

2009 Budget Act Package

February 20, 2009

**2009 Budget Act
General Fund Update**
(Dollars in Millions)

	<u>2008-09</u>	<u>2009-10</u>
Prior Year Balance	\$2,375.7	-\$2,434.8
Revenues and Transfers	<u>\$89,373.2</u>	<u>\$97,728.5</u>
Total Resources Available	\$91,748.9	\$95,293.7
Non-98 Expenditures	\$59,148.1	\$51,641.7
Prop-98 Expenditures	\$35,035.6	\$40,523.6
	<u> </u>	<u> </u>
Total Expenditures	\$94,183.7	\$92,165.3
 Fund Balance	 -\$2,434.8	 \$3,128.4
 Budget Reserves:		
<i>Reserve for Liquidation of Encumbrances</i>	\$1,079.4	\$1,079.4
<i>Special Fund for Economic Uncertainties</i>	-\$3,514.2	\$2,049.0
Budget Stabilization Account	\$0.0	\$0.0
Total Reserve (SFEU and BSA)	-\$3,514.2	\$2,049.0

How to Solve the Budget Gap

(Dollars in Millions)

Budget Gap as of Governor's Budget			-\$41,559	
	2008-09	2009-10		
Expenditure Solutions	\$6,725	\$8,129	14,854	36%
Revenue Increases	1,534	10,980	12,514	30%
Federal Stimulus Funds	2,730	5,150	7,880	19%
Borrowing	268	5,135	5,404	13%
Vetoed		957	957	2%
Increase from Target Reserve of \$2 billion		-49	-49	0%
Total	\$11,257	\$30,303	\$41,559	100%

General Fund Solutions included in 2009-10 Budget Package

(Dollars in Millions)

Impact on Reserve

Issue Title			2008-09 and prior	2009-10	2 year total
EXPENDITURE SOLUTIONS					
1	Judicial Branch: Reduction Equivalent to 2008-09 Restorations—An unallocated reduction equal to the amount restored from 2008-09 one-time reductions and fund shifts.	N98	\$0.0	\$109.3	\$109.3
2	OPR: Eliminate Cesar Chavez Day Grants—Would reduce grants in 2008-09 and eliminate on an ongoing basis.	N98	1.5	2.5	4.0
3	SCO Reduction for Furniture	N98	0.0	1.0	1.0
4	Corrections and Rehabilitation: Reduction to Medical Budget—A ten percent unallocated reduction to the Receiver's Medical Services Program budget.	N98	0.0	180.8	180.8
5	Developmental Services: 3-Percent Reduction for Regional Center Service Provider Payments and Operations	N98	24.6	60.2	84.8
6	Developmental Services: An additional 7.1% Reduction for Regional Center Service Provider Payments	N98	0.0	100.0	100.0
7	CalWORKs: Suspend July 2009 CalWORKs COLA	N98	0.0	79.1	79.1
8	SSI/SSP: Suspend June 2010 SSI/SSP State COLA	N98	0.0	27.0	27.0
9	SSI/SSP: No federal SSI COLA pass-through	N98	79.8	487.3	567.1
10	Prop. 98: Reductions	P98	5,646.5	2,955.2	8,601.7
11	Prop. 98: Fund at CY minimum	P98	746.9	-36.1	710.8
12	Prop. 98: PTA/MTF shift for home to school transportation	N98	-618.7	-272.0	-890.7
13	Higher Education: Reduce to 10 percent across the board funding	N98	132.2	132.2	264.4
14	Public Transit: Suspend State Funding for Local Transit Agencies for 5 years	N98	153.2	306.4	459.6
15	Tax Expenditure: Senior Citizens' Property Tax Deferral Program	N98	6.5	32.0	38.5
16	Local Public Safety Grant Fund Shift—Shift funding for various local public safety grants from the General Fund to Vehicle License Fee revenues.	N98	106.8	0.0	106.8

General Fund Solutions included in 2009-10 Budget Package

(Dollars in Millions)

