



Revised May 22, 2006

## GOVERNOR RELEASES 2006-07 MAY REVISION

The Governor released his revision to the 2006-07 spending plan on May 12, 2006. The revised spending plan reflects a significant improvement in the state's fiscal condition, largely due to higher than anticipated 2005-06 revenue collections. The May Revision proposes to use these revenues to pre-pay debt, boost school spending, increase the state's reserve, and augment spending for various programs. The following update provides a "quick and dirty" summary of key provisions of the May Revision. As additional details become available, the California Budget Project (CBP) will update this document. The CBP will also prepare in-depth analyses of major proposals contained in the budget over the upcoming days and weeks. Please check the CBP website ([www.cbp.org](http://www.cbp.org)) for corrections and additions to this analysis as more information becomes available.

### The Big Picture

The May Revision assumes that combined 2005-06 and 2006-07 revenues will be \$7.5 billion above the level assumed in the Governor's January Budget. The May Revision proposes General Fund expenditures of \$101.0 billion in 2006-07 and assumes revenues, excluding transfers, of \$94.5 billion. The difference would be funded using balances carried forward into the budget year from 2005-06. The May Revision would increase 2005-06 spending by \$2.3 billion over the level provided in the Governor's January Budget. The May Revision spends \$3.1 billion more in 2006-07 than the level assumed in January. In addition, the May Revision spends slightly more than it assumes in revenues in 2005-06. The May Revision's 2006-07 operating deficit of \$6.5 billion, prior to transfers, is larger than the \$5.9 billion resulting from the Governor's January Budget.

The higher than anticipated revenues would be used to:

- **Repay or pre-pay outstanding debt.** The May Revision would repay or pre-pay an additional \$1.572 billion in debt, including \$1 billion toward early repayment of outstanding deficit financing bonds, \$150 million toward outstanding education "settle-up" obligations, and \$87 million toward local government mandate obligations.
- **Increase the budget reserve.** The May Revision would leave \$1.728 billion in the state's reserve at the end of 2006-07, up from \$153 million in the Governor's January Budget. The state would also have \$472 million in the Budget Stabilization Account at the end of 2006-07.
- **Repair levees.** The recently approved public works package included \$500 million for immediate repair and improvement of levees.

- **Increase school spending.** Spending for K-14 education covered by the Proposition 98 guarantee would rise by \$2.9 billion over the two-year period, including a \$2.1 billion increase in 2005-06 and an increase of \$756.8 million in 2006-07. The 2005-06 augmentation is driven by an increase in the minimum guarantee due to significantly higher than anticipated 2005-06 revenue collections. This increase is part of a larger package that would settle litigation related to the 2004-05 suspension of the Proposition 98 guarantee.

The May Revision does not allocate funds for state employee pay increases and sets aside a small reserve to cover costs of modifying the state's CalWORKs Program to help meet new federal work requirements.

## Where Did All That Money Come From?

In brief, a few very wealthy Californians. Press reports note that \$3.9 billion of the higher than expected April personal income tax collections came from just 1,310 tax returns, an average of \$3 million per return. Moreover, nearly \$1 billion came from the 50 largest checks received by the Franchise Tax Board, an average of \$20 million per return. Experts note that payments of this magnitude are likely related to one-time events, such as large stock sales or the profits of owners who take formerly privately-held businesses public. Press reports, for example, note that the founders of California-based Google sold over \$4 billion in stock when that company went public in 2005, resulting in a substantial California tax liability.

The composition of the higher than anticipated revenues is significant, since one-time events do not necessarily translate into a commensurate increase in revenues in future years. The May Revision forecast reflects this. The May forecast estimates that 2005-06 revenues, excluding transfers, will be \$4.8 billion above the level forecast in January, while 2006-07 revenues will increase by just \$2.7 billion. The May Revision assumes that most of the revenue increase (\$3.9 billion in 2005-06 and \$2.2 billion in 2006-07) will come from personal income taxes. The corporate income tax forecast also improves by \$735 million in 2005-06 and \$483 million in 2006-07. Sales tax collections are projected to decrease modestly over the two-year period.

