stated that per-capita revenues for cities were \$1,315 in 2002-03, which represented an increase of \$223 over their 1977-78 per capita revenue level when adjusted to 2002-03 dollars.

After consulting with local government representatives, the Department of Finance agreed to recalculate the per-capita revenue estimates using new parameters. These parameters included considering only city-based population (as opposed to statewide population), using the California All-Urban Consumers CPI of 2.95 as the price deflator (as opposed to the federal Bureau of Labor Statistics' 2.82 percent price deflator), and counting San Francisco as a county, instead of a city.

Using these parameters, Finance identified per-capita revenues for cities as \$1,366 in 2002-03, and \$1,330 in 1977-78. Consequently, under these parameters, per-capita inflation-adjusted revenues for cities increased by \$36 between 1977-78 and 2002-03, instead of the \$223 cited in the 2006-07 Governor's Budget Summary.

Tax Relief

- 2005-06 \$6.6 million
- 2006-07 \$7.7 million

Senior Citizens' Renters' Tax Assistance Program

The May Revision proposes to increase Program funding by \$5.9 million General Fund in both 2005-06 and 2006-07 to match revised participation projections from the Franchise Tax Board.

Senior Citizens' Property Tax Deferral Program

The May Revision proposes to increase Program funding by \$1 million General Fund in 2005-06 and \$2.1 million General Fund in 2006-07 to match revised participation projections from the State Controller's Office.

Local Government Financing

- 2005-06 No Change
- 2006-07 \$42.6 million

Citizens Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) Funding

The May Revision proposes to increase funding for the COPS and JJCPA Programs by a total of \$42.6 million General Fund. Pursuant to statutory requirements, the Administration proposes to divide the augmentation equally between the two programs.

COPS monies are available to police and sheriffs' departments for frontline law enforcement activities, District Attorney operations, and county jail costs. JJCPA funding is available to counties for juvenile crime prevention activities. Both COPS and JJCPA monies are distributed based on population. Regardless of size, however, each city and county is guaranteed a minimum COPS grant of \$100,000 for frontline law enforcement activities.

Local Detention Facility Funds

As part of the May Revision, the Administration proposes statutory language to create a new trust fund in each county for local detention facilities, to ensure local governments have secure and modern facilities in which to house detainees. State grants to these Local Detention Facility Funds of \$40 million per year would be exclusively for the operation, renovation, remodel, reconstruction, and new construction of local detention facilities. Each Fund would be controlled by the county official responsible for local detention facility operations.

The Local Detention Facility Fund grants replaces the booking fees subventions that were provided prior to 2005-06. The 2006-07 Governor's Budget proposed to fund the subventions at \$40 million in 2006-07.

The Administration's proposal replaces booking fees with a "jail access fee", that counties could charge cities and other local law enforcement agencies in specified circumstances. Specifically, the fee could be charged if an agency's bookings into county jails for municipal code violations and misdemeanors (with the exception of arrests for driving under the influence or domestic violence) exceed their previous three-year average, as annually calculated. This will ensure local agencies are able to book arrestees into county jails as necessary, while also ensuring sheriffs' departments are able to recover a portion of their costs if bookings increase.

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Employee Compensation and Retirement

The revised budget includes changes to the state's costs for employee compensation and teacher's retirement.

Augmentation for Employee Compensation

- 2005-06 \$11 million General Fund
- 2006-07 \$81 million General Fund

The Governor's Budget includes funding for salary increases required under current contract obligations for a number of bargaining units, including attorneys, highway patrol, correctional peace officers, safety employees, and engineers. An increase of \$11.3 million from the Motor Vehicle Account is included in the May Revision as a result of a higher than estimated salary increase for Bargaining Unit 5 (Highway Patrol). An increase of \$47.5 million General Fund is required for Bargaining Unit 6 (Correctional Peace Officers) as a result of a revised estimate of their salary increase. Both of these increases are based on the results of the annual highway patrol salary survey. An additional \$8.3 million General Fund is included for health care contributions for two recent bargaining agreements. The Administration is continuing to bargain with the exclusive representatives of the 17 collective bargaining units whose contracts have expired.

A Plata v. Schwarzenegger court order required the state to provide specified compensation increases to health care staff in the Department of Corrections and Rehabilitation, effective

December 1, 2005. The Governor's Budget requested an increase of \$12.2 million General Fund for fiscal year 2005-06 for these costs. Further analysis of the court order's requirements by the Department of Personnel Administration identified additional positions to which the order applies, at a cost of \$11.0 million. In order to maintain staffing levels in the Department of Mental Health the Plata compensation increases were extended to Department of Mental Health level-of-care staff as these employees often work in the same locations as the CDCR health care staff. An increase of \$25.2 million General Fund is requested for 2006-07 to fund pay increases resulting from the Plata court order.

The Department of Personnel Administration (DPA) recently published a preliminary survey of total compensation for a number of benchmark classifications in state civil service. The survey did not include safety or peace officer classifications as they will be surveyed separately. Additionally, the survey includes only limited data from private employers. This preliminary survey showed that, in general, most state classifications lag behind similar classifications in public agencies in California in both salary and total compensation, while comparisons with private employers yielded mixed results. The survey will allow DPA to focus the state's limited employee compensation dollars to achieve the greatest benefit in recruitment and retention of state employees.

As the DPA enters into the next phase of negotiations, it will need to balance the findings from the compensation survey against the continuing structural deficit the state faces. The Department must also remain cognizant of the possibility of new compensation costs being ordered by federal courts, and problems that departments are now facing with "compaction" issues for managers and supervisors. While no additional funding is proposed at this time in order to maintain a level playing field for both sides during the upcoming collective bargaining, the Administration remains committed to recruiting and retaining quality employees, managers, and supervisors.

State Contributions to the State Teachers' Retirement System

- 2005-06 No Change
- 2006-07 -\$121.5 million General Fund

The state's contribution to CalSTRS' retirement benefits is reduced by \$121.5 million due to an error recently discovered in the CalSTRS' accounting system. The error resulted in the

Employee Compensation and Retirement

state contributing more than is required by law in fiscal years 2002-03, 2004-05 and 2005-06. Since the General Fund transfers have already been completed for these fiscal years, the \$121.5 million correction is included as an adjustment to the state's 2006-07 transfer from the General Fund.

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Statewide Issues

This section includes issue(s) that affect multiple departments in various major program areas.

2006-07 State Appropriations Limit Calculation

Pursuant to Article XIII B of the California Constitution, the 2006-07 State Appropriations Limit (SAL) is estimated to be \$72.303 billion. The revised limit is the result of applying the growth factor of 4.96 percent. The revised 2006-07 limit is \$175 million above the \$72.128 billion estimated in January. This increase is due to changes in the following factors:

- Per Capita Personal Income
 - o January Percentage Growth: 3.58
 - o May Revision Percentage Growth: 3.96
- State Civilian Population
 - o January Percentage Growth: 1.37
 - o May Revision Percentage Growth: 1.21
- K-14 Average Daily Attendance
 - o January Percentage Growth: 0.66
 - o May Revision Percentage Growth: 0.60

For SAL purposes, per capita personal income is defined as calendar fourth quarter California personal income, as estimated by the US Bureau of Economic Analysis (BEA), divided by California civilian population, estimated by the California Department of Finance. Since BEA does not release its civilian population estimate until April, the Department of Finance uses its own estimate for the Governor's January Budget. The May Revision reflects the BEA's estimate.

The SAL for 2005-06 does not change since it was statutorily established by Control Section 12.00 of the 2005 Budget Act.

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