Impact on Reserve

Issue Title		2008-09 and prior	2009-10	2 year total	
17	Statewide: Employee Compensation Changes - Furloughs, Overtime and holidays	N98	333.4	833.9	1,167.3
18	Eliminate funding for various lower priority capital projects	N98	0.0	50.0	50.0
19	Deletion of Various BCPs/Issues without Prejudice	N98	0.0	69.7	69.7
20	Statewide: Eliminate price increase for state agencies	N98	0.0	135.8	135.8
21	Recognize debt service savings as a result of lower than anticipated General Obligation Bond sales	N98	0.0	200.0	200.0
22	Judicial Branch: Reduction Equivalent to Trial Court and Judiciary Growth Adjustments—This is an unallocated reduction equal to the amounts provided for trial court SAL and workload growth in the state-level judiciary.	N98	\$0.0	\$36.7	\$36.7
23	Judicial Branch: Delay funding for Conservatorship Program—This would delay implementation of the Conservatorship Program for one year.	N98	0.0	17.4	17.4
24	Governor's Office: Eliminate Annual Growth Adjustment—This would eliminate the annual growth adjustment provided to the Governor's Office.	N98	0.0	0.2	0.2
25	CalTrans: Redirect tribal revenues to General Fund	R	100.8	100.8	201.6
26	Medi-Cal: Suspend July 2009 County Administration COLA	N98	0.0	24.7	24.7
27	Prop. 63: Fund EPSDT Programs with Prop 63 funds (Temporary)	N98	0.0	226.7	226.7
28	Prop. 10: Sweep State Commission balances, redirect 50 percent of state and local funds to children's programs through 2013-14	N98	0.0	608.0	608.0
29	CalWORKs: Suspend Funding for Pay-for-Performance Incentive Program	N98	0.0	40.0	40.0
30	CalWORKs: LEADER Replacement Project Delay	N98	0.0	14.6	14.6
31	Child Support: Defer automation project	N98	0.0	36.1	36.1
32	Higher Ed: Eliminate UC and CSU compact funding	N98	0.0	427.6	427.6

General Fund Solutions included in 2009-10 Budget Package

(Dollars in Millions)

Impact on Reserve

Issue Title		2008-09 and prior	2009-10	2 year total
33	Higher Ed: Reduce Cost for Start-up of Retirement Contributions to UC Retirement Fund	N98	0.0	95.7
34	Statewide: Defer 2009-10 Payment of 15-Yr Payment Plan	N98	0.0	91.0
35	Switch funding for Department of Parks and Recreation's ADA compliance program from General Fund to bond funds	N98	11.0	8.0
	Trigger Cuts			
36	Judicial Branch: Unallocated reduction to Courts (one-time)—This is a one-time unallocated reduction to the Trial Courts	N98	\$0.0	\$100.0
37	Medi-Cal: Eliminate certain optional benefits and reduce reimbursement rates for public hospitals by 10 percent	N98	0.0	183.6
38	CalWORKs: 4% grant reduction	N98	0.0	146.9
39	SSI/SSP: Reduce grants by 2.3% (\$20/m ind and \$35/m couples)	N98	0.0	267.8
40	IHSS: (1) Cap for wages at \$9.50 per hour plus up to \$0.60 for benefits and (2) prospective share-of-cost proposal	N98	0.0	78.0
41	Higher Ed: Additional reduction	N98	0.0	100.0
42	Judicial Branch: Reject proposal for new judgeships—This would eliminate funding for the second and third sets of 50 judges.	N98	0.0	71.4
	Total, Expenditure Reductions		\$6,724.5	\$8,129.5
	FEDERAL STIMULUS MONEYS			
	Federal Stimulus Moneys (via CS 8.30)	N98	2,730.3	5,149.6
	Total, Federal Stimulus Moneys (via CS 8.30)		\$2,730.3	\$5,149.6

General Fund Solutions included in 2009-10 Budget Package

(Dollars in Millions)