## K-12 Education

The May Revision:

- Reflects an increase of \$2.1 billion in 2005-06 spending covered by the Proposition 98 guarantee relative to the Governor's January proposal. The May Revision also reflects an increase of \$756.8 million in 2006-07 Proposition 98 spending. The current year increase reflects an increase in the minimum guarantee as a result of higher than anticipated 2005-06 revenues.
- Results in an increase of \$239 in 2006-07 Proposition 98 per pupil spending relative to the Governor's January Budget, from \$8,052 to \$8,291. The May Revision also increases 2005-06 per pupil spending by \$350, from \$7,428 to \$7,778, relative to the January level.
- Proposes to settle a lawsuit filed in response to the 2004-05 suspension of the Proposition 98 guarantee. This agreement provides \$3 billion in payments over a number of years. The May Revision proposes to refinance the bonds that securitized the state's tobacco settlement payments in order to fund the initial payments. Experts suggest that refinancing these bonds could require the state to assume a higher rate of risk and that additional bond proceeds may be hard to realize.
- Reflects a reduction of \$209.9 million in 2006-07 revenue limit funding due to a projected enrollment (Average Daily Attendance, ADA) decline of 0.26 percent. The Governor's January Budget assumed an ADA increase of 0.47 percent. The May Revision also reduces 2005-06 revenue limit funding by \$67.3 million due to a decline in ADA of 0.21 percent. However, the May Revision also includes \$235 million in additional 2006-07 revenue limit funding due to an increase in the estimated cost-of-living adjustment (COLA) from the 5.18 percent COLA

assumed in the Governor's January Budget to 5.92 percent. In addition, the May Revision includes \$102.4 million to repay prior obligations due to past reductions in revenue limits, and \$100 million in equalization funds, which are intended to reduce funding disparities between school districts. This results in a net increase of \$233.9 million in revenue limit funding for school districts and county offices of education. Revenue limits provide general-purpose funding for schools.

- Allocates \$200 million to increase the number of school counselors serving students in grades 7 through 12. The May Revision also reflects an increase of \$66 million to expand the Arts and Music Block Grant.
- Includes \$1.4 billion in one-time funding for a variety of purposes including: \$250 million for the purchase of instructional materials; \$250 million for the purchase of art and music equipment and supplies; \$250 million for the purchase of physical education equipment and supplies; \$400 million for classroom supplies and materials; \$75 million for the purchase of school library materials; \$50 million for the purchase of career technical education equipment and materials; \$30 million for supplemental materials for English language learners; \$10 million for a new cohort of Healthy Start planning grants; \$30.4 million for emergency repairs pursuant to the Williams settlement agreement; \$30 million for school garden supplies and equipment; and \$30 million for costs related to state-mandated programs.
- Provides \$37.8 million for the School Nutrition Program – which helps schools serve nutritious meals to students – to support a 6.75 cent increase in the meal rate. In addition, the May Revision includes \$3 million for School Breakfast Startup Grants.
- Reflects an increase of \$25 million for the California High School Exit Exam (CAHSEE) Supplemental Instruction Program relative to the funding provided in the Governor's January Proposed Budget, for a total of \$65 million. The program provides additional instruction to pupils who have failed or are at risk of failing the CAHSEE. Of this amount, \$10 million would be set aside for adult education pupils who have yet to pass the CAHSEE.
- Allocates \$50 million for the first phase of a Targeted Preschool Initiative for 4-year-olds in low-income families living in low performing school districts, defined as districts with Academic Performance Index scores in the lowest three deciles. This initiative includes a family literacy component. The Governor proposes to expand the initiative to \$145 million over three years. The May Revision also allocates \$50 million from the Child Care Facilities Revolving Fund to support the facilities needs of the Targeted Preschool Initiative.
- Restructures Mental Health Services to Special Education Pupils (the AB 3632 program), increases AB 3632 program funding by \$19 million compared to the Governor's January Budget, and transfers \$50 million from the Commission on State Mandates for use in this program. These funds support services provided by county mental health departments that sign agreements with county offices of education to provide mental health services to special education pupils. The restructuring appears to include elements that attempt to improve the services provided to special education pupils.