Impact on Reserve

Issue Title			2008-09 and prior	2009-10	2 year total
BORROWING					
44	Proceeds of a lottery securitization to offset General Fund expenditures	N98 /P98	0.0	5,001.0	5,001.0
45	Special Funds: Transfers from Various Special Funds	R	34.2	40.0	74.2
46	Special Funds: Loans from Various Special Funds	R	234.0	94.4	328.4
Total, Borrowing			\$268.2	\$5,135.4	\$5,403.6
REVENUES					
47	VLF for Law Enforcement @.15% exempting CVRA trucks	R	\$102.3	\$499.6	\$601.9
48	Sales tax: 1 cent increase	R/N98	1,202.7	4,553.1	5,755.8
49	VLF: Increase to 1% exempting CVRA trucks	R	243.6	1,192.8	1,436.4
50	0.125% Personal Income Tax Surcharge	R	0.0	1,829.0	1,829.0
51	0.125% Personal Income Tax Surcharge -Federal Trigger	R	0.0	1,829.0	1,829.0
52	PIT: Reduce Dependent Credit to Personal Credit Amount Beginning in 2009 tax year	R	0.0	1,440.0	1,440.0
53	Single Sales Factor Apportionment--Beg. 1/1/2011	R	0.0	0.0	0.0
54	Film Credit--Allocations begin 7/1/2011	R	0.0	0.0	0.0
55	Hiring and Retention Credits--Effective 2009 and 2010 tax years	R	-15.0	-330.0	-345.0
56	New House Purchase Credits - Available from March 1, 2009 to March 1, 2010	R	0.0	-33.3	-33.3
Total, Revenues			\$1,533.6	\$10,980.2	\$12,513.8
Total Solutions before Vetoes			\$11,256.6	\$29,394.7	\$40,651.3

Vetoos
2009 Budget Act
(Dollars in Millions)

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1 Lieutenant Governor	\$1.734	\$0.000	\$1.734
2 Justice	23.661	24.235	\$47.896
3 State Controller	4.712	6.396	\$11.108
4 Department of Insurance	0.000	23.980	\$23.980
5 Board of Equalization	9.944	3.512	\$13.456
6 Secretary of State	1.271	2.165	\$3.436
7 State Treasurer	0.578	0.247	\$0.825
8 Department of Transportation	0.000	275.000	\$275.000
9 Corrections and Rehabilitation	400.000	0.000	\$400.000
10 Department of Education	5.270	12.099	\$17.369
11 CSU (swap with Federal Stimulus moneys)	255.000	0.000	\$255.000
12 UC (swap with Federal Stimulus moneys)	255.000	0.000	\$255.000
	<u>\$957.170</u>	<u>\$347.634</u>	<u>\$1,304.804</u>

State of California
Governor's Office

Item 0110-001-0001—For support of Senate

I am not reducing the Legislature's budget to reflect the \$24.9 million in cuts included in my proposed budget. While I am not reducing the Legislature's budget, I expect the Legislature to achieve savings that equal 10 percent of their budget, by taking action to offset General Fund expenditures in state programs and other areas of the budget.

Item 0120-011-0001—For support of Assembly

I am not reducing the Legislature's budget to reflect the \$24.9 million in cuts included in my proposed budget. While I am not reducing the Legislature's budget, I expect the Legislature to achieve savings that equal 10 percent of their budget, by taking action to offset General Fund expenditures in state programs and other areas of the budget.

I object to the following appropriations contained in Senate Bill 1 Third Extraordinary Session.

Item 0750-001-0001—For support of Office of the Lieutenant Governor. I reduce this item from \$2,778,000 to \$1,044,000.

I am reducing the Lieutenant Governor's budget by \$1,734,000 to ensure that sufficient resources are reserved for key programs within state government. In these tough times, we cannot continue to fund the Office of the Lieutenant Governor at the level provided in recent years.

Item 0820-001-0001—For support of Department of Justice. I reduce this item from \$369,594,000 to \$345,933,000 by reducing:

- (8) Amount payable from the Fingerprint Fees Account (Item 0820-001-0017) from -\$70,079,000 to -\$66,615,000;
- (10) Amount payable from the Motor Vehicle Account, State Transportation Fund (Item 0820-001-0044) from -\$25,109,000 to -\$23,834,000;
- (11) Amount payable from the Department of Justice Sexual Habitual Offender Fund (Item 0820-001-0142) from -\$2,321,000 to -\$2,218,000;
- (15) Amount payable from the Indian Gaming Special Distribution Fund (Item 0820-001-0367) from -\$15,636,000 to -\$14,080,000;
- (16) Amount payable from the False Claims Act Fund (Item 0820-001-0378) from -\$10,657,000 to -\$10,090,000;
- (17) Amount payable from the Dealers' Record of Sale Special Account (Item 0820-001-0460) -\$10,787,000 to -\$9,907,000;
- (19) Amount payable from the Gambling Control Fund (Item 0820-001-0567) from -\$8,050,000 to -\$7,271,000;

- (21) Amount payable from the Federal Trust Fund (Item 0820-001-0890) from -\$41,174,000 to -\$37,914,000;
- (25) Amount payable from the Missing Persons DNA Data Base Fund (Item 0820-001-3016) from -\$3,765,000 to -\$3,376,000;
- (26) Amount payable from the Public Rights Law Enforcement Special Fund (Item 0820-001-3053) from -\$5,957,000 to -\$5,615,000;
- (27) Amount payable from the Ratepayer Relief Fund (Item 0820-001-3061) from -\$5,463,000 to -\$4,896,000;
- (28) Amount payable from the DNA Identification Fund (Item 0820-001- 3086) from -\$32,144,000 to -\$29,267,000;
- (29) Amount payable from the Unfair Competition Law Fund (Item 0820-001-3087) from -\$3,475,000 to -\$3,247,000;
- (31) Amount payable from the Legal Services Revolving Fund (Item 0820-001-9731) from -\$122,601,000 to -\$114,653,000;

and by adding:

97.20.001-Unallocated Reduction -\$47,896,000.

I am reducing this appropriation by 10 percent of the Attorney General's personal services budget which reflects the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays. I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0820-001-0017—For support of Department of Justice. I reduce this item from \$70,079,000 to \$66,615,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0044—For support of Department of Justice. I reduce this item from \$25,109,000 to \$23,834,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0142—For support of Department of Justice. I reduce this item from \$2,321,000 to \$2,218,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0367—For support of Department of Justice. I reduce this item from \$15,636,000 to \$14,080,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0378—For support of Department of Justice. I reduce this item from \$10,657,000 to \$10,090,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0460—For support of Department of Justice. I reduce this item from \$10,787,000 to \$9,907,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0567—For support of Department of Justice. I reduce this item from \$8,050,000 to \$7,271,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-0890—For support of Department of Justice. I reduce this item from \$41,174,000 to \$37,914,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3016—For support of Department of Justice. I reduce this item from \$3,765,000 to \$3,376,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3053—For support of Department of Justice. I reduce this item from \$5,957,000 to \$5,615,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3061—For support of Department of Justice. I reduce this item from \$5,463,000 to \$4,896,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3086—For support of Department of Justice. I reduce this item from \$32,144,000 to \$29,267,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-3087—For support of Department of Justice. I reduce this item from \$3,475,000 to \$3,247,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0820-001-9731—For support of Department of Justice. I reduce this item from \$122,601,000 to \$114,653,000.

I am reducing this item to conform to the action I have taken in Item 0820-001-0001.

Item 0840-001-0001—For support of the Controller. I reduce this item from \$56,976,000 to \$52,264,000 by reducing:

- (1) 100000-Personal Services from \$111,076,000 to \$99,968,000;
- (3) Reimbursements from -\$51,348,000 to -\$48,353,000;
- (4) Amount payable from the Motor Vehicle Fuel Account, Transportation Tax Fund (Item 0840-001-0061) from -\$4,149,000 to -\$3,907,000;
- (5) Amount payable from the Highway Users Tax Account, Transportation Tax Fund (Item 0840-001-0062) from -\$1,184,000 to -\$1,115,000;
- (6) Amount payable from the Local Revenue Fund (Item 0840-001-0330) from -\$600,000 to -\$565,000;
- (7) Amount payable from the Federal Trust Fund (Item 0840-001-0890) from -\$813,000 to -\$766,000;
- (8) Amount payable from the State Penalty Fund (Item 0840-001-0903) from -\$1,332,000 to -\$1,254,000;
- (9) Amount payable from the Unclaimed Property Fund (Item 0840-001-0970) from -\$28,250,000 to -\$26,602,000;
- (10) Amount payable from various other unallocated nongovernmental cost funds (Retail Sales Tax Fund) (Item 0840-001-0988) from -\$242,000 to -\$228,000;
- (11) Amount payable from the 2006 State School Facilities Fund (Item 0840-001-6057) from -\$978,000 to -\$921,000;
- (12) Amount payable from the Central Service Cost Recovery Fund (Item 0840-001-9740) from -\$19,098,000 to -\$17,984,000;
- (13) Amount payable from other unallocated special funds (Item 0840-011-0494) from -\$96,000 to -\$90,000;
- (14) Amount payable from unallocated bond funds (Item 0840-011-0797) from -\$631,000 to -\$594,000;
- (15) Amount payable from various other unallocated nongovernmental cost funds (Item 0840-011-0988) from -\$90,000 to -\$85,000;
- (16) Amount payable from the Public Transportation Account, State Transportation Fund (Section 25.50) from -\$18,000 to -\$17,000;
- (17) Amount payable from the Highway Users Tax Account, Transportation Tax Fund (Section 25.50) from -\$289,000 to -\$272,000;