## Higher Education

The May Revision:

- Reduces 2005-06 funding for the University of California (UC) by \$3.8 million due to lower than anticipated enrollment. The 2005 Budget Act requires unspent enrollment growth to be returned to the state's General Fund.
- Increases 2006-07 funding by \$1 million for both the UC and the California State University (CSU) for one-time faculty recruitment and start-up costs associated with the expansion of graduate and undergraduate nursing programs. This increase is in addition to the \$1.7 million provided in the Governor's January Budget.

## California Community Colleges

The May Revision:

- Increases 2005-06 funding by \$244.4 million, including a \$257.3 one-time augmentation resulting from the increase in the Proposition 98 guarantee. Current year adjustments include an additional \$100 million for deferred maintenance, instructional equipment, and hazardous substance abatement; \$40 million for career technical education; \$23.6 million for one-time costs associated with the implementation of a new funding formula for community colleges; \$500,000 to support the Nursing Education Initiative; and \$77.7 million for a general-purpose block grant to be distributed to community colleges based on the number of full-time equivalent students (FTES).
- Increases total 2006-07 funding by \$80.4 million compared to the Governor's January Budget. This amount includes \$34.9 million to reflect an increase in the cost-of-living adjustment (COLA) from 5.18 percent to 5.92 percent for apportionments and categorical programs; a \$29.5 million increase for deferred maintenance, instructional materials, and hazardous substance abatement costs; and \$1.3 million for the Telecommunications and Technology Services Program.
- Provides additional funding to improve graduation rates (\$24 million), expand the Economic Development program (\$15 million), support remediation programs for high school students who have failed the CAHSEE (\$10 million), expand the apprenticeship instructional program (\$2.5 million), and implement a nursing faculty stipend program (\$1.5 million).
- Includes \$22.3 million for a general-purpose block grant, to be distributed on an FTES basis and to be spent by community colleges for local priorities.
- Provides a \$30 million one-time loan to the Compton Community College District to address financial and accreditation audit issues.

## California Student Aid Commission

The May Revision:

- Projects 2005-06 savings of \$14 million in Cal Grant Entitlement awards.
- Reduces 2006-07 funding by \$14.2 million compared to the Governor's January Budget, including savings of \$14.8 million based on a lower estimate of the number of Cal Grant Entitlement Awards to be issued, and an increase of \$600,000 in funding for a three-year period for a pilot Nurse Education Grant Program for State Agencies.

## Health

The May Revision allocates \$35.0 billion (\$13.8 billion General Fund) for the Medi-Cal Program in 2006-07. This reflects an increase of \$29.7 million in state funds above the January budget proposal. The May Revision:

- Proposes a moderate increase in health coverage to nearly 24,000 uninsured children through county-based children's health initiatives. Currently, approximately 800,000 California children are uninsured. The Governor proposes to spend \$22.8 million in 2006-07 to provide coverage to children ages 6 through 18 who are not eligible for the Medi-Cal or Healthy Families Programs and whose families' incomes are at or below 300 percent of the federal poverty level (\$49,800 for a family of three). The new funding would be one-time in nature and would allow counties to serve children who are on children's health initiatives waiting lists due to limited local funding. Eighteen counties currently have children's health initiatives, and several have waiting lists for their programs.

An Assembly Budget Subcommittee on health approved \$40 million on May 8 to increase the number of children covered through county-based programs.