- (18) Amount payable from the Motor Vehicle License Fee Account, Transportation Tax Fund (Section 25.50) from -\$16,000 to -\$15,000;
- (20) Amount payable from the Trial Court Trust Fund (Section 25.50) from -\$165,000 to -\$155,000;
- (22) Amount payable from the Public Safety Account, Local Public Safety Fund (Section 25.50) from -\$255,000 to -\$240,000; and
- (23) Amount payable from the Local Revenue Fund (Section 25.50) from -\$95,000 to -\$90,000.

I am reducing this appropriation by 10 percent of the State Controller's personal services budget which reflects the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays. I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0840-001-0061—For support of the Controller. I reduce this item from \$4,149,000 to \$3,907,000.

I am reducing this item by \$242,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0062—For support of the Controller. I reduce this item from \$1,184,000 to \$1,115,000.

I am reducing this item by \$69,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0330—For support of the Controller. I reduce this item from \$600,000 to \$565,000.

I am reducing this item by \$35,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0890—For support of the Controller. I reduce this item from \$813,000 to \$766,000.

I am reducing this item by \$47,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0903—For support of the Controller. I reduce this item from \$1,332,000 to \$1,254,000.

I am reducing this item by \$78,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0970—For support of the Controller. I reduce this item from \$28,250,000 to \$26,602,000.

I am reducing this item by \$1,648,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-0988—For support of the Controller. I reduce this item from \$242,000 to \$228,000.

I am reducing this item by \$14,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-6057—For support of the Controller. I reduce this item from \$978,000 to \$921,000.

I am reducing this item by \$57,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-001-9740—For support of the Controller. I reduce this item from \$19,098,000 to \$17,984,000.

I am reducing this item by \$1,114,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-011-0494—For support of the Controller. I reduce this item from \$96,000 to \$90,000.

I am reducing this item by \$6,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-011-0797—For support of the Controller. I reduce this item from \$631,000 to \$594,000.

I am reducing this item by \$37,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0840-011-0988—For support of the Controller. I reduce this item from \$90,000 to \$85,000.

I am reducing this item by \$5,000 to conform to the action I have taken in Item 0840-001-0001.

Item 0845-001-0217—For support of Department of Insurance. I reduce this item from \$174,200,000 to \$156,780,000 by adding:

97.20.001-Unallocated Reduction -\$17,420,000.

While the budget bill provides for a modest reserve, constitutional requirements, federal law and court required payments drive the majority of spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently, I am taking the action reflected in this veto to further control state spending.

Item 0845-101-0217 – For local assistance, Department of Insurance. I reduce this item from \$65,601,000 to \$59,041,000 by adding:

97.20.001-Unallocated Reduction -6,560,000.

While the budget bill provides for a modest reserve, constitutional requirements, federal law and court required payments drive the majority of spending in any budget, and limit my ability to reduce spending. As a result, I have an obligation to reduce spending when my veto power is adequate to do so. Consequently, I am taking the action reflected in this veto to further control state spending.

Item 0860-001-0001—For support of State Board of Equalization. I reduce this item from \$255,493,000 to \$245,549,000 by reducing:

- (1) 100000-Personal Services from \$340,997,000 to \$327,541,000;
- (4) Amount payable from the Breast Cancer Fund (Item 0860-001-0004) from -\$696,000 to -\$662,000;
- (5) Amount payable from the State Emergency Telephone Number Account (Item 0860-001-0022) from -\$1,527,000 to -\$1,459,000;
- (6) Amount payable from the Motor Vehicle Fuel Account, Transportation Tax Fund (Item 0860-001-0061) from -\$22,636,000 to -\$21,068,000;
- (7) Amount payable from the Occupational Lead Poisoning Prevention Account (Item 0860 001-0070) from -\$736,000 to -\$668,000;
- (8) Amount payable from the Childhood Lead Poisoning Prevention Fund (Item 0860-001-0080) from -\$513,000 to -\$479,000;
- (9) Amount payable from the Cigarette and Tobacco Products Surtax Fund (Item 0860-001-0230) from -\$8,727,000 to -\$8,385,000;
- (10) Amount payable from the Oil Spill Prevention and Administration Fund (Item 0860-001-0320) from -\$264,000 to -\$230,000;
- (11) Amount payable from the Integrated Waste Management Account, Integrated Waste Management Fund (Item 0860-001-0387) from -\$477,000 to -\$409,000;
- (12) Amount payable from the Underground Storage Tank Cleanup Fund (Item 0860-001-0439) from -\$3,338,000 to -\$3,133,000;
- (14) Amount payable from the California Children and Families First Trust Fund (Item 0860-001-0623) from -\$15,171,000 to -\$14,523,000;
- (17) Amount payable from the Gas Consumption Surcharge Fund (Item 0860-001-3015) from -\$670,000 to -\$636,000;
- (18) Amount payable from the Water Rights Fund (Item 0860-001-3058) from -\$431,000 to -\$397,000;
- (19) Amount payable from the Electronic Waste Recovery and Recycling Account (Item 0860-001-3065) from -\$4,742,000 to -\$4,401,000; and
- (20) Amount payable from the Cigarette and Tobacco Products Compliance Fund (Item 0860-001-3067) from -\$682,000 to -\$648,000.

I am reducing this appropriation to reflect savings in the Board of Equalization's budget which would normally be expected to occur as a result of the state employee furloughs I ordered, net of the tentative bargaining agreements reached with Units 1, 3, 4, 11, 14, 15, 17, 20 and 21. Because the Board of Equalization has declined to participate in the furloughs, I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0860-001-0004—For support of State Board of Equalization. I reduce this item from \$696,000 to \$662,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0022—For support of State Board of Equalization. I reduce this item from \$1,527,000 to \$1,459,000.

I am reducing this item by \$68,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0061—For support of State Board of Equalization. I reduce this item from \$22,636,000 to \$21,068,000.

I am reducing this item by \$1,568,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0070—For support of State Board of Equalization. I reduce this item from \$736,000 to \$668,000.

I am reducing this item by \$68,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0080—For support of State Board of Equalization. I reduce this item from \$513,000 to \$479,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0230—For support of State Board of Equalization. I reduce this item from \$8,727,000 to \$8,385,000.

I am reducing this item by \$342,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0320—For support of State Board of Equalization. I reduce this item from \$264,000 to \$230,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0387—For support of State Board of Equalization. I reduce this item from \$477,000 to \$409,000.

I am reducing this item by \$68,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0439—For support of State Board of Equalization. I reduce this item from \$3,338,000 to \$3,133,000.

I am reducing this item by \$205,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-0623—For support of State Board of Equalization. I reduce this item from \$15,171,000 to \$14,523,000.

I am reducing this item by \$648,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-3015—For support of State Board of Equalization. I reduce this item from \$670,000 to \$636,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-3058—For support of State Board of Equalization. I reduce this item from \$431,000 to \$397,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-3065—For support of State Board of Equalization. I reduce this item from \$4,742,000 to \$4,401,000.

I am reducing this item by \$341,000 to conform to the action taken in Item 0860-001-0001.

Item 0860-001-3067—For support of State Board of Equalization. I reduce this item from \$682,000 to \$648,000.

I am reducing this item by \$34,000 to conform to the action taken in Item 0860-001-0001.

Item 0890-001-0001—For support of Secretary of State. I reduce this item from \$31,970,000 to \$30,699,000 by reducing:

- (6) Reimbursements from -\$7,339,000 to -\$7,030,000;
- (7) Amount payable from the Secretary of State's Business Fees Fund (Item 0890-001-0228) from -\$38,672,000 to -\$37,126,000;
- (8) Amount payable from the Federal Trust Fund (Item 0890-001-0890) from -\$5,629,000 to -\$5,388,000;
- (9) Amount payable from the Victims of Corporate Fraud Compensation Fund (Item 0890-001-3042) from -\$1,626,000 to -\$ 1,557,000;

and by adding:

97.20.001 – Unallocated Reduction -\$3,436,000.