- Increases payments to Certified Application Assistants (CAAs), who help enroll individuals in the Medi-Cal and Healthy Families Programs. Payments to CAAs would be increased from \$25 to \$50 for successfully re-certifying a beneficiary's eligibility. The May Revision also proposes an additional \$25 incentive payment per successful application filed electronically.
- Provides \$400 million to prepare for public health emergencies. This amount includes \$12.3 million to purchase two mobile field hospitals and related equipment, \$53.3 million to acquire 3.7 million courses of antiviral medicines, \$99.8 million to purchase 7,183 ventilators, \$50.5 million to purchase masks for health care workers, and \$164.4 million to purchase other supplies and equipment.
- Provides rate increases for Medi-Cal managed care plans. The May Revision includes \$65.4 million (\$32.7 million in state funds) to increase Medi-Cal rates paid to managed care plans when the reduction in rates paid to these plans approved by the Legislature as part of the 2003-04 budget agreement expires January 1, 2007. In addition, the Governor proposes to increase rates in 2006-07 for six Medi-Cal health plans based on a recent review of their financial status, at a cost of \$78.1 million (\$39.0 million in state funds), including \$16.9 million in additional funds (\$8.4 million in additional state funds) not included in the May Revision documents.
- Assumes that state funds needed for the Medi-Cal Program in 2005-06 will be \$365.8 million lower than projected in January. The reduced funding level is primarily due to a reduction in the amount that California must pay the federal government related to Medicare prescription drug coverage for beneficiaries who are enrolled in both Medi-Cal and Medicare, and to an increase in expected drug rebates in 2005-06.
- Includes budget trailer bill language to implement a provision in the federal Deficit Reduction Act of 2005 requiring states to document the citizenship of Medi-Cal beneficiaries who declare they are US citizens in order to receive federal Medicaid matching funds. Various organizations, including the California Budget Project, have raised numerous concerns with implementation of the federal requirement. These concerns include ensuring that the state does not deny eligibility to citizen beneficiaries, such as seriously ill aged persons, who may be unable to produce the required documentation, as well as ensuring that applicants and beneficiaries are fully informed about the new requirement.

## **CalWORKs**

The May Revision includes several CalWORKs proposals that respond to the recent reauthorization of the federal Temporary Assistance for Needy Families (TANF) block grant. However, the Administration proposes to maintain state and county maintenance of effort funding at \$2.7 billion in 2006-07, the minimum required by federal law for California to receive its annual TANF block grant of \$3.7 billion. The Deficit Reduction Act of 2005 included the most significant changes to federal welfare policy since Congress established the TANF block grant in 1996. The new law requires California to substantially increase the percentage of CalWORKs families meeting federal work participation requirements starting in October 2006 or face federal penalties. The May Revision:

- Sets aside \$114.6 million in 2006-07 to fund unspecified CalWORKs program improvements in response to TANF reauthorization.
- Sets aside \$40 million in 2006-07 to fund the Pay for Performance Program to provide financial incentives to counties that meet specified outcomes, including increasing the percentage of former CalWORKs participants who have earned income three months after leaving aid.
- Provides \$20 million in 2006-07 to help counties increase the number of individuals participating in welfare-to-work activities. The funds would be awarded competitively.
- Provides \$1.5 million for a "peer review program" to identify and disseminate county best practices for increasing work participation.

In addition, the May Revision:

- Maintains the suspension of the July 2005 and July 2006 cost-of-living adjustments (COLAs) for CalWORKs grants included in the 2005-06 budget agreement, reducing spending by about \$120 million in 2005-06 and \$270 million in 2006-07.
- Continues to withhold the October 2003 CalWORKs COLA, for savings of \$460 million. In 2004, a superior court judge ruled that the COLA denial violated state law and that the Administration must provide the COLA retroactively to October 1, 2003. However, the state appealed the ruling, staying the payments until the appeal is resolved. The Administration assumes the state will win on appeal, thereby avoiding \$336 million in retroactive grant payments in 2006-07 and ongoing grant costs of \$122 million each year for CalWORKs families.

### **Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program**

The May Revision:

- Rescinds the Governor's proposal to delay providing the federal January 2007 COLA for SSI/SSP grants until July 2008 – 15 months longer than the three-month delay included in the 2005-06 budget agreement. As a result, grant levels are estimated to increase from \$836 to \$849 for individuals and from \$1,472 to \$1,491 for couples in April 2007. The SSI/SSP Program helps low-income seniors and people with disabilities meet basic living expenses.
- Maintains the suspension of the state January 2006 and January 2007 COLAs for SSI/SSP grants included in the 2005-06 budget agreement.

### **In-Home Supportive Services (IHSS)**

The May Revision:

- Does not increase the limit up to which the state will contribute toward IHSS workers' wages and benefits. Projected 2006-07 General Fund revenue growth is below the 5 percent level needed to trigger a required increase above the current limit of \$11.10 per hour. However, IHSS workers who are paid at or near the state's minimum wage of \$6.75 per hour would receive a modest increase under the Governor's proposal to raise the state minimum wage by \$1.00 per hour over the next 18 months.
- Provides an increase of \$7.9 million in 2005-06 and \$18.6 million in 2006-07 for 15 counties that increased IHSS wages and/or health benefits since the Governor's Proposed Budget was released in January.

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

The May Revision:

- Provides \$35.5 million (\$10 million General Fund) in 2006-07 to implement the state's federal Title IV-E Child Welfare Waiver Demonstration "Capped Allocation" Project. The waiver would provide a fixed amount of funding for foster care services to up to 20 counties and give participating counties increased flexibility to use these funds for prevention and early intervention services in an attempt to reduce out-of-home care, promote reunification, and improve child and youth well-being.
- Reduces Foster Care funding by \$9.2 million in 2005-06 and \$8.7 million in 2006-07, compared to the Governor's January Budget, to reflect a lower than anticipated caseload growth.
- Allocates \$19.6 million (\$11.9 million General Fund) in 2006-07 to support the expansion of county initiatives to additional counties in order to improve Child Welfare Services Program performance.

- Reduces Child Welfare Services funding by \$1.5 million in 2005-06 and increases funding by \$16.4 million in 2006-07 compared to the Governor's January Budget.
- Provides \$2.1 million in 2006-07 to support the Dependency Drug Court program, which provides intensive drug treatment and court supervision to parents in dependency court cases.

## **Department of Child Support Services**

The May Revision allocates \$25.5 million in 2006-07 for the Child Support Program to "resolve child support arrears created by a payment processing change implemented by the state", according to a Senate staff analysis.

## **Public Works Bond Package**

The Governor's January Budget included a 10-year, \$222.6 billion public works plan to be funded through future general obligation (GO) bonds and various other funds. Early on the morning of Friday, May 5, the Legislature passed a \$37.3 billion GO bond package for public works to be placed on the November 2006 ballot. The final package includes four distinct bond measures, as well as several other measures discussed below. The title and summary for each bond measure, which are customarily written by the Attorney General's office, are included in the language for each bill, as well as the order in which the measures will appear on the ballot.

The bond package approved by the Legislature includes:

- \$19.9 billion for transportation projects (SB 1266);
- \$2.9 billion for housing and housing-related spending (SB 1689);
- \$10.4 billion for K-12 (\$7.3 billion) and higher education (\$3.1 billion) (AB 127); and
- \$4.1 billion for flood control (AB 140).

According to a legislative analysis, the estimated repayment for all four bonds would be \$2.3 billion per year over a 30-year period, assuming a 6 percent interest rate.

The legislative package also includes:

- AB 142 (Núñez), which provides \$500 million for levee repairs to address sites referenced in the Governor's Executive Order S-01-06 of March 6, 2006;
- AB 1039 (Núñez), which provides California Environmental Quality Act (CEQA) exemptions in order to expedite specified transportation and levee repair projects; and
- AB 1467 (Núñez), which authorizes four public-private partnership projects (primarily for goods movement improvements such as exclusive truck lanes) and up to four high-occupancy toll (HOT) lane projects (both public-private partnerships and HOT lanes were included in the Governor's proposal). These projects, two each in Northern California and Southern California, would be selected by the California Transportation Commission (CTC) from projects nominated by the state Department of Transportation (CalTrans) and regional transportation agencies; the Legislature would provide final approval after a public hearing process.

Finally, the legislative package includes SCA 7 (Torlakson, Resolution Chapter 49 of 2006), a constitutional amendment limiting the circumstances under which Proposition 42 can be suspended. Proposition 42, approved by voters in November 2002, requires an annual transfer of revenues from sales taxes paid on gasoline from the General Fund to the Traffic Congestion Relief Program to fund state and local transportation projects. The

Proposition 42 transfers from the General Fund were partially or fully suspended from 2001-02 through 2004-05. The new measure will appear on the ballot as Proposition 1A.

AB 143 (Núñez), which authorizes the CTC to select 10 “design-build” projects, was approved by the Senate but not the Assembly. “Design-build” is a procurement method which has not traditionally been used by the state but was proposed by the Governor in January.