I am reducing this appropriation by 10 percent of the Secretary of State's personal services budget which reflects the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays. I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0890-001-0228—For support of Secretary of State. I reduce this item from \$38,672,000 to \$37,126,000.

I am reducing this item to conform to the action I have taken in Item 0890-001-0001.

Item 0890-001-0890 – For support of Secretary of State. I reduce this item from \$5,629,000 to \$5,388,000.

I am reducing this item to conform to the action I have taken in Item 0890-001-0001.

Item 0890-001-3042 – For support of Secretary of State, I reduce this item from \$1,626,000 to \$1,557,000.

I am reducing this item to conform to the action I have taken in Item 0890-001-0001.

Item 0950-001-0001—For support of the Treasurer. I reduce this item from \$5,116,000 to \$4,538,000 by reducing:

- (1) 100000-Personal Services from \$21,207,000 to \$20,382,000; and
- (5) Amount payable from the Central Service Cost Recovery Fund (Item 0950-001-9740) from -\$1,795,000 to -\$1,548,000.

I am reducing this appropriation to reflect savings in the Treasurer's budget which would normally be expected to occur as a result of the state employee furloughs I ordered, net of the

tentative bargaining agreements reached with Units 1, 3, 4, 11, 14, 15, 17, 20 and 21. Because the Treasurer has declined to participate in the furloughs, I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 0950-001-9740—For support of the Treasurer. I reduce this item from \$1,795,000 to \$1,548,000.

I am reducing this item by \$247,000 to conform to the action I have taken in Item 0950-001-0001.

Item 2660-013-0042—For transfer by the Controller from the State Highway Account, State Transportation Fund, to the Transportation Debt Service Fund to be used as specified in Section 16965 of the Government Code.

I am eliminating this item consistent with the Budget agreement to eliminate the proposed \$0.12 excise tax increase on gasoline and diesel fuel.

Item 2660-302-0042—For capital outlay, Department of Transportation. I reduce this item from \$570,000,000 to \$295,000,000 by reducing:

- (1) 20-Highway Transportation from \$1,795,000,000 to \$1,520,000,000, and
- (a) State Highway Operation and Protection Program (\$1,795,000,000) to (\$1,520,000,000).

I am reducing this item by \$275,000,000 to be consistent with the Budget agreement to eliminate the proposed \$0.12 excise tax increase on gasoline and diesel fuel.

Item 5225-001-0001—For support of Department of Corrections and Rehabilitation. I reduce this item from \$7,287,426,000 to \$6,887,426,000 by adding:

97.20.001-Unallocated Reduction -\$400,000,000

I am reducing this appropriation by \$400,000,000 to reflect savings I expect to be achieved as a result of various reforms and actions implemented by the Secretary of the California Department of Corrections and Rehabilitation. Federal court mandates, employee compensation, rehabilitation programming, and population related costs have contributed to making the Corrections budget one of the fastest growing in state government in recent years. Between 2005-06 and 2007-08, the Corrections budget grew by nearly 30 percent. Savings in this area are necessary to address the fiscal crisis and I will be working with the Legislature to achieve these reductions. These savings will be achieved in a manner that promotes rehabilitation and preserves public safety.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$43,139,000 to \$40,401,000 by reducing:

- (8) Reimbursements from -\$17,258,000 to -\$16,163,000;
 - (9) Amount payable from the Federal Trust Fund (Item 6110-001-0890) from -\$155,590,000 to -\$145,715,000;
 - (10) Amount payable from the Mental Health Services Fund (Item 6110-001-3085) from -\$709,000 to -\$664,000;
- and by adding:

97.20.001-Unallocated Reduction -\$13,753,000

I am reducing this appropriation by 10 percent of the Department of Education's personal services budget which reflects the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays. I am reducing these funds to ensure equity among all executive branch agencies relative to employee compensation levels.