Two other GO bond measures are currently scheduled to go before the voters in 2006:

- A measure authorizing \$600 million in GO bonds for construction and renovation of public libraries (Proposition 81 on the June 2006 ballot). The Legislative Analyst’s Office estimates debt service costs at \$1.2 billion over 30 years, or about \$40 million per year.
- A measure authorizing \$9.95 billion in GO bonds for high-speed rail. Legislation passed in 2002 provided for the measure to be submitted to the voters in 2004; subsequent legislation postponed it to November 2006. In January, the Governor proposed to postpone the vote indefinitely. AB 713 (Torrico), scheduled to be heard in the Senate Transportation and Housing Committee on May 16, would postpone the measure to the November 2008 ballot.

## **State Employees and State Operations**

The May Revision:

- Does not assume any costs or savings from renewing outstanding contracts with state workers. Approximately 90 percent of state employees are working under contracts that either have expired or will expire near the beginning of 2006-07. Salaries have not been increased for most state civil service employees since 2004-05, and a survey by the Department of Personnel Administration, which negotiates contracts with unions representing state workers, indicates that salaries of state workers are lower than those of other public sector workers in the state across nearly all classifications examined. The Legislative Analyst’s Office estimates that each 1 percent salary increase for these employees would cost \$120 million (\$65 million General Fund). Recent salary increases have ranged from 4.0 percent to 5.5 percent.
- Reduces the state’s contribution to the State Teachers’ Retirement System (CalSTRS) for 2006-07 by \$121.5 million due to an accounting error that caused the state to contribute more than was necessary in 2002-03, 2004-05, and 2005-06.

## **Housing**

The May Revision proposes to:

- Provide up to \$75 million in Proposition 63 funds to build housing for chronically homeless mentally ill individuals and their families as part of the Governor’s Initiative to End Long-Term Homelessness. Proposition 63, approved by voters in November 2004, imposed an additional 1 percent tax rate on individuals’ taxable income over \$1 million to provide dedicated funding to expand mental health services. The Administration proposes to use these funds to leverage an estimated \$4.5 billion in other funding sources.

On May 5, the Legislature approved a \$2.9 billion GO bond measure for housing programs to be placed on the November 2006 ballot; see the “Public Works Bond Package” section above for more details on this agreement.

## **Transportation**



The May Revision:

- Maintains the January proposal to repay a \$920 million outstanding Proposition 42 loan to the General Fund due in 2007-08.
- Proposes to shift revenues from a portion of the sales tax on gasoline (so-called “spillover” revenues) to a new fund dedicated to paying a portion of the debt service on existing and new transportation bonds. The 2005-06 budget agreement specified that, in 2006-07, the first \$200 million of spillover revenues would be retained in the General Fund, the next \$125 million would go the Bay Bridge seismic retrofit project, and any remaining revenues would be transferred to the Public Transportation Account (PTA). Under the May Revision, \$125 million in spillover revenues would go to the Bay Bridge seismic retrofit project and all remaining spillover revenues (roughly \$545 million) would go toward debt service on transportation bonds.
- Proposes to further delay anticipated bond proceeds backed by Indian gaming revenues, due to delays caused by litigation. The 2004-05 budget agreement provided that the state would issue a \$1.2 billion bond to be repaid out of tribal gaming proceeds; the proceeds of the bond would be used to repay amounts the state has borrowed from transportation funds. The 2005-06 budget agreement reduced the anticipated amount to \$1 billion.
- Proposes \$18.8 million for the Department of Motor Vehicles (DMV) to help implement the federal Real ID Act. This Act requires that beginning in 2008, all individuals who live or work in the US must have a federally-approved ID card in order to travel on an airplane, collect Social Security, or obtain any federal services. Currently, 24 million individuals hold driver licenses and ID cards in California; all of these individuals will have to go the DMV in person to get new cards.

On May 5, the Legislature approved a \$19.9 billion general obligation bond measure for transportation projects to be placed on the November 2006 ballot; see the “Public Works Bond Package” section above for more details on this agreement.