Item 6110-001-0140—For support of Department of Education, Program 20.10.055-Instructional Support, Environmental Education. I reduce this item from \$48,000 to \$45,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-0178—For support of Department of Education, Program 20.30.003-Instructional Support, Schoolbus Driver Instructor Training. I reduce this item from \$1,624,000 to \$1,521,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-0231—For support of Department of Education, Program 20.10.045-Instructional Support, Curriculum Services-Health and Physical Education-Drug Free Schools. I reduce this item from \$990,000 to \$927,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-0687—For support of Department of Education, Program 30.50-Donated Food Distribution. I reduce this item from \$7,483,000 to \$7,008,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$155,590,000 to \$145,715,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-3085—For support of Department of Education. I reduce this item from \$709,000 to \$664,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-001-6057—For support of Department of Education, Program 20.30-Administrative Services. I reduce this item from \$2,778,000 to \$2,602,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-003-0001—For support of Department of Education, Program 20.30.020-Instructional Support, Standardized Account Code Structure. I reduce this item from \$1,178,000 to \$1,103,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-005-0001—For support of Department of Education. I reduce this item from \$38,736,000 to \$36,279,000 by reducing:

- (1) 10.60.040-Instruction from 39,135,000 to 36,678,000;
- (a) 10.60.040.001-School for the Blind, Fremont from 5,644,000 to 5,289,655;
- (b) 10.60.040.002-School for the Deaf, Fremont from 17,979,000 to 16,850,230;
- (c) 10.60.040.003-School for the Deaf, Riverside from 15,512,000 to 14,538,115; and

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6110-008-0046—For support of Department of Education. I reduce this item from \$4,158,000 to \$3,894,000.

I am reducing this item to conform to the action I have taken in Item 6110-001-0001.

Item 6440-001-0001—For support of University of California. I am reducing this item from \$2,896,355,000 to \$2,641,355,000 by reducing:

- (1) Support from \$2,812,859,000 to \$2,557,859,000.

I am reducing this item by an additional \$255,000,000 on a one-time basis to achieve General Fund savings. This unallocated reduction will be offset by federal funds the state will receive as part of the Federal American Recovery and Reinvestment Act. Consequently, this veto will not impact the University's core instructional functions. In addition, the increase in funding for federal Pell Grants contained in the Act will provide further relief to the University.

Item 6610-001-0001—For support of California State University. I am reducing this item from \$2,793,502,000 to \$2,538,502,000 by reducing:

- (1) Support from \$2,793,502,000 to \$2,538,502,000.

I am reducing this item by an additional \$255,000,000 on a one-time basis to achieve General Fund savings. This unallocated reduction will be offset by federal funds the state will receive as part of the Federal American Recovery and Reinvestment Act. Consequently, this veto will not impact the University's core instructional functions. In addition, the increase in funding for federal Pell Grants contained in the Act will provide further relief to the University.

Item SEC. 25.50—State Controller's Office Apportionments Payment System Assessments.

I am revising Control Section 25.50 to conform to the action I have taken in Item 0840-001-0001, as follows:

"SEC. 25.50. Notwithstanding any other provision of law, an amount not to exceed ~~\$841,000~~ ~~\$822,000~~ is hereby appropriated from various funds to the Controller, as specified below, for reimbursement of costs for the ongoing maintenance and support of the Apportionment Payment System:

0046 Public Transportation Account	\$ 18,000	
0062 Highway Users Tax Account	289,000	282,000
0064 Motor Vehicle License Fee Account	16,000	

0330 Local Revenue Fund	95,000	93,000
0877 DMV Local Agency Collection Fund	2,000	
0932 Trial Court Trust Fund	165,000	161,000
0965 Timber Tax Fund	1,000	
0969 Public Safety Account	-255,000	249,000
Total, All Funds	\$841,000	\$822,000

The Controller shall assess these funds for the costs of the Apportionment Payment System because apportionment payments in excess of \$10,000,000 are made annually from these funds. Assessments in support of the expenditures for the Apportionment Payment System shall be made monthly, and the total amount assessed from these funds may not exceed the total expenditures incurred by the Controller for the Apportionment Payment System for the 2009-10 fiscal year.”

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 1 Third Extraordinary Session.

/s/ ARNOLD SCHWARZENEGGER

ARNOLD SCHWARZENEGGER

Arnold Schwarzenegger
Governor

February 20, 2009

State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 2 Third Extraordinary Session.

Item 2660-013-0042—For transfer by the Controller from the State Highway Account, State Transportation Fund, to the Transportation Debt Service Fund to be used as specified in Section 16965 of the Government Code.

I am eliminating this item consistent with the Budget agreement to eliminate the proposed \$0.12 excise tax increase on gasoline and diesel fuel.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 2 Third Extraordinary Session.

/s/ ARNOLD SCHWARZENEGGER

ARNOLD SCHWARZENEGGER