## **Environmental Protection**

The May Revision provides an additional \$500,000, for a total of \$7.7 million, to implement greenhouse gas emission reduction strategies. The additional funding will be directed into the Air Pollution Control Fund to evaluate options for a mandatory emissions reporting program.

## **Resources**

The May Revision:

- Allocates \$100 million to local flood control agencies as payment toward outstanding claims for water channel improvement and levee projects.
- Allocates \$50 million for several environmental protection, conservation, and restoration activities.
- Transfers \$19.9 million to the Fish and Game Preservation Fund.
- Provides \$3 million to meet fish hatchery production goals mandated by law.
- Provides an additional \$2.6 million, for a total of \$3.5 million, to begin planning for the second phase of implementation of the 1999 Marine Life Protection Act.

## **Public Safety**

The May Revision:

- Increases funding for the California Department of Corrections and Rehabilitation (CDCR) by \$45.9 million in 2005-06 and \$219.6 million in 2006-07 above the Governor's January proposal, including \$43.7 million in 2005-06 and \$142 million in 2006-07 to reflect projected increases in inmate populations.
- Allocates \$222.6 million to pay for costs associated with various court cases regarding inmate health care, including improvements for recruitment and hiring of health care personnel as required by the Plata v. Schwarzenegger lawsuit; implementation of Mental Health Program requirements ordered by the Coleman v. Schwarzenegger lawsuit; hiring of additional dental staff to comply with the Perez v. Hickman lawsuit; and adequately staffing the Division of Correctional Health Care Services to meet various court orders. The May Revision also creates a new budget line item to track Correctional Health Care Program funding for the Plata v. Schwarzenegger lawsuit.
- Increases salaries for psychiatrists and other health care personnel in the CDCR and Department of Mental Health (DMH) to meet the requirements of the Coleman v. Schwarzenegger and Plata v. Schwarzenegger lawsuits.
- Provides \$6.1 million to increase teacher salaries at youth correctional facilities according to the new bargaining agreement between the California Education Authority and the state. This increase aims to improve teacher recruitment and retention, as required by the Farrell v. Hickman lawsuit.
- Allocates \$1 million in 2006-07 to pay for costs incurred by the compliance audit for the Valdivia Remedial Plan, which aims to reform the parole revocation process. The May Revision also proposes \$6.7 million for legal representation of victims and witnesses at parole revocation hearings.
- Provides \$10 million to continue funding local entities for costs associated with prosecuting inmate crime and housing state inmates.
- Allocates an additional \$20 million in 2006-07 on a regional basis to strengthen the methamphetamine eradication efforts of the California Multijurisdictional Methamphetamine Enforcement Team (CAL-MMET).
- Proposes \$50 million for the Mentally Ill Offender Crime Reduction Grant Program, which awards competitive grants for projects aimed at reducing recidivism among mentally ill offenders.
- Proposes \$19.5 million to restore training programs eliminated in the 2003 Budget Act for local sheriffs' deputies and probation officers who work in jails and juvenile halls.

## Local Government

The May Revision:

- Proposes to increase funding for the Citizens Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) Programs by \$21.3 million each in 2006-07.
- Revises the current "booking fee" payment structure, whereby the state reimburses cities and special districts for fees paid to counties for booking inmates into county jails. The Governor proposes to eliminate state booking fee reimbursements and redirect \$40 million in state funds in 2006-07 to fund local detention facilities. Counties could continue to charge booking fees to cities and other local law enforcement agencies under certain circumstances.
- Pre-pays in 2006-07 an additional \$87 million for the cost of unfunded mandates to local governments (not including school districts).
- Provides an additional \$14 million to the California State Library. The Governor allocates \$7 million to the Public Library Foundation (PLF) program to increase base support for local libraries. The remaining \$7 million would help cover local libraries' costs of sharing their materials with other libraries.

## Energy

The May Revision includes an additional \$2.9 million, for a total of \$12.8 million, to implement the Telecommunications Consumer Bill of Rights, which was adopted by the Public Utilities Commission (PUC) on March 2, 2006. The Bill of Rights includes provisions that protect consumers against fraud and help consumers make informed decisions about telecommunications services.